

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended: **September 30, 2002**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **1-10254**



Total System Services, Inc.

(Exact name of registrant as specified in its charter)

Georgia

58-1493818

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1600 First Avenue, Post Office Box 1755, Columbus, Georgia 31902

(Address of principal executive offices)

(Zip Code)

(706) 649-2310

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS _____

OUTSTANDING AS OF: November 13, 2002 _____

Common Stock, \$.10 par value

197,049,470



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TOTAL SYSTEM SERVICES, INC.
Part I – Financial Information
Consolidated Balance Sheets
(Unaudited)

	September 30, 2002	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents (includes \$92.1 million and \$45.9 million on deposit with a related party at 2002 and 2001, respectively)	\$ 117,632,633	55,961,088
Accounts receivable, net of allowance for doubtful accounts and billing adjustments of \$8.3 million and \$5.4 million at 2002 and 2001, respectively	118,131,937	113,318,623
Prepaid expenses and other current assets	41,093,065	37,074,206
Total current assets	<u>276,857,635</u>	206,353,917
Property and equipment, less accumulated depreciation and amortization of \$121.5 million and \$109.3 million at 2002 and 2001, respectively	116,959,563	120,799,905
Computer software, less accumulated amortization of \$137.7 million and \$111.8 million at 2002 and 2001, respectively	187,301,634	170,889,575
Other assets	166,374,262	145,741,354
Total assets	<u>\$ 747,493,094</u>	643,784,751
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,756,086	24,129,727
Accrued salaries and employee benefits	37,022,067	39,687,428
Other current liabilities (includes \$3.0 million and \$2.4 million payable to related parties at 2002 and 2001, respectively)	66,806,453	34,147,121
Total current liabilities	<u>110,584,606</u>	97,964,276
Deferred income tax liabilities	44,982,128	42,650,211
Total liabilities	<u>155,566,734</u>	140,614,487
Minority interest in consolidated subsidiary	2,668,426	2,358,578
Shareholders' equity:		
Common stock - \$.10 par value. Authorized 600,000,000 shares; 197,254,087 and 195,079,087 issued at 2002 and 2001, respectively; 197,049,470 and 194,778,670 outstanding at 2002 and 2001, respectively	19,725,409	19,507,909
Additional paid-in capital	15,559,944	9,360,223
Accumulated other comprehensive loss	(382,384)	(3,455,338)
Treasury stock	(3,316,703)	(3,533,325)
Retained earnings	557,671,668	478,932,217
Total shareholders' equity	<u>589,257,934</u>	500,811,686
Total liabilities and shareholders' equity	<u>\$ 747,493,094</u>	643,784,751

See accompanying Notes to Unaudited Consolidated Financial Statements.

TOTAL SYSTEM SERVICES, INC.
Consolidated Statements of Income
(Unaudited)

	Three months ended September 30,	
	2002	2001
Revenues:		
Electronic payment processing services (includes \$5.1 million and \$8.3 million from related parties for 2002 and 2001, respectively)	\$ 153,169,233	141,564,128
Other services (includes \$1.8 million and \$1.5 million from related parties for 2002 and 2001, respectively)	25,448,484	19,590,470
Revenues before reimbursable items	178,617,717	161,154,598
Reimbursable items (includes \$2.5 million and \$2.5 million from related parties for 2002 and 2001, respectively)	56,314,016	54,993,195
Total revenues	234,931,733	216,147,793
Expenses:		
Salaries and other personnel expense	75,873,555	66,849,672
Net occupancy and equipment expense	43,921,774	41,346,429
Other operating expenses (includes \$2.1 million and \$1.5 million to related parties for 2002 and 2001, respectively)	18,955,110	19,477,994
Loss on disposal of equipment, net	(63,666)	(391)
Expenses before reimbursable items	138,686,773	127,673,704
Reimbursable items	56,314,016	54,993,195
Total expenses	195,000,789	182,666,897
Equity in income of joint ventures	5,262,411	4,602,864
Operating income	45,193,355	38,083,758
Nonoperating income (expense):		
Interest income, net (includes \$336,000 and \$541,000 from related parties for 2002 and 2001, respectively)	720,232	597,700
Minority interest in consolidated subsidiary's net income	(99,922)	(82,133)
Gain (loss) on foreign currency translation, net	2,144,535	16,121
Total nonoperating income	2,764,845	531,688
Income before income taxes	47,958,200	38,615,446
Income taxes	15,611,662	13,157,128
Net income	\$ 32,346,538	25,458,318
Basic earnings per share	\$ 0.16	0.13
Diluted earnings per share	\$ 0.16	0.13
Weighted average common shares outstanding	197,049,470	194,778,566
Increase due to assumed issuance of shares related to stock options outstanding	308,621	934,337
Weighted average common and common equivalent shares outstanding	197,358,091	195,712,903
Cash dividends per common share	\$ 0.0175	0.0150

See accompanying Notes to Unaudited Consolidated Financial Statements.

TOTAL SYSTEM SERVICES, INC.
Consolidated Statements of Income
(Unaudited)

	Nine months ended September 30,	
	2002	2001
Revenues:		
Electronic payment processing services (includes \$14.2 million and \$25.0 million from related parties for 2002 and 2001, respectively)	\$ 441,476,074	410,891,380
Other services (includes \$5.2 million and \$4.9 million from related parties for 2002 and 2001, respectively)	81,074,208	64,769,176
Revenues before reimbursable items	522,550,282	475,660,556
Reimbursable items (includes \$7.4 million and \$7.6 million from related parties for 2002 and 2001, respectively)	173,221,281	177,115,246
Total revenues	695,771,563	652,775,802
Expenses:		
Salaries and other personnel expense	212,612,553	190,652,160
Net occupancy and equipment expense	128,604,310	126,266,071
Other operating expenses (includes \$7.0 million and \$5.6 million to related parties for 2002 and 2001, respectively)	69,112,874	61,038,102
Loss on disposal of equipment, net	(60,799)	93,198
Expenses before reimbursable items	410,268,938	378,049,531
Reimbursable items	173,221,281	177,115,246
Total expenses	583,490,219	555,164,777
Equity in income of joint ventures	14,640,502	12,310,056
Operating income	126,921,846	109,921,081
Nonoperating income (expense):		
Interest income, net (includes \$810,000 and \$2.0 million from related parties for 2002 and 2001, respectively)	2,067,375	2,242,098
Minority interest in consolidated subsidiary's net income	(132,741)	(91,563)
Gain(Loss) on foreign currency translation, net	2,143,451	(25,004)
Total nonoperating income	4,078,085	2,125,531
Income before income taxes	130,999,931	112,046,612
Income taxes	42,409,711	38,617,280
Net income	\$ 88,590,220	73,429,332
Basic earnings per share	\$ 0.45	0.38
Diluted earnings per share	\$ 0.45	0.38
Weighted average common shares outstanding	197,005,655	194,770,776
Increase due to assumed issuance of shares related to stock options outstanding	605,903	878,532
Weighted average common and common equivalent shares outstanding	197,611,558	195,649,308
Cash dividends per common share	\$ 0.050	0.045

See accompanying Notes to Unaudited Consolidated Financial Statements.

TOTAL SYSTEM SERVICES, INC.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended	
	September 30,	
	2002	2001
Cash flows from operating activities:		
Net income	\$ 88,590,220	73,429,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest in consolidated subsidiary's net income	132,741	91,563
Equity in income of joint ventures	(14,640,502)	(12,310,056)
(Gain)Loss on foreign currency translation, net	(2,143,451)	25,004
Depreciation and amortization	44,521,460	40,151,808
Charges for bad debt and billing adjustments	3,405,410	156,557
Charges for transaction processing	5,665,643	(1,311,042)
Deferred income tax expense	2,331,917	6,316,041
(Gain)Loss on disposal of equipment, net	(60,799)	93,198
(Increase) decrease in:		
Accounts receivable	(4,789,733)	(24,521,066)
Prepaid expenses and other assets	7,814,889	911,980
Increase (decrease) in:		
Accounts payable	(15,332,528)	(29,310,680)
Accrued salaries and employee benefits	(2,665,361)	(10,567,346)
Other current liabilities	20,683,155	10,868,550
Net cash provided by operating activities	<u>133,513,061</u>	<u>54,023,843</u>
Cash flows from investing activities:		
Purchase of property and equipment	(9,626,565)	(24,127,157)
Additions to computer software	(42,258,963)	(34,066,439)
Proceeds from disposal of equipment	68,322	962,387
Cash acquired in acquisition of subsidiary	5,557,092	--
Dividends received from joint ventures	17,855,119	10,410,281
Increase in contract acquisition costs	(34,316,924)	(12,709,917)
Net cash used in investing activities	<u>(62,721,919)</u>	<u>(59,530,845)</u>
Cash flows from financing activities:		
Dividends paid on common stock	(9,324,147)	(8,277,257)
Proceeds from exercise of stock options	204,550	264,365
Net cash used in financing activities	<u>(9,119,597)</u>	<u>(8,012,892)</u>
Net increase (decrease) in cash and cash equivalents	\$ 61,671,545	(13,519,894)
Cash and cash equivalents at beginning of year	55,961,088	80,071,895
Cash and cash equivalents at end of year	<u>\$ 117,632,633</u>	<u>66,552,001</u>
Cash paid for interest (net of capitalized amounts)	\$ 5,909	30,749
Cash paid for income taxes (net of refunds received)	<u>\$ 25,418,973</u>	<u>22,086,953</u>

Significant noncash transaction: In January 2002, the Company acquired TSYS Total Debt Management, Inc. through the issuance of 2,175,000 shares of common stock with a market value of \$43.5 million.

[See accompanying Notes to Unaudited Consolidated Financial Statements.](#)

TOTAL SYSTEM SERVICES, INC.
Notes to Unaudited Consolidated Financial Statements

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements represent the accounts of Total System Services, Inc.[®] (TSYS[®]); its wholly owned subsidiaries, Columbus Depot Equipment CompanySM (CDECSM), Columbus Productions, Inc.SM (CPI), TSYS Canada, Inc.SM (TCI) and TSYS Total Debt Management, Inc. (TDM); and its majority owned foreign subsidiary, GP Network Corporation (GP Net). These financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. All adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for a fair presentation of financial position and results of operations for the periods covered by this report have been included. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and related notes appearing in the Company's 2001 annual report previously filed on Form 10-K.

Note 2 - Supplementary Balance Sheet Information

Cash and cash equivalent balances are summarized as follows:

	<u>September 30, 2002</u>	<u>December 31, 2001</u>
Cash and cash equivalents in domestic accounts	\$ 88,188,352	\$ 45,998,283
Cash and cash equivalents in foreign accounts	25,361,931	9,962,805
Restricted cash	3,867,635	-
Total	<u>\$ 117,632,633</u>	<u>\$ 55,961,088</u>

Significant components of prepaid expenses and other current assets are summarized as follows:

	<u>September 30, 2002</u>	<u>December 31, 2001</u>
Contract acquisition costs:		
Payments for processing rights, net	\$ 11,223,887	\$ 9,244,092
Conversion costs, net	5,675,697	2,655,865
Prepaid expenses	7,535,925	10,634,921
Other	16,657,556	14,539,328
Total	<u>\$ 41,093,065</u>	<u>\$ 37,074,206</u>

Significant components of other assets are summarized as follows:

	<u>September 30, 2002</u>	<u>December 31, 2001</u>
Contract acquisition costs:		
Payments for processing rights, net	\$ 77,725,320	\$ 62,151,758
Conversion costs, net	22,269,683	13,031,517
Equity investments, net	48,309,037	51,566,564
Other	18,070,222	18,991,515
Total	<u>\$ 166,374,262</u>	<u>\$ 145,741,354</u>

Notes to Unaudited Consolidated Financial Statements (continued)

Amortization related to payments for processing rights, which is recorded as a reduction of revenues, was \$2.7 million and \$1.8 million for the three months ended September 30, 2002 and 2001, respectively. Amortization related to payments for processing rights was \$7.7 million and \$3.9 million for the nine months ended September 30, 2002 and 2001, respectively.

