

Notes to Consolidated Financial Statements
For the years ended December 31, 2008, 2007 and 2006

1. Summary of Significant Accounting Policies

Description of the Business

Fiserv, Inc. and its subsidiaries (collectively, the “Company”) provide integrated information management and electronic commerce systems and services, including transaction processing, electronic bill payment and presentment, business process outsourcing, document distribution services, and software and systems solutions. The Company’s operations are primarily in the United States and consist of the following business segments: Financial Institution Services (“Financial”), Payments and Industry Products (“Payments”), Insurance Services (“Insurance”) and Corporate and Other. The Financial segment provides banks, thrifts and credit unions with account processing services, item processing services, loan origination and servicing products, cash management and consulting services, and other products and services that support numerous types of financial transactions. The Payments segment provides products and services that address a range of technology needs for the financial services industry, including: Internet banking, electronic bill payment, electronic funds transfer and debit processing, fraud and risk management capabilities, card and print personalization services, check imaging, and investment account processing services for separately managed accounts. In 2008, the Company completed the sale of a 51% interest in substantially all of the businesses in the Insurance segment as discussed in Note 3. The Corporate and Other segment primarily consists of unallocated corporate overhead expenses, amortization of acquisition-related intangible assets and intercompany eliminations.

On January 10, 2008, the Company completed the sale of a majority of its health businesses (“Fiserv Health”) to UnitedHealthcare Services, Inc. The Company also completed the sale of the majority of its Investment Support Services segment (“Fiserv ISS”) to TD AMERITRADE Online Holdings, Inc. on February 4, 2008. The financial results of Fiserv Health, Fiserv ISS and the other dispositions discussed in Note 4 are reported as discontinued operations for all periods presented.

Principles of Consolidation

The consolidated financial statements include the accounts of Fiserv, Inc. and all majority owned subsidiaries. Investments in less than 50% owned affiliates in which the Company has significant influence are accounted for using the equity method of accounting. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

New Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 141 (revised 2007), *Business Combinations* (“SFAS 141(R)”), which replaces SFAS No. 141, *Business Combinations* (“SFAS 141”). SFAS 141(R) generally retains the underlying concepts of SFAS 141 because it requires all business combinations to be accounted for at fair value under the acquisition method of accounting, but it changes how the acquisition method of accounting is applied in a number of significant aspects. Acquisition costs will be expensed as incurred; contingent consideration will be recorded at fair value on the date of acquisition; restructuring costs associated with a business combination will be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and

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income tax uncertainties after the acquisition date will affect the income tax provision. SFAS 141(R) is effective on a prospective basis for all of the Company's business combinations on or after January 1, 2009, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. The Company does not expect that the adoption of SFAS 141(R) will have a material impact on the accounting for business combinations with an acquisition date prior to January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* ("SFAS 160"). SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income. The Company does not expect that the adoption of SFAS 160 will have a material impact on its financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"). SFAS 161 requires specific disclosures about derivative instruments in the financial statements; how derivative instruments are accounted for; and how derivative instruments affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company does not expect that the adoption of SFAS 161 will have a material impact on its financial statements.

Fair Value Measurements

The Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), on January 1, 2008 as it relates to financial assets and liabilities. SFAS 157 is effective for the Company's nonfinancial assets and liabilities on January 1, 2009. The Company does not expect that the adoption of SFAS 157 will have a material impact on its financial statements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements, defines fair value based upon an exit price model, establishes a framework for measuring fair value, and expanded the applicable disclosure requirements. SFAS 157 indicates, among other things, that a fair value measurement assumes that a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

The fair values of cash equivalents, trade accounts receivable, settlement assets and obligations, trade accounts payable, and accrued expenses approximate the carrying values due to the short period of time to maturity. The fair value of long-term debt is described in Note 5 and is estimated using discounted cash flows based on the Company's current incremental borrowing rates or quoted prices in active markets. SFAS 157 established a fair value hierarchy for the pricing inputs used to measure fair value. The Company's other assets and liabilities which are measured at fair value are classified in the following categories:

Level 1 —At December 31, 2008, the fair values of available-for-sale investments in asset-backed securities of \$15 million were based on quoted prices in active markets for identical instruments as of the reporting date.

Level 2 —At December 31, 2008, the fair values of available-for-sale investments in asset-backed securities of \$10 million and liabilities for interest rate hedge contracts of \$138 million were based on valuation models for which pricing inputs were either directly or indirectly observable as of the reporting date.

Level 3 —The Company purchased available-for-sale investments for \$34 million during the first quarter of 2008 and sold \$7 million of these investments in the fourth quarter of 2008. At December 31, 2008, these investments are reported in other long-term assets and were valued at \$24 million based on valuation models with unobservable pricing inputs and management estimates. The unrealized loss of \$3 million was recorded in other comprehensive income during 2008.

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Derivative Instruments

The Company accounts for derivative instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”), as amended and interpreted. Derivative instruments are recorded on the balance sheet as either an asset or liability measured at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative are recognized in earnings. To the extent the hedge is effective, there is an offsetting adjustment to the basis of the item being hedged. If the derivative is designated as a cash flow hedge, the effective portions of the changes in the fair value of the derivative are recorded as a component of accumulated other comprehensive loss and recognized in the consolidated statements of income when the hedged item affects earnings. Ineffective portions of changes in the fair value of hedges are recognized in earnings. The Company’s policy is to enter into derivative financial instruments with creditworthy institutions and not to enter into such instruments for speculative purposes.

