

TOTAL SYSTEM SERVICES, INC.®

1 9 9 9 A N N U A L R E P O R T



opportunity is at hand

C A T C H

FINANCIAL HIGHLIGHTS

(in thousands except per share data)	1999	1998	Percent Change
Years ended December 31,			
Revenues	\$ 533,926	396,194	34.8%
Operating income	100,619	79,343	26.8
Net income	68,593	54,831	25.1
Basic earnings per share	.35	.28	24.5
Diluted earnings per share	.35	.28	24.6
Return on average equity	22.7%	22.3%	
Net profit margin	12.8%	13.8%	
At December 31,			
Total assets	\$ 457,350	348,908	31.1%
Shareholders' equity	334,292	270,354	23.6

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ABOUT TSYS®

TSYS provides the electronic payment link between buyers and sellers. With more than 206 million accounts on file, TSYS makes it possible for 288.6 million consumers to use their credit, debit, commercial and retail cards any time, anywhere and through any medium or portal. Our sophisticated systems collect and retain more transaction detail data per account than any other company. We return that information to our clients in a meaningful way, so they can better serve every

customer and make wiser commerce decisions. Our services allow our clients to focus on building their brands while we focus on safety, security, ease and convenience. Based in Columbus, Georgia, TSYS (www.totalsystem.com) (NYSE: "TSS") is an 80.8 percent owned subsidiary of Synovus Financial Corp. (NYSE: "SNV") (www.synovus.com), No. 5 on FORTUNE magazine's list of "The 100 Best Companies To Work For" in 2000.



Commerce is rising.

This tide of commerce carries
along buyers and sellers
toward a confluence of opportunity;
commerce starts anywhere,
flows anywhere, goes anywhere.
This is a voyage of discovery.
This rising tide of commerce
is more than transactions,
more than data.

Commerce is filled
with countless moments
when possession changes
—the transaction,
a timeless catch,
made possible



by a surprising fusion
of ideas and technology
that makes life's business happen.



That's our business.

A piece
of every catch
in the world...
that's our
opportunity



On the cover: River Scene by Robert Jessup

About the artist: Robert Jessup, an associate professor at the University of North Texas, painted River Scene (oil on canvas, 55" x 77"; 1999) on commission to commemorate the opening of the TSYS Riverfront Campus in Columbus, Georgia. Jessup describes the painting as "a brilliance of color with a sense of charm that brings you into this vaguely mythical world" where elements of the composition suggest—rather than symbolize—themes of cooperation, journey, risk and the exchange of goods and services.

Opportunit-e.

We've put e- in its place. Prefix or suffix notwithstanding, e- is not why we do business, it's how we do business. The people of TSYS have been innovative pioneers in electronic commerce for more than a quarter of a century, since before the company was even incorporated. Long before most people found the Internet, before "dot-com" meant "market cap," TSYS was moving transactions across states by phone lines, across continents by satellites, and now, at the speed of light across fiber optic cables.

Now think about this: Most customers don't buy through the Internet with cash or checks; they use cards—plastic or virtual. That's the business behind business on the Internet, and we do it better than anyone else. Without that framework, e-commerce would be "e-comatose." Now we're extending those lessons ever further, building more and more potential beyond card processing into knowledge management.

Fundamentals.

Trade is the fundamental business we're in: providing the secure, reliable, efficient, invisible link between the world's buyers and sellers. The currency has evolved and so has our business. We started by building a revolutionary framework to support a growing world of electronic transactions. Now, we have the architecture to move and manage massive volumes of data and present information in a way that gives our clients a superior advantage in the marketplace...and in a way that gives their cardholders unparalleled access, service and convenience. Wherever the business goes, we'll still be in the middle of things.

This is the heart of knowledge management.

Value.

As part of one of FORTUNE magazine's "100 Best Companies To Work For", TSYS is also one of the best working companies in America. Over the life of this company, TSYS has consistently offered high returns to shareholders, a 5,583 percent appreciation in 17 years as a publicly traded company. In 1999, TSYS reported its 17th consecutive year of record revenues, net income and earnings per share. Our 1999 earnings increased 25.1 percent over 1998. Now we've revised our 2000 earnings forecast from 15 percent up to 20 percent. If we follow our basic strategies and execute the tactics discussed here, our opportunities for growth are immediate and incredible.