Amortization expense related to conversion costs, which is recorded in other operating expenses, was \$805,000 and (\$1.4 million) for the three months ended September 30, 2002 and 2001, respectively. Amortization expense related to conversion costs was \$2.3 million and (\$262,000) for the nine months ended September 30, 2002 and 2001, respectively.

The Company had certain contractual obligations related to the timing and accuracy of conversions. The Company estimated the potential liability and recorded it as a contra asset against prepaid conversion costs. During the third quarter of 2001, the obligations were either met through completed conversions, or expired, resulting in the Company adjusting a \$2.0 million accrual. As a result, amortization expense in the third quarter of 2001 was negative.

Significant components of other current liabilities are summarized as follows:

	<u>September 30, 2002</u>	<u>December 31, 2001</u>
Customer postage deposits	\$ 18,653,849	\$ 19,065,119
Transaction processing provisions	9,173,499	7,291,441
Other	38,979,105	7,790,561
Total	<u>\$ 66,806,453</u>	<u>\$ 34,147,121</u>

Note 3 - Comprehensive Income

Comprehensive income for TSYS consists of net income and foreign currency translation adjustments recorded as a component of shareholders' equity.

Comprehensive income for the three months ended September 30 is as follows:

	<u>2002</u>	<u>2001</u>
Net income	\$ 32,346,538	\$ 25,458,318
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax	<u>70,458</u>	<u>2,060,336</u>
Comprehensive income	<u>\$ 32,416,996</u>	<u>\$ 27,518,654</u>

Comprehensive income for the nine months ended September 30 is as follows:

	<u>2002</u>	<u>2001</u>
Net income	\$ 88,590,220	\$ 73,429,332
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax	<u>3,072,954</u>	<u>(733,879)</u>
Comprehensive income	<u>\$ 91,663,174</u>	<u>\$ 72,695,453</u>

Notes to Unaudited Consolidated Financial Statements (continued)

The income tax effects allocated to and the cumulative balance of accumulated other comprehensive loss are as follows:

	Balance at December 31, 2001	Pretax amount	Tax benefit	Balance at September 30, 2002
Foreign currency translation adjustments	(\$3,455,338)	4,863,556	(1,790,602)	(\$382,384)

Note 4 – Segment Reporting and Major Customers

The Company reports selected information about operating segments in accordance with Statement of Financial Accounting Standards No. 131 (SFAS 131). With the Company's expansion in Europe and its strategic decision to further expand its business internationally, combined with the integration of its business process management and e-commerce subsidiaries, the Company revised its segment information in the first quarter of 2002 to reflect the information that the chief operating decision makers (CODMs) use to make resource allocation and strategic decisions. The CODMs at TSYS consist of the chief executive officer, the president and the four executive vice presidents.

Through online accounting and electronic payment processing systems, Total System Services, Inc. provides electronic payment processing services and other related services to card-issuing institutions in the United States, Mexico, Canada, Honduras, Europe and the Caribbean. The reportable units are segmented based upon geographic locations. Domestic-based processing services include electronic payment processing services and other services provided from the United States. Domestic-based processing services segment includes the financial results of TSYS, excluding its foreign branch offices, and the following subsidiaries: CDEC, CPI and TDM. International-based processing services include electronic payment processing services and other services provided outside the United States. International-based processing services include the financial results of TCI, GP Net and TSYS' branch offices in Europe and Japan.

Operating Segments	Domestic-based processing services	International-based processing services	Consolidated
At September 30, 2002			
Identifiable assets	\$ 744,763,982	94,673,451	\$ 839,437,433
Intersegment eliminations	(91,896,058)	(48,281)	(91,944,339)
Total assets	\$ 652,867,924	94,625,170	\$ 747,493,094
At December 31, 2001			
Identifiable assets	\$ 643,615,591	91,657,540	\$ 735,273,131
Intersegment eliminations	(91,419,159)	(69,221)	(91,488,380)
Total assets	\$ 552,196,432	91,588,319	\$ 643,784,751
Three Months Ended September 30, 2002			
Total revenue	\$ 218,518,035	16,701,468	\$ 235,219,503
Intersegment revenue	(1,413)	(286,357)	(287,770)
Revenue from external customers	\$ 218,516,622	16,415,111	\$ 234,931,733
Equity in income of joint ventures	\$ 5,044,508	217,903	\$ 5,262,411

Notes to Unaudited Consolidated Financial Statements (continued)

Operating Segments	Domestic-based processing services	International-based processing services	Consolidated
Three Months Ended September 30, 2001			
Segment operating income	\$ 44,442,867	750,488	\$ 45,193,355
Income taxes	\$ 14,741,649	870,013	\$ 15,611,662
Net income	\$ 30,824,024	1,522,514	\$ 32,346,538
Three Months Ended September 30, 2001			
Total revenue	\$ 204,074,918	12,309,518	\$ 216,384,436
Intersegment revenue	(2,351)	(234,292)	(236,643)
Revenue from external customers	\$ 204,072,567	12,075,226	\$ 216,147,793
Equity in income of joint ventures	\$ 4,178,767	424,097	\$ 4,602,864
Segment operating income	\$ 40,210,023	(2,126,265)	\$ 38,083,758
Income taxes	\$ 14,001,751	(844,623)	\$ 13,157,128
Net income	\$ 26,783,584	(1,325,266)	\$ 25,458,318
Nine Months Ended September 30, 2002			
Total revenue	\$ 648,407,623	48,444,035	\$ 696,851,658
Intersegment revenue	(4,269)	(1,075,826)	(1,080,095)
Revenue from external customers	\$ 648,403,354	47,368,209	\$ 695,771,563
Equity in income of joint ventures	\$ 13,961,588	678,914	\$ 14,640,502
Segment operating income	\$ 124,508,206	2,413,640	\$ 126,921,846
Income taxes	\$ 40,763,003	1,646,708	\$ 42,409,711
Net income	\$ 86,033,798	2,556,422	\$ 88,590,220
Nine Months Ended September 30, 2001			
Total revenue	\$ 633,386,216	20,188,566	\$ 653,574,782
Intersegment revenue	(4,892)	(794,088)	(798,980)
Revenue from external customers	\$ 633,381,324	19,394,478	\$ 652,775,802
Equity in income of joint ventures	\$ 10,733,399	1,576,657	\$ 12,310,056
Segment operating income	\$ 124,177,828	(14,256,747)	\$ 109,921,081
Income taxes	\$ 43,938,604	(5,321,324)	\$ 38,617,280
Net income	\$ 82,408,970	(8,979,638)	\$ 73,429,332

Revenues for domestic-based processing services include electronic payment processing services and other services provided from the United States to clients based in the United States or other countries. Revenues from international-based processing services include electronic payment processing services and other services provided outside the United States to clients based predominantly outside the United States.

Notes to Unaudited Consolidated Financial Statements (continued)

The following geographic area data represent revenues for the three and nine months ended September 30, 2002 and 2001, respectively, based on the geographic locations of customers.

(Dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
United States	\$ 197.0	189.2	592.1	590.6
Europe	13.7	10.2	39.8	12.1
Canada	12.0	9.7	32.6	30.1
Mexico	7.3	4.1	20.4	11.3
Japan	2.7	2.4	7.6	7.2
Other	2.2	0.5	3.3	1.5
Totals	\$ 234.9	216.1	695.8	652.8

The Company maintains property and equipment in the United States, Europe, Canada and Japan. The following geographic area data represent net property and equipment balances by region:

(Dollars in millions)	At September 30,	At December 31,
	2002	2001
United States	\$ 94.4	98.7
Europe	21.0	20.9
Canada	0.1	0.1
Japan	1.5	1.1
Totals	\$ 117.0	120.8

Major Customers

For the three months ended September 30, 2002, the Company had two major customers which accounted for approximately 31.4%, or \$73.5 million, of total revenues. For the three months ended September 30, 2001, TSYS had two major customers that accounted for 36.7%, or \$79.2 million, of total revenues. Revenues from major customers for the periods reported are attributable to the domestic-based processing services segments.

Revenue (Dollars in millions)	Three Months Ended September 30,					
	2002			2001		
	Dollars	% of Total Revenues		Dollars	% of Total Revenues	
One	\$ 42.6	18.2 %		\$ 38.9	18.0 %	
Two	30.9	13.2		40.3	18.7	
Totals	\$ 73.5	31.4 %		\$ 79.2	36.7 %	

Notes to Unaudited Consolidated Financial Statements (continued)

For the nine months ended September 30, 2002, the Company had two major customers which accounted for approximately 33.4%, or \$232.3 million, of total revenues. For the nine months ended September 30, 2001, TSYS had two major customers that accounted for 37.1%, or \$242.0 million, of total revenues. Revenues from major customers for the periods reported are attributable to the domestic-based processing services segments.

Revenue (Dollars in millions)	Nine Months Ended September 30,					
	2002			2001		
	Dollars	% of Total Revenues		Dollars	% of Total Revenues	
One	\$ 133.1	19.1 %		\$ 120.5	18.5 %	
Two	99.2	14.3		121.5	18.6	
Totals	\$ 232.3	33.4 %		\$ 242.0	37.1 %	

Note 5 - Supplementary Cash Flow Information

Cash flows used in additions to computer software for the nine months ended September 30, 2002 and 2001 are summarized as follows:

	September 30, 2002	September 30, 2001
Purchased programs	\$ 20,686,317	\$ 25,811,213
Developed software	21,572,646	8,255,226
Total	\$ 42,258,963	\$ 34,066,439

Cash flows used in additions to contract acquisition costs for the nine months ended September 30, 2002 and 2001 are summarized as follows:

	September 30, 2002	September 30, 2001
Payments for processing rights	\$ 22,941,138	\$ 3,844,447
Conversion costs	11,375,786	8,865,470
Total	\$ 34,316,924	\$ 12,709,917

Note 6 - Recent Accounting Pronouncements

As a result of the Financial Accounting Standards Board's (FASB's) Emerging Issues Task Force 01-14 (EITF 01-14), formerly known as Staff Announcement Topic D-103, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred," the Company has included reimbursements received for out-of-pocket expenses as revenue. Historically, TSYS has not reflected such reimbursements in its consolidated statements of income. The largest reimbursement expenses for which TSYS is reimbursed by clients are postage and express courier charges.

EITF 01-14 was adopted by the Company on January 1, 2002. Upon application of EITF 01-14, comparative financial statements for prior periods have been reclassified to provide consistent presentation.

Notes to Unaudited Consolidated Financial Statements (continued)

In July 2001, the FASB issued Statement No. 141 (SFAS 141), "Business Combinations," and Statement No. 142 (SFAS 142), "Goodwill and Other Intangible Assets." SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocable to an assembled workforce may not be accounted for separately. The Company adopted the provisions of SFAS 141 July 1, 2001, the effect of which was not significant.

SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company adopted SFAS 142 January 1, 2002.