Foreign Currency

Foreign currency denominated assets and liabilities, where the functional currency is the local currency, are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rates during the period. Gains and losses from foreign currency translation are recorded as a separate component of accumulated other comprehensive loss.

Revenue Recognition

Processing and services revenues are primarily derived from account and transaction-based fees for data processing, transaction processing, electronic billing and payment services, electronic funds transfer and debit processing services, consulting services and software maintenance fees, and are recognized as the related services are provided. Software maintenance fee revenues for ongoing client support are recognized ratably over the term of the applicable support period, which is generally 12 months. Deferred revenues consist primarily of advance billings for services and are recognized as revenue when the services are provided.

Product revenues are primarily derived from integrated print and card production sales and software licenses. The Company recognizes product revenues, such as software license sales, which represent less than 5% of total revenues, when written contracts are signed, delivery of the product has occurred, the fee is fixed or determinable, and collection is probable. Prior to the Company’s sale of a 51% interest in Fiserv Insurance on July 14, 2008, product revenues also included prescription product revenues which were recognized on a gross basis to include the prescription price.

The Company includes reimbursements from clients, such as postage and telecommunication costs, in processing and services revenue, product revenue, cost of processing and services, and cost of product in accordance with Emerging Issues Task Force No. 01-14, *Income Statement Characterization of Reimbursements Received for ‘Out-of-Pocket’ Expenses Incurred*.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily consist of: salaries, wages and related expenses paid to sales personnel, administrative employees and management; advertising and promotional costs; amortization of certain intangible assets; and other selling and administrative expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments with original maturities of 90 days or less.

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Allowance for Doubtful Accounts

The Company analyzes trade accounts receivable by considering historical bad debts, client creditworthiness, current economic trends, changes in client payment terms and collection trends when evaluating the adequacy of the allowance for doubtful accounts. Any change in the assumptions used in analyzing a specific account receivable may result in an additional allowance for doubtful accounts being recognized in the period in which the change occurs. The allowance for doubtful accounts was \$12 million and \$63 million at December 31, 2008 and 2007, respectively. The decrease was primarily due to the Company's sale of a majority interest in Fiserv Insurance in 2008.

Settlement Assets and Obligations

Settlement assets of \$137 million and \$179 million were included in prepaid expenses and other current assets at December 31, 2008 and 2007, respectively, and settlement obligations of \$134 million and \$177 million were included in accrued expenses at December 31, 2008 and 2007, respectively. Settlement assets and obligations represent amounts receivable from the Company's agents and clients and amounts payable to agents and clients primarily associated with the Company's walk-in bill payment service business. The majority of these assets and obligations result from timing differences between agents collecting funds from consumers making payments and depositing the funds collected into the Company's bank accounts. These timing differences are typically less than seven days. Settlement assets and obligations arise due to the reporting of transactions to clients prior to fulfilling the payment obligation.

Property and Equipment

Property and equipment are reported at cost. Depreciation of property and equipment is computed primarily using the straight-line method over the shorter of the estimated useful life of the asset or the leasehold period, if applicable. Property and equipment consisted of the following at December 31:

<u>(In millions)</u>	<u>Estimated Useful Lives</u>	<u>2008</u>	<u>2007</u>
Land	—	\$ 23	\$ 19
Data processing equipment	3 to 7 years	435	458
Buildings and leasehold improvements	5 to 40 years	164	151
Furniture and equipment	3 to 10 years	<u>154</u>	<u>198</u>
		776	826
Less: accumulated depreciation and amortization		<u>(473)</u>	<u>(456)</u>
Total		<u>\$ 303</u>	<u>\$ 370</u>

Depreciation expense for all property and equipment totaled \$119 million, \$77 million and \$69 million in 2008, 2007 and 2006, respectively.

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Intangible Assets

Intangible assets consisted of the following at December 31:

2008 (In millions)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer related intangible assets	\$ 1,641	\$ 165	\$ 1,476
Acquired software and technology	337	57	280
Trade names	140	9	131
Capitalized software development costs	593	439	154
Purchased software	305	225	80
Total	<u>\$ 3,016</u>	<u>\$ 895</u>	<u>\$ 2,121</u>

2007 (In millions)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer related intangible assets	\$ 1,674	\$ 75	\$ 1,599
Acquired software and technology	410	48	362
Trade names	139	4	135
Capitalized software development costs	558	419	139
Purchased software	276	212	64
Total	<u>\$ 3,057</u>	<u>\$ 758</u>	<u>\$ 2,299</u>

Customer related intangible assets represent customer contracts and relationships obtained as part of acquired businesses and are amortized over their estimated useful lives, generally 10 to 20 years. Acquired software and technology represents software and technology intangible assets acquired as part of acquired businesses and is amortized over their estimated useful lives, generally four to eight years. Trade names determined to have indefinite lives are not amortized, in accordance with the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*, and trade names determined to have finite useful lives are amortized over their estimated remaining useful lives, generally five years. Amortization expense for acquired intangible assets, which include customer related intangible assets, acquired software and technology, and trade names, totaled \$158 million, \$39 million and \$24 million in 2008, 2007 and 2006, respectively. This increase was primarily due to the Company's acquisition of CheckFree Corporation ("CheckFree") in December 2007. The Company estimates that annual amortization expense with respect to acquired intangible assets will be approximately \$150 million in 2009 through 2011 and \$130 million in 2012 and 2013.

