

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 31, 2017

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: 001-32903

THE WESTERN UNION COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

(State or Other Jurisdiction of Incorporation or Organization)

20-4531180

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

THE WESTERN UNION COMPANY

12500 East Belford Avenue

Englewood, Colorado 80112

(Address of principal executive offices)

Registrant's telephone number, including area code: (866) 405-5012

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Name of each exchange on which registered</u> |
|--------------------------------|--|
| Common Stock, \$0.01 Par Value | The New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2017, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$8.7 billion based on the closing sale price of \$19.05 of the common stock as reported on the New York Stock Exchange.

As of February 14, 2018, 459,298,652 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the 2018 annual meeting of stockholders are incorporated into Part III of this Annual Report on Form 10-K.

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PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and materials we have filed or will file with the Securities and Exchange Commission (as well as information included in our other written or oral statements) contain or will contain certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as "expects," "intends," "anticipates," "believes," "estimates," "guides," "provides guidance," "provides outlook" and other similar expressions or future or conditional verbs such as "may," "will," "should," "would," "could," and "might" are intended to identify such forward-looking statements. Readers of the Annual Report on Form 10-K of The Western Union Company (the "Company," "Western Union," "we," "our" or "us") should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed in the "Risk Factors" section and throughout the Annual Report on Form 10-K. The statements are only as of the date they are made, and the Company undertakes no obligation to update any forward-looking statement.

Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following:

Events Related to Our Business and Industry

- changes in general economic conditions and economic conditions in the regions and industries in which we operate, including global economic and trade downturns, or significantly slower growth or declines in the money transfer, payment service, and other markets in which we operate, including downturns or declines related to interruptions in migration patterns, or non-performance by our banks, lenders, insurers, or other financial services providers;
- failure to compete effectively in the money transfer and payment service industry, including among other things, with respect to price, with global and niche or corridor money transfer providers, banks and other money transfer and payment service providers, including electronic, mobile and Internet-based services, card associations, and card-based payment providers, and with digital currencies and related protocols, and other innovations in technology and business models;
- political conditions and related actions in the United States and abroad which may adversely affect our business and economic conditions as a whole, including interruptions of United States or other government relations with countries in which we have or are implementing significant business relationships with agents or clients;
- deterioration in customer confidence in our business, or in money transfer and payment service providers generally;
- our ability to adopt new technology and develop and gain market acceptance of new and enhanced services in response to changing industry and consumer needs or trends;
- changes in, and failure to manage effectively, exposure to foreign exchange rates, including the impact of the regulation of foreign exchange spreads on money transfers and payment transactions;
- any material breach of security, including cybersecurity, or safeguards of or interruptions in any of our systems or those of our vendors or other third parties;
- cessation of or defects in various services provided to us by third-party vendors;
- mergers, acquisitions and integration of acquired businesses and technologies into our Company, and the failure to realize anticipated financial benefits from these acquisitions, and events requiring us to write down our goodwill;
- failure to manage credit and fraud risks presented by our agents, clients and consumers;

- failure to maintain our agent network and business relationships under terms consistent with or more advantageous to us than those currently in place, including due to increased costs or loss of business as a result of increased compliance requirements or difficulty for us, our agents or their subagents in establishing or maintaining relationships with banks needed to conduct our services;
- decisions to change our business mix;
- changes in tax laws, or their interpretation, including with respect to United States tax reform legislation enacted in December 2017 (the "Tax Act") and potential related state income tax impacts, and unfavorable resolution of tax contingencies;
- adverse rating actions by credit rating agencies;
- our ability to realize the anticipated benefits from business transformation, productivity and cost-savings, and other related initiatives, which may include decisions to downsize or to transition operating activities from one location to another, and to minimize any disruptions in our workforce that may result from those initiatives;
- our ability to protect our brands and our other intellectual property rights and to defend ourselves against potential intellectual property infringement claims;
- our ability to attract and retain qualified key employees and to manage our workforce successfully;
- material changes in the market value or liquidity of securities that we hold;
- restrictions imposed by our debt obligations;

Events Related to Our Regulatory and Litigation Environment

- liabilities or loss of business resulting from a failure by us, our agents or their subagents to comply with laws and regulations and regulatory or judicial interpretations thereof, including laws and regulations designed to protect consumers, or to detect and prevent money laundering, terrorist financing, fraud and other illicit activity;
- increased costs or loss of business due to regulatory initiatives and changes in laws, regulations and industry practices and standards, including changes in interpretations in the United States, the European Union and globally, affecting us, our agents or their subagents, or the banks with which we or our agents maintain bank accounts needed to provide our services, including related to anti-money laundering regulations, anti-fraud measures, our licensing arrangements, customer due diligence, agent and subagent due diligence, registration and monitoring requirements, consumer protection requirements, remittances, and immigration;
- liabilities, increased costs or loss of business and unanticipated developments resulting from governmental investigations and consent agreements with or enforcement actions by regulators, including those associated with the settlement agreements with the United States Department of Justice, certain United States Attorney's Offices, the United States Federal Trade Commission, the Financial Crimes Enforcement Network of the United States Department of Treasury, and various state attorneys general (the "Joint Settlement Agreements"), and those associated with the January 4, 2018 consent order which resolved a matter with the New York State Department of Financial Services (the "NYDFS Consent Order");
- liabilities resulting from litigation, including class-action lawsuits and similar matters, and regulatory actions, including costs, expenses, settlements and judgments;
- failure to comply with regulations and evolving industry standards regarding consumer privacy and data use and security, including with respect to the General Data Protection Regulation ("GDPR") approved by the European Union ("EU");
- the ongoing impact on our business from the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), as well as regulations issued pursuant to it and the actions of the Consumer Financial Protection Bureau ("CFPB") and similar legislation and regulations enacted by other governmental authorities in the United States and abroad related to consumer protection;
- effects of unclaimed property laws or their interpretation or the enforcement thereof;

- failure to maintain sufficient amounts or types of regulatory capital or other restrictions on the use of our working capital to meet the changing requirements of our regulators worldwide;
- changes in accounting standards, rules and interpretations or industry standards affecting our business;

Other Events

- adverse tax consequences from our spin-off from First Data Corporation;
- catastrophic events; and
- management's ability to identify and manage these and other risks.

ITEM 1. BUSINESS

Overview

The Western Union Company (the "Company," "Western Union," "we," "our" or "us") is a leader in global money movement and payment services, providing people and businesses with fast, reliable and convenient ways to send money and make payments around the world. The Company was incorporated in Delaware as a wholly-owned subsidiary of First Data Corporation ("First Data") on February 17, 2006, and on September 29, 2006, First Data distributed all of its money transfer and consumer payments businesses and its interest in a Western Union money transfer agent, as well as its related assets, including real estate, through a tax-free distribution to First Data shareholders (the "Spin-off").

The Western Union[®] brand is globally recognized and represents speed, reliability, trust and convenience. As people move and travel around the world, they are able to use the services of a well-recognized brand to transfer funds. Our Consumer-to-Consumer money transfer service enables people to send money around the world, usually within minutes. As of December 31, 2017, our services were available through a global network of over 550,000 agent locations in more than 200 countries and territories, with approximately 90% of those locations outside the United States. Each location in our agent network is capable of providing one or more of our services, with the majority offering a Western Union branded service. As of December 31, 2017, more than 70% of our locations had experienced money transfer activity in the previous 12 months.

Our Business Solutions services facilitate payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals. The majority of this business relates to exchanges of currency at spot rates, which enable customers to make cross-currency payments. In addition, in certain countries, we write foreign currency forward and option contracts for customers to facilitate future payments.

We believe that brand strength, size and reach of our global network, convenience, reliability and value for the price paid have been important to the growth of our business. As we continue to seek to meet the needs of our customers for fast, reliable and convenient global money movement and payment services, with a continued focus on regulatory compliance, we are also working to provide consumers and our business clients with access to an expanding portfolio of payment and other financial services and to expand the ways our services can be accessed.

Our Segments

We manage our business around the consumers and businesses we serve and the types of services we offer. Each of our segments addresses a different combination of customer groups, distribution networks, and services offered. Our segments are Consumer-to-Consumer and Business Solutions.

Leadership and organizational structure changes within the Company have impacted how the Chief Operating Decision Maker ("CODM") manages the Company, resulting in changes to the operating and reportable segments in the second quarter of 2017. Prior to these changes, we had organized the business into the following operating segments: Consumer-to-Consumer, Consumer-to-Business, and Business Solutions. As a result of these leadership and organizational structure changes, the components of the historical Consumer-to-Business operating segment have been divided between two executives, with the majority of our cash-based bill payments services under one executive and the majority of our electronic-based bill payments services under the other executive. The CODM allocates resources and assesses performance using discrete information for these separate components, neither of which is material from either a quantitative or qualitative perspective. Accordingly, we no longer report a separate Consumer-to-Business operating segment, and no new reportable segments result from the impact of these changes. This new operating segment structure is based upon the financial information provided to the CODM for decision making and is consistent with our overall business strategy.

All businesses and other services that have not been classified in our segments are reported as "Other," which primarily includes our electronic-based and cash-based bill payment services which facilitate bill payments from consumers to businesses and other organizations, and our money order and other services, in addition to costs for the review and closing of acquisitions.

The table below presents the components of our consolidated revenue. Segment results for the years ended December 31, 2016 and 2015 have been adjusted to conform to the changes in reportable segments discussed above.

| | Year Ended December 31, | | |
|----------------------|-------------------------|------|------|
| | 2017 | 2016 | 2015 |
| Consumer-to-Consumer | 79% | 79% | 79% |
| Business Solutions | 7% | 7% | 7% |
| Other | 14% | 14% | 14% |
| | 100% | 100% | 100% |

No individual country outside the United States accounted for more than approximately 7% of our consolidated revenue for each of the years ended December 31, 2017, 2016 and 2015.

For additional details regarding our Consumer-to-Consumer and Business Solutions segments, including financial information regarding our international and United States revenues and long-lived assets, see Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Part II, Item 8, *Financial Statements and Supplementary Data*, Note 17, "Segments," in this Annual Report on Form 10-K.

See Part I, Item 1A, *Risk Factors*, for a discussion of certain risks relating to our foreign operations.

Consumer-to-Consumer Segment

Individual money transfers from one consumer to another are the core of our business, representing 79% of our total consolidated revenues for 2017. A substantial majority of these transfers were cross-border transactions. We view our money transfer service as one interconnected global network where a money transfer can be sent from one location to another, around the world. The segment includes five geographic regions whose functions are primarily related to generating, managing and maintaining agent relationships and localized marketing activities. We include our online money transfer services initiated through Western Union branded websites ("westernunion.com") in our regions. By means of common processes and systems, these regions, including westernunion.com, create an interconnected network for consumer transactions, thereby constituting one global Consumer-to-Consumer money transfer business and one operating segment.

Although most remittances are sent from one of our agent locations worldwide, in some countries we offer the ability to initiate transactions from a Western Union branded website, including through mobile devices. All agent locations accept cash to initiate a transaction, and some also accept debit cards. We offer consumers several options to receive a money transfer. The vast majority of transfers are paid in cash at agent locations.

Operations

Our revenues are primarily derived from consideration paid by consumers to transfer money. These revenues vary by transaction based upon send and receive locations, the principal amount sent, whether the money transfer involves different send and receive currencies, the difference between the exchange rate set by us to the consumer and the rate available in the wholesale foreign exchange market, speed of service, and channel, as applicable.

In a typical walk-in money transfer transaction, a consumer goes to one of our agent or subagent locations and provides information specifying, among other things, the name and other identifying information regarding the recipient, and delivers the principal amount of the money transfer and the fee, to the agent or subagent. Certain of these processes are streamlined for consumers who participate in our loyalty programs. The sending agent enters the transaction information into our money transfer system and the funds are made available for payment, usually within minutes. In some jurisdictions, the agent collects the principal and fees after the presentation of a written disclosure that generally identifies the exchange rate and all fees and charges associated with the transaction and the consumer has agreed to the transaction, as described in the disclosure. The recipient generally enters an agent location in the designated receiving area or country, presents identification, where applicable, and is paid the transferred amount. Recipients generally do not pay a fee. However, in limited circumstances, a tax may be imposed by the local government on the receipt of the money transfer, or a fee may be charged by the receiver's institution related to the use of an account. We determine the fee paid by the sender, which generally is based on the principal amount of the transaction and the send and receive locations.

We generally pay our agents a commission based on a percentage of revenue. A commission is usually paid to both the agent that initiated the transaction, the "send agent," and the agent that paid the transaction, the "receive agent." For most agents, the costs of providing the physical infrastructure and staff are typically covered by the agent's primary business (e.g., postal services, banking, check cashing, travel and retail businesses), making the economics of being a Western Union agent attractive. Western Union's global reach and large consumer base allow us to attract agents we believe to be well-positioned to deliver our services.

To complement the convenience offered by our network's global physical locations, in certain countries we have also made our services available through other channels, as described below under "Services."

No individual country outside the United States accounted for greater than 6% of this segment's revenue during all periods presented.

Services

We offer money transfer services in more than 200 countries and territories, with a number of options for sending funds that provide consumers convenience and choice, through both our walk-in and online money transfer channels.

- *Walk-in money transfer.* The significant majority of our remittances constitute walk-in transactions in which payment is collected by one of our agents and is available for pick-up at another agent location, usually within minutes. We offer a variety of methods for consumers to initiate transactions. In select markets, consumers may stage a transaction either online or using a mobile device and subsequently pay for the transaction at one of our agent locations. Additionally, in certain agent locations, consumers can enter a transaction at a self-service kiosk and subsequently pay for the transaction at the counter of the location.
- *Online money transfer.* In certain countries, consumers can initiate a money transfer from a Western Union branded website, including through their mobile devices. As of December 31, 2017, we were providing online money transfer services through Western Union branded websites in 42 countries. Additionally, in certain countries, consumers can initiate a Western Union money transfer through their bank's online banking services.

Consumers can fund a transaction in a variety of ways, in addition to cash. For example, at certain of our agent locations, consumers can fund a transaction using a debit card, and, where available, consumers can fund a money transfer from an account and through an account using an automated teller machine ("ATM"). In our online money transfer channel, consumers can generally fund transactions using a credit card, debit card, electronic funds transfer processed through the automated clearing house ("ACH") payment system or similar system outside the United States, or other bank account-based payment.

We also provide several options for the receipt of funds. At our retail agent locations, consumers generally receive payments in cash. However, in certain countries, our retail agents may also issue a money order or check or provide payout through an ATM. Funds can also be directed to a bank account in many countries, by either the sender or receiver, and in more limited circumstances, can be directed to either a mobile wallet or a stored-value card.

Distribution and Marketing Channels

We offer our Consumer-to-Consumer service to consumers around the world primarily through our global network of third-party agents and sub-agents in most countries and territories, with approximately 90% of our agent locations being located outside the United States. Our agents facilitate the global distribution and convenience associated with our brands, which in turn helps create demand for our services, and helps us to recruit and retain agents. Western Union agents include large networks such as post offices, banks and retailers, and other established organizations as well as smaller independent retail locations which typically provide other consumer products and services. Many of our agents have multiple locations. Our agents know the markets that they serve and work with our management to develop business plans for their markets. In some regions, our agents contribute financial resources to, or otherwise support, our efforts to market our services. Many agents operate in locations that are open outside of traditional banking hours, for example on nights and weekends. Our top 40 agents globally have been with us an average of approximately 21 years and in 2017, these long-standing agents were involved in transactions that generated approximately 60% of our Consumer-to-Consumer revenue. No individual agent accounted for greater than 10% of the segment's revenue during all periods presented.