At September 30, 2002, the Company has unamortized goodwill in the amount of \$3.6 million. As a result of implementing SFAS 142, the Company incurred no amortization expense of goodwill during the three and nine months ended September 30, 2002, respectively. Amortization expense related to goodwill was \$214,000 and \$642,000 for the three and nine months ended September 30, 2001, respectively.

The Company's transitional and annual impairment analyses of its unamortized goodwill balance did not result in any impairment.

In June 2001, the FASB issued Statement No. 143 (SFAS 143), "Accounting for Asset Retirement Obligations," which addresses accounting and reporting for asset retirement costs of long-lived assets resulting from legal obligations associated with acquisition, construction, or development transactions. The Company plans to adopt SFAS 143 in the first quarter of fiscal year 2003. Management does not anticipate the expected obligation to have a significant impact upon the Company's financial condition or results of operations as a result of adopting SFAS 143.

In October 2001, the FASB issued SFAS 144, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS 144 supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary.

SFAS 144 improves financial reporting by requiring that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and by broadening the presentation of discontinued operations to include more disposal transactions.

Notes to Unaudited Consolidated Financial Statements (continued)

The Company adopted SFAS 144 on January 1, 2002. The adoption of SFAS 144 did not have a material effect on the Company's financial condition or results of operations.

In April 2002, the FASB issued Statement No. 145 (SFAS 145), "Rescission of FASB Statements No. 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 updates, clarifies and simplifies existing accounting pronouncements. SFAS 145 requires that in certain circumstances previous items classified as extraordinary that do not meet the criteria in Opinion 30 must be reclassified. The Statement is effective for fiscal years beginning after May 15, 2002. Management does not expect the adoption of SFAS 145 to have a material effect on the Company's financial condition or results of operations.

In July 2002, the FASB issued Statement No. 146 (SFAS 146), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred, as opposed to when the entity commits to an exit plan under EITF No. 94-3. The Statement is effective prospectively for exit or disposal activities initiated after December 31, 2002. Management does not anticipate that SFAS 146 will have a material impact on the Company's financial condition or results of operations.

Note 7 – Commitments and Contingencies

At December 31, 2001, a prospective client of the Company had a loan balance of \$7.5 million with Columbus Bank and Trust Company, which TSYS agreed to guarantee. In April 2002, the remaining balance of the loan to CB&T was repaid.

Note 8 – Reclassification

Certain reclassifications have been made to the 2001 financial statements to conform to the presentation adopted in 2002.

Note 9 – Acquisition

Effective January 1, 2002, TSYS acquired TSYS Total Debt Management, Inc. (TDM) from Synovus Financial Corp. in exchange for 2,175,000 newly issued shares of TSYS common stock with a market value of \$43.5 million. TDM provides third-party collection services which expands and complements the Company's product offerings. TDM operates as a separate subsidiary of TSYS.

Because the acquisition of TDM was a transaction between entities under common control, the Company is reflecting the acquisition at historical cost in accordance with SFAS 141 and is reflecting the results of operations of TDM in the Company's financial statements beginning January 1, 2002.

The Company has not restated periods prior to 2002 for this transaction because such restatement is not significant to the Company's financial statements.

Notes to Unaudited Consolidated Financial Statements (continued)

Presented below are the pro forma consolidated results of TSYS' operations for the three months and nine months ended September 30, 2002 and 2001, respectively, as though the acquisition of TDM had occurred at the beginning of 2001. This pro forma information is based on the historical financial statements of TDM. Pro forma results do not include any actual or anticipated cost savings or expenses of the planned integration of TSYS and TDM, and are not necessarily indicative of the results which would have occurred if the business combination had been in effect on the dates indicated, or which may result in the future.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues	\$ 234,931,733	220,219,164	695,771,563	665,124,480
Net income	32,346,538	25,693,039	88,590,220	74,269,748
Basic earnings per share	0.16	0.13	0.45	0.38
Diluted Earnings per share	0.16	0.13	0.45	0.38

Note 10 – Subsequent Event: ProCard, Inc. Acquisition

On November 1, 2002, TSYS completed the acquisition of ProCard, Inc. (ProCard) from its majority shareholder, Synovus, for \$30.0 million in cash. ProCard is a leader in customized, Internet, Intranet and client/server software solutions for commercial card management programs. Due to the technological nature of the business, TSYS has assisted in the management of ProCard since Synovus acquired it in May 2000. Revenues associated with ProCard's business will be recorded in electronic payment processing services and will be classified in domestic-based processing services for segment reporting.

Because the acquisition of ProCard was a transaction between entities under common control, the Company is reflecting the acquisition at historical cost in accordance with SFAS 141. In accordance with the provisions of SFAS 141, TSYS will restate its financial statements for the periods that Synovus controlled both ProCard and TSYS.

TOTAL SYSTEM SERVICES, INC.
**Item 2 - Management's Discussion and Analysis of Financial
Condition and Results of Operations**

Financial Review

This Financial Review provides a discussion of critical accounting policies, related party transactions, and off-balance sheet arrangements. This Financial Review also discusses the results of operations, financial condition, liquidity and capital resources of TSYS and outlines the factors that have affected its recent earnings, as well as those factors that may affect its future earnings.

Critical Accounting Policies

TSYS' (The Company's) financial position and results of operations are impacted by the accounting policies the Company has adopted. In order to get a full understanding of the Company's financial statements, one must have a clear understanding of the accounting policies employed.

Risks and Uncertainties and Use of Estimates: Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, lower than anticipated growth from existing customers, an inability to attract new customers and grow internationally, an inability to grow through acquisitions or successfully integrate acquisitions, an inability to control expenses, technology changes, financial services consolidation, increased regulatory mandates, a decline in the use of cards as a payment mechanism, a decline in the financial stability of the Company's customers and uncertain economic conditions. Negative developments in these or other risk factors could have a material adverse effect on the Company's financial position and results of operations.

The Company has prepared the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. In preparing financial statements, it is necessary for management to make assumptions and estimates affecting the amounts reported in the consolidated financial statements and related notes. These estimates and assumptions are developed based upon all information available. Actual results can differ from estimated amounts.

A summary of the Company's critical accounting policies follows:

Accounts Receivable: Accounts receivable balances are stated net of allowances for doubtful accounts and billing adjustments of \$8.3 million and \$5.4 million at September 30, 2002 and December 31, 2001, respectively. The allowance represents 6.5% and 4.5% of total accounts receivable at September 30, 2002 and December 31, 2001, respectively. TSYS' client base mainly consists of financial institutions and other card issuers such as major retailers. Historically, the majority of the Company's account receivable balances have been current and the number of days outstanding is low.

TSYS records allowances for doubtful accounts when it is probable that the accounts receivable balance will not be collected. When estimating the allowances for doubtful accounts, the Company takes into consideration such factors as its day-to-day knowledge of the financial condition of specific customers, the industry and size of its customers, the overall composition of its accounts receivable aging, prior history with specific customers of accounts receivable write-offs and prior

Critical Accounting Policies (continued)

history of allowances in proportion to the overall receivable balance. This analysis includes an on going and continuous communication with its largest customers and those customers with past due balances. A financial decline of any one of these large customers could have an adverse and material effect on collectibility of receivables and thus the adequacy of the allowance for doubtful accounts.

Increases in the allowance for doubtful accounts are recorded as bad debt expense and are reflected in other operating expenses in the Company's consolidated statements of income. Write-offs of uncollectible accounts are charged against the allowance for doubtful accounts.

TSYS records allowances for billing adjustments for actual and potential billing discrepancies. When estimating the allowance for billing adjustments, the Company considers its overall history of billing adjustments, as well as its history with specific customers and known disputes. Increases in the allowance for billing adjustments are recorded as a reduction of revenues in the Company's consolidated statements of income and actual adjustments to invoices are charged against the allowance for billing adjustments.

Revenue Recognition: The Company's electronic payment processing revenues are derived from long-term processing contracts with banks and other institutions and are recognized as revenues at the time the service is performed. Electronic payment processing revenues are generated primarily from charges based on the number of accounts billed, transactions and authorizations processed, statements mailed, and other processing services for cardholder accounts on file. Most of these contracts have prescribed minimums. The terms of contracts generally range from three to ten years in length.

The Company's other service revenues are derived from recovery collections work, bankruptcy process management, legal account management, skip tracing, printing activities and customer relationship management services, such as call center activities for card activation and balance transfer requests. The contract terms for these services are generally shorter in nature. Revenue is recognized on these other services either on a per unit or a fixed price basis. The Company uses the percentage of completion method of accounting for its fixed price contracts.

Contract Acquisition Costs: The Company capitalizes contract acquisition costs related to signing or renewing long-term contracts. These costs, primarily consisting of cash payments for rights to provide processing services and internal conversion and software development costs, are amortized using the straight-line method over the contract term beginning when the client's cardholder accounts are converted to the system and generating revenues. All costs incurred prior to contract execution are expensed as incurred.

The amortization of contract acquisition costs associated with cash payments is recorded net of revenues in the Company's consolidated statements of income. The amortization of contract acquisition costs associated with conversion activity is recorded as other operating expenses in the Company's consolidated statements of income. The Company evaluates the carrying value of contract acquisition costs for impairment for each customer on the basis of whether these costs are fully recoverable from expected undiscounted net operating cash flows of the related contract. The determination of expected undiscounted net operating cash flows requires management to make estimates.

Critical Accounting Policies (continued)

These costs may become impaired with the loss of a contract, the financial decline of a customer, termination of conversion efforts after a contract is signed, diminished prospects for current customers or if the Company's estimates of future cash flows differ from actual results. Capitalized contract acquisition costs are classified in prepaid expenses and other current assets and in other assets.

Software Development Costs: The Company develops software that is used in providing electronic payment processing and other services to clients. Software development costs are capitalized once technological feasibility of the software product has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning, designing, coding and testing activities that are necessary to determine that a product can be produced to meet its design specifications, including functions, features and technical performance requirements. Capitalization of costs ceases when the product is available to customers for general use. The Company evaluates the unamortized capitalized costs of software development as compared to the net realizable value of the software product which is determined by projected future undiscounted net cash flows. The amount by which the unamortized software development costs exceed the net realizable value is written off. Software development costs are amortized using the greater of (1) the straight-line method over its estimated useful life (which ranges from 3-10 years) or (2) the ratio of current revenues to total anticipated revenue over its useful life.

Software development costs may become impaired in situations where development efforts are abandoned due to the viability of the planned project becoming doubtful or due to technological obsolescence of the planned software product.

Transaction Processing Provisions: The Company has made certain estimates to accrue for contract contingencies (performance penalties) and processing errors. A significant number of the Company's contracts with large customers contain service level agreements which can result in TSYS incurring performance penalties if such service levels are not met. When providing for these accruals, the Company takes into consideration such factors as the prior history of performance penalties and processing errors incurred, contractual penalties inherent in the Company's contracts, progress towards meeting milestones and performance penalties and known processing errors not covered by insurance.

These accruals are included in other current liabilities in the accompanying consolidated balance sheets. Increases and decreases in transaction processing provisions are charged to other operating expenses in the Company's consolidated statements of income and payments for performance penalties and processing errors are charged against the accrual.

Impairment of Long-lived Assets and Intangibles: The Company evaluates the recoverability of property and equipment, and other long-lived assets, by comparing the carrying amount of the asset against the estimated undiscounted net cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the asset being evaluated, the Company uses fair

Critical Accounting Policies (continued)

value in determining the amount of impairment loss that should be recorded. The determination of undiscounted net operating cash flows requires management to make estimates.