Capitalized software development costs represent the capitalization of certain costs incurred to develop new software or to enhance existing software which is marketed externally or utilized by the Company to process client transactions. Costs are capitalized commencing when the technological feasibility of the software has been established. Routine maintenance of software products, design costs and development costs incurred prior to establishment of a product's technological feasibility are expensed as incurred. Capitalized software development costs are amortized over their estimated useful lives which is generally five years. Gross software development costs capitalized for new products and enhancements to existing products totaled \$74 million, \$54 million and \$51 million in 2008, 2007 and 2006, respectively. Amortization of previously capitalized development costs was \$44 million, \$38 million and \$43 million in 2008, 2007 and 2006, respectively.

Purchased software represents software licenses purchased from third parties and is amortized over the estimated useful lives, generally three to five years. Amortization of purchased software totaled \$31 million, \$32 million and \$31 million in 2008, 2007 and 2006, respectively.

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Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired and liabilities assumed in a business combination. The Company reviews, on an annual basis, or more frequently if circumstances indicate possible impairment, the carrying value of goodwill by comparing reporting unit carrying values to estimated fair values. Based on the Company's annual impairment assessment in the fourth quarter of 2008, no impairment was identified. The changes in goodwill during 2008 and 2007 were as follows:

<u>(In millions)</u>	<u>Financial</u>	<u>Payments</u>	<u>Insurance</u>	<u>Total</u>
Goodwill balance—December 31, 2006	\$ 794	\$ 724	\$ 455	\$ 1,973
Acquisitions	<u>475</u>	<u>2,365</u>	<u>(5)</u>	<u>2,835</u>
Goodwill balance—December 31, 2007	1,269	3,089	450	4,808
Acquisitions	32	19	—	51
Sale of businesses	<u>—</u>	<u>—</u>	<u>(450)</u>	<u>(450)</u>
Goodwill balance—December 31, 2008	<u>\$ 1,301</u>	<u>\$ 3,108</u>	<u>\$ —</u>	<u>\$ 4,409</u>

Impairment of Long-Lived Assets

The Company assesses the likelihood of recovering the cost of long-lived assets based on current and projected operating results and cash flows of the related business operations using an undiscounted cash flow analysis. These factors, along with management's plans with respect to operations, are considered whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in assessing the recoverability of property and equipment and intangible assets. Measurement of any impairment loss is based on estimated fair value.

Deferred Financing Costs

The Company has recorded deferred financing costs totaling \$25 million related to its senior term loan and senior notes borrowings. Accumulated amortization was \$7 million and \$1 million at December 31, 2008 and 2007, respectively. Deferred financing costs are reported in other long-term assets and are amortized over the term of the underlying debt using the interest method.

Accrued Expenses

Accrued expenses consisted of the following at December 31:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>
Accrued compensation and benefits	\$ 159	\$ 200
Settlement obligations	134	177
Other accrued expenses	<u>229</u>	<u>220</u>
Total	<u>\$ 522</u>	<u>\$ 597</u>

Income Taxes

The Company accounts for income taxes under SFAS No. 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis and net

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operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance, if necessary, is recorded against deferred tax assets for which utilization of the asset is not likely.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (“FIN 48”), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and provides guidance on derecognition, classification, and interest and penalties. The adoption of FIN 48 did not result in a cumulative adjustment to the Company’s accumulated earnings.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of income taxes, consisted of the following at December 31:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>
Fair market value adjustment on cash flow hedges	\$ (105)	\$ (45)
Foreign currency translation	(8)	5
Unrealized loss on investments	(5)	—
Unrecognized pension losses	<u>(2)</u>	<u>(1)</u>
Total	<u>\$ (120)</u>	<u>\$ (41)</u>

Net Income Per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding during the periods. Diluted net income per share is computed using the weighted-average number of common shares and common stock equivalents outstanding during the periods. Common stock equivalents consist of stock options and restricted stock awards and are computed using the treasury stock method. In 2008, 2007 and 2006, the Company excluded 2.4 million, 1.1 million and 1.0 million weighted-average shares, respectively, for stock options from the calculation of common stock equivalents as their impact was anti-dilutive.

The computation of shares used in calculating basic and diluted net income per common share is as follows:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Weighted-average common shares outstanding used for the calculation of net income per share—basic	162.0	166.6	175.0
Common stock equivalents	<u>1.1</u>	<u>2.2</u>	<u>2.5</u>
Total shares used for the calculation of net income per share—diluted	<u>163.1</u>	<u>168.8</u>	<u>177.5</u>

Supplemental Cash Flow Information

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Interest paid	\$ 252	\$ 62	\$ 42
Income taxes paid (including discontinued operations)	474	236	235
Liabilities assumed in acquisitions of businesses	21	979	32
Note received in sale of businesses	30	—	—

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2. Acquisitions

CheckFree Corporation

On December 3, 2007, the Company acquired CheckFree, a leading provider of electronic commerce services and products, including electronic bill payment and Internet banking, for \$4.4 billion in cash. In the acquisition, each outstanding share of CheckFree common stock was converted into the right to receive \$48 per share. CheckFree has enabled the Company to expand its client relationships with a leading platform in the growing electronic bill payment sector. The combination has enabled the Company to deliver a wider range of integrated product offerings, created new opportunities for growth, enhanced efficiency, and brought new products and services to market.