We provide our third-party agents with access to our multi-currency, real-time money transfer processing systems which are used to originate and pay money transfers. Our systems and processes enable our agents to pay money transfers in approximately 130 currencies worldwide. Certain of our agents can pay in multiple currencies at a single location. Our agents provide the physical infrastructure and staff required to complete the transfers. Western Union provides central operating functions such as transaction processing, settlement, marketing support and consumer relationship management to our agents, as well as compliance training and related support. Some of our agents outside the United States manage subagents. We refer to these agents as superagents. Although the subagents are under contract with these superagents (and not with Western Union directly), the subagent locations typically have access to similar technology and services as our other agent locations. Our international agents often customize services as appropriate for their geographic markets. In some markets, individual agents are independently offering specific services such as stored-value card or account payout options. While we typically perform services under the Western Union brand, in certain geographic regions, we operate under other brands targeted to the local market.

We market our services to consumers in a number of ways, directly and indirectly through our agents and their subagents, leveraging promotional activities, grassroots and digital advertising, and loyalty programs. Our marketing strategy includes our consumer programs such as "My WU SM" and "Gold Card," which are available in many countries and territories. These programs offer consumers faster service at the point-of-sale. Additionally, in certain countries and at westernunion.com, consumers can earn points that can be redeemed for rewards, such as reduced transaction fees and other rewards; however, such redemption activity has been insignificant to the results of our operations.

Industry Trends

Trends in the cross-border money transfer business tend to correlate to migration trends, global economic opportunity and related employment levels worldwide. Another significant trend impacting the money transfer industry is increasing regulation. Regulations in the United States and elsewhere focus, in part, on anti-money laundering, anti-terrorist financing and consumer protection. Regulations require money transfer providers, banks and other financial institutions to develop systems to prevent, detect, monitor and report certain transactions. Such regulations increase the costs to provide money transfer services and can make it more difficult or less desirable for consumers and businesses to use money transfer services, either of which could have an adverse effect on money transfer providers' revenues and operating income. For further discussion of the regulatory impact on our business, see the "Regulation" discussion in this section, Part I, Item 1A, *Risk Factors*, and the "Enhanced Regulatory Compliance" section in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*. Additionally, our ability to enter into or maintain exclusive arrangements with our agents has been and may continue to be challenged by both regulators and certain of our current and prospective agents. Further, we are seeing increased competition from, and increased market acceptance of, electronic, mobile, and Internet-based money transfer services as well as digital currencies.

Competition

We face robust competition in the highly-fragmented Consumer-to-Consumer money transfer industry. We compete with a variety of remittance providers, including:

- *Global money transfer providers* - Global money transfer providers allow consumers to send money to a wide variety of locations, in both their home countries and abroad.
- *Regional money transfer providers* - Regional money transfer providers, or "niche" providers, provide the same services as global money transfer providers, but focus on a smaller group of geographic corridors or services within one region, such as North America to the Caribbean, Central or South America, or Western Europe to North Africa.
- *Electronic channels* - Online money transfer service providers, including certain electronic payment providers, allow consumers to send and receive money electronically using the Internet or through mobile devices. Electronic channels also include digital wallets, digital currencies, and social media and other predominantly communication or commerce-oriented platforms that offer money transfer services.
- *Banks, postbanks, and post offices* - Banks, postbanks, and post offices of all sizes compete with us in a number of ways, including bank transfer and wire services, payment instrument issuances, and card-based services.
- *Informal networks* - Informal networks enable people to transfer funds without formal mechanisms and often without compliance with government reporting requirements. We believe that such networks comprise a significant share of the market.

- *Alternative channels* - Alternative channels for sending and receiving money include mail and commercial courier services, and card-based options, such as ATM cards and stored-value cards.

We believe the most significant competitive factors in Consumer-to-Consumer remittances relate to the overall consumer value proposition, including brand recognition, trust, reliability, consumer experience, price, speed of delivery, distribution network, variety of send and receive payment methods, and channel options.

Business Solutions Segment

In our Business Solutions segment, which represented 7% of our total consolidated revenues for 2017, we facilitate payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals.

Operations

The significant majority of our revenue in this segment is derived from foreign exchange resulting from the difference between the exchange rate set by us to the customer and the rate available in the wholesale foreign exchange market. Customers may make an electronic or wire transfer or remit a check in order to initiate a transaction. Our Internet services are provided through our own websites and also, from time to time, in conjunction with others. The majority of the segment's revenue was generated outside the United States during all periods presented.

Services

Business Solutions payment transactions are conducted through various channels including the phone and via the Internet. Payments are made predominately through electronic transfers, but in some situations, checks are remitted. The majority of Business Solutions' business relates to exchanges of currency at spot rates, which enable customers to make cross-currency payments. For certain payment services such as for law firms and educational institution payments, we provide tailored payment solutions. In addition, in certain countries, we write foreign currency forward and option contracts for customers to facilitate future payments, which usually generate higher revenue per transaction than spot payments.

Distribution and Marketing Channels

Our Business Solutions services are offered primarily over the phone, through third-party channels, and via the Internet. Our Internet services are marketed through our own websites as well as, from time to time, co-branding arrangements with third-party websites.

Our customer relationships are a core component of our business payments services. No individual customer accounted for greater than 10% of this segment's revenue.

Industry Trends

The business-to-business payments industry has evolved rapidly with technological innovations that have created new competitors and methods of processing payments from businesses to other businesses. The various products and services within the business-to-business payments industry are in varying stages of development. Increased anti-money laundering, anti-terrorist financing, consumer protection regulations and compliance requirements, and increased regulations and compliance requirements applicable to the offering of derivatives, are impacting the business-to-business payments industry. We believe these increases in competition and regulatory costs are likely to continue in this segment.

Competition

Our Business Solutions segment competes with a diverse set of service providers offering payment services and foreign exchange risk management solutions, including financial institutions, other non-bank competitors, and electronic payment providers. We believe the most significant competitive factors in this segment relate to recurring relationships founded on customer service and expertise in payments and foreign exchange, customized solutions for specific industries and clients, convenience and speed of payments network, availability of derivative products, variety of inbound and outbound payment methods, brand recognition and price.

Other

Our remaining businesses and services, which primarily include our electronic-based and cash-based bill payment services and money order services, are grouped in "Other," which also includes costs for the review and closing of acquisitions. Other represented 14% of our total consolidated revenues for 2017 .

Our electronic-based and cash-based bill payment services provide fast and convenient options to make one-time or recurring payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers and government agencies. We believe our business customers who receive payments through our services benefit from their relationship with Western Union as it provides them with real-time or near real-time posting of their customers' payments. In many circumstances, our relationships with business customers also provide them with an additional source of income and reduce their expenses for handling of payments.

Consumers use our money orders for making purchases, paying bills, and as an alternative to checks. We derive investment income from interest generated on our money order settlement assets, which are primarily held in United States tax exempt state and municipal debt securities.

Other revenue is derived primarily from transaction fees paid by consumers and billers. In our electronic-based bill payments services, which primarily include our Speedpay[®] service, consumers may make an electronic payment on the Internet or over the phone using their credit or debit card, or through ACH. Our Internet services are provided through our own websites, including through mobile devices, or through third-party websites for which we act as the service provider. In our cash-based bill payments services, consumers may make a cash payment at an agent or Company-owned location. The substantial majority of our electronic-based bill payments revenue was generated in the United States during all periods presented, and the majority of our cash-based bill payments revenue was generated in Argentina during all periods presented, with the remainder primarily generated in the United States.

Intellectual Property

The Western Union[®] logos, trademarks, service marks and trade dress are registered and/or used worldwide and are material to our Company. The WU[®] service mark and logos are also registered and used in many countries around the world. We offer money transfer services under the Western Union, Orlandi ValutaSM and Vigo[®] brands. We also provide various payment and other services such as Western Union Business Solutions, Western Union Payments, Quick Collect, Convenience Pay, Quick Pay, Quick Cash, Speedpay, and Pago Fácil.

Our operating results have allowed us to invest significantly each year to support our brands. In 2017 , we invested approximately \$210 million to market, advertise and promote our brands and services, including costs of dedicated marketing personnel. In some regions, our agents have also contributed financial resources to assist with marketing our services.

Risk Management

Our Company has a credit risk management department that evaluates and monitors our credit and fraud risks. We are exposed to credit risk related to receivable balances from agents in the money transfer, walk-in bill payment and money order settlement process. We also are exposed to credit risk directly from consumer and business transactions, particularly where transactions are originated through means other than cash, such as those initiated through electronic channels, and therefore are subject to "chargebacks," insufficient funds, or other collection impediments, such as fraud, which are anticipated to increase as electronic channels become a greater proportion of our business. Our credit risk management team monitors fraud risks jointly with our information security and global compliance departments, performs credit reviews before agent signings, and conducts periodic analyses of agents and certain other parties that we transact with directly.

We are exposed to additional credit risk in our Business Solutions business relating to: (a) derivatives written by us to our customers and (b) the extension of trade credit when transactions are paid to recipients prior to our receiving cleared funds from the sending customers. For the derivatives, the duration of these contracts at inception is generally less than one year. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. For those receivables where we have offered trade credit, collection ordinarily occurs within a few days. To mitigate risk associated with potential customer defaults, we perform credit reviews on an ongoing basis, and, for our derivatives, we may require certain customers to post or increase collateral.

To manage our exposures to credit risk with respect to investment securities, money market fund investments, derivatives and other credit risk exposures resulting from our relationships with banks and financial institutions, we regularly review investment concentrations, trading levels, credit spreads and credit ratings, and we attempt to diversify our investments among global financial institutions.

A key component of the Western Union business model is our ability to manage financial risk associated with conducting transactions worldwide. We currently settle with the majority of our agents in United States dollars, euros, or Mexican pesos, requiring those agents to obtain local currency to pay recipients, and we generally do not rely on international currency markets to obtain and pay illiquid currencies. However, in certain circumstances, we settle in other currencies. The foreign currency exposure that does exist is limited by the fact that the majority of money transfer transactions are paid by the next day after they are initiated, and agent settlements occur within a few days in most instances. We also utilize foreign currency forward contracts, to mitigate the risks associated with currency fluctuations and to provide predictability of future cash flows. We have additional foreign exchange risk and associated foreign exchange risk management due to the nature of our Business Solutions business. The majority of this business' revenue is from exchanges of currency at spot rates, which enable customers to make cross-currency payments. Business Solutions aggregates its foreign exchange exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties.

Our financial results may fluctuate due to changes in interest rates. We review our overall exposure to floating and fixed rates by evaluating our net asset or liability position in each, also considering the duration of the individual positions. We manage this mix of fixed versus floating exposure in an attempt to minimize risk, reduce costs and improve returns. Our exposure to interest rates can be modified by changing the mix of our interest-bearing assets as well as adjusting the mix of fixed versus floating rate debt. The latter is accomplished primarily through the use of interest rate swaps and the decision regarding terms of any new debt issuances (i.e., fixed versus floating). We use interest rate swaps designated as hedges to increase the percentage of floating rate debt, subject to market conditions.

Regulation

Our business is subject to a wide range of laws and regulations enacted by the United States federal government, each of the states, many localities and many other countries and jurisdictions, including the European Union. These include increasingly strict legal and regulatory requirements intended to help detect and prevent money laundering, terrorist financing, fraud, and other illicit activity. These also include laws and regulations regarding financial services, consumer disclosure and consumer protection, currency controls, money transfer and payment instrument licensing, payment services, credit and debit cards, electronic payments, foreign exchange hedging services and the sale of spot, forward and option currency contracts, unclaimed property, the regulation of competition, consumer privacy, data protection and information security. Failure by Western Union, our agents, or their subagents (agents and subagents are third parties, over whom Western Union has limited legal and practical control), and certain of our service providers to comply with any of these requirements or their interpretation could result in regulatory action, the imposition of civil and criminal penalties, including fines and restrictions on our ability to offer services, the suspension or revocation of a license or registration required to provide money transfer services and/or payment services or foreign exchange products, the limitation, suspension or termination of services, changes to our business model, loss of consumer confidence, private class action litigation, and/or the seizure of our assets. For example, in early 2017, we entered into the Joint Settlement Agreements, and in early 2018, we agreed to the NYDFS Consent Order, as further discussed in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies."

We have developed and continue to enhance our global compliance programs, including our anti-money laundering program, comprised of policies, procedures, systems and internal controls to monitor and to address various legal and regulatory requirements. In addition, we continue to adapt our business practices and strategies to help us comply with current and evolving legal standards and industry practices, including heightened regulatory focus on compliance with anti-money laundering or fraud prevention requirements. As of December 31, 2017, these programs included dedicated compliance personnel, training and monitoring programs, suspicious activity reporting, regulatory outreach and education, and support and guidance to our agent network on regulatory compliance. Our money transfer and payment service networks operate through third-party agents in most countries, and, therefore, there are limitations on our legal and practical ability to completely control those agents' compliance activities. In 2017, we spent approximately \$195 million on our compliance and regulatory programs.

Money Transfer and Payment Instrument Licensing and Regulation

Most of our services are subject to anti-money laundering laws and regulations, including the Bank Secrecy Act in the United States, as amended (collectively, the "BSA"), and similar laws and regulations. The BSA, among other things, requires money transfer companies and the issuers and sellers of money orders to develop and implement risk-based anti-money laundering programs, to report large cash transactions and suspicious activity, and in some cases, to collect and maintain information about consumers who use their services and maintain other transaction records. In addition to United States federal laws and regulations, many other countries and states impose similar and, in some cases, more stringent requirements. These requirements may also apply to our agents and their subagents. In addition, the United States Department of the Treasury has interpreted the BSA to require money transfer companies to conduct due diligence into and risk-based monitoring of their agents and subagents inside and outside the United States, and certain states also require money transfer companies to conduct similar due diligence reviews. Compliance with anti-money laundering laws and regulations continues to be a focus of regulatory attention, with recent settlement agreements being reached with Western Union, other money transfer providers and several large financial institutions. For example, in early 2017, we entered into the Joint Settlement Agreements, and in early 2018, we agreed to the NYDFS Consent Order, as further discussed in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies."

Economic and trade sanctions programs administered by the United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and by certain foreign jurisdictions prohibit or restrict transactions to or from (or dealings with or involving) certain countries, regions, governments, and in certain circumstances, specified foreign nationals, as well as with certain individuals and entities such as narcotics traffickers, terrorists and terrorist organizations. We provide limited money transfer and payments services to parties in Cuba, Syria, and the Crimea region of Ukraine in accordance with United States laws authorizing such services and pursuant to and as authorized by advisory opinions of, or specific or general licenses issued by, OFAC.

In the United States, almost all states license certain of our services and many exercise authority over the operations of certain aspects of our business and, as part of this authority, regularly examine us. Many states require us to invest the principal of outstanding money orders, money transfers, or payments in highly-rated, investment grade securities, and our use of such investments is restricted to satisfying outstanding settlement obligations. We regularly monitor credit risk and attempt to mitigate our exposure by investing in highly-rated securities in compliance with these regulations. The substantial majority of our investment securities, classified within "Settlement assets" in the Consolidated Balance Sheets, are held in order to comply with state licensing requirements in the United States and are required to have credit ratings of "A-" or better from a major credit rating agency.

These licensing laws also cover matters such as government approval of controlling shareholders and senior management of our licensed entities, regulatory approval of agents and in some instances their locations, consumer disclosures and the filing of periodic reports by the licensee, and require the licensee to demonstrate and maintain certain net worth levels. Many states also require money transfer providers and their agents to comply with federal and/or state anti-money laundering laws and regulations.

Outside the United States, our money transfer business is subject to some form of regulation in almost all of the countries and territories in which we offer those services. These laws and regulations may include limitations on what types of entities may offer money transfer services, agent registration requirements, limitations on the amount of principal that can be sent into or out of a country, limitations on the number of money transfers that may be sent or received by a consumer and controls on the rates of exchange between currencies. They also include laws and regulations intended to detect and prevent money laundering or terrorist financing, including obligations to collect and maintain information about consumers, recordkeeping, reporting and due diligence, and supervision of agents and subagents similar to and in some cases exceeding those required under the BSA. In most countries, either we or our agents are required to obtain licenses or to register with a government authority in order to offer money transfer services.