Equity Investments: TSYS' 49% investment in Total System Services de Mexico, S.A. de C.V. (TSYS de Mexico), a bankcard data processing support operation located in Mexico, is accounted for using the equity method of accounting, as is TSYS' 50% investment in Vital Processing Services L.L.C. (Vital), a merchant processing operation headquartered in Tempe, Arizona.

Income Taxes: Income taxes reflected in TSYS' consolidated financial statements are computed based on the taxable income of TSYS as if TSYS were a stand-alone tax paying entity. A consolidated federal income tax return is filed for Synovus and its majority owned subsidiaries, including TSYS.

The Company accounts for income taxes in accordance with the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income 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. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Income tax provisions require the use of management judgments, which are subject to challenge by various taxing authorities. Estimates relate to the determination of taxable income, the determination of temporary differences between book and tax bases, as well as anticipated tax credits and related provisions.

Related Party Transactions

The Company provides electronic payment processing services and other services for its parent company, Synovus Financial Corp. (Synovus), and its affiliates, and for Vital. The services are performed under contracts that are similar to its contracts with other customers. The Company believes the terms and conditions of transactions between the Company and these related parties are comparable to those which could have been obtained in transactions with unaffiliated parties. The Company's margins with respect to related party transactions are comparable to margins recognized in transactions with unrelated third parties. The financial statement amounts related to these transactions are disclosed on the face of TSYS' consolidated financial statements.

Off-Balance Sheet Arrangements

Operating Leases: As a method of funding its operations, TSYS employs noncancelable operating leases for computer equipment, software and facilities. These leases allow the Company to provide the latest technology while avoiding the risk of ownership because of potential rapid technological obsolescence. Neither the assets nor liabilities related to these leases are included on the balance sheet. Alternatively, the Company discloses the amount of operating expense associated with these agreements for each period including future cash obligations with respect to such arrangements. One of the Company's most significant leases is its synthetic lease used to finance its corporate campus.

Off-Balance Sheet Arrangements (continued)

Synthetic Lease: In 1997, the Company entered into an operating lease agreement with a special purpose entity (SPE) for the Company's corporate campus. The business purpose of the SPE was to provide a means of financing the Company's corporate campus. The assets and liabilities of the SPE consists solely of the cost of the building and the loans from a consortium of banks. The cost of the building and the outstanding principal balance of the debt included on the financial statements of the SPE both approximate \$93.5 million. The lease, which is guaranteed by Synovus, provides for substantial residual value guarantees. The amount of the Company's residual value guarantee relative to the assets under this lease is approximately \$81.4 million. In accordance with current accounting principles, no asset or obligation is recorded on the Company's consolidated balance sheets.

The terms of this lease financing arrangement require, among other things, that the Company maintain certain minimum financial ratios and provide certain information to the lessor. TSYS is also subject to interest rate risk associated with the lease on its campus facilities because of the short-term variable rate nature of the SPE's debt. The payments under the operating lease arrangement, which can be locked in for six month intervals, are tied to the London Interbank Offered Rate (LIBOR) plus a margin ranging from 45 basis points to 135 basis points. In the event that LIBOR rates increase, operating expenses could increase proportionately.

The campus lease expires November 2002. The Company has the option to either renew the lease subject to prevailing market rates or purchase the property at its original cost. The Company is in the process of renewing the lease for a period up to 12 months. Under the proposed 12-month renewal, payments under the operating lease arrangement will be tied to the LIBOR plus a margin ranging from 95 basis points to 185 basis points. The Company is currently evaluating its financing alternatives for 2003 after the renewal period expires but expects to refinance in a manner in which operating expenses are estimated to increase.

If the Company elects to purchase the property from the SPE, such funds would be used to repay the SPE loan facility. The Company has several options available for financing the purchase of the property. Sources of financing may include short-term and/or long-term borrowings from financial institutions or the issuance of equity or debt securities.

Results of Operations

The following table sets forth certain revenue and expense items as a percentage of total revenues and the percentage increases or decreases in those items for the three months ended September 30, 2002 and 2001:

	Percentage of Total Revenues		Percentage Change in Dollar Amounts
	<u>2002</u>	<u>2001</u>	<u>2002 vs. 2001</u>
Revenues:			
Electronic payment processing services	65.2 %	65.5 %	8.2 %
Other services	10.8	<u>9.1</u>	29.9
Revenues before reimbursable items	76.0	74.6	10.8
Reimbursable items	24.0	<u>25.4</u>	2.4
Total revenues	100.0	<u>100.0</u>	8.7
Expenses:			
Salaries and other personnel expense	32.3	30.9	13.5
Net occupancy and equipment expense	18.7	19.1	6.2
Other operating expenses	8.0	<u>9.1</u>	(2.7)
Expenses before reimbursable items	59.0	59.1	8.6
Reimbursable items	24.0	<u>25.4</u>	2.4
Total expenses	83.0	<u>84.5</u>	6.8
Equity in income of joint ventures	2.2	<u>2.1</u>	14.3
Operating income	19.2	17.6	18.7
Nonoperating income	1.2	<u>0.3</u>	nm
Income before income taxes	20.4	17.9	24.2
Income taxes	6.6	<u>6.1</u>	18.7
Net income	13.8 %	<u>11.8</u> %	27.1 %

nm = not meaningful

Results of Operations (continued)

The following table sets forth certain revenue and expense items as a percentage of total revenues and the percentage increases or decreases in those items for the nine months ended September 30, 2002 and 2001:

	Percentage of Total Revenues		Percentage Change in Dollar Amounts
	<u>2002</u>	<u>2001</u>	<u>2002 vs. 2001</u>
Revenues:			
Electronic payment processing services	63.4 %	63.0 %	7.4 %
Other services	11.7	9.9	25.2
Revenues before reimbursable items	75.1	72.9	9.9
Reimbursable items	24.9	27.1	(2.2)
Total revenues	100.0	100.0	6.6
Expenses:			
Salaries and other personnel expense	30.6	29.2	11.5
Net occupancy and equipment expense	18.5	19.3	1.9
Other operating expenses	9.9	9.5	13.2
Expenses before reimbursable items	59.0	58.0	8.5
Reimbursable items	24.9	27.1	(2.2)
Total expenses	83.9	85.1	5.1
Equity in income of joint ventures	2.1	1.9	18.9
Operating income	18.2	16.8	15.5
Nonoperating income	0.6	0.3	91.9
Income before income taxes	18.8	17.1	16.9
Income taxes	6.1	5.9	9.8
Net income	12.7 %	11.2 %	20.6 %

Revenues

Total revenues increased \$18.8 million, or 8.7%, and \$43.0 million, or 6.6%, during the three and nine months ended September 30, 2002, respectively, compared to the same periods in 2001. Excluding reimbursable items, revenues increased \$17.5 million, or 10.8%, and \$46.9 million, or 9.9%, during the three and nine months ended September 30, 2002, respectively, compared to the same periods in 2001. TSYS' revenues are derived from providing electronic payment processing and related services to banks and other institutions, generally under long-term processing contracts. TSYS' services are provided through the Company's cardholder systems, TS2 and TS1, to financial institutions and other organizations throughout the United States, Mexico, Canada, Honduras, the Caribbean and Europe. The Company currently offers merchant services to financial institutions and other organizations in Japan through its majority owned subsidiary, GP Net, and through its joint venture, Vital Processing Services, LLC (Vital).

Results of Operations (continued)

Due to the seasonal nature of credit card transactions, TSYS' revenues and results of operations have generally increased in the fourth quarter of each year because of increased transaction and authorization volumes during the traditional holiday shopping season. Furthermore, growth in card portfolios of existing clients, the conversion of cardholder accounts of new clients to the Company's processing platforms, and the loss of cardholder accounts impact the results of operations from period to period. Another factor, among others, which may affect TSYS' revenues and results of operations from time to time is the sale by a client of its business, its card portfolio or a segment of its accounts to a party which processes cardholder accounts internally or uses another third-party processor.

Processing contracts with large clients, representing a significant portion of the Company's total revenues, generally provide for discounts on certain services based on the size and activity of clients' portfolios. Therefore, electronic payment processing revenues and the related margins are influenced by the client mix relative to the size of client card portfolios, as well as the number and activity of individual cardholder accounts processed for each client. Consolidation among financial institutions has resulted in an increasingly concentrated client base, which results in a changing client mix toward larger clients. Consolidation in the financial services and retail industries could favorably or unfavorably impact TSYS' financial condition and results of operations in the future.

The Company experienced a drop in transaction and authorization volumes on September 11, 2001 and the following weeks as a result of the terrorist attacks. In the ensuing weeks, those processing volumes returned to normal levels as consumers resumed their daily activities. TSYS did not experience any material financial impact as a result of the September 11th attacks, although TSYS did experience a delay by potential clients with regards to pursuing processing agreements as those clients focused on matters such as disaster recovery and other internal processes. TSYS believes that potential clients are now evaluating outsourcing arrangements.

Electronic Payment Processing Services

Revenues from electronic payment processing services increased \$11.6 million, or 8.2%, and \$30.6 million, or 7.4%, for the three and nine months ended September 30, 2002, respectively, compared to the same periods in 2001. Electronic payment processing revenues are generated primarily from charges based on the number of accounts billed, transactions and authorizations processed, statements mailed, credit bureaus requested, cards embossed and mailed, and other processing services for cardholder accounts on file. Cardholder accounts on file include active and inactive consumer credit, retail, debit, stored value, student loan and commercial card accounts. Due to the number of cardholder accounts processed by TSYS and the expanding use of cards as well as increases in the scope of services offered to clients, revenues relating to electronic payment processing services have continued to grow.

The Company provides services to its clients including processing consumer, retail and commercial cards. Consumer cards include Visa and MasterCard credit and debit cards as well as American Express and stored value cards. Retail cards include private label and gift cards. Commercial cards include purchasing cards, corporate cards and fleet cards for employees. The following table summarizes TSYS' accounts on file by portfolio type:

Results of Operations (continued)

Accounts on File by Type (in millions)	September 30, 2002		September 30, 2001		% Change
	Number	%	Number	%	
Consumer	141.0	59.8	117.4	55.2	20.1
Retail	75.4	32.0	77.4	36.5	(2.6)
Commercial	19.4	8.2	17.6	8.3	10.1
Total	235.8	100.0	212.4	100.0	11.0

Average cardholder accounts on file for the three months ended September 30, 2002 were 231.8 million, an increase of approximately 10.0% over the average of 210.7 million for the same period in 2001. Average cardholder accounts on file for the nine months ended September 30, 2002 were 228.4 million, an increase of approximately 12.7% over the average of 202.7 million for the same period in 2001. Cardholder accounts on file at September 30, 2002 were 235.8 million, a 11.0% increase compared to the 212.4 million accounts on file at September 30, 2001. The change in cardholder accounts on file from September 2001 to September 2002 included the deconversion and purging of 11.0 million accounts, the addition of approximately 22.2 million accounts attributable to the internal growth of existing clients, and approximately 12.2 million accounts for new clients.

TSYS expects to continue expanding its market share in the consumer, retail and commercial card arenas. The Company's future growth in consumer cards is dependent upon new clients, international expansion and continued internal growth of clients' portfolios.