The purchase price allocation for CheckFree was as follows (in millions):

Cash and cash equivalents	\$ 181
Trade accounts receivable	237
Other current assets	168
Property and equipment	148
Intangible assets	1,764
Goodwill	2,812
Other assets	55
Trade accounts payable and accrued liabilities	(248)
Other current liabilities	(210)
Noncurrent deferred income tax liabilities	(381)
Other long-term liabilities	(105)
Total purchase price	<u>\$ 4,421</u>

The purchase price for CheckFree was paid in cash at closing, except for \$34 million of accrued purchase price which was paid in 2008. During 2008, the Company finalized the purchase price allocation based on the final valuations of intangible assets and an evaluation of assumed liabilities. The final purchase price allocation did not materially change from the preliminary purchase price allocation as of December 31, 2007. The purchase price allocation resulted in goodwill of \$2.8 billion, which is not deductible for tax purposes. The amounts allocated to intangible assets were as follows:

<u>(In millions)</u>	<u>Gross Carrying Amount</u>	<u>Weighted - Average Useful Life (Years)</u>
Customer related intangible assets	\$ 1,369	17.6
Acquired software and technology	314	7.0
Trade name	81	Indefinite
	<u>\$ 1,764</u>	14.1

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The following unaudited supplemental pro forma information presents the Company's results of operations as though the acquisition of CheckFree had occurred on January 1, 2007 and 2006:

<u>(In millions, except per share data)</u>	<u>2007</u>	<u>2006</u>
Total revenues	\$ 4,885	\$ 4,455
Income from continuing operations	325	301
Net income	351	361
Net income per share—basic	\$ 2.10	\$ 2.06
Net income per share—diluted	\$ 2.08	\$ 2.03

The unaudited supplemental pro forma information is not necessarily indicative of the Company's operating results which would have occurred had the acquisition of CheckFree been completed on the assumed dates.

Other Acquisitions

In addition to the acquisition of CheckFree in 2007, net cash paid for other acquisitions was \$51 million, \$120 million and \$169 million in 2008, 2007 and 2006, respectively. The results of operations of all acquired businesses have been included in the accompanying consolidated statements of income from the dates of acquisition. Pro forma information for these other acquisitions is not provided because they did not have a material effect on the Company's results of operations.

3. Sale of Majority Interest in Fiserv Insurance

On July 14, 2008, the Company completed the sale of a 51% interest in substantially all of the businesses in its Insurance segment ("Fiserv Insurance") to Trident IV, LP and due to the sale recognized an after-tax loss of \$0.34 per share. This loss on sale was comprised of a pre-tax loss of \$21 million and income tax expense of \$34 million which was incurred on sale due to a significantly lower tax basis in the stock compared to the book basis of the net assets sold (see Note 6). The Company received net cash proceeds of \$497 million, net of cash sold and transaction expenses, and a \$30 million note due in 2018. The pre-tax loss on sale of \$21 million was determined based on the proceeds received for the sale of the Company's majority interest, including a net working capital adjustment and an estimated contingent liability for retained obligations with final settlement in 2012. The Company's remaining 49% ownership interest in Fiserv Insurance is accounted for using the equity method of accounting whereby the Company's investment was established based on the Company's historical basis and is adjusted for the Company's share of undistributed net income or net loss. The Company's share of Fiserv Insurance's net income is reported as income from investment in unconsolidated affiliate, and the revenues and expenses of Fiserv Insurance after July 14, 2008 are not included in the Company's consolidated statement of income. The Company's consolidated financial statements for all periods prior to July 14, 2008 include the revenues, expenses, assets, liabilities and cash flows of Fiserv Insurance. The Company's investment in and advances to Fiserv Insurance, totaling \$211 million at December 31, 2008, are reported within other long-term assets in the consolidated balance sheet.

4. Dispositions

Fiserv Health

On January 10, 2008, the Company completed the sale of a majority of its health businesses to UnitedHealthcare Services, Inc. for total cash proceeds of \$735 million. In 2008, the Company recognized an after-tax gain on sale of \$100 million, including income taxes of \$220 million, for this transaction.

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Fiserv ISS

In 2007, the Company signed definitive agreements to sell its Investment Support Services segment in two separate transactions. On February 4, 2008, the Company completed the first transaction by selling Fiserv Trust Company and the accounts of the Company's institutional retirement plan and advisor services operations to TD AMERITRADE Online Holdings, Inc. for \$273 million in cash at closing. In 2008, the Company recognized an after-tax gain on sale of \$130 million, including income taxes of \$70 million, for this transaction, which does not include the Company's receipt of an earnout payment expected to be received in 2009.

In the second transaction, Robert Beriault Holdings, Inc., an entity controlled by the current president of Fiserv ISS, has agreed to acquire the remaining accounts and net capital of Fiserv ISS, including the investment administration services business which provides back office and custody services for individual retirement accounts, for net book value. This portion of the Fiserv ISS disposition remains subject to customary closing conditions and regulatory approval from the FDIC.

Other

In 2008 and 2007, the Company completed the sale of two lending businesses in its Financial segment and two insurance businesses which did not result in a significant net gain or loss.

In 2006, the Company recognized a \$7 million after-tax gain for the receipt of a contingent payment related to the Company's sale of its securities clearing businesses which was completed in 2005.