The Payment Services Directive ("PSD") in the EU and similar laws in other jurisdictions have imposed rules on payment service providers like Western Union. In particular, under the PSD, Western Union is responsible for the regulatory compliance of our agents and their subagents who are engaged by our payments institution subsidiary. Thus, the costs to monitor our agents and the risk of adverse regulatory action against us because of the actions of our agents in those areas have increased. The majority of our EU business is managed through our Irish payment institution subsidiary, which is regulated by the Central Bank of Ireland. Under the PSD and similar laws in certain other jurisdictions, we are subject to requirements such as investment safeguarding rules and periodic examinations similar to those we are subject to in the United States. These rules have resulted in increased compliance costs. Additional countries may adopt legislation similar to these laws. The PSD, as well as legislation in other countries, has also allowed an increased number of non-bank entities to become money transfer agents, allowing Western Union and other money transfer providers to expand their agent networks in these countries but also resulting in increased competition.

The PSD, which has been in force since 2009, was amended by a revised Payment Services Directive ("PSD2"). PSD2 became EU law in January 2016 and required EU member states to transpose it into their national laws by January 2018. Among other changes, PSD2 has increased the supervisory powers granted to member states with respect to activities performed by us and our agent network within their jurisdictions. PSD2 aims to drive increased competition, innovation and transparency across the European payments market, while enhancing consumer protection and the security of Internet payments and account access. At its core is a requirement for banks to grant third party providers access to a customer's online account and payment services in a regulated and secure way, which introduces new customer identity verification and authentication measures. This new customer account access enables the provision of new types of services regulated under PSD2, namely third-party payment initiation and third-party account information access. PSD2 increases our responsibilities related to monitoring our agents, may limit the types, nature and amount of charges we may assess, increases customer rights related to refunds and related adjustments, and increases our responsibilities related to information security and incident reporting.

Regulators worldwide are exercising heightened supervision of money transfer providers and requiring increasing efforts to ensure compliance. As a result, we continue to incur significant compliance costs related to customer, agent, and subagent due diligence, verification, transaction approval, disclosure, and reporting requirements, including requirements to report transaction data to a greater extent or frequency than previously required, along with other requirements that have had and will continue to have a negative impact on our financial condition and results of operations.

Government agencies both inside and outside the United States may impose new or additional rules on money transfers affecting us or our agents or their subagents, including regulations that:

- prohibit, restrict, and/or impose taxes or fees on money transfer transactions in, to or from certain countries or with certain governments, individuals and entities;
- impose additional customer identification and customer, agent, and subagent due diligence requirements;
- impose additional reporting or recordkeeping requirements, or require enhanced transaction monitoring;
- limit the types of entities capable of providing money transfer services, impose additional licensing or registration requirements on us, our agents, or their subagents, or impose additional requirements on us with regard to selection or oversight of our agents or their subagents;
- impose minimum capital or other financial requirements on us or our agents and their subagents;
- limit or restrict the revenue which may be generated from money transfers, including transaction fees and revenue derived from foreign exchange;
- require enhanced disclosures to our money transfer customers;
- require the principal amount of money transfers originated in a country to be invested in that country or held in trust until they are paid;
- limit the number or principal amount of money transfers which may be sent to or from a jurisdiction, whether by an individual, through one agent or in aggregate;
- restrict or limit our ability to process transactions using centralized databases, for example, by requiring that transactions be processed using a database maintained in a particular country or region; and

- prohibit or limit exclusive arrangements with our agents and subagents.

Consumer Protection Regulations

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") became United States federal law in 2010. The Dodd-Frank Act created the Consumer Financial Protection Bureau (the "CFPB") whose purpose is to implement, examine for compliance with and enforce federal consumer protection laws governing financial products and services, including money transfer services. The CFPB has created additional regulatory obligations for us and has the authority to examine and supervise us and our larger competitors, including for matters related to unfair, deceptive, or abusive acts and practices. The CFPB's regulations implementing the remittance provisions of the Dodd-Frank Act have affected our business in a variety of areas. These include: a requirement to provide almost all consumers sending funds internationally from the United States enhanced, written, pre-transaction disclosures, including the disclosure of fees, foreign exchange rates and taxes, an obligation to resolve various errors, including certain errors that may be outside our control, and an obligation at a consumer's request to cancel transactions that have not been completed. We have modified certain of our systems, business practices, service offerings or procedures to comply with these regulations. We also face liability for the failure of our money transfer agents to comply with the rules and have implemented and are continuing to implement additional policies, procedures, and oversight measures designed to foster compliance by our agents. The extent of our, and our agents' implementation of these policies, procedures, and measures may be considered by the CFPB in any action or proceeding against us for noncompliance with the rules by our agents. The CFPB has also implemented a direct portal for gathering information regarding consumer complaints in the money transfer area. The CFPB uses the information collected to help improve its supervision of companies, enforcement of federal consumer financial laws and writing of rules and regulations. This effort may lead to additional regulatory scrutiny of our business.

In addition, various jurisdictions in the United States and outside the United States have consumer protection laws and regulations, and numerous agencies are tasked with enforcing those laws and regulations. Consumer protection principles continue to evolve, and some countries may enact new consumer protection laws and regulations or enhance existing consumer protection laws or regulations. Increasingly, agencies tasked with enforcing consumer protection laws or regulations are communicating more frequently and coordinating efforts. For instance, the International Consumer Protection and Enforcement Network (ICPEN) is an organization composed of consumer protection authorities from over 60 countries that provides a forum for developing and maintaining regular contact between consumer protection agencies and focusing on consumer protection concerns. By encouraging cooperation between agencies, ICPEN aims to enable its members to have a greater impact with their consumer protection laws and regulations. As the scope of consumer protection laws and regulations change, we may experience increased costs to comply and other adverse effects to our business.

Derivatives Regulations

Rules adopted under the Dodd-Frank Act by the Commodity Futures Trading Commission (the "CFTC"), as well as the provisions of the European Market Infrastructure Regulation and its technical standards, which are directly applicable in the member states of the European Union, have subjected most of our foreign exchange hedging transactions, including certain intercompany hedging transactions, certain of the corporate interest rate hedging transactions we may enter into in the future, and certain of the foreign exchange derivative contracts we offer as part of our Business Solutions segment, to reporting, recordkeeping, and other requirements. Additionally, certain of the corporate interest rate hedging transactions and foreign exchange derivatives transactions we may enter into in the future may be subject to centralized clearing requirements or may be subject to margin requirements in the United States and European Union. Other jurisdictions outside of the United States and the European Union are considering, have implemented, or are implementing regulations similar to those described above. Derivatives regulations have added costs to our business and any additional requirements, such as future registration requirements and increased regulation of derivative contracts, will result in additional costs or impact the way we conduct our hedging activities as well as impact how we conduct our business within our Business Solutions segment. In particular, the CFTC has issued a proposed rule that, if adopted as proposed, would increase the likelihood that we will have to register one or more of our subsidiaries with the CFTC as a swap dealer. Swap dealers are subject to a comprehensive regulatory framework and compliance with this framework will lead to additional costs, including costs relating to regulatory capital and margin requirements, and may impact how we conduct our hedging activities and derivatives business with customers. We continue to consider the impact the proposed rule, if adopted, would have on our hedging activities and operations. For further discussion of these risks, see Part I, Item 1A, *Risk Factors - "The Dodd-Frank Act, as well as the regulations required by that Act and the actions of the Consumer Financial Protection Bureau and similar legislation and regulations enacted by other government authorities, could adversely affect us and the scope of our activities, and could adversely affect our financial condition, results of operations, and cash flows."* Our implementation of these requirements has resulted, and will continue to result, in additional costs to our business.

Additionally, the regulatory regimes for derivatives in the United States and European Union, such as under the Dodd-Frank Act and the European Markets in Financial Instruments Directive known as "MiFID II," are continuing to evolve and changes to such regimes, our designation under such regimes, or the implementation of new rules under such regimes, such as future registration requirements and increased regulation of derivative contracts, may result in additional costs to our business. Other jurisdictions outside the United States and the European Union are considering, have implemented, or are implementing regulations similar to those described above and these will result in greater costs to us as well. Furthermore, our failure to implement these requirements correctly could result in fines and other sanctions, as well as necessitate a temporary or permanent cessation to some or all of our derivative related activities. Any such fines, sanctions or limitations on our business could adversely affect our operations and financial results.

Unclaimed Property Regulations

Our Company is subject to unclaimed property laws in the United States and in certain other countries, and our agents are subject to unclaimed property laws in some jurisdictions. These laws require us or our agents, as applicable, to turn over to certain government authorities the property of others held by our Company that has been unclaimed for a specified period of time, such as unpaid money transfers and money orders. We hold property subject to unclaimed property laws and we have an ongoing program designed to help us comply with these laws. We are subject to audits with regard to our escheatment practices.

Privacy Regulations and Information Security Standards

We must collect, transfer, disclose, use and store personal information in order to provide our services. These activities are subject to information security, data privacy, data protection, data breach and related laws and regulations in the United States, the EU, and many other countries in which we provide services.

In the United States, federal data privacy laws such as the federal Gramm-Leach-Bliley Act and various state laws, such as data privacy and breach laws, apply to a broad range of financial institutions including money transfer providers like Western Union, and to companies that provide services to or on behalf of those institutions. The United States Federal Trade Commission ("FTC"), which has jurisdiction over companies such as Western Union, has brought numerous enforcement actions, resulting in multi-year settlements, against companies whose privacy or data security practices allegedly violated the law. The FTC, CFPB, and some states continue to actively investigate companies' privacy practices including those related to online and mobile applications. Most state laws require notification to be provided to affected individuals, state authorities and consumer reporting agencies, in the event of a breach of certain types of personal data contained in computer databases and in some cases physical documents. Such notification requirements may be subject to various factors, including the level of encryption and the potential harm to consumers. In addition, the Company is also subject to United States federal reporting requirements in connection with some such incidents.

Increasingly, data protection laws of countries outside of the United States are having a significant impact on our operations and the manner in which we provide our services. The EU has been particularly active in regulating the collection, transfer, disclosure, use, storage and other processing of personal information, and the EU's approach is frequently followed by other jurisdictions. Laws adopted pursuant to the EU's Data Protection Directive 95/46, and other national and provincial laws throughout the world are frequently more restrictive than comparable laws in the United States and impose more stringent duties on us and other companies in our industry. As in the United States, areas of concern include online and mobile applications. These laws, which are not uniform, do one or more of the following: regulate the collection, transfer (including in some cases, the transfer outside of the country or region of collection), processing, storage, use and disclosure of personal information; require notice to individuals of the processing of their personal information and our privacy practices; give individuals certain access, correction and other rights with respect to their personal information; and restrict the use or disclosure of personal information for secondary purposes such as marketing. Under certain circumstances, some of these laws require us to provide notification to affected individuals, data protection authorities and/or other regulators in the event of a data breach. The trend in this area is one of increasingly more stringent regulation, particularly in the EU. In April 2016, the European Parliament and the Council of the European Union approved a comprehensive new regulation known as GDPR that will replace the EU's Data Protection Directive 95/46 in May 2018. The GDPR will impose additional obligations and risks upon our businesses, including the risk of substantially increased penalties for non-compliance. We have incurred and we expect to continue to incur significant expenses to meet the new obligations of the GDPR, which require us to make significant changes to our business operations.

The EU enacted PSD2 and MiFID II, both of which impact our operations and which we are addressing. The pending e-Privacy Regulation, which will replace the current e-Privacy Directive, likely in 2018, will introduce a new privacy legal framework for electronic communications including direct marketing communications and the use of cookies and tracking technologies. The new regulation likely will contain penalty provisions that could result in significant costs for non-compliance.

Data privacy regulations, laws and industry standards also impose requirements for safeguarding personal information. Western Union seeks to maintain and upgrade its systems and processes to protect the security of our computer systems, software, networks and other technology assets to help protect against the risks presented by hackers, nation-states and other threat actors. For further discussion of these risks, see Part I, Item 1A, *Risk Factors - "Breaches of our information security safeguards could adversely affect our ability to operate and could damage our reputation and adversely affect our business, financial condition, results of operations, and cash flows."*

In connection with regulatory requirements to assist in the prevention of money laundering and terrorist financing and pursuant to legal obligations and authorizations, Western Union makes information available to certain United States federal, state, and foreign government agencies when required by law. In recent years, Western Union has experienced an increasing number of data sharing requests by these agencies, particularly in connection with efforts to prevent terrorist financing or reduce the risk of identity theft. During the same period, there has also been increased public attention to the corporate use and disclosure of personal information, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer privacy. These regulatory goals - the prevention of money laundering, terrorist financing and identity theft and the protection of the individual's right to privacy - may conflict, and the law in these areas is not consistent or settled. The legal, political and business environments in these areas are rapidly changing, and subsequent legislation, regulation, litigation, court rulings or other events could expose Western Union to increased program costs, liability and reputational damage.

Banking Regulations

We have subsidiaries that operate under banking licenses granted by the Austrian Financial Market Authority and the Brazilian Central Bank. We are also subject to regulation, examination and supervision by the New York State Department of Financial Services ("NYDFS"), which has regulatory authority over our entity that holds all interests in these subsidiaries. Further, an Agreement of Supervision with the NYDFS imposes various regulatory requirements including operational limitations, capital requirements, affiliate transaction limitations, and notice and reporting requirements on this entity and its subsidiaries. However, because this entity and its subsidiaries do not exercise banking powers in the United States, we are not subject to the Bank Holding Company Act in the United States.

Other

Some of our services are subject to card association rules and regulations. For example, an independent standards-setting organization, the Payment Card Industry ("PCI") Security Standards Council (including American Express, Discover Financial Services, JCB International, MasterCard Worldwide and Visa Inc. International) developed a set of comprehensive requirements concerning payment card account security through the transaction process, called the Payment Card Industry Data Security Standard ("PCI DSS"). All merchants and service providers that store, process and transmit payment card data are required to comply with PCI DSS as a condition to accepting credit cards. We are subject to annual reviews to ensure compliance with PCI regulations worldwide and are subject to fines if we are found to be non-compliant.

Employees and Labor

As of December 31, 2017, our businesses employed approximately 11,500 employees, of which approximately 2,400 employees are located inside the United States.

Available Information

The Western Union Company is a Delaware corporation and its principal executive offices are located at 12500 East Belford Avenue, Englewood, CO, 80112, telephone (866) 405-5012. The Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge through the "Investor Relations" portion of the Company's website, www.westernunion.com, as soon as reasonably practical after they are filed with the Securities and Exchange Commission ("SEC"). The SEC maintains a website, www.sec.gov, which contains reports, proxy and information statements, and other information filed electronically with the SEC by the Company.

Executive Officers of the Registrant

As of February 22, 2018, our executive officers consist of the individuals listed below:

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|---------------------|------------|---|
| Hikmet Ersek | 57 | President, Chief Executive Officer and Director |
| Rajesh K. Agrawal | 52 | Executive Vice President, Chief Financial Officer |
| Odilon Almeida | 56 | Executive Vice President, President - Global Money Transfer |
| Jean Claude Farah | 47 | Executive Vice President, President - Global Payments |
| Sheri Rhodes | 49 | Executive Vice President, Chief Technology Officer |
| Caroline Tsai | 48 | Executive Vice President, General Counsel and Secretary |
| Richard L. Williams | 52 | Executive Vice President, Chief Human Resources Officer |

Hikmet Ersek is our President and Chief Executive Officer (from September 2010) and a member of the Company's Board of Directors (from April 2010). From January 2010 to August 2010, Mr. Ersek served as the Company's Chief Operating Officer. Prior to January 2010, Mr. Ersek served as the Company's Executive Vice President and Managing Director, Europe, Middle East, Africa and Asia Pacific Region from December 2008. From September 2006 to December 2008, Mr. Ersek served as the Company's Executive Vice President and Managing Director, Europe/Middle East/Africa/South Asia. Prior to September 2006, Mr. Ersek held various positions of increasing responsibility with Western Union. Prior to joining Western Union in September 1999, Mr. Ersek was with GE Capital specializing in European payment systems and consumer finance.