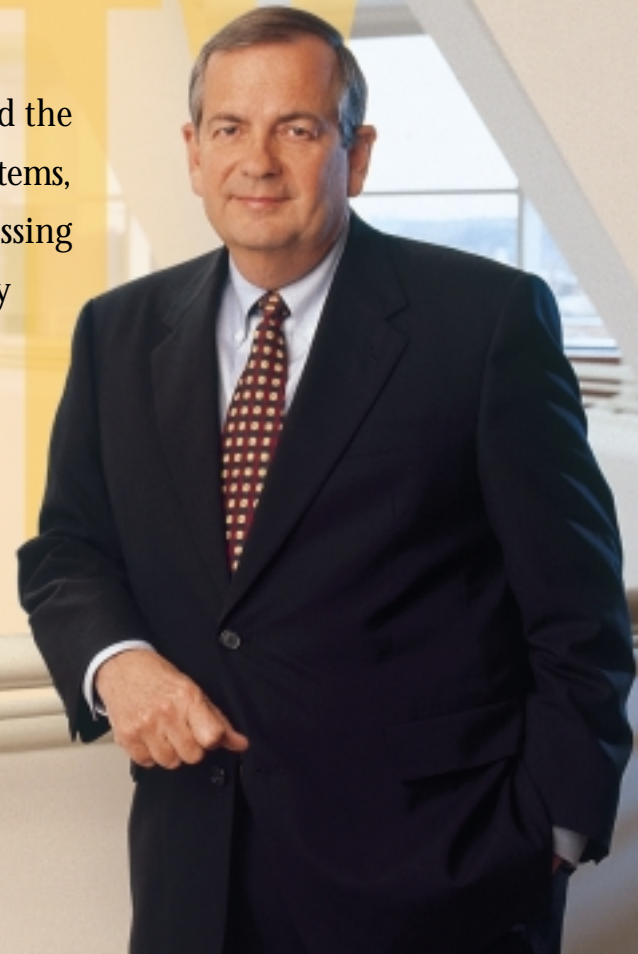
"What's our connection to the Internet?"

Have you ever tried to buy anything through the Web with a check or cash? If shipping companies are the feet for e-commerce, then we are the handshake. We will be the world's safest, most effective electronic connection between buyers and sellers any time goods and services change hands anywhere."

*Philip W. Tomlinson,
President*

Responsive.

We are blurring the lines between the mainframe and the PC to create a new reality. That's the greatness of our systems, the most technologically advanced transaction processing systems in the marketplace today. We offer PC flexibility backed by mainframe power. We provide fully customized solutions to suit the specific needs of individual clients. We are a connection to knowledge, giving our clients access to data that's otherwise useless without the power to interpret it.



What we do...

"Technology today changes at lightning speed. Staying ahead of the rest often takes collaboration—partnership with people who clearly see the future of technology. TSYS is that partner for our clients, offering systems, consultation and service solutions each day."

— Bill Pruett

Processing Systems:

TSYS' revolutionary software systems provide the architecture to move and manage massive volumes of data and present information in a way that gives our clients a superior advantage in the marketplace and their customers unparalleled access, service and convenience.

Consumer Credit

At every step in the account cycle, from initial credit evaluation through customer service, TSYS' TS^{1SM} and TS^{2®} Processing Systems give issuers the most technologically advanced tools needed to compete in today's competitive marketplace. From a spectrum of promotional and incentive programs to Internet and smart card access, our flexible systems can be highly customized to best serve the individual consumer.

Retail and Private Label

TSYS' systems for retail and private-label issuers are uniquely designed for the competitive retail environment. Features include instant application decisioning for bricks and clicks, promotional terms, rebates, points tracking and redemption, SKU-level data itemization, billing options and extended processing hours.

Commercial

TSYS offers the most technologically advanced processing system specifically designed for business-to-business needs for successful, profitable global-scale government and small business programs. TSYS services travel and entertainment, and purchasing and fleet programs with features such as controlled authorizations, smart card functionality, merchant blocking options, flexible billing and detailed reporting via the Internet directly into corporate accounting software.

Merchant Processing

TSYS' merchant processing systems provide international clients with complete acquiring portfolio services including merchant profitability analysis, management reporting, tools to control and prevent fraud and daily settlement. Domestic clients are serviced through Vital Processing Services[®] L.L.C.

Electronic Commerce Services Leader:

Business-to-Consumer

The SureTransactSM family of products, which includes premier products SureServiceSM and SureAppSM, enables clients to offer real-time, online credit applications, decisions, customer service, messaging, bill presentment and payment and digital wallets.

Business-to-Business

The TSYS Business CommerceSM family of products enables clients to better serve their corporate customers with intelligent information by downloading transaction-level detail data directly into corporate general ledger accounts. The online, real-time, sophisticated reporting packages are designed to place control in the hands of business program managers.

Stored-Value Solutions:

With TSYS' Stored-Value SolutionsSM suite of products including **Your!GiftSM**, **Your!MoneySM**, and **Your!ClaimSM**, clients can confidently offer stored-value products such as gift, mall, employment or insurance claim cards with unparalleled functionality and proven product design.

Complementary Services:

Vital Processing Services

A joint venture between Visa U.S.A. and TSYS, Vital Processing Services offers financial institutions that work with merchants fully integrated outsourcing services such as electronic authorization and data capture; Web store-front designs; a secure Internet payment gateway; clearing; billing and reporting; and customer service.

TSYS Total Solutions[®]

TSYS Total Solutions is a complete customer care provider that offers an array of services including inbound and outbound telemarketing, acquisition mailing, application processing, direct mail, correspondence fulfillment, back-office customer service and other mailing services such as laser printing and MICR, response processing and data entry.

This annual report contains forward-looking statements that involve risks and uncertainties that could cause the results of TSYS to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements contained in this annual report include the intent, belief or current expectations of TSYS and members of its senior management team with respect to the success of new products and services and the percentage increase in earnings of TSYS expected for the year 2000, as well as the assumptions upon which such statements are based. These risks include, but are not limited to, the timely development and acceptance of new products and services, the difficulty of keeping expense growth at modest levels

“In our industry, the entire world is the playing field. Our daily challenge is to help our clients deliver tailored solutions to fit every region, every demographic group—every lifestyle.”