The assets and liabilities, results of operations and cash flows of Fiserv Health, Fiserv ISS and the Company's other dispositions have been reported as discontinued operations in the accompanying consolidated financial statements for all periods presented. Summarized financial information for discontinued operations was as follows for the years ended December 31:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total revenues	\$ 134	\$ 1,124	\$ 1,000
(Loss) income before income taxes	(9)	41	84
Income tax benefit (provision)	3	(16)	(31)
Gain on sale, net of income taxes	<u>229</u>	<u>—</u>	<u>7</u>
Income from discontinued operations	<u>\$ 223</u>	<u>\$ 25</u>	<u>\$ 60</u>

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Assets and liabilities of discontinued operations are presented separately as assets and liabilities of discontinued operations held for sale in the consolidated balance sheets, and consisted of the following at December 31:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 36	\$ 149
Trade accounts receivable, net	9	98
Prepaid expenses and other assets	5	48
Investments	891	1,888
Property and equipment, net	3	25
Intangible assets, net	<u>2</u>	<u>475</u>
Assets of discontinued operations held for sale	<u>\$ 946</u>	<u>\$ 2,683</u>
Trade accounts payable and other liabilities	\$ 2	\$ 201
Retirement account deposits	<u>829</u>	<u>1,911</u>
Liabilities of discontinued operations held for sale	<u>\$ 831</u>	<u>\$ 2,112</u>

As of December 31, 2008, assets and liabilities of discontinued operations held for sale represent those of Fiserv ISS, which acts as a custodian for self-directed individual retirement accounts. Fiserv ISS accepts retirement account deposits from clients and invests the funds in investment grade securities. Such amounts due to clients represent the primary source of funds for Fiserv ISS' investments which, at December 31, 2008 and 2007, consisted of \$818 million and \$1.44 billion, respectively, of mortgage-backed obligations which include GNMA, FNMA and FHLMC government agency mortgage-backed pass-through securities and collateralized mortgage obligations rated AAA by Standard and Poor's, and \$73 million and \$448 million, respectively, of money market mutual funds. Gross unrealized gains and losses on this investment portfolio totaled \$16 million and \$1 million, respectively, at December 31, 2008 and \$3 million and \$63 million, respectively, at December 31, 2007.

5. Long-Term Debt

The Company's outstanding long-term debt was as follows at December 31:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>
Revolving credit facility	\$ 100	\$ 840
Senior term loan	2,250	2,500
Senior notes	1,748	1,998
Other borrowings	<u>7</u>	<u>67</u>
Total debt	4,105	5,405
Less: current maturities	<u>(255)</u>	<u>(510)</u>
Long-term debt	<u>\$ 3,850</u>	<u>\$ 4,895</u>

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The estimated fair value of total debt was \$3.9 billion and \$5.4 billion at December 31, 2008 and 2007, respectively. Annual principal payments required under the terms of the long-term debt agreements were as follows at December 31, 2008 (in millions):

<u>Years ending December 31,</u>	
2009	\$ 255
2010	377
2011	475
2012	2,499
2013	—
Thereafter	499
Total	<u>\$ 4,105</u>

Revolving Credit Facility

The Company maintains a \$900 million unsecured revolving credit facility with a syndicate of banks. The facility bears interest at a variable rate based on LIBOR plus a specified margin or the bank's base rate. There are no significant commitment fees or compensating balance requirements under this facility. The revolving credit facility, as amended, contains various restrictions and covenants that require the Company, among other things, to limit its consolidated indebtedness to no more than a specified multiple (ranging between 3.5 and 4.5) of consolidated net earnings before interest, taxes, depreciation and amortization and certain other adjustments, and to maintain consolidated net earnings before interest, taxes, depreciation and amortization and certain other adjustments of at least three times consolidated interest expense. The facility expires on March 24, 2011. The Company was in compliance with all debt covenants in 2008. The weighted-average variable interest rate on revolving credit facility borrowings was 1.9% at December 31, 2008. At December 31, 2008, the Company's outstanding borrowings on this facility were \$100 million and available borrowings were \$784 million.

Senior Term Loan

In December 2007, the Company borrowed \$2.5 billion under an unsecured senior term loan facility with a syndicate of banks. This term loan bears interest at a variable rate based on LIBOR plus a specified margin or the bank's base rate, and matures in November 2012. A scheduled principal payment of \$250 million is due in December 2009, payments of \$375 million are due in December 2010 and 2011, and the remaining principal of \$1.25 billion is due in November 2012. The weighted-average variable interest rate on the term loan borrowings was 2.1% at December 31, 2008. The term loan facility contains various restrictions and covenants substantially similar to those contained in the revolving credit facility described above.

Senior Notes

In November 2007, the Company issued \$1.25 billion of 6.125% senior notes due in November 2012 and \$500 million of 6.8% senior notes due in November 2017, which pay interest at the stated rate on May 20 and November 20 of each year. The interest rates applicable to these notes are subject to an increase of up to two percent in the event that the Company's credit rating is downgraded below investment grade. The indenture governing the senior notes contains covenants that, among other matters, limit: the Company's ability to consolidate or merge into, or convey, transfer or lease all or substantially all of its properties and assets to, another person; the Company's and certain of its subsidiaries' ability to create or assume liens; and the Company's and certain of its subsidiaries' ability to engage in sale and leaseback transactions.