Rajesh K. Agrawal is our Executive Vice President (from November 2011) and Chief Financial Officer (from July 2014) and previously served as Executive Vice President and Interim Chief Financial Officer from January 2014 to July 2014. Prior to January 2014, Mr. Agrawal served as President, Western Union Business Solutions from August 2011. Prior to August 2011, Mr. Agrawal served as General Manager, Business Solutions from November 2010, and as Senior Vice President of Finance for Business Units from August 2010 to November 2010. Previously, Mr. Agrawal served as Senior Vice President of Finance of the Company's Europe, Middle East, and Africa and Asia Pacific regions from July 2008 to August 2010, and as Senior Vice President and Treasurer of Western Union from June 2006 to May 2008. Mr. Agrawal joined Western Union in 2006. Prior to that time, Mr. Agrawal served as Treasurer and Vice President of Investor Relations at Deluxe Corporation, and worked at General Mills, Inc., Chrysler Corporation, and General Motors Corporation.

Odilon Almeida is our Executive Vice President and President, Global Money Transfer. Prior to taking this position in February 2017, Mr. Almeida served as Executive Vice President and President, Americas and European Union from January 2014. From January 2013 through December 2013, Mr. Almeida was Senior Vice President and President for the Americas region for Western Union. Mr. Almeida joined Western Union in 2002 and has held roles of increasing responsibility, including Regional Vice President, Southern Cone, Americas from December 2002 to December 2005; Regional Vice President and Managing Director, South America region from January 2006 to November 2007; Senior Vice President and Managing Director, South America region from December 2007 to November 2010; and Senior Vice President and Managing Director for the Latin America and Caribbean region from December 2010 to December 2012. Prior to joining Western Union, Mr. Almeida worked at FleetBoston Financial, The Coca-Cola Company and Colgate-Palmolive in Brazil, Canada, Mexico and the United States. Mr. Almeida has served as a non-executive director of Millicom International Cellular S.A since May 2015.

Jean Claude Farah is our Executive Vice President and President, Global Payments (from February 2017). From December 2013 to February 2017, Mr. Farah served as Executive Vice President and President, Middle East, Africa, APAC, Eastern Europe and CIS, and from March 2009 to December 2013, Mr. Farah served as Senior Vice President for the Middle East and Africa region at Western Union. Mr. Farah joined Western Union in 1999 as Marketing Manager, Middle East & North Africa. He has held a variety of progressively responsible positions with the company, including Regional Director from March 2003 to June 2005, Regional Vice President from June 2005 to March 2009 and Senior Vice President for the Middle East, Pakistan and Afghanistan region. Mr. Farah started his career in 1995 with Renault SA. Prior to joining Western Union, he was Area Manager for Orangina Pernod Ricard.

Sheri Rhodes is our Executive Vice President, Chief Technology Officer (from February 2018). Prior to that, Ms. Rhodes served as Senior Vice President and Acting Chief Technology Officer (from September 2017). From May 2017 to September 2017, Ms. Rhodes served as the Senior Vice President and Chief Technology Officer, Digital and Global Payments. Prior to taking this position in May 2017, Ms. Rhodes served as the Chief Information Officer for Electronics for Imaging ("EFI"), a digital printing technology company, from December 2015. From December 2009 to December 2015, Ms. Rhodes served as the Vice President of Global Applications for Symantec Corporation, a software company.

Caroline Tsai is our Executive Vice President, General Counsel and Secretary (from December 2017). Prior to joining Western Union in December 2017, Ms. Tsai served as Deputy General Counsel and Chief Regulatory Officer of BMO Financial Group, a banking and financial services provider, from December 2015 to November 2017 and from January 2014 to December 2015, Ms. Tsai served as Chief Legal Officer, U.S. Personal and Commercial Banking. Prior to joining BMO Financial Group, Ms. Tsai was Senior Vice President and Associate General Counsel of Bank of America Corporation, a banking and financial services provider, from January 2012 to December 2013, and from July 2005 to December 2011, Ms. Tsai served as Senior Vice President and Assistant General Counsel. Ms. Tsai began her legal career as an Associate with the law firm Jones Day, based in Washington, D.C.

Richard L. Williams is our Executive Vice President, Chief Human Resources Officer (from October 2013). Mr. Williams previously served as Interim Chief Human Resources Officer from March 2013 to October 2013 and as Senior Vice President, Human Resources - Global Consumer Financial Services from June 2011 to October 2013. Mr. Williams joined Western Union in November 2009 as the Vice President of Human Resources for the Americas and Global Cards. Before joining Western Union, Mr. Williams worked for Fullerton Financial Holdings (a wholly-owned subsidiary of Temasek Holdings) as its Senior Vice President of Human Resources for Central and Eastern Europe, Middle East and Africa, based in Dubai, United Arab Emirates from September 2007 to October 2009. Previously, Mr. Williams spent 17 years (May 1998 to August 2007 and August 1989 to February 1997) with American Express Company.

ITEM 1A. RISK FACTORS

There are many factors that affect our business, financial condition, results of operations, and cash flows, some of which are beyond our control. These risks include, but are not limited to, the risks described below. Such risks are grouped according to:

- Risks Relating to Our Business and Industry;
- Risks Related to Our Regulatory and Litigation Environment; and
- Risks Related to the Spin-Off.

You should carefully consider all of these risks.

Risks Relating to Our Business and Industry

Global economic downturns or slower growth or declines in the money transfer, payment service, and other markets in which we operate, including downturns or declines related to interruptions in migration patterns, and difficult conditions in global financial markets and financial market disruptions could adversely affect our business, financial condition, results of operations, and cash flows.

The global economy has experienced in recent years, and may experience, downturns, volatility and disruption, and we face certain risks relating to such events, including:

- Demand for our services could soften, including due to low consumer confidence, high unemployment, changes in foreign exchange rates, or reduced global trade.
- Our Consumer-to-Consumer money transfer business relies in large part on migration, which brings workers to countries with greater economic opportunities than those available in their native countries. A significant portion of money transfers are sent by international migrants. Migration is affected by (among other factors) overall economic conditions, the availability of job opportunities, including with respect to the technology industry, changes in immigration laws, restrictions on immigration, and political or other events (such as war, terrorism or health emergencies) that would make it more difficult for workers to migrate or work abroad. Changes to these factors could adversely affect our remittance volume and could have an adverse effect on our business, financial condition, results of operations, and cash flows.
- Many of our consumers work in industries that may be impacted by deteriorating economic conditions more quickly or significantly than other industries. The prospect of reduced job opportunities, especially in retail, healthcare, construction, and hospitality, or weakness in the regional economies could adversely affect the number of money transfer transactions, the principal amounts transferred and correspondingly our results of operations. If general market softness in the economies of countries important to migrant workers occurs, our results of operations could be adversely impacted. Additionally, if our consumer transactions decline, if the amount of money that consumers send per transaction declines, or if migration patterns shift due to weak or deteriorating economic conditions or immigration laws, our financial condition, results of operations, and cash flows may be adversely affected.
- Our agents or clients could experience reduced sales or business as a result of a deterioration in economic conditions. As a result, our agents could reduce their numbers of locations or hours of operation, or cease doing business altogether. Businesses using our services may make fewer cross-currency payments or may have fewer customers making payments to them through us, particularly businesses in those industries that may be more affected by an economic downturn.

- Our Business Solutions business is heavily dependent on global trade. A downturn in global trade or the failure of long-term import growth rates to return to historic levels could have an adverse effect on our business, financial condition, results of operations, and cash flows. Additionally, as customer hedging activity in our Business Solutions business generally varies with currency volatility, we have experienced and may experience in the future lower foreign exchange revenues in periods of lower currency volatility.
- Our exposure to receivables from our agents, consumers and businesses could impact us. For more information on this risk, see risk factor "*We face credit, liquidity and fraud risks from our agents, consumers, businesses, and third-party processors that could adversely affect our business, financial condition, results of operations, and cash flows.*"
- The market value of the securities in our investment portfolio may substantially decline. The impact of that decline in value may adversely affect our liquidity, financial condition, and results of operations.
- The counterparties to the derivative financial instruments that we use to reduce our exposure to various market risks, including changes in interest rates and foreign exchange rates, may fail to honor their obligations, which could expose us to risks we had sought to mitigate. This includes the exposure generated by the Business Solutions business, where we write derivative contracts to our customers as part of our cross-currency payments business, and we typically hedge the net exposure through offsetting contracts with established financial institution counterparties. That failure could have an adverse effect on our financial condition, results of operations, and cash flows.
- We may be unable to refinance our existing indebtedness, or finance our obligations to pay tax on certain of our previously undistributed earnings pursuant to the Tax Act on favorable terms, as such amounts become due or we may have to refinance or obtain new financing on unfavorable terms, which could require us to dedicate a substantial portion of our cash flow from operations to payments on our debt or tax obligations, thereby reducing funds available for working capital, capital expenditures, acquisitions, share repurchases, dividends, and other purposes.
- Our revolving credit facility with a consortium of banks is one source for funding liquidity needs and also backs our commercial paper program. If any of the banks participating in our credit facility fails to fulfill its lending commitment to us, our short-term liquidity and ability to support borrowings under our commercial paper program could be adversely affected.
- The third-party service providers on whom we depend may experience difficulties in their businesses, which may impair their ability to provide services to us and have a potential impact on our own business. The impact of a change or temporary stoppage of services may have an adverse effect on our business, financial condition, results of operations, and cash flows.
- Banks upon which we rely to conduct our business could fail or be unable to satisfy their obligations to us. This could lead to our inability to access funds and/or credit losses for us and could adversely impact our ability to conduct our business.
- Insurers we utilize to mitigate our exposures to litigation and other risks may be unable to or refuse to satisfy their obligations to us, which could have an adverse effect on our liquidity, financial condition, results of operations, and cash flows.
- If market disruption or volatility occurs, we could experience difficulty in accessing capital on favorable terms and our business, financial condition, results of operations, and cash flows could be adversely impacted.

We face competition from global and niche or corridor money transfer providers, United States and international banks, card associations, card-based payments providers and a number of other types of service providers, including electronic, mobile and Internet-based services, and from digital currencies and related protocols, and other innovations in technology and business models. Our future growth depends on our ability to compete effectively in the industry.

Money transfer and business payments are highly competitive industries which include service providers from a variety of financial and non-financial business groups. Our competitors include consumer money transfer companies, banks and credit unions (including interbank partnerships), card associations, web-based services, mobile money transfer services, payment processors, card-based payments providers such as issuers of e-money, travel cards or stored-value cards, informal remittance systems, automated teller machine providers and operators, phone payment systems (including mobile phone networks), postal organizations, retailers, check cashers, mail and courier services, currency exchanges, and digital currencies. These services are differentiated by features and functionalities such as brand recognition, customer service, trust and reliability, distribution network and channel options, convenience, price, speed, variety of payment methods, service offerings and innovation. Our business, distribution network and channel options, such as our electronic channels, have been and may continue to be impacted by increased competition, including from new competitors and the consolidation of competitors and the expansion of their services, which could adversely affect our financial condition, results of operations, and cash flows. For example, we have experienced increased competition in money transfers sent and received within the United States, including from the creation of an interbank network that has partnerships with many large financial institutions and that does not charge a fee to send or receive money. The potential expansion of this network or other similar interbank networks could represent significant competition to us.

Our future growth depends on our ability to compete effectively in money transfer and business payments. For example, if we fail to price our services appropriately, consumers may not use our services, which could adversely affect our business and financial results. In addition, we have historically implemented and will likely continue to implement price reductions from time to time in response to competition and other factors. Price reductions generally reduce margins and adversely affect financial results in the short term and may also adversely affect financial results in the long term if transaction volumes do not increase sufficiently. Further, failure to compete on service differentiation and service quality could significantly affect our future growth potential and results of operations.

As noted below under risk factor "*Risks associated with operations outside the United States and foreign currencies could adversely affect our business, financial condition, results of operations, and cash flows*," many of our agents outside the United States are national post offices. These entities are usually governmental organizations that may enjoy special privileges or protections that could allow them to simultaneously develop their own money transfer businesses. International postal organizations could agree to establish a money transfer network among themselves. Due to the size of these organizations and the number of locations they have, any such network could represent significant competition to us.

If customer confidence in our business or in consumer money transfer and payment service providers generally deteriorates, our business, financial condition, results of operations, and cash flows could be adversely affected.

Our business is built on customer confidence in our brands and our ability to provide fast, reliable money transfer and payment services. Erosion in customer confidence in our business, or in consumer money transfer and payment service providers as a means to transfer money, could adversely impact transaction volumes which would in turn adversely impact our business, financial condition, results of operations, and cash flows.

A number of factors could adversely affect customer confidence in our business, or in consumer money transfer and payment service providers generally, many of which are beyond our control, and could have an adverse impact on our results of operations. These factors include:

- changes or proposed changes in laws or regulations or regulator or judicial interpretation thereof that have the effect of making it more difficult or less desirable to transfer money using consumer money transfer and payment service providers, including additional consumer due diligence, identification, reporting, and recordkeeping requirements;
- the quality of our services and our customer experience, and our ability to meet evolving customer needs and preferences, including consumer preferences related to our westernunion.com and mobile money transfer services;

- failure of our agents or their subagents to deliver services in accordance with our requirements;
- reputational concerns resulting from actual or perceived events, including those related to fraud or consumer protection in connection with the Joint Settlement Agreements, the NYDFS Consent Order, or other matters;
- actions by federal, state or foreign regulators that interfere with our ability to transfer consumers' money reliably, for example, attempts to seize money transfer funds, or limit our ability to or prohibit us from transferring money in certain corridors;
- federal, state or foreign legal requirements, including those that require us to provide consumer or transaction data either pursuant to our agreement signed on February 11, 2010 with the State of Arizona regarding our anti-money laundering ("AML") compliance programs along the United States and Mexico border ("Southwest Border Agreement") and requirements under the Joint Settlement Agreements or other requirements or to a greater extent than is currently required;
- any significant interruption in our systems, including by unauthorized entry and computer viruses, fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, or disruptions in our workforce; and
- any breach of our computer systems or other data storage facilities, or of certain of our third-party providers, resulting in a compromise of personal or other data.

Many of our money transfer consumers are migrants. Consumer advocacy groups or governmental agencies could consider migrants to be disadvantaged and entitled to protection, enhanced consumer disclosure, or other different treatment. If consumer advocacy groups are able to generate widespread support for actions that are detrimental to our business, then our business, financial condition, results of operations, and cash flows could be adversely affected.

Our ability to adopt new technology and develop and gain market acceptance of new and enhanced products and services in response to changing industry and regulatory standards and evolving customer needs poses a challenge to our business.

Our industry is subject to rapid and significant technological changes, with the constant introduction of new and enhanced products and services and evolving industry and regulatory standards and consumer needs and preferences. Our ability to enhance our current products and services and introduce new products and services that address these changes has a significant impact on our ability to be successful. We actively seek to respond in a timely manner to changes in customer (both consumer and business) needs and preferences, technology advances and new and enhanced products and services such as technology-based money transfer and Business Solutions payments services, including Internet, phone-based and other mobile money transfer services. Failure to respond timely and well to these challenges could adversely impact our business, financial condition, results of operations, and cash flows. Further, even if we respond well to these challenges, the business and financial models offered by many of these alternative, more technology-reliant means of money transfer and electronic payment solutions may be less advantageous to us than our traditional cash/agent model or our current electronic money transfer model.

Risks associated with operations outside the United States and foreign currencies could adversely affect our business, financial condition, results of operations, and cash flows .