In April 2002, the Company announced that it had entered into a five-year agreement with Accenture valued in excess of \$120 million to provide processing services for the U.S. Department of Education. TSYS began processing origination loans for the Department of Education on April 26, 2002, and is currently processing 3.9 million accounts. The agreement also involves converting all existing student accounts to TSYS' new stand-alone platform during several phases. The conversion phases are scheduled to be completed in the third quarter of 2003, and TSYS estimates it should have a total of 9 million accounts after completion of these conversions.

TSYS is positioned as a major third-party processor of retail cards. Traditional retail card operations are beginning to increase the activity of their card portfolios by converting inactive accounts to Visa/MasterCard consumer cards. TSYS is able to provide its extensive bankcard processing tools and techniques, as well as value-added functionality, to traditional retail card operations allowing better segmentation and potentially increased profitability for customers. TSYS does not receive as much revenue from retail cards, on a per account basis, as it does for consumer cards because consumer cards traditionally generate more transactions. Retail cards are generally limited to a particular location or retail chain. Consumer cards are widely accepted at numerous retail outlets.

TSYS' largest retail client has converted approximately 15.0 million accounts of its portfolio from traditional retail accounts to consumer accounts since September 2001. The same retail client has purged approximately 1.5 million inactive retail accounts on file.

Results of Operations (continued)

In January 2002, TSYS announced the signing of a multiyear agreement to process 13 million Fashion Bug private-label card accounts for Charming Shoppes, Inc., one of the leading specialty apparel retailers in America. During the second and third quarters of 2002, Charming Shoppes purged approximately 6 million inactive accounts on file.

TSYS has a dominant market share position in the domestic Visa and MasterCard commercial card processing arena. Future growth in this area is dependent upon increased card activity with more purchasing by businesses being transacted electronically and additional firms realizing the benefits of converting their paper-based purchasing systems to electronic transactions using commercial cards.

TSYS provides processing services to its clients worldwide. TSYS plans to continue to expand its service offerings to other countries in the future. The following table summarizes TSYS' accounts on file by area based on the geographic domicile of processing clients:

Accounts on File by Area (in millions)	September 30, 2002		September 30, 2001		% Change
	Number	%	Number	%	
Domestic	206.5	87.6	185.8	87.5	11.2
Foreign	29.3	12.4	26.6	12.5	10.0
Total	235.8	100.0	212.4	100.0	11.0

In 2000, the Company announced the signing of The Royal Bank of Scotland Group plc (RBS) and Allied Irish Banks plc (AIB) to multiyear processing agreements. The portfolios of both clients were fully converted by the middle of the third quarter of 2001. With the completed conversions of RBS and AIB, TSYS became the leading third-party international processor.

On August 6, 2002, TSYS announced the signing of a 10-year processing agreement with CIBC to process more than 5 million Visa accounts. The portfolio will be converted in early 2003 to TS2. In a separate agreement, TSYS announced in January 2002 that it would process the new "entourage" line of American Express products for CIBC, including Canada's first nationwide chip card. TSYS has supported other CIBC card products since 1994.

The Company's electronic payment processing service revenues are also impacted by the use of value added products and services of TSYS' processing systems by clients. Value added products and services are optional features each client can choose to subscribe to in order to potentially increase the financial performance of its portfolio. Value added products and services include: risk management tools and techniques, such as credit evaluation, fraud detection and prevention, and behavior analysis tools; and revenue enhancement tools, such as loyalty programs and bonus rewards. For the three months ended September 30, 2002 and 2001, value added products and services represented 13.3% and 12.4%, or \$31.3 million and \$26.9 million, of total revenues, respectively. For the nine months ended September 30, 2002 and 2001, value added products and services represented 12.7% and 11.8%, or \$88.5 million and \$76.7 million, of total revenues, respectively. Revenues from value added products and services increased 16.5%, or \$4.4 million, for the three months ended September 30, 2002, compared to the same period in 2001. Revenues from value added products and services increased 15.4%, or \$11.8 million, for the nine months ended September 30, 2002, compared to the same period in 2001. In 2001, the Company changed its accounting policy for recognizing revenue for one of the value added products and services it offers clients. The Company was

Results of Operations (continued)

recognizing revenue one month in arrears. Due to historical data the Company has accumulated over a set amount of time, the Company determined that it now can estimate its current monthly revenue with some precision. During the nine months ended September 30, 2001, the Company recognized, as a result of the change, ten months of revenue, or an additional \$1.4 million, for this one value added product and service.

Other Services

Revenues from other services consist primarily of revenues generated by TSYS' wholly owned subsidiaries. Revenues from other services increased \$5.9 million, or 29.9%, in the third quarter of 2002, compared to the third quarter of 2001. Revenues from other services increased \$16.3 million, or 25.2%, for the first nine months of 2002, compared to the same period in 2001. The majority of the increase in revenues is the result of the acquisition of TSYS Total Debt Management, Inc. (TDM) from Synovus Financial Corp. on January 1, 2002. TDM provides recovery collections work, bankruptcy process management, legal account management and skip tracing. Because the acquisition of TDM was a transaction between entities under common control, the Company is reflecting the acquisition at historical cost in accordance with SFAS 141 and is reflecting the results of operations of TDM in the Company's financial statements beginning January 1, 2002. The Company has not restated periods prior to 2002 because such restatement is not significant to the Company's financial statements. The Company's revenues from other services, excluding the effect of TDM, were comparable in the 2002 periods to the 2001 periods.

For the three and nine months ended September 30, 2002, TDM's revenues were approximately \$4.7 million and \$15.1 million, respectively. Other services revenues related to call center and business process management were approximately the same for the third quarter of 2002 compared to the same period last year.

Reimbursable Items

As a result of the Financial Accounting Standards Board's (FASB's) Emerging Issues Task Force 01-14 (EITF 01-14), formerly known as Staff Announcement Topic D-103, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred," the Company has included reimbursements received for out-of-pocket expenses as revenue. Historically, TSYS has not reflected such reimbursements in its consolidated statements of income. The largest reimbursement expenses for which TSYS is reimbursed by clients, are postage and express courier charges. Reimbursable items increased \$1.3 million, or 2.4%, for the three months ended September 30, 2002, as compared to the same period last year. Reimbursable items decreased \$3.9 million, or 2.2%, for the nine months ended September 30, 2002, as compared to the same period last year. The decrease is the result of certain clients decreasing mailing activities, such as the reissuance of cards, and the loss of certain clients. The majority of reimbursable items relate to the Company's domestic based clients.

Major Customers

A significant amount of the Company's revenues is derived from long-term contracts with large customers, including certain major customers. For the three months ended September 30, 2002, the Company had two major customers. The two major customers for the quarter ended September 30, 2002 accounted for approximately 31.4%, or \$73.5 million, of total revenues. For the three months ended September 30, 2001, TSYS had two major customers that accounted for 36.7%, or

Results of Operations (continued)

\$79.2 million, of total revenues. The two major customers for the nine months ended September 30, 2002 accounted for approximately 33.4%, or \$232.3 million, of total revenues. For the nine months ended September 30, 2001, TSYS had two major customers that accounted for 37.1%, or \$242.0 million, of total revenues. The loss of one of the Company's major customers, or other significant customers, could have a material adverse effect on the Company's financial condition and results of operations.

In October 2001, the Company announced it had signed a 10-year extension to its long-term credit card processing agreement with one of its major customers, Providian Financial Corporation (Providian), which included a cash payment for processing rights of \$12.7 million.

In late 2001 and in 2002, Providian made several announcements regarding concerns about its financial status, related changes in management and the sale of a portion of its portfolio. As a result of these announcements, TSYS management is actively monitoring Providian's financial status through frequent interaction with Providian's senior management.

During the second quarter of 2002, Providian contracted with TSYS to perform back-up servicing in the case of default (trigger event) on its Gateway Master Trust portfolio. Based on contact with Providian's senior management, TSYS does not anticipate that the trigger event will occur. The revenues generated from providing back-up servicing for Providian will not have a material impact upon TSYS' results operations.

Operating Expenses

Total expenses increased 6.8% and 5.1% for the three and nine months ended September 30, 2002, respectively, compared to the same periods in 2001. Excluding reimbursable items, total expenses increased 8.6% and 8.5% for the three and nine months ended September 30, 2002, respectively, compared to the same periods in 2001. The increases in operating expenses are attributable to changes in each of the expense categories as described below.

Employment expenses increased \$9.0 million, or 13.5%, for the three months ended September 30, 2002, compared to the same period in 2001. Employment expenses increased \$22.0 million, or 11.5%, for the nine months ended September 30, 2002, compared to the same period in 2001. The addition of employees associated with the acquisition of TDM increased employment expenses \$2.6 million and \$8.9 million for the three months and nine months ended September 30, 2002. The remaining change in employment expenses is associated with the growth in the number of employees, normal salary increases and related benefits. The average number of employees in the third quarter of 2002 increased to 5,073, a 5.0% increase over 4,833 in the same period of 2001. The average number of employees for the first nine months of 2002 increased to 5,134, an 7.1% increase over 4,794 in the same period of 2001. At October 31, 2002, TSYS had 4,982 full-time and 227 part-time employees.

Net occupancy and equipment expense increased \$2.6 million, or 6.2%, for the three months ended September 30, 2002, and increased \$2.3 million, or 1.9%, for the nine months ended September 30, 2002, respectively, over the same periods in 2001. Due to rapidly changing technology in computer equipment, TSYS' equipment needs are achieved to a large extent through operating leases. Computer equipment and software rentals, which represent the largest component of net occupancy

Results of Operations (continued)

and equipment expense, increased approximately \$277,000 in the third quarter of 2002, compared to the same period of 2001. Computer equipment and software rentals decreased approximately \$3.3 million in the first nine months of 2002, compared to the same period of 2001. The decrease is the result of legislation whereby TSYS recouped approximately \$4.0 million of sales and use tax paid and expensed in 2001. Depreciation and software amortization increased \$1.9 million and \$4.6 million during the three and nine months ended September 30, 2002, compared to the same periods in 2001.

During 2000, the Company established a data processing center in Europe and purchased a building to house client services personnel. Although it only began processing accounts for its new European clients in mid-2001, the Company had to build the necessary infrastructure in order to begin processing those accounts in 2001. Through the first nine months of 2001, the Company incurred \$9.4 million of net operating expense related to the expansion in Europe.

Other operating expenses for the third quarter of 2002 decreased \$523,000, or 2.7%, compared to the same period in 2001. Other operating expenses for the first nine months of 2002 increased \$8.1 million, or 13.2%, compared to the same period in 2001. The increase for the nine month period ended September 30, 2002 is primarily related to an increase in transaction processing provision expense.

Other operating expenses include, among other things, charges for processing errors, contractual commitments and bad debt expense. As described in the Critical Accounting Policies section, management's evaluation of the adequacy of its transaction processing reserves and allowance for doubtful accounts is based on a formal analysis which assesses the probability of losses related to contractual contingencies, processing errors and uncollectible accounts. Increases and decreases in transaction processing provisions and charges for bad debt expense are reflected in other operating expenses.

Equity in Income of Joint Ventures

TSYS' share of income from its equity in joint ventures was \$5.3 million and \$4.6 million for the third quarters of 2002 and 2001, respectively. TSYS' share of income from its equity in joint ventures was \$14.6 million and \$12.3 million for the first nine months of 2002 and 2001, respectively. The increase for the quarter is attributable mainly to Vital.