Notes to Consolidated Financial Statements—Continued
For the years ended December 31, 2008, 2007 and 2006

Interest Rate Hedge Contracts

To manage exposure to fluctuations in interest rates, the Company maintains a series of interest rate swap agreements (“Swaps”) with total notional values of \$1.75 billion and \$1.9 billion at December 31, 2008 and 2007, respectively. The Swaps have been designated by the Company as cash flow hedges, effectively fix interest rates on floating rate term loan borrowings at a weighted-average rate of approximately 4.5% prior to financing spreads and related fees, and have expiration dates through September 2012. The fair values of the Swaps, which totaled \$138 million and \$41 million at December 31, 2008 and 2007, respectively, were recorded as liabilities in the consolidated balance sheets. In 2008 and 2007, interest expense of \$1 million was recognized in each year due to hedge ineffectiveness and, no amounts were excluded from the assessment of hedge effectiveness. Based on the amounts recorded in shareholders’ equity as accumulated other comprehensive loss at December 31, 2008, the Company estimates that it will recognize approximately \$50 million in interest expense during 2009 related to interest rate hedge contracts.

6. Income Taxes

A reconciliation of income tax computed at the statutory federal tax rate to the income tax provision from continuing operations is as follows:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutory federal tax rate	35%	35%	35%
Tax computed at statutory rate	\$ 217	\$ 234	\$ 219
State income taxes, net of federal effect	23	21	20
Basis difference on sale of businesses	41	—	—
Other, net	<u>(2)</u>	<u>1</u>	<u>(3)</u>
Income tax provision	<u>\$ 279</u>	<u>\$ 256</u>	<u>\$ 236</u>

The income tax provision for continuing operations was as follows:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current:			
Federal	\$ 237	\$ 199	\$ 189
State	43	32	29
Foreign	<u>3</u>	<u>5</u>	<u>4</u>
	<u>283</u>	<u>236</u>	<u>222</u>
Deferred:			
Federal	(2)	24	20
State	1	2	—
Foreign	<u>(3)</u>	<u>(6)</u>	<u>(6)</u>
	<u>(4)</u>	<u>20</u>	<u>14</u>
Income tax provision	<u>\$ 279</u>	<u>\$ 256</u>	<u>\$ 236</u>

Notes to Consolidated Financial Statements—Continued
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Significant components of deferred tax assets and liabilities consisted of the following at December 31:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>
Accrued expenses	\$ 67	\$ 55
Interest rate hedge contracts	59	26
Share-based compensation	21	15
Net operating loss and credit carry-forwards	51	76
Other	54	67
Total deferred tax assets	<u>252</u>	<u>239</u>
Software development costs	(54)	(44)
Intangible assets	(634)	(671)
Other	(23)	(27)
Total deferred tax liabilities	<u>(711)</u>	<u>(742)</u>
Total	<u>\$ (459)</u>	<u>\$ (503)</u>

Deferred tax assets and liabilities are reported in the consolidated balance sheets as follows at December 31:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 71	\$ 71
Noncurrent liabilities	(530)	(574)
Total	<u>\$ (459)</u>	<u>\$ (503)</u>

Unrecognized tax benefits were as follows:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>
Unrecognized tax benefits—Beginning of year	\$ 60	\$ 23
Increases for tax positions taken during the current year	11	4
Increases for tax positions taken in prior years	1	4
Assumed in acquisitions	9	32
Settlements with taxing authorities	(1)	(1)
Lapse of the statute of limitations	(3)	(2)
Unrecognized tax benefits—End of year	<u>\$ 77</u>	<u>\$ 60</u>

As of December 31, 2008, unrecognized tax benefits, net of federal and state benefits, of \$38 million and \$5 million would affect the effective tax rate from continuing operations and discontinued operations, respectively, if recognized. Settlements with taxing authorities and lapse of the statute of limitations are expected to total approximately \$19 million in 2009.

The Company classifies interest and penalties related to income taxes as components of its income tax provision. In 2008 and 2007, the income tax provision from continuing operations included \$2 million and less than \$1 million, respectively, related to interest and penalties on unrecognized tax benefits accounted for under FIN 48. Accrued interest and penalties related to unrecognized tax benefits totaled \$18 million and \$15 million as of December 31, 2008 and 2007, respectively.

The Company's federal tax returns for 2004 through 2008 and tax returns in certain states and foreign jurisdictions for 2001 through 2008 remain subject to examination by taxing authorities.

Notes to Consolidated Financial Statements—Continued
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At December 31, 2008, the Company had federal net operating loss carry-forwards of \$73 million, which expire in 2014 through 2027, state net operating loss carry-forwards of \$205 million, which expire in 2009 through 2028, and foreign net operating loss carry-forwards of \$77 million, of which \$18 million expire in 2013 through 2017 and the remainder of which do not expire.

7. Employee Stock and Savings Plans

Stock Plans

The Company recognizes share-based compensation expense for stock options, restricted stock awards, shares received by employees under the Company's employee stock purchase plan and similar awards based on the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment*. The Company recognizes the fair value of share-based compensation awards in cost of processing and services, cost of product and selling, general and administrative expense in its consolidated statements of income on a straight-line basis over the vesting period of the underlying awards.

The Company's share-based compensation primarily consists of the following:

Stock Options —The Company generally grants stock options to employees and non-employee directors at exercise prices equal to the fair market value of the Company's stock on the dates of grant, which are typically in the first quarter of the year. Stock options granted in 2008 generally vest over a three year period beginning on the first anniversary of the grant date and stock options granted prior to 2008 generally vest 20% on the date of grant and 20% each year thereafter. All stock options expire ten years from the date of the award. The Company recognizes compensation expense for the fair value of the stock options over the requisite service period of the stock option award.