A substantial portion of our revenue is generated in currencies other than the United States dollar. As a result, we are subject to risks associated with changes in the value of our revenues and net monetary assets denominated in foreign currencies. For example, a considerable portion of our revenue is generated in the euro. In an environment of a rising United States dollar relative to the euro, the value of our euro-denominated revenue, operating income and net monetary assets would be reduced when translated into United States dollars for inclusion in our financial statements. Some of these adverse financial effects may be partially mitigated by foreign currency hedging activities. In an environment of a declining United States dollar relative to the euro, some of the translation benefits on our reported financial results could be limited by the impact of foreign currency hedging activities.

We operate in almost all developing markets throughout the world. In many of these markets, our foreign currency exposure is limited because most transactions are receive transactions and we currently reimburse most of our agents in either United States dollars or euros for the payment of these transactions. However, in certain of these developing markets we settle transactions in local currencies and generate revenue from send transactions. Our exposure to foreign currency fluctuations in those markets is increased as these fluctuations impact our revenues and operating income.

We have additional foreign exchange risk and associated foreign exchange risk management requirements due to the nature of our Business Solutions business. The majority of this business' revenue is from exchanges of currency at spot rates, which enable customers to make cross-currency payments. In certain countries, this business also writes foreign currency forward and option contracts for our customers. The duration of these derivative contracts at inception is generally less than one year. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. Business Solutions aggregates its foreign exchange exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties. However, these contracts do not eliminate all of the risks related to fluctuating foreign currency rates. If we are unable to obtain offsetting positions, our business, financial condition, results of operations, and cash flows could be adversely affected.

A substantial portion of our revenue is generated outside the United States. We utilize a variety of planning and financial strategies to help ensure that our worldwide cash is available where needed, including decisions related to the amounts, timing, and manner by which cash is repatriated or otherwise made available from our international subsidiaries. Changes in the amounts, timing, and manner by which cash is repatriated (or deemed repatriated) or otherwise made available from our international subsidiaries, including changes arising from new legal or tax rules, disagreements with legal or tax authorities concerning existing rules that are ultimately resolved in their favor, or changes in our operations or business, could result in material adverse effects on our financial condition, results of operations, and cash flows including our ability to pay future dividends or make share repurchases. For further discussion regarding the risk that our future effective tax rates could be adversely impacted by changes in tax laws, both domestically and internationally, see risk factor " *Changes in tax laws, or their interpretation, and unfavorable resolution of tax contingencies could adversely affect our tax expense* " below.

Money transfers and payments to, from, within, or between countries may be limited or prohibited by law. At times in the past, we have been required to cease operations in particular countries due to political uncertainties or government restrictions imposed by foreign governments or the United States. Occasionally agents or their subagents have been required by their regulators to cease offering our services; see risk factor "*Regulatory initiatives and changes in laws, regulations and industry practices and standards affecting us, our agents or their subagents, or the banks with which we or our agents maintain bank accounts needed to provide our services could require changes in our business model and increase our costs of operations, which could adversely affect our financial condition, results of operations, and liquidity*" below. Additionally, economic or political instability or natural disasters may make money transfers to, from, within, or between particular countries difficult or impossible, such as when banks are closed, when currency devaluation makes exchange rates difficult to manage or when natural disasters or civil unrest makes access to agent locations unsafe. These risks could negatively impact our ability to offer our services, to make payments to or receive payments from international agents or our subsidiaries or to recoup funds that have been advanced to international agents or are held by our subsidiaries, and as a result could adversely affect our business, financial condition, results of operations, and cash flows. In addition, the general state of telecommunications and infrastructure in some lesser developed countries, including countries where we have a large number of transactions, creates operational risks for us and our agents that generally are not present in our operations in the United States and other more developed countries.

Many of our agents outside the United States are post offices, which are usually owned and operated by national governments. These governments may decide to change the terms under which they allow post offices to offer remittances and other financial services. For example, governments may decide to separate financial service operations from postal operations, or mandate the creation or privatization of a "post bank," which could result in the loss of agent locations, or they may require multiple service providers in their network. These changes could have an adverse effect on our ability to distribute or offer our services in countries that are material to our business.

Breaches of our information security safeguards could adversely affect our ability to operate and could damage our reputation and adversely affect our business, financial condition, results of operations, and cash flows .

We collect, transfer and retain consumer, business customer representative, employee, applicant, agent and other individuals' personal information as part of our business. With our services being offered in more than 200 countries and territories, these activities are subject to laws and regulations in the United States and many other jurisdictions; see risk factor "*Current and proposed regulation addressing consumer privacy and data use and security could increase our costs of operations, which could adversely affect our operations, results of operations and financial condition*" below. The requirements imposed by these laws and regulations, which often differ materially among the many jurisdictions and can have impacts on our business operations, are designed to protect the privacy of personal information and prevent that information from being inappropriately accessed, used or disclosed. We believe we have developed and maintain administrative, technical and physical safeguards designed to comply with applicable legal requirements. However, despite those measures, it is possible that hackers, employees acting contrary to our policies or others could improperly access our systems or documents, or the systems or documents of our business partners or service providers and improperly access, obtain or disclose personal information about our consumers, business customer representatives, employees, applicants, agents or others, or that a third-party service provider could intentionally or inadvertently use, disclose or make available personal information to unauthorized parties or in violation of law. For example, a significant and increasing amount of our data is collected and stored by third parties, including providers of cloud-based software services. In 2016, we determined hackers had accessed the system of one of our third-party providers and improperly obtained data about some of our agents and consumers. Western Union systems and money transfer operations were not impacted. Security incidents such as these have the potential to impose material costs on the Company and there can be no assurance that additional security incidents will not occur in the future. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are also constantly changing and evolving and may be difficult to anticipate or detect for long periods of time. Additionally, transactions undertaken through our mobile services may create risks of fraud, hacking, unauthorized access or acquisition, and other deceptive practices. Any security incident resulting in a compromise of consumer, business customer representative, employee, applicant, agent, or other personal information could require us to notify impacted individuals, and in some cases regulators, of a possible or actual incident, expose us to regulatory enforcement action, including substantial fines, limit our ability to provide services, subject us to litigation, damage our reputation, and could adversely affect our business, financial condition, results of operations, and cash flows.

Interruptions in our systems, including as a result of cyber attacks, or disruptions in our workforce may have a significant effect on our business.

Our ability to provide reliable service largely depends on the efficient and uninterrupted operation of our computer information systems and those of our service providers. Any significant interruptions could harm our business and reputation and result in a loss of business. These systems and operations could be exposed to damage or interruption from unauthorized entry and computer viruses, fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, or other causes, many of which may be beyond our control or that of our service providers. Further, we have been and continue to be the subject of cyber attacks, including distributed denial of service attacks. These attacks are primarily aimed at interrupting our business, exposing us to financial losses, or exploiting information security vulnerabilities. Historically, none of these attacks or breaches has individually or in the aggregate resulted in any material liability to us or any material damage to our reputation, and disruptions related to cybersecurity have not caused any material disruption to the Company's business. Although we believe we have taken steps and made investments to help prevent security incidents and systems disruptions, our measures may not be successful and we may experience material security incidents, disruptions or other problems in the future. We also may experience software defects, development delays, installation difficulties and other systems problems, which would harm our business and reputation and expose us to potential liability which may not be fully covered by our business interruption insurance. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Our data applications may not be sufficient to address technological advances, regulatory requirements, changing market conditions or other developments. In addition, any work stoppages or other labor actions by employees, the significant majority of whom are located outside the United States, could adversely affect our business.

We receive services from third-party vendors that would be difficult to replace if those vendors ceased providing such services adequately or at all. Cessation of or defects in various services provided to us by third-party vendors could cause temporary disruption to our business.

Some services relating to our business, such as software application support, the development, hosting and maintenance of our operating systems, merchant acquiring services, check clearing, and processing of returned checks are outsourced to third-party vendors, which would be difficult to replace quickly. If our third-party vendors were unwilling or unable to provide us with these services in the future, our business and operations could be adversely affected.

Acquisitions and integration of new businesses create risks and may affect operating results.

We have acquired and may acquire businesses both inside and outside the United States. As of December 31, 2017, we had \$2,727.9 million of goodwill comprising approximately 30% of our total assets, including \$1,981.0 million of goodwill in our Consumer-to-Consumer reporting unit and \$532.0 million of goodwill in our Business Solutions reporting unit. If we or our reporting units do not generate operating cash flows at levels consistent with our expectations, we may be required to write down the goodwill on our balance sheet, which could have a significant adverse impact on our financial condition and results of operations in future periods.

For example, for the year ended December 31, 2017, we recognized a non-cash goodwill impairment charge of \$464.0 million related to our Business Solutions reporting unit, as further described in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*. The fair value of the Business Solutions reporting unit continues to be sensitive to changes in projections for revenue growth rates and EBITDA margins, and, after this impairment, the carrying value and estimated fair value of the Business Solutions reporting unit are the same as of December 31, 2017. Any further reduction in anticipated future operating cash flows in the Business Solutions reporting unit would likely result in another write down of goodwill, which could have a significant adverse impact on our financial condition and results of operations. See the "Critical Accounting Policies and Estimates" discussion in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, for more detail.

In addition to the risk of goodwill impairment, the acquisition and integration of businesses involve a number of other risks. The core risks involve valuation (negotiating a fair price for the business based on inherently limited due diligence) and integration (managing the complex process of integrating the acquired company's people, products and services, technology and other assets in an effort to realize the projected value of the acquired company and the projected synergies of the acquisition). Another risk is the need in some cases to improve regulatory compliance, see "Risks Related to Our Regulatory and Litigation Environment" below. Acquisitions often involve additional or increased risks including, for example:

- realizing the anticipated financial benefits from these acquisitions and where necessary, improving internal controls of these acquired businesses;
- managing geographically separated organizations, systems and facilities;
- managing multi-jurisdictional operating, tax and financing structures;
- integrating personnel with diverse business backgrounds and organizational cultures;
- integrating the acquired technologies into our Company;
- complying with regulatory requirements, including those particular to the industry and jurisdiction of the acquired business;
- enforcing intellectual property rights in some foreign countries;
- entering new markets with the services of the acquired businesses; and
- general economic and political conditions, including legal and other barriers to cross-border investment in general, or by United States companies in particular.

Integrating operations could cause an interruption of, or divert resources from, one or more of our businesses and could result in the loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with an acquisition and the integration of the acquired company's operations could have an adverse effect on our business, financial condition, results of operations, and cash flows.

We face credit, liquidity and fraud risks from our agents, consumers, businesses, and third-party processors that could adversely affect our business, financial condition, results of operations, and cash flows .

The vast majority of our Consumer-to-Consumer money transfer activity and our walk-in bill payment and money order activity is conducted through third-party agents that provide our services to consumers at their retail locations. These agents sell our services, collect funds from consumers and are required to pay the proceeds from these transactions to us. As a result, we have credit exposure to our agents. In some countries, our agent networks include superagents that establish subagent relationships; these agents must collect funds from their subagents in order to pay us. We are not insured against credit losses, except in certain circumstances related to agent theft or fraud. If an agent becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to pay money order, money transfer or payment services proceeds to us, we must nonetheless pay the money order or complete the money transfer or payment services on behalf of the consumer.

The liquidity of our agents and other parties we transact with directly, including merchant acquirers, is necessary for our business to remain strong and to continue to provide our services. If our agents or other partners fail to settle with us in a timely manner, our liquidity could be affected.

From time to time, we have made, and may in the future make, short-term advances and longer-term loans to our agents. These advances and loans generally are secured by settlement funds payable by us to these agents. However, the failure of these borrowing agents to repay these advances and loans constitutes a credit risk to us.

We are exposed to credit risk in our Business Solutions business relating to: (a) derivatives written by us to our customers and (b) the extension of trade credit when transactions are paid to recipients prior to our receiving cleared funds from the sending customers. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. If a customer becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to pay us, we may be exposed to the value of an offsetting position with a financial institution counterparty for the derivatives or may bear financial risk for those receivables where we have offered trade credit.

We offer consumers in select countries the ability to transfer money utilizing their bank account or credit or debit card via websites and mobile devices. These transactions have experienced and continue to experience a greater risk of fraud and higher fraud losses. Additionally, money transfers funded by ACH, or similar methods, are not preauthorized by the sender's bank and carry the risk that the account may not exist or have sufficient funds to cover the transaction. We apply verification and other tools to help authenticate transactions and protect against fraud. However, these tools are not always successful in protecting us against fraud. As the merchant of these transactions, we may bear the financial risk of the full amount sent in some of the fraudulent transactions. Issuers of credit and debit cards may also incur losses due to fraudulent transactions through our distribution channels and may elect to block transactions by their cardholders in these channels with or without notice. We may be subject to additional fees or penalties if the amount of chargebacks exceeds a certain percentage of our transaction volume. Such fees and penalties increase over time if we do not take effective action to reduce chargebacks below the threshold, and if chargeback levels are not ultimately reduced to acceptable levels, our merchant accounts could be suspended or revoked, which would adversely affect our results of operations.

To help ensure availability of our worldwide cash where needed, we utilize a variety of planning and financial strategies, including decisions related to the amounts, timing and manner by which cash is repatriated or otherwise made available from our international subsidiaries. These decisions can influence our overall tax rate and impact our total liquidity. However, our overall liquidity may also be impacted by regulations or their interpretations that, if fully enacted or implemented, could require us to register as a swap dealer and post collateral in connection with our derivative financial instruments used to hedge our exposures arising in connection with changes to foreign currency exchange rates.

If we are unable to maintain our agent, subagent or global business relationships under terms consistent with those currently in place, including due to increased costs or loss of business as a result of increased compliance requirements or difficulty for us, our agents or their subagents in establishing or maintaining relationships with banks needed to conduct our services, or if our agents or their subagents fail to comply with Western Union business and technology standards and contract requirements, our business, financial condition, results of operations, and cash flows would be adversely affected.

Most of our Consumer-to-Consumer revenue is derived through our agent network. Some of our international agents have subagent relationships in which we are not directly involved. If, due to competition or other reasons, agents or their subagents decide to leave our network, or if we are unable to sign new agents or maintain our agent network under terms consistent with those currently in place, or if our agents are unable to maintain relationships with or sign new subagents, our revenue and profits may be adversely affected. Agent attrition might occur for a number of reasons, including a competitor engaging an agent, an agent's dissatisfaction with its relationship with us or the revenue derived from that relationship, an agent's or its subagents' unwillingness or inability to comply with our standards or legal requirements, including those related to compliance with anti-money laundering regulations, anti-fraud measures, or agent registration and monitoring requirements or increased costs or loss of business as a result of difficulty for us, our agents or their subagents in establishing or maintaining relationships with banks needed to conduct our services. Under the Joint Settlement Agreements and the NYDFS Consent Order, we are subject to heightened requirements relating to agent oversight, which may result in agent attrition, and agents may decide to leave our network due to reputational concerns related to the Joint Settlement Agreements and the NYDFS Consent Order. In addition, agents may generate fewer transactions or less revenue for various reasons, including increased competition, political unrest, or changes in the economy, and the cost of maintaining agent or subagent locations has increased and may continue to increase because of enhanced compliance efforts. Because an agent is a third party that engages in a variety of activities in addition to providing our services, it may encounter business difficulties unrelated to its provision of our services, which could cause the agent to reduce its number of locations, hours of operation, or cease doing business altogether.

Changes in laws regulating competition or in the interpretation of those laws could undermine our ability to enter into or maintain our exclusive arrangements with our current and prospective agents. See risk factor "*Regulatory initiatives and changes in laws, regulations and industry practices and standards affecting us, our agents or their subagents, or the banks with which we or our agents maintain bank accounts needed to provide our services could require changes in our business model and increase our costs of operations, which could adversely affect our financial condition, results of operations, and liquidity*" below. In addition, certain of our agents and subagents have refused to enter into exclusive arrangements. The inability to enter into exclusive arrangements or to maintain our exclusive rights in agent contracts in certain situations could adversely affect our business, financial condition, results of operations, and cash flows by, for example, allowing competitors to benefit from the goodwill associated with the Western Union brand at our agent locations.