— Troy Woods



William A. Pruett (left),
Executive Vice President and
M. Troy Woods,
Executive Vice President

Columbus Productions, Inc.SM

Columbus Productions is a full-service commercial printer that provides exceptional services like inserts, mailers and high-quality printing for TSYS clients and the surrounding community.

TSYS Total Debt ManagementSM

With the most sophisticated software applications in the industry, TSYS Total Debt Management (TDM), a wholly owned subsidiary of Synovus Financial Corp., provides clients with low-cost, high-value, early-out and recovery collections work, bankruptcy process management, legal account management, agency management and skip tracing. TDM sets the standard for the industry with its legal management unit, National Attorney Network, the largest legal collections network in the nation representing retailers, banks and finance companies.

dbADVANTAGE 6.0

Developed with DynaMark and Fair, Isaac, dbADVANTAGE 6.0 is a customized relational database

that combines information management with predictive technology. dbADVANTAGE 6.0 allows segmentation of multiple populations within a portfolio to determine profitability.

TOTAL ACCESS[®]

TOTAL ACCESS is an online relational database that allows users to retrieve, manipulate, sort and compare data any way they wish by creating “what if” scenarios to determine potential outcomes of actions before implementing them, thus saving time and money.

The Tools to Help you Make The Catch...

Marketing:

Rewards and Rebates

Transaction Special Processing[®] (TSP[®]) adds the flexibility that makes it simple to create promotional rebate and reward programs by identifying and processing transactions based on preset parameters. TSP gives our clients incentives and rewards for their consumers that increase marketing opportunities and improve customer loyalty.

Promotional and Performance Pricing

Account-Level Pricing allows unlimited finance rate options for special-rate promotions to attract new customers and stimulate usage with existing cardholders. Account-Level Pricing features include introductory and promotional pricing, performance-based pricing, same-as-cash, installment billing, deferred billing and special merchant purchase rates.

Custom Statement Formatter

Custom Statement Formatter enables clients to economically and efficiently customize messages to individual cardholders and custom format statements with data layouts, fonts and graphics.

Photocards and Picturecards

With TSYS' Picturecards and Photocards, clients enhance and customize cards by adding visual interest and security features.

Fraud Protection and Risk Management:

TSYS CardGuardSM

TSYS CardGuard, TSYS' fraud detection system, transforms fraud analysis from rudimentary exception reporting into a timely, proactive weapon against deception.

TSYS CardGuard features:

- TSYS Transaction Watch – a rules-based scoring engine
- HNC Software – Falcon, Falcon Debit and Falcon Retail
- Nestor – PRISM neural scoring engines
- Fair, Isaac – Fair, Isaac statistical scoring engines and CrediTable

TANDEM Fraud Authorization Strategy Table (F.A.S.T.)

F.A.S.T. treats authorizations in real-time and gives our issuers optimum control over high-risk transactions.

while increasing revenues, lower than anticipated internal growth rates for TSYS' existing customers, the inability of TSYS to grow its business through acquisitions, adverse developments with respect to entering into contracts with new clients and retaining current clients, adverse developments with respect to the successful conversion of clients, adverse developments with respect to the credit card industry in general and overall market conditions. Additional factors that could cause actual results to differ materially from those contemplated in this annual report can be found in TSYS' Securities and Exchange Commission reports, including but not limited to, the quarterly report on 10-Q for the quarter ended September 30, 1999.



James B. Lipham (left),
*Executive Vice President
& Chief Financial Officer and*

Kenneth L. Tye,
*Executive Vice President
& Chief Information Officer*

“As our clients grow, our growth is imminent. By anticipating change, planning ahead, and investing our time, talent and resources wisely, we continue to create excellent shareholder value.”

— Jim Lipham

Card Activation

The TSYS Card Activation system is designed to fit our clients' fraud strategies. Upon receipt of the card, cardholders can call anytime into the TSYS Voice Response Unit, where critical information will be verified automatically.

ACEadvantageSM

Developed by TSYS, ACEadvantage, the optimum solution for credit evaluation and new account implementation, supports the receipt of customer information via the Internet, branch platform, or retail environment for the evaluation of multiple offerings for all products, installment and revolving, for both consumer and commercial business.

DeterminatorSM

Setting no limits for application decisions, Determinator automates decisions often left to an individual by creating highly complex decision scripts to determine optimum product offerings, processing rules, credit limits and pricing for every credit card application.

Portfolio Management:

Fair, Isaac's TRIAD

With TRIAD, consumer and commercial card clients gain a competitive edge in maximizing the profitability of their account portfolio by reducing delinquencies and overlimit accounts and encouraging use among low-risk accounts.

HNC Software Inc.'s ProfitMax

ProfitMax enhances our clients' portfolio management capabilities by enabling portfolio managers to make accurate predictions about future account behavior and profitability using a transaction-based neural model suite.

HNC Software Inc.'s ProfitMax Bankruptcy

ProfitMax Bankruptcy predicts the likelihood of cardholder bankruptcy even before the cardholder is delinquent.