The Company considers Vital to be an integral part of its overall processing operations and an important part of its overall market strategy. Prior to forming the joint venture, TSYS performed back-end merchant processing services for its clients. The revenues and expenses associated with merchant processing were included in operating profits. In 1996, the Company formed Vital with Visa U.S.A. in order to expand its merchant processing business. The majority of Vital's clients are issuing clients of TSYS. TSYS remains involved in the daily processing of Vital's merchant clients, and embedded within TSYS' operating expenses are expenses related to merchant processing. In its ordinary course of business, TSYS, which still owns the merchant processing software, provides back-end processing services to Vital. For the three and nine months ended September 30, 2002, TSYS generated \$4.0 million and \$11.4 million of revenue from Vital, respectively. For the three and nine months ended September 30, 2001, TSYS generated \$3.0 million and \$9.1 million of revenue from Vital, respectively.

Results of Operations (continued)

During the three months ended September 30, 2002, the Company's equity in income of joint ventures related to Vital was \$5.0 million, a 20.7% increase, or \$866,000, compared to \$4.2 million for the same period last year. During the nine months ended September 30, 2002, the Company's equity in income of joint ventures related to Vital was \$14.0 million, a 30.1% increase, or \$3.3 million, compared to \$10.7 million for the same period last year. Vital's improved operating efficiencies and controlling of expenses were the main factors in its improved financial results.

In 1993, the Company reached an agreement to form a joint venture with a number of Mexican banks and recorded, and continues to record, its 49% ownership in the joint venture using the equity method of accounting. The operation, Total System Services de Mexico, S.A. de C.V. (TSYS de Mexico), provided credit card related processing for the joint venture member banks and others. Recently, several joint venture participants and/or clients have consolidated. This consolidation has resulted in TSYS de Mexico having joint venture participants that are not also processing clients of the joint venture. In order to address this issue, during 2001, TSYS and its TSYS de Mexico joint venture participants agreed to separate the bankcard processing services that TSYS de Mexico previously outsourced to TSYS from the primary services provided directly by the joint venture to its clients. The joint venture will continue to print statements and provide card-issuing support services to the joint venture clients. As a result, new processing agreements were negotiated between the Mexican bank clients of the joint venture and TSYS.

The joint venture will continue to share the profits among the joint venture participants from the services which the joint venture continues to provide. TSYS' ownership percentage continues to be 49% of the joint venture, and TSYS uses the equity method of accounting because it does not control the operations of the joint venture. The net effect of the restructuring will be minimal and is resulting in a decrease in equity in income of joint ventures while TSYS' electronic payment processing revenues and operating expenses increase. During the three months ended September 30, 2002, the Company's equity in income of joint ventures related to TSYS de Mexico was \$218,000, a 48.6% decrease, or \$206,000, compared to \$424,000 for the same period last year. During the nine months ended September 30, 2002, the Company's equity in income of joint ventures related to TSYS de Mexico was \$679,000, a 56.9% decrease, or \$898,000, compared to \$1.6 million for the same period last year. Electronic payment processing revenues from clients based in Mexico was \$7.3 million for the third quarter ended September 30, 2002, a 78.3% increase over the \$4.1 million for the third quarter ended September 30, 2001. Electronic payment processing revenues from clients based in Mexico was \$20.4 million for the first nine months of September 30, 2002, an 80.1% increase over the \$11.3 million for the same period last year. The increase in revenues is attributable to increased account on file growth of approximately 44.1% and the restructuring of the joint venture agreement. The Company was notified by its largest client in Mexico that it intends to utilize its internal global platform and does not plan on renewing its processing agreement with TSYS when it expires in the first quarter of 2003. However, the client has indicated that the deconversion may be delayed until the second quarter of 2003. The client in Mexico represents approximately 56% of TSYS' revenues from Mexico. As a result, management expects that electronic payment processing revenues for 2003 from Mexico will decrease when compared to electronic payment processing revenues from Mexico for 2002.

Results of Operations (continued)

As a result of the restructuring of its joint agreement, TSYS agreed to pay TSYS de Mexico a processing support fee for certain client relationship and network services that TSYS de Mexico has assumed from TSYS. TSYS paid TSYS de Mexico a management fee of \$231,000 and \$685,000 for the three and nine months ended September 30, 2002, respectively.

Operating Income

Operating income increased 18.7% for the three months ended September 30, 2002, over the same period in 2001. Operating income increased 15.5% for the nine months ended September 30, 2002, over the same period in 2001. The increase in operating income was the result of the Company's commitment to contain the growth in operating expenses below the growth rate in revenues. Excluding equity in income of joint ventures, operating income increased 19.3% and 15.0% for the three and nine months ended September 30, 2002, respectively, over the same periods in 2001.

The Company's operating profit margin for the third quarter of 2002 was 19.2%, compared to 17.6% for the same period last year. The Company's operating profit margin for the first nine months of 2002 was 18.2%, compared to 16.8% for the same period last year. Excluding reimbursable items, the Company's operating profit margin for the three and nine months ended September 30, 2002 was 25.3% and 24.3%, respectively, compared to 23.6% and 23.1% for the three and nine months ended September 30, 2001, respectively. The Company's focus on expense control was the main reason for the improved margin.

Nonoperating Income

Interest income, net, includes interest income of \$720,000 and no interest expense for the third quarter of 2002. During the third quarter of 2001, interest income, net, included interest income of \$626,000 and \$29,000 of interest expense. During the first nine months of 2002, interest income, net, included interest income of \$2.1 million and \$6,000 of interest expense. During the first nine months of 2001, interest income, net, included interest income of \$2.3 million and \$31,000 of interest expense. The increase in interest income for the three months ending September 30, 2002, as compared to the same period in 2001, was primarily the result of higher cash balances available for investment.

In July 2002, the Company restructured a portion of its permanent financing of its UK operation as an intercompany loan. The financing requires the unit to repay the financing in US dollars. The functional currency of the European operations is the British Pound Sterling. As the Company translates the European operations statements into US dollars, the translated balance of the financing (liability) is adjusted upwards or downwards to match the US-dollar obligation (receivable) on the Company's financial statement. The upwards or downwards adjustment is recorded as a gain or loss on foreign currency translation. As a result of the restructuring, the Company recorded a foreign currency translation gain of \$2.1 million on the Company's financing with its European operations during the third quarter of 2002. The balance of the financing at September 30, 2002 was approximately \$13.2 million.

As a result of the restructuring of a portion of its UK investment, the Company has a greater exposure to currency risk. The Company is exploring potential hedging instruments to safeguard it from significant currency translation risks.

Results of Operations (continued)

Income Taxes

TSYS' effective income tax rate for the three months ended September 30, 2002 was 32.6%, compared to 34.1% for the same period in 2001. TSYS' effective income tax rate for the first nine months of 2002 was 32.4%, compared to 34.5% for the same period in 2001. The decrease was the result of additional tax credits realized in 2002. The Company expects its effective income tax rate for 2002 to be approximately 33%.

Net Income

Net income for the three months ended September 30, 2002 increased 27.1% to \$32.3 million, or basic and diluted earnings per share of \$0.16, compared to \$25.5 million, or basic and diluted earnings per share of \$0.13, for the same period in 2001. The Company's net profit margin for the third quarter of 2002 was 13.8%, compared to 11.8% for the same period last year. Excluding reimbursable items, the Company's net profit margin for the third quarter of 2002 was 18.1%, compared to 15.8% for the three months ended September 30, 2001.

Net income for the first nine months ended September 30, 2002 increased 20.6% to \$88.6 million, or basic and diluted earnings per share of \$0.45, compared to \$73.4 million, or basic and diluted earnings per share of \$0.38, for the same period in 2001. The Company's net profit margin for the first nine months of 2002 was 12.7%, compared to 11.3% for the same period last year. Excluding reimbursable items, the Company's net profit margin for the first nine months of 2002 was 17.0%, compared to 15.4% for the nine months ended September 30, 2001.

Projected Outlook for 2002

TSYS expects an increase in net income for 2002 over 2001 of 20%. This anticipated increase in net income is based in part upon the following assumptions: a 10-12% internal growth rate for existing portfolios; an aggressive focus on expense control and productivity improvement; the successful implementation and market acceptance of new product offerings; and an increase in the total cardholder base to approximately 240 million accounts. Factors that could prevent TSYS from achieving this objective include the merger of TSYS clients with entities that are not TSYS clients or the sale of portfolios by TSYS clients to entities that are not TSYS clients, adverse developments with respect to existing and prospective clients, including, but not limited to, TSYS' sub-prime clients, TSYS' inability to control expenses and uncertain economic conditions, among others.

Extended Financial Outlook for 2003

TSYS expects its 2003 net income to exceed its 2002 net income by 12-15%. The assumptions underlying 2003's net income forecast are an increase in revenues (excluding reimbursables) between 9-10%, an internal growth rate of accounts of existing clients of approximately 11% and a continued focus on expense management. Although TSYS remains optimistic about the possibilities of signing a major client, this forecast does not include any revenues or expenses associated with signing and converting a major client. Factors that could prevent TSYS from achieving this objective include delays in the decision-making process of prospective clients, failure to sign prospective clients, the merger of TSYS clients with entities that are not TSYS clients or the sale of portfolios by TSYS clients to entities that are not TSYS clients, adverse developments with respect to existing and prospective clients, including, but not limited to, TSYS' sub-prime clients, TSYS' inability to control expenses and uncertain economic conditions.

Liquidity and Capital Resources

The Consolidated Statements of Cash Flows detail the Company's cash flows from operating, investing and financing activities. TSYS' primary method of funding its operations and growth has been cash generated from current operations and the occasional use of borrowed funds to supplement financing of capital expenditures.

Free Cash Flow

For the first nine months of 2002, TSYS generated a positive free cash flow of \$70.7 million, compared to a negative free cash flow of \$6.5 million for the same period last year. The components of free cash flow for the nine months ended September 30, 2002 and 2001 are:

	Nine Months Ending Sept 30,	
	2002	2001
Free Cash Flow:		
Cash Provided by Operating Activities	\$133.5	\$54.0
Cash Dividends Received/Acquired	\$23.4	\$10.4
Cash for Property/Software Additions	(\$51.9)	(\$58.2)
Cash for Contract Acquisition	(\$34.3)	(\$12.7)
Free Cash Flow:	\$ 70.7	(\$ 6.5)

Cash Flows From Operating Activities

TSYS' main source of funds is derived from operating activities, specifically net income and cash received as dividends from joint ventures. During the three months ended September 30, 2002, the Company generated \$61.9 million in cash from operating activities compared to \$37.0 million for the same period last year. For the first nine months of 2002, the Company generated a total of \$156.9 million in cash from operating activities, cash dividends received from joint ventures and cash acquired through acquisitions, compared to a total of \$64.4 million for the same period last year.

TSYS' net cash provided by operating activities for the first nine months of 2002 was \$133.5 million, compared to \$54.0 million in 2001. The net cash provided by operating activities in 2001 was negatively impacted by cash commitments with expanding in Europe without the benefit of any processing revenue and by certain working capital changes, primarily the payment of a software obligation that was included in accounts payable in December 2000 that was made to benefit future periods with more favorable licensing terms. The major uses of cash generated from operations have been the internal development and purchase of computer software, the addition of property and equipment, primarily computer equipment, investment in client incentives and conversion costs, and the payment of cash dividends.

Cash Flows Used In Investing Activities

Cash is used to fund new property, plant and equipment additions, as well as to fund new software purchases and software development. The Company used \$12.0 million in cash for property, equipment and software additions for the three months ended September 30, 2002, compared to \$12.7 million for the three months ended September 30, 2001. For the first nine months of 2002 and 2001, the Company used \$51.9 and \$58.2 million, respectively, for the purchase of property, equipment and software.