We rely on our agents' information systems and/or processes to obtain transaction data. If an agent or its subagent loses information, if there is a significant disruption to the information systems of an agent or its subagent, or if an agent or its subagent does not maintain the appropriate controls over or experiences a breach of their systems, we may experience reputational and other harm which could result in losses to the Company.

In Business Solutions, we facilitate payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals. In our various bill payments services, we provide services for making one-time or recurring payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers and government agencies. Our relationships with these businesses and other organizations are a core component of our payments services, and we derive a substantial portion of our revenue through these relationships. Increased regulation and compliance requirements are impacting these businesses by making it more costly for us to provide our services or by making it more cumbersome for businesses or consumers to do business with us. We have also had difficulty establishing or maintaining banking relationships needed to conduct our services due to banks' policies. If we are unable to maintain our current business or banking relationships or establish new relationships under terms consistent with those currently in place, our ability to continue to offer our services may be adversely impacted, which could have an adverse effect on our business, financial condition, results of operations, and cash flows.

As a result of offering our services, our agents may be subject to various taxes, as governments outside the United States have viewed and may continue to view our agents' services as subject to income, withholding, and other taxes. Any such taxes that are levied on our agents could make it less desirable for agents to offer our services, which could result in increased agent attrition, agents ceasing to offer some of our services, or increased costs to maintain our agent network, either of which could have an adverse effect on our business, results of operations, and cash flows.

Changes in tax laws, or their interpretation, and unfavorable resolution of tax contingencies could adversely affect our tax expense .

Our future effective tax rates could be adversely affected by changes in tax laws or their interpretation, both domestically and internationally. For example, in December 2017, the Tax Act was enacted into United States law. Among other things, the Tax Act imposes a tax on certain previously undistributed foreign earnings, establishes minimum taxes related to payments deemed to erode the United States tax base (5% in 2018, 10% from 2019 through 2025, and 12.5% in 2026 and thereafter), and retains and expands United States taxation on a broad range of foreign earnings (whether or not the earnings have been repatriated) while effectively exempting certain types of foreign earnings from United States tax. This legislation is broad and complex, and given its recent enactment, regulations or other interpretive guidance are currently limited. Any change in the interpretation of the Tax Act or other legislative proposals or amendments could have an adverse effect on our financial condition, results of operations, and cash flows. Furthermore, the effect of certain aspects of the Tax Act on state income tax frameworks is currently unclear, and potential changes to state income tax laws or their interpretation could further increase our income tax expense.

Additionally, the Organization for Economic Co-Operation and Development ("OECD") has asked countries around the globe to act to prevent what it refers to as base erosion and profit shifting ("BEPS"). The OECD considers BEPS to refer to tax planning strategies that shift, perhaps artificially, profits across borders to take advantage of differing tax laws and rates among countries. Tax reforms recommended in the BEPS action plan include changes that would impact, among other things, global tax reporting, intercompany transfer pricing arrangements, the definition of taxable permanent establishments, and other legal or financial arrangements that are viewed as causing BEPS. Significant components of the BEPS action plan were published by the OECD in October 2015 and a number of governments, including the European Commission, have already enacted or proposed rules to implement, at least to some degree, changes suggested in the recommendations, while other countries are preparing to do so. Any material change in tax laws or policies, or their interpretation, resulting from BEPS or other legislative proposals or inquiries could result in a higher effective tax rate on our earnings and have an adverse effect on our financial condition, results of operations, and cash flows.

Our tax returns and positions (including positions regarding jurisdictional authority of foreign governments to impose tax) are subject to review and audit by federal, state, local and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, thereby negatively impacting our results of operations. We have established contingency reserves for a variety of material, known tax exposures. As of December 31, 2017, the total amount of unrecognized tax benefits was a liability of \$344.0 million, including accrued interest and penalties, net of related items. Our reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review. While we believe that our reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed our related reserve, and such resolution could have a material effect on our effective tax rate, financial condition, results of operations and cash flows in the current period and/or future periods. With respect to these reserves, our income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e. new information) surrounding a tax issue and (ii) any difference from the Company's tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could increase or decrease income tax expense in our consolidated financial statements in future periods and could impact our operating cash flows. For example, in 2011, we reached an agreement with the United States Internal Revenue Service ("IRS") resolving substantially all of the issues related to the restructuring of our international operations in 2003 ("IRS Agreement"), which resulted in a tax benefit of \$204.7 million related to the adjustment of reserves associated with this matter and requires cash payments to the IRS and various state tax authorities of approximately \$190 million, plus additional accrued interest, of which \$94.1 million has been paid as of December 31, 2017. See the "Contractual Obligations" discussion in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

The IRS completed its examination of the United States federal consolidated income tax returns of First Data, which include our 2005 and pre-Spin-off 2006 taxable periods and issued its report on October 31, 2012 ("FDC 30-Day Letter"). Furthermore, the IRS completed its examination of our United States federal consolidated income tax returns for the 2006 post-Spin-off period through 2009 and issued its report also on October 31, 2012 ("WU 30-Day Letter"). Both the FDC 30-Day Letter and the WU 30-Day Letter propose tax adjustments affecting us, some of which are agreed and some of which are disagreed. We filed our protest on November 28, 2012 related to the disagreed proposed adjustments with the IRS Appeals Division. During the year ended December 31, 2016, the Company reached an agreement in principle with the IRS concerning its disagreed adjustments. See Part II, Item 8, *Financial Statements and Supplementary Data*, Note 10, "Income Taxes" for a further discussion of this matter.

Our business, financial condition, results of operations, and cash flows could be harmed by adverse rating actions by credit rating agencies.

Downgrades in our credit ratings, or their review or revision to a negative outlook, such as a recent revision by one rating agency to a negative outlook, could adversely affect our business, financial condition, results of operations, and cash flows, and could damage perceptions of our financial strength, which could adversely affect our relationships with our agents, particularly those agents that are financial institutions or post offices, and our banking and other business relationships. In addition, adverse ratings actions could result in regulators imposing additional capital and other requirements on us, including imposing restrictions on the ability of our regulated subsidiaries to pay dividends. Also, a downgrade below investment grade will increase our interest expense under certain of our notes, our revolving credit facility, and our term loan facility, and any significant downgrade could increase our costs of borrowing money more generally or adversely impact or eliminate our access to the commercial paper market, each of which could adversely affect our business, financial condition, results of operations, and cash flows.

We may not realize all of the anticipated benefits from business transformation, productivity and cost-savings, and other related initiatives, which may include decisions to downsize or to transition operating activities from one location to another, and we may experience disruptions in our workforce as a result of those initiatives.

We have engaged in actions and activities, such as the WU Way initiative, associated with business transformation, productivity improvement initiatives, and expense reduction measures. See Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* for further discussion regarding the WU Way initiative. We may implement additional initiatives in future periods. While these initiatives are designed to increase operational effectiveness and productivity and result in cost savings, there can be no assurance that the anticipated benefits will be realized, and the costs to implement such initiatives may be greater than expected. In addition, these initiatives have resulted and will likely result in the loss of personnel, some of whom may support significant systems or operations. Consequently, these initiatives could result in a disruption to our workforce. If we do not realize the anticipated benefits from the WU Way or similar initiatives, or the costs to implement future initiatives are greater than expected, or if the actions result in a disruption to our workforce greater than anticipated, our business, financial condition, results of operations, and cash flows could be adversely affected.

There can be no guarantee that we will continue to make dividend payments or repurchase stock.

For risks associated with our ability to continue to make dividend payments or repurchase shares, please see Part II, Item 5, *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*.

Our ability to remain competitive depends in part on our ability to protect our brands and our other intellectual property rights and to defend ourselves against potential intellectual property infringement claims.

The Western Union and WU brands, which are protected by trademark registrations in many countries, are material to our Company. The loss of the Western Union or WU trademarks or a diminution in the perceived quality of products or services associated with the names would harm our business. Similar to the Western Union and WU trademarks, the Vigo, Orlandi Valuta, Speedpay, Pago Fácil, Western Union Payments, Quick Collect, Quick Pay, Quick Cash, Convenience Pay, Western Union Business Solutions and other trademarks and service marks are also important to our Company and a loss of the service mark or trademarks or a diminution in the perceived quality associated with these names could harm our business.

Our intellectual property rights are an important element in the value of our business. Our failure to take appropriate actions against those who infringe upon our intellectual property could adversely affect our business, financial condition, results of operations, and cash flows.

The laws of certain foreign countries in which we do business do not always protect intellectual property rights to the same extent as do the laws of the United States. Adverse determinations in judicial or administrative proceedings in the United States or in foreign countries could impair our ability to sell our products or services or license or protect our intellectual property, which could adversely affect our business, financial condition, results of operations, and cash flows.

We own patents and patent applications covering various aspects of our processes and services. We have been, are and in the future may be, subject to claims alleging that our technology, business methods, or marketing or other materials (including elements thereof) infringe intellectual property or other third-party rights, both inside and outside the United States. Unfavorable resolution of these claims could require us to change how we deliver or promote a service, result in significant financial consequences, or both, which could adversely affect our business, financial condition, results of operations, and cash flows.

Material changes in the market value or liquidity of the securities we hold may adversely affect our results of operations and financial condition.

As of December 31, 2017, we held \$1.4 billion in investment securities, the substantial majority of which are state and municipal debt securities. The majority of this money represents the principal of money orders issued by us to consumers primarily in the United States and money transfers sent by consumers. We regularly monitor our credit risk and attempt to mitigate our exposure by investing in highly-rated securities and by diversifying our investments. Despite those measures, it is possible that the value of our portfolio may decline in the future due to any number of factors, including general market conditions, credit issues, the viability of the issuer of the security, failure by a fund manager to manage the investment portfolio consistently with the fund prospectus or increases in interest rates. Any such decline in value may adversely affect our results of operations and financial condition.

The trust holding the assets of our pension plan has assets totaling approximately \$271.7 million as of December 31, 2017. The fair value of these assets held in the trust are compared to the plan's projected benefit obligation of \$286.7 million to determine the pension liability of \$15.0 million recorded within "Other liabilities" in our Consolidated Balance Sheet as of December 31, 2017. We attempt to mitigate risk through diversification, and we regularly monitor investment risk on our portfolio through quarterly investment portfolio reviews and periodic asset and liability studies. Despite these measures, it is possible that the value of our portfolio may decline in the future due to any number of factors, including general market conditions and credit issues. Such declines could have an impact on the funded status of our pension plan and future funding requirements.

We have substantial debt and other obligations that could restrict our operations.

As of December 31, 2017, we had approximately \$3.0 billion in consolidated indebtedness, and we may also incur additional indebtedness in the future. Furthermore, the Tax Act imposes a tax on certain of our previously undistributed foreign earnings, which we have elected to pay in periodic installments over the next eight years.

Our indebtedness and tax obligations could have adverse consequences, including:

- limiting our ability to pay dividends to our stockholders or to repurchase stock consistent with our historical practices;
- increasing our vulnerability to changing economic, regulatory and industry conditions;
- limiting our ability to compete and our flexibility in planning for, or reacting to, changes in our business and the industry;
- limiting our ability to borrow additional funds; and
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt or tax obligations, thereby reducing funds available for working capital, capital expenditures, acquisitions and other purposes.

Risks Related to Our Regulatory and Litigation Environment

As described under Part I, Item 1, *Business*, our business is subject to a wide range of laws and regulations enacted by the United States federal government, each of the states (including licensing requirements), many localities and many other countries and jurisdictions. Laws and regulations to which we are subject include those related to: financial services, anti-money laundering, countering the financing of terrorism, sanctions and anti-fraud, consumer disclosure and consumer protection, currency controls, money transfer and payment instrument licensing, payment services, credit and debit cards, electronic payments, foreign exchange hedging services and the sale of spot, forward and option currency contracts, unclaimed property, the regulation of competition, consumer privacy, data protection and information security. The failure by us, our agents or their subagents to comply with any such laws or regulations could have an adverse effect on our business, financial condition, results of operations, and cash flows and could seriously damage our reputation and brands, and result in diminished revenue and profit and increased operating costs.

Our business is subject to a wide range and increasing number of laws and regulations. Liabilities or loss of business resulting from a failure by us, our agents or their subagents to comply with laws and regulations and regulatory or judicial interpretations thereof, including laws and regulations designed to protect consumers, or detect and prevent money laundering, terrorist financing, fraud and other illicit activity, and increased costs or loss of business associated with compliance with those laws and regulations has had and we expect will continue to have an adverse effect on our business, financial condition, results of operations, and cash flows.

Our services are subject to increasingly strict legal and regulatory requirements, including those intended to help detect and prevent money laundering, terrorist financing, fraud, and other illicit activity. The interpretation of those requirements by judges, regulatory bodies and enforcement agencies is changing, often quickly and with little notice. Economic and trade sanctions programs that are administered by the United States Treasury Department's Office of Foreign Assets Control prohibit or restrict transactions to or from or dealings with or involving specified countries, their governments, and in certain circumstances, their nationals, and with certain individuals and entities such as narcotics traffickers, terrorists and terrorist organizations. As United States federal and state as well as foreign legislative and regulatory scrutiny and enforcement action in these areas increase, we expect that our costs of complying with these requirements could continue to increase, perhaps substantially, or our compliance will make it more difficult or less desirable for consumers and others to use our services or for us to contract with certain intermediaries, either of which would have an adverse effect on our revenue and operating income. For example, we have made significant additional investments in recent years in our compliance programs based on the rapidly evolving environment and our internal reviews of the increasingly complex and demanding global regulatory requirements. These additional investments relate to enhancing our compliance capabilities, including our consumer protection efforts. Further, failure by Western Union, our agents, or their subagents (agents and subagents are third parties, over whom Western Union has limited legal and practical control), and certain service providers to comply with any of these requirements or their interpretation could result in the suspension or revocation of a license or registration required to provide money transfer, payment or foreign exchange services, the limitation, suspension or termination of services, changes to our business model, loss of consumer confidence, the seizure of our assets, and/or the imposition of civil and criminal penalties, including fines and restrictions on our ability to offer services.

We are subject to regulations imposed by the Foreign Corrupt Practices Act (the "FCPA") in the United States and similar laws in other countries, such as the Bribery Act in the United Kingdom, which generally prohibit companies and those acting on their behalf from making improper payments to foreign government officials for the purpose of obtaining or retaining business. Some of these laws, such as the Bribery Act, also prohibit improper payments between commercial enterprises. Because our services are offered in virtually every country of the world, we face significant risks associated with our obligations under the FCPA, the Bribery Act, and other national anti-corruption laws. Any determination that we have violated these laws could have an adverse effect on our business, financial condition, results of operations, and cash flows.

In addition, our United States business is subject to reporting, recordkeeping and anti-money laundering provisions of the Bank Secrecy Act, as amended (collectively, the "BSA"), and to regulatory oversight and enforcement by the United States Department of the Treasury Financial Crimes Enforcement Network ("FinCEN"). We have subsidiaries in Brazil and Austria that are subject to banking regulations. These subsidiaries are also subject to regulation, examination and supervision by the NYDFS. We also operate through a small number of licensed payment institutions in the EU. Under the Payment Services Directive ("PSD"), as amended by a revised Payment Services Directive known as PSD2, and the 4th Anti-Money Laundering Directive in the EU, our operating companies that are licensed in the EU have increasingly become directly subject to reporting, recordkeeping, and anti-money laundering regulations, agent oversight and monitoring requirements, and broader supervision by EU member states. These laws have increased and will continue to increase our costs and could also increase competition in some or all of our areas of service, and legislation that has been enacted or proposed in other jurisdictions could have similar effects.