New Account Processing:

ACE[®]

TSYS' Automated Credit Evaluation System (ACE) gives our clients the most advanced solution to automatically evaluate and decision new credit applications online, at the point of sale and via the Internet in a real-time environment.

Online Operation, Training and Documentation Support:

TSeclipseSM

TSeclipse is a graphical interface of detailed, real-time information from the mainframe delivered in a Windows format that uses client business policies to automate processes and decisions so that an operator can provide superior customer interaction and service.

Event Logging and Event Tracking

Event Logging and Event Tracking allow clients to view account maintenance information online in a consistent format and automate the account maintenance recording process.

TSROMSM

TSROM allows clients to receive reports and statement data over the Internet or via compact disc as opposed to microfiche or hard copies.

TSYS Online Bookshelf and TSYS GlobalDoc

TSYS' libraries of system documentation are available for viewing online via the mainframe and over the Internet and include the latest versions of system operation manuals and information bulletins.

“Our clients count on us to do more than ensure that their current business thrives. They also count on us to ensure their success in new lines of business. Each day, we are called upon to create a new path—to provide meaningful information—to see the business through our clients’ eyes. That’s the essence of partnership. That’s what we provide at TSYS.”

—Ken Tye

TS^{Tutor}SM

TS^{Tutor} is a family of Windows-based, multimedia tutorials used to train operators on system procedures and tasks and is available to clients via CD-ROM or computer network.

TSYS Online Help

TSYS Online Help consists of field-specific help windows on every screen in the TS² Processing System. Each help window includes definitions, possible values and examples relevant to the field for which help is requested.

Production Services:

Statement Production

TSYS’ state-of-the-art statement production facility produces millions of fully customized statements for our clients every day using the most advanced technology available. In addition to custom statement formatting, TSYS also offers selective inserting, account messaging based on usage and status, duplicate statements and annual account summary statements to give clients a true marketing and communication tool.

Card Production

TSYS’ card production facility exceeds the highest industry standards for security and quality. We offer full card packaging services to include card embossing with ultra graphics, color photos and pictures, die cut and adhesive card mailers and separate PIN mailers. TSYS also offers immediate emergency card replacement services.

Correspondence

TSYS provides full-service customer correspondence from account solicitation and welcome kits with convenience checks to general correspondence for promotions, marketing, change in terms and delinquency.

Technology for the Future:

In the future, TSYS will offer our clients the most sophisticated processing systems for debit and pre-funded programs and global processing and settlement for issuing and acquiring clients.

- **TSYS Debit Card Processing System**

TSYS’ Debit Services will offer single-point connectivity for ATM/POS switching, gateway processing, ATM driving, PIN and nonPIN-based card management programs. Our system will integrate seamlessly with our clients’ current DDA environments while providing security from the moment of issue through the point of sale—and after.

- **TSYS Stored-Value Solutions Processing SystemSM**

The TSYS Stored-Value Processing System will allow clients to utilize magnetic stripe technology or computer microchips with association-branded or private-label solutions for gift, mall, employment, insurance, medical and other general purpose cards.

- **International**

TSYS’ international capabilities will meet the processing and settlement requirements for issuing and acquiring clients’ global needs. TSYS InterActSM, our interchange settlement system, and TS² master the multicurrency, multilanguage, postal, smart card and other requirements of the ever-changing international society. Our systems will meet Europay MasterCard and Visa specifications and precertification by American Express’ Global Network Services to process American Express transactions. TSYS will allow clients to focus on product differentiation while entering multiple countries with ease.

Each year, there are
more than 33 billion
electronic purchase
transactions made
around the world.

TSYS processes
only 5.3 billion
of those...





We have work to do.

This is how we do it.

KNOWLEDGE MANAGEMENT

We capture and retain more transaction data per account than anyone else in the world. Then we deliver that data in a way that allows clients to make wiser decisions on commerce. That's knowledge management. What use is useless information?

Our knowledge management strategy has three initiatives:



EMERGING
TECHNOLOGIES



DATA AND
TRANSACTION
PROCESSING



GLOBAL
MARKETS

executed through seven tactics:

- ▲ ● Capitalize on the e-commerce revolution
- ▲ ● Expand business-to-business offerings
- ▲ ● Expand merchant service offerings
- ▲ ● Capitalize on outsourcing trends for portfolio management
- ▲ ● Build a competitive advantage in evolving processing technology
- ▲ ● Grow core business
- ▲ ● Drive international expansion

Store information. Connect to knowledge. Make the catch.



THE SEVEN TACTICS



Capitalize on the e-commerce revolution. ■ ▲ ●

In our world, all commerce is digital. Whether it's a credit, debit or other transaction by phone, Internet or in the store, eventually all of these purchases become digital. Every electronic transaction represents an opportunity for growth. The strategy is simple, logical and direct. Create the pathways to fulfill every kind of transaction. Increase the velocity and value of every electronic transaction. Begin with our core functions. Offer those services through Internet conduits—"enabling" it's called. Then expand further and apply those services to new market sectors.