Liquidity and Capital Resources (continued)

Property, Plant and Equipment

During the third quarter of 2002, TSYS purchased property and equipment of \$3.7 million, compared to \$8.4 million during the same period last year. During the first nine months of 2002, TSYS purchased property and equipment of \$9.6 million, compared to \$24.1 million during the same period last year.

In July 2000, TSYS broke ground on a 32,000 square foot childcare facility which is located on the northeast corner of the campus. The new facility offers the Company's employees an alternative option for childcare needs. The facility was completed at a cost of approximately \$3.5 million and opened in August 2001. The Company will be able to recoup its building costs through current and future state tax credits from the state of Georgia for setting up a company-sponsored childcare facility.

In March 2001, the Company announced plans to move its printing subsidiary, Columbus Productions, Inc. (CPI), and its materials management division into a new building in east Columbus. The 61,000 square-foot building was completed in August 2001 at a cost of approximately \$3.7 million. In conjunction with the move, CPI sold its existing location for \$960,000. While waiting on construction of the new building to be completed, CPI was leasing the existing facility from the new owner.

Software

Expenditures for purchased computer software were \$2.6 million for the three months ended September 30, 2002, compared to \$3.1 million for the same period in 2001. Expenditures for purchased computer software were \$20.7 million for the nine months ended September 30, 2002, compared to \$25.8 million for the same period in 2001. Additions to capitalized software development costs, including enhancements to and development of TS2 processing systems, were \$5.7 million for the three month period ending September 30, 2002, compared to \$1.2 million for the same period in 2001. Additions to capitalized software development costs were \$21.6 million for the nine month period ending September 30, 2002, compared to \$8.3 million for the same period in 2001.

Due to the complexity of the differences between the English language and Asian languages, computer systems require two bytes to store an Asian character compared to one byte in the English language. With the opening of a branch office in Japan to facilitate its marketing of card processing services, TSYS began modifying its current TS2 system to be able to accommodate language and currency differences with Asia, commonly referred to as the "double byte project." During the three months ended September 30, 2002, the Company capitalized \$912,000, bringing the total capitalized in 2002 to \$4.9 million. The Company has capitalized a total of \$8.8 million since the project began. The Company completed the core double-byte architecture during the second quarter of 2002.

The Company is in the final stages of developing a new commercial card system, which is built upon the architectural design of TS2. The new system provides enhanced reporting multi-languages/currencies, and global commercial card processing for multinational corporations on a single platform. The Company capitalized approximately \$738,000 for the three months ended September 30, 2002, bringing the total capitalized in 2002 to \$3.0 million, related to this new processing platform. The Company has capitalized a total of \$36.4 million since the project began.

Liquidity and Capital Resources (continued)

The Company expects to complete the system and make it available for general use in the fourth quarter of 2002.

The Company is developing its Integrated Payments Platform supporting the online and offline debit and stored value markets, giving clients access to all national and regional networks, EBT programs, ATM driving and switching services for online debit processing. The Company capitalized approximately \$1.5 million for the three months ended September 30, 2002 on these additional systems, bringing the total capitalized in 2002 to \$4.4 million. The Company has capitalized a total of \$6.7 million since the project began. The Company expects to complete the system in phases. Phase 1 is expected to be completed by the end of the second quarter of 2003.

The Company continues to develop TSYS ProphIT®, a Web-based process management system that provides direct access to account information and other system interfaces to help streamline an organization's business processes. TSYS ProphIT is currently being offered to TSYS' existing clients. Continued development of TSYS ProphIT will add increased and enhanced functionality to the core platform and allow TSYS to offer TSYS ProphIT to much broader markets, such as financial services, insurance, utilities, telecommunications and health care. The Company capitalized approximately \$2.3 million for the three months ended September 30, 2002 on TSYS ProphIT, bringing the total capitalized in 2002 to \$8.3 million. The Company has capitalized a total of \$12.5 million since the project began. The Company has issued two releases of TSYS ProphIT and anticipates introducing future releases as the enhancements are completed.

Contract Acquisition Costs

Occasionally, TSYS will use cash payments for processing rights, third-party development costs and other direct salary related costs incurred in connection with converting new customers to the Company's processing systems. For the three and nine months ended September 30, 2002, TSYS used \$6.6 million and \$34.3 million, respectively, for contract acquisition costs. For the three and nine months ended September 30, 2001, TSYS used \$1.0 million and \$12.7 million, respectively, for contract acquisition costs.

During the three months ended September 30, 2002, the Company made investments in contract acquisition costs of \$6.6 million compared to \$1.0 million for the same period in 2001. During the nine months ended September 30, 2002, the Company made investments in contract acquisition costs of \$34.3 million compared to \$12.7 million for the same period in 2001. Included in the \$34.3 million investment for contract acquisition costs for the first nine months of 2002 are cash payments to clients for processing rights of \$22.9 million. During the second quarter of 2002, the Company paid \$14.0 million in cash for processing rights as part of its agreement with CIBC.

Cash Flows Used In Financing Activities

The Company's main use of cash in financing activities are the payment of dividends. Dividends on common stock of \$3.4 million were paid in the third quarter of 2002, bringing the total paid in 2002 to \$9.3 million. On April 18, 2002, the Company announced a 16.7% increase in its quarterly dividend from \$0.0150 to \$0.0175 per share. The Company also increased the number of authorized shares from 300 million to 600 million. On February 26, 2001, the Company announced a 20% increase in its quarterly cash dividend from \$0.0125 to \$0.0150 per share.

Liquidity and Capital Resources (continued)

Additional Cash Flow Information

Off-Balance Sheet Financing

In 1997, the Company entered into an operating lease agreement relating to the corporate campus. The lease provides for a substantial residual value guarantee, up to \$81.4 million, and includes purchase options at the original cost of the property. Real estate taxes, insurance, maintenance and operating expenses applicable to the leased property are obligations of the Company. The campus lease expires November 2002. The Company has the option to either renew the lease subject to prevailing market rates or purchase the property at its original cost.

The terms of this lease financing arrangement require, among other things, that the Company maintain certain minimum financial ratios and provide certain information to the lessor. TSYS is also subject to interest rate risk associated with the lease on its campus facilities because of the short-term variable rate nature of the SPE's debt. The payments under the operating lease arrangement, which can be locked in for six month intervals, are tied to the London Interbank Offered Rate (LIBOR) plus a margin ranging from 45 basis points to 135 basis points. In the event that LIBOR rates increase, operating expenses could increase proportionately.

The campus lease expires November 2002. The Company has the option to either renew the lease subject to prevailing market rates or purchase the property at its original cost. The Company is in the process of renewing the lease for a period up to 12 months. Under the proposed 12-month renewal, payments under the operating lease arrangement will be tied to the LIBOR plus a margin ranging from 95 basis points to 185 basis points. The Company is currently evaluating its financing alternatives for 2003 after the renewal period expires but expects to refinance in a manner in which operating expenses are estimated to increase.

If the Company elects to purchase the property from the SPE, such funds would be used to repay the SPE loan facility. The Company has several options available for financing the purchase of the property. Sources of financing may include short-term and/or long-term borrowings from financial institutions or the issuance of equity or debt securities.

Significant Noncash Transaction

In September 1999, Synovus Financial Corp. (Synovus) completed the acquisition of the debt collection and bankruptcy management business offered by Wallace & de Mayo. The services provided by Wallace & de Mayo included recovery collections work, bankruptcy process management, legal account management and skip tracing. These services were being marketed under the name TSYS Total Debt Management, Inc. (TDM) through the Company for which Synovus paid TSYS a management fee of \$374,000 and \$1.1 million for the three and nine months ended September 30, 2001, respectively.

Effective January 1, 2002, TSYS acquired TDM in exchange for 2,175,000 newly issued shares of TSYS common stock with a market value of \$43.5 million. TDM now operates as a wholly owned subsidiary of TSYS. This transaction increased Synovus' ownership of TSYS to 81.1% in 2002.

Liquidity and Capital Resources (continued)

Subsequent Event

In May 2000, Synovus completed the acquisition of ProCard, Inc. (ProCard), a leading provider of software and Internet tools designed to assist organizations with the management of purchasing, travel and fleet card programs. ProCard's software solutions have been integrated into TSYS' processing solutions and offer TSYS the opportunity to further expand its services to ProCard's clients. The Company assists in managing ProCard, for which the Company was paid a management fee of \$76,000 by Synovus for the three months ended September 30, 2002 and 2001. For the first nine months of 2002 and 2001, the Company was paid a management fee of \$227,000 by Synovus.

On October 15, 2002 the board of directors of TSYS approved the purchase of ProCard from Synovus for \$30.0 million in cash. On November 1, 2002, TSYS completed the acquisition.

Because the acquisition of ProCard was a transaction between entities under common control, the Company is reflecting the acquisition at historical cost in accordance with SFAS 141. In accordance with the provisions of SFAS 141, TSYS will restate its financial statements for the periods that Synovus controlled both ProCard and TSYS.

Foreign Exchange

TSYS operates internationally and is subject to potentially adverse movements in foreign currency rate changes. Since December 2000, TSYS has not entered into foreign exchange forward contracts to reduce its exposure to foreign currency rate changes. The Company has determined that, once it begins processing for additional European clients, it may explore potential hedging instruments to safeguard it from significant currency translation risks.

In July 2002, the Company restructured a portion of its permanent financing of its UK operation as an intercompany loan. The financing requires the unit to repay the financing in US dollars. The functional currency of the European operations is the British Pound Sterling. As the Company translates the European operations statements into US dollars, the translated balance of the financing (liability) is adjusted upwards or downwards to match the US-dollar obligation (receivable) on the Company's financial statement. The upwards or downwards adjustment is recorded as a gain or loss on foreign currency translation. As a result of the restructuring, the Company recorded a foreign currency translation gain of \$2.1 million on the Company's financing with its European operations during the third quarter of 2002. The balance of the financing at September 30, 2002 was approximately \$13.2 million.

As a result of the restructuring of a portion of its UK investment, the Company has a greater exposure to currency risk. The Company is exploring potential hedging instruments to safeguard it from significant currency translation risks.

Impact of Inflation

Although the impact of inflation on its operations cannot be precisely determined, the Company believes that by controlling its operating expenses and by taking advantage of more efficient computer hardware and software, it can minimize the impact of inflation.

Liquidity and Capital Resources (continued)

Working Capital

TSYS may seek additional external sources of capital in the future. The form of any such financing will vary depending upon prevailing market and other conditions and may include short-term or long-term borrowings from financial institutions or the issuance of additional equity and/or debt securities such as industrial revenue bonds. However, there can be no assurance that funds will be available on terms acceptable to TSYS. Management expects that TSYS will continue to be able to fund a significant portion of its capital expenditure needs through internally generated cash in the future, as evidenced by TSYS' current ratio of 2.5:1. At September 30, 2002, TSYS had working capital of \$166.3 million compared to \$108.4 million at December 31, 2001.

Recent Accounting Pronouncements

As a result of the Financial Accounting Standards Board's (FASB's) Emerging Issues Task Force 01-14 (EITF 01-14), formerly known as Staff Announcement Topic D-103, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred," the Company has included reimbursements received for out-of-pocket expenses as revenue. Historically, TSYS has not reflected such reimbursements in its consolidated statements of income. The largest reimbursement expenses for which TSYS is reimbursed by clients are postage and express courier charges.