The remittance industry, including Western Union, has come under increasing scrutiny from government regulators and others in connection with its ability to prevent its services from being abused by people seeking to defraud others. For example, as further discussed in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies," in early 2017, we entered into the Joint Settlement Agreements with the United States Department of Justice ("DOJ"), certain United States Attorney's Offices, the FTC, the Financial Crimes Enforcement Network ("FinCEN") of the United States Department of Treasury and various state attorneys general to resolve the respective investigations of those agencies, and in early 2018, we agreed to the NYDFS Consent Order. The ingenuity of criminal fraudsters, combined with the potential susceptibility to fraud by consumers, make the prevention of consumer fraud a significant and challenging problem. Our failure to continue to help prevent such frauds and increased costs related to the implementation of enhanced anti-fraud measures, or a change in fraud prevention laws or their interpretation or the manner in which they are enforced has had, and could in the future have an adverse effect on our business, financial condition, results of operations, and cash flows.

Further, any determination that our agents or their subagents have violated laws and regulations could seriously damage our reputation and brands, resulting in diminished revenue and profit and increased operating costs. In some cases, we could be liable for the failure of our agents or their subagents to comply with laws which also could have an adverse effect on our business, financial condition, results of operations, and cash flows. In many jurisdictions where Western Union is licensed to offer money transfer services, the license holder is responsible for ensuring the agent's compliance with the rules that govern the money transfer service. For example, in the EU, Western Union is responsible for the compliance of our agents and their subagents when they are acting on behalf of our Irish payment institution subsidiary, which is regulated by the Central Bank of Ireland. The majority of our EU consumer money transfer activity is managed through our Irish payment institution. Thus, the risk of adverse regulatory action against Western Union because of actions by our agents or their subagents and the costs to monitor our agents or their subagents in those areas has increased. The regulations implementing the remittance provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") may also impose responsibility on us for any related compliance failures of our agents and their subagents.

The requirements under the PSD, the Dodd-Frank Act and similar legislation enacted or proposed in other countries have resulted and will likely continue to result in increased compliance costs, and in the event we or our agents are unable to comply, could have an adverse impact on our business, financial condition, results of operations, and cash flows. Additional countries may adopt similar legislation.

On March 29, 2017 the United Kingdom ("UK") issued a formal notification of its intention to leave the EU following the result of a referendum held in the UK on June 23, 2016. The UK is expected to exit from the EU ("Brexit") on March 29, 2019. In the meantime, the UK remains a member of the EU. The UK and the EU continue to negotiate the terms of Brexit and their future relationship. This negotiation is expected to continue until March 29, 2019 but could last longer. While the negotiations are ongoing and the outcomes uncertain, we intend to apply for certain additional regulatory authorizations to ensure that our operations in the UK can continue post-Brexit in the event that rights to freedom of establishment and freedom to provide services on a cross-border basis within the European Economic Area ("EEA") or equivalent rights under EU law (together, "Regulatory Passports") will not be available for firms operating between the UK and the EEA. Any inability or delay in obtaining the relevant regulatory authorizations from applicable regulators could have an adverse effect on our business, financial condition, results of operations, and cash flows. Further, as a result of Brexit, including under the terms of any new regulatory authorizations we may obtain, we could be required to comply with additional regulatory requirements in the UK (and possibly in the EEA). This could make it more costly for us to provide our services.

Western Union is the subject of consent agreements with or enforcement actions by regulators.

As further described under in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies" of this Form 10-K, in early 2017, the Company entered into Joint Settlement Agreements with the DOJ, certain United States Attorney's Offices, the FTC, FinCEN, and various state attorneys general to resolve the respective investigations of those agencies. Under the Joint Settlement Agreements, the Company was required, among other things, to pay an aggregate amount of \$586 million to the DOJ to be used to reimburse consumers who were the victims of third-party fraud conducted through the Company's money transfer services, and retain an independent compliance auditor for three years to review and assess actions taken by the Company to further enhance its oversight of agents and protection of consumers, both of which were performed by the Company during 2017. The Joint Settlement Agreements also require the Company to adopt certain new or enhanced practices with respect to its compliance program, relating to, among other things, consumer reimbursement, agent due diligence, agent training, monitoring, reporting, and record-keeping by the Company and its agents, consumer fraud disclosures, and agent suspensions and terminations. The changes in the Company's compliance program required by these agreements will have adverse effects on the Company's business, including additional costs and potential loss of business. The Company could also face actions from other regulators as a result of the Joint Settlement Agreements. For example, as further described in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies" of this Form 10-K, on July 28, 2017, the NYDFS informed the Company that the facts set forth in the Deferred Prosecution Agreement (the "DPA") with the DOJ and with certain other United States Attorney's Offices regarding the Company's anti-money laundering programs over the 2004 through 2012 period gave the NYDFS a basis to take additional enforcement action. In January 2018, the Company agreed to the NYDFS Consent Order with the NYDFS which required the Company to pay a civil monetary penalty of \$60 million to the NYDFS and resolved its investigation into these matters. Among other items, the NYDFS Consent Order imposes certain non-monetary obligations, including a requirement to provide to the NYDFS a remediation plan within 90 days after the date of the NYDFS Consent Order. In addition, if the Company fails to comply with the Joint Settlement Agreements or the NYDFS Consent Order, it could face criminal prosecution, civil litigation, significant fines, damage awards or other regulatory consequences. Any or all of these outcomes could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

Our fees, profit margins and/or foreign exchange spreads may be reduced or limited because of regulatory initiatives and changes in laws and regulations or their interpretation and industry practices and standards that are either industry wide or specifically targeted at our Company.

The evolving regulatory environment, including increased fees or taxes, regulatory initiatives, and changes in laws and regulations or their interpretation, industry practices and standards imposed by state, federal or foreign governments and expectations regarding our compliance efforts, is impacting the manner in which we operate our business, may change the competitive landscape and is expected to continue to adversely affect our financial results. New and proposed legislation relating to financial services providers and consumer protection in various jurisdictions around the world has and may continue to affect the manner in which we provide our services; see risk factor "*The Dodd-Frank Act, as well as the regulations required by that Act and the actions of the Consumer Financial Protection Bureau and similar legislation and regulations enacted by other government authorities, could adversely affect us and the scope of our activities, and could adversely affect our financial condition, results of operations, and cash flows.*" Recently proposed and enacted legislation related to financial services providers and consumer protection in various jurisdictions around the world and at the federal and state level in the United States has subjected and may continue to subject us to additional regulatory oversight, mandate additional consumer disclosures and remedies, including refunds to consumers, or otherwise impact the manner in which we provide our services. If governments implement new laws or regulations that limit our right to set fees and/or foreign exchange spreads, then our business, financial condition, results of operations, and cash flows could be adversely affected. In addition, changes in regulatory expectations, interpretations or practices could increase the risk of regulatory enforcement actions, fines and penalties. For example, in early 2017, we entered into the Joint Settlement Agreements, and in early 2018, we agreed to the NYDFS Consent Order, as further discussed in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies."

In addition, policy makers may seek heightened customer due diligence requirements on, or restrict, remittances from the United States to Mexico. Policy makers have also discussed potential legislation to add taxes to remittances from the United States to Mexico and/or other countries. Further, one state has passed a law imposing a fee on certain money transfer transactions, and certain other states have proposed similar legislation. Several foreign countries have enacted or proposed rules imposing taxes or fees on certain money transfer transactions, as well. The approach of policy makers, the ongoing budget shortfalls in many jurisdictions, combined with future federal action or inaction on immigration reform, may lead other states or localities to impose similar taxes or fees, or other requirements or restrictions. Foreign countries in similar circumstances have invoked and could continue to invoke the imposition of sales, service or similar taxes, or other requirements or restrictions, on money transfer services. A tax, fee, or other requirement or restriction exclusively on money transfer services like Western Union could put us at a competitive disadvantage to other means of remittance which are not subject to the same taxes, fees, requirements or restrictions. Other examples of changes to our financial environment include the possibility of regulatory initiatives that focus on lowering international remittance costs. Such initiatives may have an adverse impact on our business, financial condition, results of operations, and cash flows.

Regulators around the world look at each other's approaches to the regulation of the payments and other industries. Consequently, a development in any one country, state or region may influence regulatory approaches in other countries, states or regions. Similarly, new laws and regulations in a country, state or region involving one service may cause lawmakers there to extend the regulations to another service. As a result, the risks created by any one new law or regulation are magnified by the potential they may be replicated, affecting our business in another place or involving another service. Conversely, if widely varying regulations come into existence worldwide, we may have difficulty adjusting our services, fees, foreign exchange spreads and other important aspects of our business, with the same effect. Either of these eventualities could materially and adversely affect our business, financial condition, results of operations, and cash flows.

Regulatory initiatives and changes in laws, regulations and industry practices and standards affecting us, our agents or their subagents, or the banks with which we or our agents maintain bank accounts needed to provide our services could require changes in our business model and increase our costs of operations, which could adversely affect our financial condition, results of operations, and liquidity .

Our agents and their subagents are subject to a variety of regulatory requirements, which differ from jurisdiction to jurisdiction and are subject to change. Material changes in the regulatory requirements for offering money transfer services, including with respect to anti-money laundering requirements, fraud prevention, licensing requirements, consumer protection, customer due diligence, agent registration, or increased requirements to monitor our agents or their subagents in a jurisdiction important to our business have meant and could continue to mean increased costs and/or operational demands on our agents and their subagents, which have resulted and could continue to result in their attrition, a decrease in the number of locations at which money transfer services are offered, an increase in the commissions paid to agents and their subagents to compensate for their increased costs, and other negative consequences.

Our regulatory status and the regulatory status of our agents and their subagents could affect our and their ability to offer our services. For example, we and our agents and their subagents rely on bank accounts to provide our Consumer-to-Consumer money transfer services. We also rely on bank accounts to provide our payment services. We and our agents and their subagents are considered Money Service Businesses, or "MSBs," under the BSA, including our Business Solutions operations. Many banks view MSBs, as a class, as higher risk customers for purposes of their anti-money laundering programs. The recent Joint Settlement Agreements may prompt some banks to take this view regarding Western Union. We and some of our agents and their subagents have had, and in the future may have, difficulty establishing or maintaining banking relationships due to the banks' policies. If we or a significant number of our agents or their subagents are unable to maintain existing or establish new banking relationships, or if we or these agents face higher fees to maintain or establish new bank accounts, our ability and the ability of our agents and their subagents to continue to offer our services may be adversely impacted, which would have an adverse effect on our business, financial condition, results of operations, and cash flows.

The types of enterprises that are legally authorized to act as our agents and their subagents vary significantly from one country to another. Changes in the laws affecting the kinds of entities that are permitted to act as money transfer agents or their subagents (such as changes in requirements for capitalization or ownership) could adversely affect our ability to distribute our services and the cost of providing such services, both by us and our agents and their subagents. For example, a requirement that a money transfer provider be a bank or other highly regulated financial entity could increase significantly the cost of providing our services in many countries where that requirement does not exist today or could prevent us from offering our services in an affected country. Further, any changes in law that would require us to provide money transfer services directly to consumers as opposed to through an agent network (which would effectively change our business model) or that would prohibit or impede the use of subagents could significantly adversely impact our ability to provide our services, and/or the cost of our services, in the relevant jurisdiction. Changes mandated by laws which make Western Union responsible for acts of its agents and their subagents while they are providing the Western Union money transfer service increase our risk of regulatory liability and our costs to monitor our agents' or their subagents' performance.

Although most of our Orlandi Valuta and Vigo branded agents also offer money transfer services of our competitors, many of our Western Union branded agents have agreed to offer only our money transfer services. While we expect to continue signing certain agents under exclusive arrangements and believe that these agreements are valid and enforceable, changes in laws regulating competition or in the interpretation of those laws could undermine our ability to enforce them in the future. Various jurisdictions, including the European Union and some of its member countries, continue to increase their focus on the potential impact of agent agreements on competition. In addition, over the past several years, several countries in Eastern Europe, the Commonwealth of Independent States, Africa and South Asia, including India, have promulgated laws or regulations, or authorities in these countries have issued orders, which effectively prohibit payment service providers, such as money transfer companies, from agreeing to exclusive arrangements with agents in those countries. Certain institutions, non-governmental organizations and others are actively advocating against exclusive arrangements in money transfer agent agreements. Advocates for laws prohibiting or limiting exclusive agreements continue to push for enactment of similar laws in other jurisdictions. In addition to legal challenges, certain of our agents and their subagents have refused to enter into exclusive arrangements. See risk factor "*If we are unable to maintain our agent, subagent or global business relationships under terms consistent with those currently in place, including due to increased costs or loss of business as a result of increased compliance requirements or difficulty for us, our agents or their subagents in establishing or maintaining relationships with banks needed to conduct our services, or if our agents or their subagents fail to comply with Western Union business and technology standards and contract requirements, our business, financial condition, results of operations, and cash flows would be adversely affected*" above. The inability to enter into exclusive arrangements or to maintain our exclusive rights in agent contracts in certain situations could adversely affect our business, financial condition, results of operations, and cash flows by, for example, allowing competitors to benefit from the goodwill associated with the Western Union brand at our agent locations.

In addition to legal or regulatory restrictions discussed in the "Capital Resources and Liquidity" section in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, some jurisdictions use tangible net worth and other financial strength guidelines to evaluate financial position. If our regulated subsidiaries do not abide by these guidelines, they may be subject to heightened review by these jurisdictions, and the jurisdictions may be more likely to impose new formal financial strength requirements. Additional financial strength requirements imposed on our regulated subsidiaries or significant changes in the regulatory environment for money transfer providers could impact our primary source of liquidity.

The Dodd-Frank Act, as well as the regulations required by that Act and the actions of the Consumer Financial Protection Bureau and similar legislation and regulations enacted by other government authorities, could adversely affect us and the scope of our activities, and could adversely affect our financial condition, results of operations, and cash flows .

As final rules and regulations implementing the Dodd-Frank Act have been adopted, the law has made and is making significant structural reforms and new substantive regulation across the financial services industry. In addition, the Dodd-Frank Act created the CFPB, whose purpose is to implement, examine for compliance with and enforce federal consumer protection laws governing financial products and services, including money transfer services. The CFPB has created additional regulatory obligations for us and has the authority to examine and supervise us and our larger competitors, including for matters related to unfair, deceptive, or abusive acts and practices ("UDAAP"). The CFPB's regulations implementing the remittance provisions of the Dodd-Frank Act have affected our business in a variety of areas. These include: a requirement to provide almost all consumers sending funds internationally from the United States enhanced, written, pre-transaction disclosures, including the disclosure of fees, foreign exchange rates and taxes, an obligation to resolve various errors, including certain errors that may be outside our control, and an obligation at a consumer's request to cancel transactions that have not been completed. In addition, these regulations impose responsibility on us for any related compliance failures of our agents. These requirements have changed the way we operate our business and along with other potential changes under CFPB regulations could adversely affect our operations and financial results and change the way we operate our business. The Dodd-Frank Act and interpretations and actions by the CFPB could also have a significant impact on us by, for example, requiring us to limit or change our business practices, limiting our ability to pursue business opportunities, requiring us to invest valuable management time and resources in compliance efforts, imposing additional costs on us, delaying our ability to respond to marketplace changes, requiring us to alter our products and services in a manner that would make them less attractive to consumers and impair our ability to offer them profitably, or requiring us to make other changes that could adversely affect our business.

The CFPB has broad authority to enforce consumer protection laws. The CFPB has a large staff and budget, which is not subject to Congressional appropriation, and has broad authority with respect to our money transfer service and related business. It is authorized to collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track and solicit consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. For example, in July 2015, Paymap, Inc. ("Paymap"), one of our subsidiaries, and the CFPB reached a settlement agreement regarding Paymap's marketing of its Equity Accelerator service (the "Paymap Settlement Agreement"). Under the terms of the agreement, Paymap agreed to pay approximately \$33.4 million in restitution and a \$5.0 million civil monetary penalty and agreed to ensure that its marketing practices and materials for the Equity Accelerator Program comply with the Consumer Financial Protection Act's prohibition against UDAAP. In addition, the CFPB may adopt other regulations governing consumer financial services, including regulations defining UDAAP, and new model disclosures. The CFPB's authority to change regulations adopted in the past by other regulators, or to rescind or ignore past regulatory guidance, could increase our compliance costs and litigation exposure.