\$1 trillion in commercial Internet spending worldwide by 2003. They will pay with credit cards. Global e-commerce revenue will reach \$1.1 trillion by 2002 and will increase to \$3.2 trillion by 2003.

In 1999, our e-commerce team ushered several client Web sites into production, all while focusing intently on our fundamentals.

We followed our tactical plan, quietly built our architecture and avoided pressure to implement our systems prematurely. We built systems with integrity, designed to endure, an approach that increased our opportunities for

success, assured profitability and did not compromise shareholder value.

We will continue to expand into broader circles by selling our host services to other businesses, even businesses outside the financial services arena and continue to extend our proven ability to manage extremely large volumes of data for clients.

We are strengthening profitable business-to-business commerce options as Internet spending ignites the number and worth of electronic transactions. We also offer innovative business-to-consumer services like a portable and secure electronic wallet with the ease of point-click-complete Internet shopping that also allows Web merchants to uniquely identify their customers as if they just stepped in off the sidewalk.

Expand business-to-business offerings. ■ ▲ ●

More and more business-to-business spending is conducted electronically through the Internet. The credit card—Visa, MasterCard or American Express—is becoming the most viable spending vehicle. We service 86 percent of the U.S. Visa and MasterCard commercial card traffic. Market investors will continue to shift their dollars and attentions from high-flying possibilities to proven performers. They are beginning to recognize the business-to-business arena where commerce is being conducted successfully and profitably. We are in the middle of the revolution.

\$50 billion charged on Visa and MasterCard commercial accounts in 1998. Projected to increase to \$252 billion in 2005. TSYS serves 86% of the U. S. Visa/MasterCard commercial card market. The potential is clear.

In 1999, we created and implemented a new commercial card processing system that uses TS². We also formed a separate and distinct business services division, a unified team that's dedicated solely to anticipating change, taking solutions to the clients and defining the market's direction. Because TSYS collects and retains the most data per account in the industry, we are in the best position to provide our clients with intelligent data and

commerce services that allow them to maximize their business opportunities. TS² allows 24-hour processing to serve international and e-commerce commercial accounts.

The U.S. Federal Government General Services Administration (GSA) recognizes the efficiency of card-based purchasing. As a result, GSA mandated that all federal government spending be conducted electronically. Because no other corporate entity spends as much, the federal government's influence will widely promote suppliers' and vendors' acceptance of the commercial card as a purchasing vehicle. TSYS processes 100 percent of those transactions conducted on 3.2 million cards in the hands of federal employees.

Federal spending is but one example of how the payment services market is evolving. Payment cards will continue to displace checks, cash and other forms of payment. Purchase card usage is projected to explode over the next five years, increasing from more than 6.5 monthly transactions per active account to 12 or more.



EMERGING TECHNOLOGIES



"In our world, all commerce is digital, and TSYS is looking ahead to anticipate the needs of the future. For emerging markets, we constantly seek new ways to offer payment solutions to the marketplace."

— Heather Hughes
Project Manager, TSYS Stored-Value SolutionsSM



DATA AND TRANSACTION
PROCESSING



"Imagine the possibilities of a world where a card with a chip can bridge the gap between you and any industry, whether it's finance, insurance, health or utilities. We stand in the gap."

— *Tony Hodge*
Director, TS² Programming

Expand merchant service offerings. ■ ▲ ●

Imagine all the transactions that take place daily at a merchant location or on a merchant Web site—retail sales are at an all time high and are continuing to grow, especially with the explosion of Internet commerce. TSYS realized the potential to have a piece of every merchant transaction and joined forces with Visa U.S.A. in May of 1996 to form Vital Processing Services®. Vital® is emerging as the world's recognized leader in technology-based commerce enabling services.

\$1.5 billion will be spent on Internet payment processing and software by 2003. Card transactions expected to gain 71% a year through 2003.

On behalf of acquirers (financial institutions that have merchant accounts—like issuers have consumer card accounts), Vital enables merchants to efficiently, reliably and securely facilitate payment transactions for Web-based

merchants, brick-and-mortar merchants or click-and-mortar merchants. Vital expedites merchant payment transactions—from authorizing available funds and capturing all the data for reporting to settling the transaction at the end of the day.

Vital's vision is to go beyond payment transactions—it is to enable commerce with a focus on the Internet. It is a new “e-economy”, and Vital is positioned to be the heart of merchant commerce.

With a new CEO and a significantly stronger leadership team with extensive experience in the merchant acquiring business, Vital has built a long-term growth plan designed to take Vital to the top in 2000 and beyond.

Capitalize on outsourcing trends for portfolio management. ■ ▲ ●

Sooner or later, every customer wants a person-to-person response for his concerns. TSYS Total Solutions®, a wholly owned TSYS subsidiary, has the hardware, software and “humanware” to meet those needs and delight those customers in ways no other provider can.

Companies large and small are depending upon other companies to manage their customer relationships. The recent online purchasing boom also has Internet retailers scrambling to align with expert back-office service providers. Ever-widening access to information through sources

6 billion call center transactions in 1998, up to 10.5 billion transactions in 2003. Total Solutions ranks second among largest inbound telemarketers, 9th among outbound telemarketers.

like the Internet is making customers demand more and more. When they contact a call center, they expect real-time, no-hold, accurate responses. Total Solutions® has well-trained representatives staffing technologically advanced call centers that allow us to become the voice for any company.