Restricted Stock Units —The Company awards restricted stock units to employees and non-employee directors. The Company recognizes compensation expense for restricted stock units based on the market price on the date of award over the period during which the awards vest.

Employee Stock Purchase Plan —The Company maintains an employee stock purchase plan that allows eligible employees to purchase a limited number of shares of common stock each quarter through payroll deductions at 85% of the closing price of the Company's common stock on the last business day of each calendar quarter. The Company recognizes compensation expense related to the 15% discount on the purchase date.

Share-based compensation expense recorded for continuing operations was \$34 million, \$23 million and \$26 million during 2008, 2007 and 2006, respectively. The income tax benefits in income from continuing operations related to share-based compensation totaled \$12 million, \$8 million and \$9 million in 2008, 2007 and 2006, respectively. As of December 31, 2008, the total remaining unrecognized compensation cost related to continuing operations for unvested stock options and restricted stock awards, net of estimated forfeitures, of \$50 million is expected to be recognized over a weighted-average period of 2.8 years.

The weighted-average estimated fair value of stock options granted during 2008, 2007 and 2006 was \$20.56, \$21.07 and \$13.46 per share, respectively. The fair values of stock options granted were estimated on the date of grant using a binomial option-pricing model with the following assumptions:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Expected life (in years)	6.4	6.0	5.0
Average risk-free interest rate	3.2%	4.6%	4.7%
Expected volatility	31.1%	30.7%	30.5%
Expected dividend yield	0%	0%	0%

Notes to Consolidated Financial Statements—Continued
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The Company determined the expected life of stock options using historical data adjusted for known factors that would alter historical exercise behavior including announced retirement dates. The risk-free interest rate is based on the U.S. treasury yield curve in effect as of the grant date. Expected volatility is determined using a weighted-average of implied market volatility combined with historical volatility. The Company believes that a blend of historical volatility and implied volatility better reflects future market conditions and better indicates expected volatility than purely historical volatility.

A summary of stock option activity is as follows:

	Shares (In thousands)	Weighted- Average Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In millions)
Outstanding—December 31, 2007	7,644	\$ 39.15		
Granted	1,453	54.07		
Forfeited	(264)	48.91		
Exercised	(1,908)	36.38		
Outstanding—December 31, 2008	<u>6,925</u>	<u>\$ 42.67</u>	<u>6.0</u>	<u>\$ 12</u>
Exercisable—December 31, 2008	<u>4,409</u>	<u>\$ 37.78</u>	<u>4.5</u>	<u>\$ 12</u>

A summary of restricted stock award activity is as follows:

	Shares (In thousands)	Weighted- Average Grant Date Fair Value
Restricted stock balance, December 31, 2007	623	\$ 46.91
Granted	353	53.28
Forfeited	(65)	53.52
Vested	(223)	49.96
Restricted stock balance, December 31, 2008	<u>688</u>	<u>\$ 48.79</u>

The table below presents additional information related to stock option and restricted stock award activity:

(In millions)	2008	2007	2006
Total intrinsic value of stock options exercised	\$ 30	\$ 71	\$ 44
Cash received from stock option exercises	23	40	22
Gross income tax benefit from the exercise of stock options	11	26	16
Fair value of restricted stock upon vesting	8	1	1

As of December 31, 2008, 8.3 million share-based awards were available for grant under the Fiserv, Inc. 2007 Omnibus Incentive Plan. Under its employee stock purchase plan, the Company issued 0.7 million, 0.6 million and 0.6 million shares in 2008, 2007 and 2006, respectively. As of January 1, 2009, there were 1.1 million shares available for issuance under the employee stock purchase plan.

Notes to Consolidated Financial Statements—Continued
For the years ended December 31, 2008, 2007 and 2006

Employee Savings Plans

The Company and its subsidiaries have defined contribution savings plans covering substantially all employees. Under the plans, eligible participants may elect to contribute a specified percentage of their salaries, subject to certain limitations. The Company makes matching contributions, subject to certain limitations, and makes discretionary contributions based upon the attainment of specified financial results. Beginning in 2009, Company contributions vest after two years of employee service. Company contributions charged to continuing operations under these plans were \$33 million, \$45 million and \$51 million in 2008, 2007 and 2006, respectively.

8. Leases, Commitments and Contingencies

Leases

The Company leases certain facilities and equipment under operating leases. Most leases contain renewal options for varying periods. Future minimum rental payments on operating leases with initial non-cancellable lease terms in excess of one year were due as follows as of December 31, 2008 (in millions):

<u>Years Ending December 31,</u>	
2009	\$ 94
2010	74
2011	58
2012	39
2013	28
Thereafter	<u>44</u>
Total	<u>\$ 337</u>

Rent expense charged to continuing operations for all operating leases was approximately \$127 million, \$97 million and \$97 million during 2008, 2007 and 2006, respectively.

Commitments and Contingencies

Stambler Litigation

In July 2008, Leon Stambler filed a patent infringement complaint against Fiserv, Inc. and its subsidiary, CheckFree Corporation, in the United States District Court for the Eastern District of Texas styled as Leon Stambler v. Fiserv, Inc. and CheckFree Corporation. The complaint alleges that Fiserv and CheckFree infringe two patents allegedly owned by plaintiff by providing secure online banking services, including but not limited to online bill pay, through websites and through the provision of products and services to financial institutions. The plaintiff seeks an award of damages, including interest, as relief for any past and ongoing alleged infringement activities, costs and attorneys' fees, and any other relief deemed appropriate by the court.