EITF 01-14 was adopted by the Company on January 1, 2002. Upon application of EITF 01-14, comparative financial statements for prior periods have been reclassified to provide consistent presentation.

In July 2001, the FASB issued Statement No. 141 (SFAS 141), "Business Combinations," and Statement No. 142 (SFAS 142), "Goodwill and Other Intangible Assets." SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocable to an assembled workforce may not be accounted for separately. The Company adopted the provisions of SFAS 141 July 1, 2001, the effect of which was not significant.

SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144 (SFAS144), "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company adopted SFAS 142 January 1, 2002.

At September 30, 2002, the Company has unamortized goodwill in the amount of \$3.6 million. As a result of implementing SFAS 142, the Company incurred no amortization expense of goodwill during the three and nine months ended September 30, 2002, respectively. Amortization expense related to goodwill was \$214,000 and \$642,000 for the three and nine months ended September 30, 2001, respectively.

Recent Accounting Pronouncements (continued)

The Company's transitional and annual impairment analyses of its unamortized goodwill balance did not result in any impairment. Management does not expect its annual impairment analysis will result in any impairment.

In June 2001, the FASB issued Statement No. 143 (SFAS 143), "Accounting for Asset Retirement Obligations," which addresses accounting and reporting for asset retirement costs of long-lived assets resulting from legal obligations associated with acquisition, construction, or development transactions. The Company plans to adopt SFAS 143 in the first quarter of fiscal year 2003. Management does not anticipate the expected obligation to have a significant impact upon the Company's financial condition or results of operations as a result of adopting SFAS 143.

In October 2001, the FASB issued SFAS 144, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS 144 supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary.

SFAS 144 improves financial reporting by requiring that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and by broadening the presentation of discontinued operations to include more disposal transactions.

The Company adopted SFAS 144 on January 1, 2002. The adoption of SFAS 144 did not have a material effect on the Company's financial condition or results of operations.

In April 2002, the FASB issued Statement No. 145 (SFAS 145), "Rescission of FASB Statements No. 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 updates, clarifies and simplifies existing accounting pronouncements. SFAS 145 requires that in certain circumstances previous items classified as extraordinary that do not meet the criteria in Opinion 30 must be reclassified. The Statement is effective for fiscal years beginning after May 15, 2002. Management does not expect the adoption of SFAS 145 to have a material effect on the Company's financial condition or results of operations.

In July 2002, the FASB issued Statement No. 146 (SFAS 146), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred, as opposed to when the entity commits to an exit plan under EITF No. 94-3. The Statement is effective prospectively for exit or disposal activities initiated after December 31, 2002. Management does not anticipate that SFAS 146 will have a material impact on the Company's financial condition or results of operations.

Forward-Looking Statements

Certain statements contained in this filing which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act (the Act). These forward-looking statements include, among others, statements regarding TSYS' belief with respect to the impact of recent accounting pronouncements on TSYS, belief with respect to potential clients evaluating outsourcing arrangements, expected expansion of its position in the consumer card, retail card and commercial card arenas, expectations with respect to its obligations to perform back-up servicing for Provident being "triggered," expected growth in net income for the years 2002 and 2003, expected completion dates for new processing systems and the assumptions underlying such statements, including, with respect to TSYS' expected increase in net income for 2003; an increase in revenues (excluding reimbursables) between 9-10%; an internal growth rate of accounts of existing clients of approximately 11%; and continued aggressive expense management. In addition, certain statements in future filings by TSYS with the Securities and Exchange Commission, in press releases, and in oral and written statements made by or with the approval of TSYS which are not statements of historical fact constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenue, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans and objectives of TSYS or its management or Board of Directors, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "expects," "intends," "targeted," and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. A number of important factors could cause actual results to differ materially from those contemplated by the forward-looking statements in this filing. Many of these factors are beyond TSYS' ability to control or predict. The factors include, but are not limited to: (i) adverse developments with respect to TSYS' sub-prime clients; (ii) lower than anticipated internal growth rates for TSYS' existing customers; (iii) TSYS' inability to control expenses and increase market share; (iv) TSYS' inability to successfully bring new products to market, including, but not limited to stored value products, e-commerce products, loan processing products and other processing services; (v) the inability of TSYS to grow its business through acquisitions; (vi) TSYS' inability to increase the revenues derived from international sources; (vii) adverse developments with respect to entering into contracts with new clients and retaining current clients; (viii) the merger of TSYS clients with entities that are not TSYS clients or the sale of portfolios by TSYS clients to entities that are not TSYS clients; (ix) TSYS' inability to anticipate and respond to technological changes, particularly with respect to e-commerce; (x) adverse developments with respect to the successful conversion of clients; (xi) the absence of significant changes in foreign exchange spreads between the United States and the countries TSYS transacts business in, to include Mexico, United Kingdom, Japan, Canada and the European Union; (xii) changes in consumer spending, borrowing and saving habits, including a shift from credit to debit cards; (xiii) changes in laws, regulations, credit card association rules or other industry standards affecting TSYS' business which require significant product redevelopment efforts; (xiv) the effect of changes in accounting policies and practices as may be adopted by the Financial Accounting Standards Board or the Securities and Exchange Commission; (xv) the costs and effects of litigation; (xvi) adverse developments with respect to the credit card industry in general; (xvii) TSYS'

Forward-Looking Statements (continued)

inability to successfully manage any impact from slowing economic conditions or consumer spending; (xviii) the occurrence of catastrophic events that would impact TSYS' or its major customers' operating facilities, communications systems and technology, or that has a material negative impact on current economic conditions or levels of consumer spending; (xix) successfully managing the potential both for patent protection and patent liability in the context of rapidly developing legal framework for expansive software patent protection; (xx) hostilities in the Middle East or elsewhere; (xxi) Vital's earnings are lower than anticipated; and (xxii) overall market conditions.

Such forward-looking statements speak only as of the date on which such statements are made, and TSYS undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made to reflect the occurrence of unanticipated events.

TOTAL SYSTEM SERVICES, INC.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk

TSYS is exposed to foreign exchange risk because it has assets, liabilities, revenues and expenses denominated in foreign currencies including the Euro, British Pound, Mexican Peso, Canadian Dollar and Japanese Yen. These currencies are translated into U.S. dollars at current exchange rates, except for revenues, costs and expenses, and net income, which are translated at the average exchange rates for each reporting period. Net exchange gains or losses resulting from the translation of assets and liabilities of TSYS' foreign operations, net of tax, are accumulated in a separate section of shareholders' equity titled accumulated other comprehensive income or loss. The amount of other comprehensive income for the three months ended September 30, 2002 was \$70,500, compared to \$2.1 million for the three months ended September 30, 2001. The amount of other comprehensive income for the nine months ended September 30, 2002 was \$3.1 million, as compared to other comprehensive loss of \$734,000 for the same period last year. Currently, TSYS does not use financial instruments to hedge its exposure to exchange rate changes.

The carrying value of the net assets of its foreign operations in Europe, Mexico, Canada and Japan was approximately (in U.S. dollars) \$70.3 million, \$3.3 million, \$78,000 and \$8.4 million, respectively, at September 30, 2002.

In July 2002, the Company restructured a portion of its permanent financing of its UK operation as an intercompany loan. The financing requires the unit to repay the financing in US dollars. The functional currency of the European operations is the British Pound Sterling. As the Company translates the European operations statements into US dollars, the translated balance of the financing (liability) is adjusted upwards or downwards to match the US-dollar obligation (receivable) on the Company's financial statement. The upwards or downwards adjustment is recorded as a gain or loss on foreign currency translation. As a result of the reclass, the Company recorded a foreign currency translation gain of \$2.1 million on the Company's financing with its European operations during the third quarter of 2002. The balance of the financing at September 30, 2002 was approximately \$13.2 million.

Currently, there are no regularly scheduled payments under the financing arrangement, although the balance is expected to be repaid over time. The following represents the potential effect on income before income taxes of hypothetical shifts in the foreign currency exchange rate between the British Pound Sterling and the U.S. dollar of plus or minus 100 basis points, 500 basis points and 1,000 points based on the intercompany loan balance at September 30, 2002.

		Effect of a Basis Point Change of :		
		+/- 100	+/- 500	+/- 1,000
Effect on income before income taxes	\$	131,600	658,000	1,316,000

The foreign currency risks associated with other balance sheet accounts is not significant.

TOTAL SYSTEM SERVICES, INC.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk (continued)

Interest Rate Risk

TSYS is also exposed to interest rate risk associated with the investing of available cash and the lease on its campus facilities. TSYS invests available cash in conservative short-term instruments and is primarily subject to changes in the short-term interest rates.

The payments under the operating lease arrangement of the campus facilities are tied to the London Interbank Offered Rate. TSYS locks into interest rates for six-month intervals. The extent that rates change in a six-month period represents TSYS' exposure.

The campus lease expires November 2002. The Company has the option to either renew the lease subject to prevailing market rates or purchase the property at its original cost. The Company is in the process of renewing the lease for a period up to 12 months. Under the proposed 12-month renewal, payments under the operating lease arrangement will be tied to the LIBOR plus a margin ranging from 95 basis points to 185 basis points. The Company is currently evaluating its financing alternatives for 2003 after the renewal period expires, but expects to refinance in a manner in which operating expenses are estimated to increase.

If the Company elects to purchase the property from the SPE, such funds would be used to repay the SPE loan facility. The Company has several options available for financing the purchase of the property. Sources of financing may include short-term and/or long-term borrowings from financial institutions or the issuance of equity or debt securities.

Concentration of Credit Risk

TSYS works to maintain a large and diverse customer base across various industries to minimize the credit risk of any one customer to TSYS' accounts receivable amounts. In addition, TSYS performs ongoing credit evaluations of its certain customers' and certain suppliers' financial condition. TSYS does, however, have two major customers that account for a large portion of its revenues, which subject it to credit risk.

In late 2001 and 2002, Providian Financial Corporation (Providian), one of TSYS' major customers, made several announcements regarding concerns about its financial status, related changes in management and the sale of a portion of its portfolio. As a result of the announcements, TSYS management is actively monitoring Providian's status through frequent interaction with its senior management.

TOTAL SYSTEM SERVICES, INC.

Item 4 – Management’s Analysis of Disclosure Controls and Procedures

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this quarterly report. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of our disclosure controls and procedures are effective. There were no significant changes to our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

TOTAL SYSTEM SERVICES, INC.
Part II - Other Information

Item 6 - Exhibits and Reports on Form 8-K

a) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b) Forms 8-K filed since the previous Form 10-Q filing.

1. The report dated October 15, 2002 included the following important event:

On October 15, 2002, Total System Services, Inc. ("Registrant") issued a press release with respect to its third quarter 2002 earnings.

**TOTAL SYSTEM SERVICES, INC.
SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TOTAL SYSTEM SERVICES, INC.

Date: November 13, 2002

by: /s/ Richard W. Ussery

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

Date: November 13, 2002

by: /s/ James B. Lipham

James B. Lipham
Chief Financial Officer

TOTAL SYSTEM SERVICES, INC.
Chief Executive Officer Certification

I, Richard W. Ussery, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Total System Services, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ Richard W. Ussery
Richard W. Ussery
Chief Executive Officer

TOTAL SYSTEM SERVICES, INC.
Chief Financial Officer Certification

I, James B. Lipham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Total System Services, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ James B. Lipham
James B. Lipham
Chief Financial Officer

TOTAL SYSTEM SERVICES, INC.
Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
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