Actually, the work at Total Solutions, one of the world's leading customer service providers, transcends mere portfolio management. Total Solutions creates and manages customer relationships. We win new customers. We care for those customers through the entire relationship—whether it's the first phone call or the final collection.

Hundreds of Web-enabled call stations form the link between Total Solutions, the vast caches of information stored with TSYS and the databases of our clients. Our calling stations place responses to virtually every potential customer issue at the operators' fingertips so they can focus on intelligent dialogues instead of procedures. With a technical touch, general customer service calls become cross-selling opportunities.



In 1999, TSYS enhanced its customer care equation with the addition of TSYS Total Debt ManagementSM (a wholly owned subsidiary of Synovus Financial Corp[®]). Total Debt Management provides one of the industry's most successful and sophisticated collections systems, allowing its customers to outsource delinquency and post-charge off collections and provide bankruptcy processing.

Total Solutions is expanding access to TS², the revolutionary TSYS processing system, beyond the boundaries of financial institutions to other market sectors like utilities, telecommunications, insurance and others. Those are industry-to-industry connections that promise opportunities as great as our business-to-business developments discussed earlier. As those environments grow more competitive, more companies will take advantage of our knowledge and take comfort in our experience. We will earn more opportunities to demonstrate our expertise and knowledge in managing extensive customer relationships that require leading-edge data management.

Build a competitive advantage in evolving processing technology. ■ ▲ ●

Today, the future is more than cards. Instead, it's likely to be other programmable instruments like virtual cards, hand-held computers, watches or household accessories that might complement a microprocessor. No matter how it sounds, all services will become more personalized, more detailed and less intrusive. The company that remains focused on building brand identity and fostering strong relationships with customers will win the big game. It will be the world's leading knowledge management company where the best companies will turn to find a distinct competitive advantage.

The plastic "portal in your pocket" will become the gateway for consumers to consolidate the business of their daily lives: credit accounts, checking accounts, payroll, securities, utilities, insurance, health benefits, retirement savings and more. TSYS has assumed a leadership position by joining Global Platform to influence and direct smart card standards. The "smart" card—already widely used in Europe—will bind many of today's disparate industries. And it's another tool to drive all electronic

Stored-value cards will yield 2 billion transactions by 2005. The U.S. gift-giving market (cash, checks, certificates and merchandise) is more than \$1 billion annually.

transactions through the gates of TSYS.

While the smart card harvest is ripening in domestic markets, we are establishing a full-service debit product that will form a foundation on which future PIN-based services will flourish by providing the service to banks, credit unions and nonbank institutions. Consumers prefer this service that's faster, more efficient and more secure than cash. Merchant entities can use the account-level details to obtain powerful marketing information for attracting and retaining consumer households, persuading consumers to use their cards over competitors.

By applying emerging technologies like the stored-value card to the magstripe medium, we are giving institutions new marketing tools and new revenue channels. With or without a banking relationship, we are providing consumers security, convenience and credibility in the marketplace. Stored-value applications already comprise a multibillion-dollar market. Stored-value advantages have drawn the attention of other industries like medical and insurance.

The technology transition is driven by international businesses, foreign governments and large corporate entities, including the U.S. government. Those organizations need a means to protect the large-dollar sums carried in a single transaction—through the Internet or elsewhere—and the chip card represents the highest magnitude of security available today. The European Union requires chip card capabilities for certification, as will MasterCard, Visa and the U.S. GSA.



GLOBAL MARKETS

"Flexibility is key to survival in our marketplace. Today, a company must be nimble—able to adapt anyplace, go anyplace, grow anyplace. That's TSYS. Wherever our clients need us, we're there."

*Jacqueline Broussard
TSYS InterActSM Business Analyst,
TSYS International Services*

Grow core business. ■ ▲ ●

TS² is the hub. When we created this platform, it was the industry's most technologically advanced processing system: robust, nimble, quick-to-market, highly customizable. It's the only product of its kind in the market. In a supermarket of commerce processing options, TS² is the shopping cart that carries each client's selections. We can add or subtract from this incredible menu to suit the specialized needs of issuing banks, retailers, e-tailers or any other kind of company. This kind of unending variation is always current, innovative. TS² will endure.

It's the fill-in-the-blanks nature of TS² that allows TSYS to collect and store more transaction data per account than any other company, then add value to that vast storehouse of information by returning it to clients in a meaningful, useful, profitable manner. TS² remains the center of our seven tactics.

Credit and debit cards will be accepted everywhere and used for ever-smaller purchases. The credit card remains the undisputed champion for online purchasing, representing up to 90% of Internet transactions.

The next stage in our evolution is, in fact, not another system or platform at all. Rather, our team is providing solutions in the form of service, not systems; working as consultants instead of programmers. We're blending our technology into our clients' businesses, giving them solutions that predict and respond to

consumer behaviors. In the end, it's our clients who are creating the most efficient systems for their customers. Our company is transparent, invisible, when we do our jobs well. We are simply giving them knowledge and the tools to use the systems for themselves. We are showing more companies how to tap the potential of their own commerce knowledge by continuing to refine our packaging, presentation and pricing.