In May 2008 and December 2008, Leon Stambler filed related patent infringement complaints in the same forum against a number of financial institutions and their holding companies, as well as against a number of other providers of technology to the financial services industry. Those related cases are styled as: Leon Stambler v. JPMorgan Chase & Co., et al. and Leon Stambler v. Merrill Lynch & Co., Inc., et al. Those complaints allege that the defendants infringe the same two patents by providing secure online banking products and/or services, including but not limited to online bill pay and secure funds transfer products and/or services. The plaintiff seeks an award of damages, including interest, related to defendants' alleged infringing activities and recovery of costs and attorneys' fees, as well as a permanent injunction against any future infringing conduct. A number of financial institution defendants in these cases have requested indemnification from Fiserv, Inc. and/or CheckFree Corporation for products and services provided by the Company.

Notes to Consolidated Financial Statements—Continued
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In its answer to the court, the Company has denied plaintiff's allegations of infringement and intends to contest these suits vigorously. At this time, the Company does not expect these claims to have a material adverse effect on the consolidated financial statements of the Company, but it is unable to predict with certainty the ultimate outcome of these matters.

Other Litigation

In the normal course of business, the Company and its subsidiaries are named as defendants in various other lawsuits in which claims are asserted against the Company. In the opinion of management, the liabilities, if any, which may ultimately result from such lawsuits are not expected to have a material adverse effect on the consolidated financial statements of the Company.

Electronic Payments Transactions

In connection with the Company's processing of electronic payments transactions, funds received from subscribers are invested from the time the Company collects the funds until payments are made to the applicable merchants. These subscriber funds are generally invested in short-term instruments that are guaranteed by the United States government. Subscriber funds, which are not included in the Company's consolidated balance sheets, can fluctuate significantly based on consumer bill payment activity, and totaled approximately \$1.1 billion as of December 31, 2008.

9. Business Segment Information

The Company acquired CheckFree on December 3, 2007. In connection with the integration of CheckFree and the significant expansion of the Company's payments related businesses, along with associated organizational changes, the Company reclassified its reporting segments for all periods presented to align them with how the chief operating decision maker of the Company currently manages the business. As a result, effective January 1, 2008, the Company's operations comprise the Financial, Payments, Insurance and Corporate and Other segments. The Financial segment provides banks, thrifts and credit unions with account processing services, item processing services, loan origination and servicing products, cash management and consulting services, and other products and services that support numerous types of financial transactions. The Payments segment provides products and services that address a range of technology needs for the financial services industry, including: Internet banking, electronic bill payment, electronic funds transfer and debit processing, fraud and risk management capabilities, card and print personalization services, check imaging, and investment account processing services for separately managed accounts. In 2008, the Company completed the sale of a 51% interest in substantially all of the businesses in the Insurance segment. The Corporate and Other segment primarily consists of unallocated corporate overhead expenses, amortization of acquisition-related intangible assets and intercompany eliminations.

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<u>(In millions)</u>	<u>Financial</u>	<u>Payments</u>	<u>Insurance</u>	<u>Corporate and Other</u>	<u>Total</u>
2008					
Processing and services revenue	\$ 1,960	\$ 1,542	\$ 121	\$ (7)	\$ 3,616
Product revenue	184	589	392	(42)	1,123
Total revenues	2,144	2,131	513	(49)	4,739
Operating income	535	579	44	(268)	890
Identifiable assets	2,312	5,712	—	361	8,385
Capital expenditures	96	94	7	2	199
Depreciation and amortization expense	96	88	6	172	362
2007					
Processing and services revenue	\$ 1,848	\$ 594	\$ 227	\$ (1)	\$ 2,668
Product revenue	202	476	577	(26)	1,229
Total revenues	2,050	1,070	804	(27)	3,897
Operating income	515	253	78	(107)	739
Identifiable assets	2,297	5,888	795	183	9,163
Capital expenditures	83	55	10	8	156
Depreciation and amortization expense	90	45	9	42	186
2006					
Processing and services revenue	\$ 1,792	\$ 454	\$ 223	\$ (3)	\$ 2,466
Product revenue	195	409	483	(9)	1,078
Total revenues	1,987	863	706	(12)	3,544
Operating income	421	202	110	(66)	667
Identifiable assets	1,553	1,180	697	83	3,513
Capital expenditures	100	44	15	1	160
Depreciation and amortization expense	95	36	9	27	167

A reconciliation of business segment identifiable assets to the consolidated balance sheets is as follows:

<u>(In millions)</u>	<u>2008</u>	<u>2007</u>
Business segments	\$ 8,385	\$ 9,163
Assets of discontinued operations held for sale	946	2,683
Total assets	<u>\$ 9,331</u>	<u>\$ 11,846</u>

Revenues to clients outside the United States comprised approximately 5%, 5% and 4% of total revenues in 2008, 2007 and 2006, respectively. No single client accounted for more than 5%, 3% or 3% of total revenues in 2008, 2007 and 2006, respectively.

10. Subsidiary Guarantors of Long-Term Debt

Certain of the Company's 100% owned domestic subsidiaries ("Guarantor Subsidiaries") jointly and severally, and fully and unconditionally guarantee the Company's indebtedness under its revolving credit facility, senior term loan, and senior notes. The following condensed consolidating financial information is presented on the equity method and reflects the summarized financial information for (a) the Company; (b) the Guarantor Subsidiaries on a combined basis; and (c) the Company's non-guarantor subsidiaries on a combined basis.