TS² is the medium through which we are pushing all commerce spending to the electronic realm. Though almost all electronic purchases are made with a card, more than 60 percent of real-world spending is executed with a check. That's changing in our favor, thanks to the whole package of advantages offered by TS². The changes are clearly evident: in the 1999 holiday season, our core systems processed more than 360 transactions per second, more than one million transactions per hour at the peak.

By its very nature, this system will continue to grow to support the changing environments for commerce. TS² will support whatever new financial instruments those new environments demand, beyond smart cards to digital certificates that can uniquely identify consumers in a faceless electronic environment. Our team will provide all of these services in a way that builds brand identity and customer loyalty for our clients while hastening the widespread acceptance of electronic buying and spending.

Drive international expansion. ■ ▲ ●

For the reasons previously discussed, international expansion spans multiple knowledge management tactics: employing evolving technology, building upon core systems and expanding business-to-business offerings.

TSYS has offered clients beyond North America rich options in a processing system that will function in multiple languages and multiple currencies at once.

2.6 billion credit card consumers globally by 2005. Up 12% a year. \$9 trillion in global charges by 2005. Banks generate 9 out of 10 transactions at merchants worldwide.

TSYS opened an office in the United Kingdom in 1999. This marked our entry to the European marketplace and has prompted plans for our first data center overseas to serve potential clients. With a base in Europe, TSYS is more responsive to the needs of this growing market.

Market demands in Europe are driving innovations at home, like developing certified smart card services with applications in healthcare, government, financial services and more. In the first quarter of 2000, TSYS underwent precertification to process American Express transactions through American Express Global Network Services, another important step toward accepting all genres of electronic payments. TSYS is developing a system that drastically reduces time-to-market in new countries.



As streams of consumers quicken their shift to the electronic marketplace, as economies expand and prosper, as new markets open and new technologies evolve, our opportunity is limited only by the bounds of commerce itself. For those who have missed the opportunity thus far, those who have yet to capitalize on the electronic revolution, we're waiting here for you.

That's the pitch.
It's your turn.
Catch.

"The European payments market presents industry players with great opportunities to expand in an evolving, challenging and growing arena."

— *Bruce Bacon*
Managing Director
TSYS' European Office

Chairman's letter

Dear fellow shareholders,

Can you see it yet? Do you see our potential? Do you see the difference between the card-processing company we once were and the digital commerce company we are? Or the difference between managing a transaction and maintaining a relationship? Our opportunity is no longer defined by the number of card accounts we service. Neither is it defined by Web sites, smart cards or the next electronic innovation that's conceived. Our opportunity lies in the middle—the catch, that fundamental exchange between buyers and sellers that is commerce, that moment when goods and services change hands.

We are the link—the catch—that allows commerce to carry on unfettered—confident, secure, reliable, efficient, profitable. If you see us the way we see us, suddenly you see the boundless potential, virtually unlimited. We have the power—and the talent—to collect all the data that defines commerce, to store it, then to supply it in a way that can be usefully analyzed and interpreted. Our company offers access to intelligent data that can be tapped to retain customers, reduce costs, manage risks and increase profits.

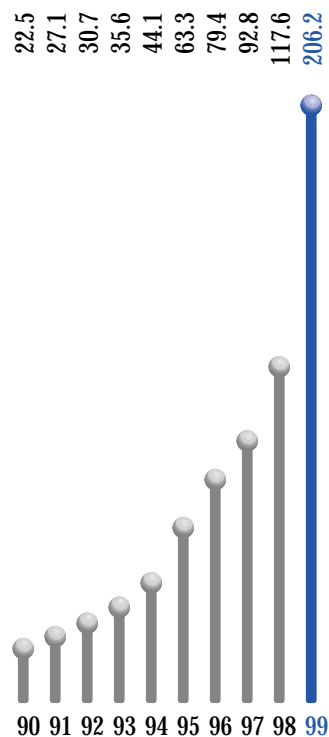
In the third quarter of 1999, we announced our earnings expectations for 2000—15 percent over 1999. Following a robust fourth quarter in 1999, we now believe our net income will increase 20 percent in 2000 over 1999. We believe we can achieve that goal with new contracts and new business now under negotiations and continued emphasis on controlling expenses. We expect record years to continue in 2000 and beyond.

Our company reached some tremendous milestones in 1999. Our team completed the third and final phase of the industry's largest-ever conversion for Sears, Roebuck and Co. in 11 months, and now the entire portfolio of more than 64 million accounts is serviced on TS². That single contract and the conversion campaign that followed made Sears our largest retail client and increased our accounts on file by more than 80 percent. In the first quarter of 2000, Sears also announced it would extend its original multiyear contract by one year until 2010.

Nordstrom National Credit Bank, the renowned department store's card-issuing division, signed a multiyear agreement to process its five million retail cards with TS². Nordstrom's commitment firmly established TSYS as the world's largest processor of retail card transactions. In the last holiday season, TSYS also supported many hundreds of thousands of Nordstrom gift cards on TS².

Our team renewed its multiyear processing agreement with First North American National Bank, the card-issuing subsidiary of Circuit City Stores, Inc., our longest-standing retail client of more than 10 years. Other recent news included a ten-year renewal with Bank of America, one of the world's largest issuers of Visa and MasterCard accounts; a three-year contract with WESTERNBANK, Puerto Rico's

**TOTAL CARDHOLDER
ACCOUNTS AT YEAR-END**
(Millions)



fastest-growing commercial bank; the entrance into Central America with a multi-year contract with Capitalizadora Hondureña S.A. BANCAHSA of Honduras; and the joint signing by TSYS and Total System Services de México S.A. de C.V.® of a contract to process the Mexican retail accounts for C&A, the worldwide fashion retailer based in Holland. TSYS entered Europe in 1999 by opening an office near London. This positions TSYS closer to our prospects, enabling us to develop plans for our European-based data center. In continuing toward our ultimate goal of becoming the global solutions provider for commerce, TSYS underwent recertification in 2000 to process American Express transactions through American Express' Global Network Services.

We executed the early phases of our plans to expand core services through the Internet. I'd like to reemphasize two points many of you have already heard. First, TSYS has been a pioneer in moving data electronically for more than 25 years. At its roots, this Company was built on its ability to move information electronically from point to point. Only the medium has changed. When people refer to e-commerce these days, they mean the Internet. Which brings me to the second point: Internet commerce, as we know it, could not be conducted without some of the groundbreaking systems and technology this company has created or refined. E-buyers, e-tailers and everyone else doing e-business relies on the security and reliability of a card-based infrastructure to move their transactions. Who knows what's next? I do know our technology will continue to evolve even as the payment medium and the buying environment evolve beyond cards, the Internet and into smart technology.

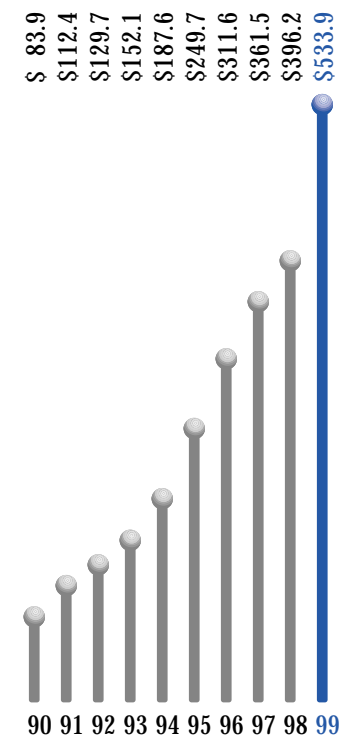
The Internet has become an integral, indispensable element of our business plan. It is the pipeline that delivers our services to a new realm of users—companies that offer instant credit for online purchases through invisible partnerships with TSYS. We're quietly moving all of our commerce business to the Web, and we're making money for our clients and our shareholders as we go. The Internet is also the conduit that will link us for the first time to clients outside the financial services industry—allowing other industries to rely on TSYS Total Solutions to fulfill their customer care functions. Watch for us to continue to find new applications to prove our systems' ever-broader flexibility.

TSYS now manages TSYS Total Debt Management—a highly sophisticated market leader in third-party collections acquired by our parent company, Synovus Financial Corp. With TSYS Total Debt Management, we have effectively enhanced our customer care franchise. Through our family of companies, we now have the ability to manage clients' customer relationships from the first telephone order to the final collection, which positions us to capitalize on outsourcing trends in the customer service sector.



Richard W. Ussery
 Chairman of the Board
 and Chief Executive Officer

REVENUES
 (Millions of Dollars)



I have a few parting words on Y2K: It was a non-event—no massive, widespread failures like those predicted one year ago. We were prepared for a crisis; we developed a contingency plan with more than 6,040 pages in six three-inch binders. Now we can turn all those Y2K problem solvers toward more profitable issues, some of which were discovered during our top-to-bottom Y2K seek-and-find mission.

I am pleased to introduce again the newest members of your board of directors. We are joined by Thomas G. Cousins, chairman and CEO of Cousins Properties Incorporated of Atlanta, one of the country's largest real estate investment trusts and developer of numerous landmarks in Atlanta and the TSYS Riverfront Campus in Columbus. Welcome to Rebecca K. Yarbrough, one of our company's long-standing supporters, a savvy investor and business and civic leader in our Columbus community. Sidney E. Harris joined the board in December 1999; he is dean of Georgia State University's J. Mack Robinson College of Business—Georgia's largest business school—and an expert in entrepreneurship, marketing strategy and electronic commerce. We also welcome Wayne Clough, President of the Georgia Institute of Technology to our board. We believe Dr. Clough's outstanding technological research skills and impeccable reputation will prove invaluable to TSYS' strategic growth.

Kenneth L. Tye, a veteran software development executive, was appointed chief information officer and promoted to executive vice president to direct all technology operations and programming. Ken has served the company for 28 years and led the team that developed TS².

Every team member in our company is eager to meet the challenges that lie ahead. As your stewards, we are grateful for the trust you place with each of us. We will win your confidence anew every day. Thanks for your support.

Sincerely,

Richard W. Ussery
Chairman of the Board and Chief Executive Officer

NET INCOME
(Millions of Dollars)