We have been and will continue to be subject to examination by the CFPB, which in September 2014 finalized a rule defining "larger participants of a market for other consumer financial products or services" as including companies, such as Western Union, that make at least one million aggregate annual international money transfers. The CFPB has the authority to examine and supervise us and our larger competitors, which will involve providing reports to the CFPB. The CFPB has used information gained in examinations as the basis for enforcement actions resulting in settlements involving monetary penalties and other remedies.

The effect of the Dodd-Frank Act and the CFPB on our business and operations has been and will continue to be significant and the application of the Dodd-Frank Act's implementing regulations to our business may differ from the application to certain of our competitors, including banks. Further, and in addition to our own compliance costs, implementation of requirements under Dodd-Frank could impact our business relationships with financial institution customers who outsource processing of consumer transactions to our Business Solutions segment. These financial institutions may determine that the compliance costs associated with providing consumer services are too burdensome and consequently may limit or discontinue offering such services.

Various jurisdictions in the United States and outside the United States have consumer protection laws and regulations, and numerous agencies are tasked with enforcing those laws and regulations. Consumer protection principles continue to evolve, and some countries may enact new consumer protection laws and regulations or enhance existing consumer protection laws or regulations. Increasingly, agencies tasked with enforcing consumer protection laws or regulations are communicating more frequently and coordinating efforts. For instance, ICPEN is an organization composed of consumer protection authorities from over 60 countries that provides a forum for developing and maintaining regular contact between consumer protection agencies and focusing on consumer protection concerns. By encouraging cooperation between agencies, ICPEN aims to enable its members to have a greater impact with their consumer protection laws and regulations. As the scope of consumer protection laws and regulations change, we may experience increased costs to comply and other adverse effects to our business.

Rules adopted under the Dodd-Frank Act by the CFTC, as well as the provisions of the European Market Infrastructure Regulation and its technical standards, which are directly applicable in the member states of the European Union, have subjected most of our foreign exchange hedging transactions, including certain intercompany hedging transactions, certain of the corporate interest rate hedging transactions we may enter into in the future, and certain of the foreign exchange derivative contracts we offer as part of our Business Solutions segment, to reporting, recordkeeping, and other requirements. Additionally, certain of the corporate interest rate hedging transactions and foreign exchange derivatives transactions we may enter into in the future may be subject to centralized clearing requirements or may be subject to margin requirements in the United States and European Union. Other jurisdictions outside of the United States and the European Union are considering, have implemented, or are implementing regulations similar to those described above. Derivatives regulations have added costs to our business and any additional requirements, such as future registration requirements and increased regulation of derivative contracts, will result in additional costs or impact the way we conduct our hedging activities as well as impact how we conduct our business within our Business Solutions segment. In particular, the CFTC has issued a proposed rule that, if adopted as proposed, would increase the likelihood that we will have to register one or more of our subsidiaries with the CFTC as a swap dealer. Swap dealers are subject to a comprehensive regulatory framework and compliance with this framework will lead to additional costs, including costs relating to regulatory capital and margin requirements, and may impact how we conduct our hedging activities and derivatives business with customers. We continue to consider the impact the proposed rule, if adopted, would have on our hedging activities and operations. Additionally, the regulatory regimes for derivatives in the United States and European Union, such as under the Dodd-Frank Act and MiFID II, are continuing to evolve and changes to such regimes, our designation under such regimes, or the implementation of new rules under such regimes, such as future registration requirements and increased regulation of derivative contracts, may result in additional costs to our business. Other jurisdictions outside the United States and the European Union are considering, have implemented, or are implementing regulations similar to those described above and these will result in greater costs to us as well. Our implementation of these requirements has resulted, and will continue to result, in additional costs to our business. Furthermore, our failure to implement these requirements correctly could result in fines and other sanctions, as well as necessitate a temporary or permanent cessation to some or all of our derivative related activities. Any such fines, sanctions or limitations on our business could adversely affect our operations and financial results.

Western Union is the subject of litigation, including purported class action litigation, and regulatory actions, which could result in material settlements, judgments, fines or penalties.

As a company that provides global financial services primarily to consumers, we are subject to litigation, including purported class action litigation, and regulatory actions alleging violations of consumer protection, anti-money laundering, sanctions, securities laws and other laws, both foreign and domestic. We also are subject to claims asserted by consumers based on individual transactions. There can be no guarantee that we will be successful in defending ourselves in these matters, and such failure may result in substantial fines, damages and expenses, revocation of required licenses or other limitations on our ability to conduct business. Any of these outcomes could adversely affect our business, financial condition, results of operations, and cash flows. Further, we believe increasingly strict legal and regulatory requirements and increased regulatory investigations and enforcement, any of which could occur or intensify as a result of the Joint Settlement Agreements or the NYDFS Consent Order, are likely to continue to result in changes to our business, as well as increased costs, supervision and examination for both ourselves and our agents and subagents. These developments in turn may result in additional litigation, or other actions. For more information, please see Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies."

Current and proposed regulation addressing consumer privacy and data use and security could increase our costs of operations, which could adversely affect our operations, results of operations and financial condition .

We are subject to extensive requirements relating to data privacy and security under federal, state and foreign laws. For example, the FTC continues to investigate the privacy practices of many companies and has brought numerous enforcement actions, resulting in multi-year agreements governing the settling companies' privacy practices. Furthermore, certain industry groups require us to adhere to privacy requirements in addition to federal, state and foreign laws, and certain of our business relationships depend upon our compliance with these requirements. As the number of countries enacting privacy and related laws increases and the scope of these laws and enforcement efforts expand, we will increasingly become subject to new and varying requirements. For example, in April 2016, the European Parliament and the Council of the European Union approved the GDPR, which will replace the EU's Data Protection Directive 95/46 as of May 2018. The GDPR will impose additional obligations and risks upon our businesses, including the risk of substantially increased penalties for non-compliance. Such penalties could have a material adverse effect on our financial condition, results of operations, and cash flows. We are endeavoring to implement the requirements of the GDPR, and we have incurred and we expect to continue to incur significant expenses to meet the new obligations of the GDPR, which require us to make significant changes to our business operations. Failure to comply with existing or future data privacy and security laws, regulations, and requirements to which we are subject or could become subject, including by reason of inadvertent disclosure of confidential information, could result in fines, sanctions, penalties or other adverse consequences and loss of consumer confidence, which could materially adversely affect our results of operations, overall business, and reputation.

In addition, in connection with regulatory requirements to assist in the prevention of money laundering and terrorist financing and pursuant to legal obligations and authorizations, Western Union makes information available to certain United States federal, state, and foreign government agencies when required by law. In recent years, Western Union has experienced an increasing number of data sharing requests by these agencies, particularly in connection with efforts to prevent terrorist financing or reduce the risk of identity theft. During the same period, there has also been increased public attention to the corporate use and disclosure of personal information, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer privacy. These regulatory goals - the prevention of money laundering, terrorist financing and identity theft and the protection of the individual's right to privacy - may conflict, and the law in these areas is not consistent or settled. The legal, political and business environments in these areas are rapidly changing, and subsequent legislation, regulation, litigation, court rulings or other events could expose Western Union to increased program costs, liability and reputational damage.

We are subject to unclaimed property laws, and differences between the amounts we have accrued for unclaimed property and amounts that are claimed by a state or foreign jurisdiction could have a significant impact on our results of operations and cash flows.

We are subject to unclaimed property laws in the United States and abroad and some of our agents are subject to unclaimed property laws in their respective jurisdictions which require us, or our agents, to turn over to certain government authorities the property of others held by us that has been unclaimed for a specified period of time, such as unpaid money transfers and money orders. We have an ongoing program to help us comply with those laws. These laws are evolving and are frequently unclear and inconsistent among various jurisdictions, making compliance challenging. In addition, we are subject to audits with regard to our escheatment practices. Currently in the United States, more than 25 states are conducting a multi-year audit of our escheatment practices through a contracted third-party auditor. Any difference between the amounts we have accrued for unclaimed property and amounts that are claimed by a state, foreign jurisdiction, or representative thereof could have a significant impact on our results of operations and cash flows.

Our consolidated balance sheet may not contain sufficient amounts or types of regulatory capital to meet the changing requirements of our various regulators worldwide, which could adversely affect our business, financial condition, results of operations, and cash flows.

Our regulators expect us to possess sufficient financial soundness and strength to adequately support our regulated subsidiaries. We had substantial indebtedness and other obligations, including those related to the tax imposed on certain of our previously undistributed foreign earnings pursuant to the Tax Act, as of December 31, 2017 and expect to incur additional indebtedness in 2018, which could make it more difficult to meet these requirements or any additional requirements. In addition, although we are not a bank holding company for purposes of United States law or the law of any other jurisdiction, as a global provider of payments services and in light of the changing regulatory environment in various jurisdictions, we could become subject to new capital requirements introduced or imposed by our regulators that could require us to issue securities that would qualify as Tier 1 regulatory capital under the Basel Committee accords or retain earnings over a period of time. Also, our regulators specify the amount and composition of settlement assets that certain of our subsidiaries must hold in order to satisfy our outstanding settlement obligations. These regulators could further restrict the type of instruments that qualify as settlement assets or these regulators could require our regulated subsidiaries to maintain higher levels of settlement assets. Any change or increase in these regulatory requirements could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the Spin-Off

We were incorporated in Delaware as a wholly-owned subsidiary of First Data on February 17, 2006. On September 29, 2006, First Data distributed 100% of its money transfer and consumer payments businesses and its interest in a Western Union money transfer agent, as well as related assets, including real estate, through a tax-free distribution to First Data shareholders (the "Spin-off") through this previously owned subsidiary. The consolidated United States federal income tax return for First Data for 2006, which included the Company, has been examined by the IRS and no adjustments were proposed relating to the tax treatment of the Spin-Off. However, certain other adjustments were proposed by the IRS and are being contested through the IRS appeals process. Accordingly, the statute of limitations covering First Data's 2006 return has not yet closed.

If the Spin-off does not qualify as a tax-free transaction, First Data and its stockholders could be subject to material amounts of taxes and, in certain circumstances, we could be required to indemnify First Data for material taxes pursuant to indemnification obligations under the tax allocation agreement.

First Data received a private letter ruling from the IRS to the effect that the Spin-off (including certain related transactions) qualifies as a tax-free transaction to First Data, us and First Data stockholders for United States federal income tax purposes under sections 355, 368 and related provisions of the Internal Revenue Code, assuming, among other things, the accuracy of the representations made by First Data to the IRS in the private letter ruling request. If the factual assumptions or representations made in the private letter ruling request were determined to be untrue or incomplete, then First Data and we would not be able to rely on the ruling.

The Spin-off was conditioned upon First Data's receipt of an opinion of Sidley Austin LLP, counsel to First Data, to the effect that, with respect to requirements on which the IRS did not rule, those requirements would be satisfied. The opinion was based on, among other things, certain assumptions and representations as to factual matters made by First Data and us which, if untrue or incomplete, would jeopardize the conclusions reached by counsel in its opinion. The opinion is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion.

If, notwithstanding receipt of the private letter ruling and an opinion of tax counsel, the Spin-off were determined to be a taxable transaction, each holder of First Data common stock who received shares of our common stock in connection with the Spin-off would generally be treated as receiving a taxable distribution in an amount equal to the fair value of our common stock received. First Data would recognize taxable gain equal to the excess of the fair value of the consideration received by First Data in the contribution over First Data's tax basis in the assets contributed to us in the contribution. If First Data were unable to pay any taxes for which it is responsible under the tax allocation agreement, the IRS might seek to collect such taxes from Western Union.

Even if the Spin-off otherwise qualified as a tax-free distribution under section 355 of the Internal Revenue Code, the Spin-off may result in significant United States federal income tax liabilities to First Data if 50% or more of First Data's stock or our stock (in each case, by vote or value) is treated as having been acquired, directly or indirectly, by one or more persons as part of a plan (or series of related transactions) that includes the Spin-off. For purposes of this test, any acquisitions, or any understanding, arrangement or substantial negotiations regarding an acquisition, within two years before or after the Spin-off are subject to special scrutiny.

With respect to taxes and other liabilities that could be imposed as a result of a final determination that is inconsistent with the anticipated tax consequences of the Spin-off (as set forth in the private letter ruling and relevant tax opinion) ("Spin-off Related Taxes"), we, one of our affiliates or any person that, after the Spin-off, is an affiliate thereof, will be liable to First Data for any such Spin-off Related Taxes attributable solely to actions taken by or with respect to us. In addition, we will also be liable for 50% of any Spin-off Related Taxes (i) that would not have been imposed but for the existence of both an action by us and an action by First Data or (ii) where we and First Data each take actions that, standing alone, would have resulted in the imposition of such Spin-off Related Taxes. We may be similarly liable if we breach certain representations or covenants set forth in the tax allocation agreement. If we are required to indemnify First Data for taxes incurred as a result of the Spin-off being taxable to First Data, it likely would have an adverse effect on our business, financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Properties and Facilities

As of December 31, 2017, we had offices in approximately 50 countries, which included four owned facilities and approximately 20 United States and over 400 international leased properties. Our owned facilities included our corporate headquarters located in Englewood, Colorado. During the year ended December 31, 2017, we entered into lease agreements to move employees in our current corporate headquarters to other locations in the Denver, Colorado area, and we expect to relocate during the second half of 2018.

Our owned and leased facilities are used for operational, sales and administrative purposes in support of our Consumer-to-Consumer and Business Solutions segments, and other services, and are all currently being utilized as intended. In certain locations, our offices include customer service centers, where our employees answer operational questions from agents and customers. Our office in Dublin, Ireland serves as our international headquarters.

We believe that our facilities are suitable and adequate for our current business; however, we periodically review our facility requirements and may acquire new facilities and update existing facilities to meet the needs of our business or consolidate and dispose of or sublet facilities which are no longer required.

ITEM 3. LEGAL PROCEEDINGS

Shareholder Derivative Actions

On January 13, 2014, Natalie Gordon served the Company with a Verified Shareholder Derivative Complaint and Jury Demand that was filed in District Court, Douglas County, Colorado naming the Company's President and Chief Executive Officer, one of its former executive officers, one of its former directors, and all but one of its current directors as individual defendants, and the Company as a nominal defendant. The complaint asserts claims for breach of fiduciary duty and gross mismanagement against all of the individual defendants and unjust enrichment against the President and Chief Executive Officer and the former executive officer based on allegations that between February 12, 2012 to October 30, 2012, the individual defendants made or caused the Company to issue false and misleading statements or failed to make adequate disclosures regarding the effects of the Southwest Border Agreement, including regarding the anticipated costs of compliance with the Southwest Border Agreement, potential effects on business operations, and Company projections. Plaintiff also alleges that the individual defendants caused or allowed the Company to lack requisite internal controls, caused or allowed financial statements to be misstated, and caused the Company to be subject to the costs, expenses and liabilities associated with City of Taylor Police and Fire Retirement System v. The Western Union Company, et al., a lawsuit that was subsequently renamed and dismissed. Plaintiff further alleges that the Company's President and Chief Executive Officer and the former executive officer received excessive compensation based on the allegedly inaccurate financial statements. On March 12, 2014, the Court entered an order granting the parties' joint motion to stay proceedings in the case during the pendency of certain of the shareholder derivative actions described below.

In 2014, Stanley Lieblein, R. Andre Klein, City of Cambridge Retirement System, Mayar Fund Ltd, Louisiana Municipal Police Employees' Retirement System, MARTA/ATU Local 732 Employees Retirement Plan, and The Police Retirement System of St. Louis filed shareholder derivative complaints in the United States District Court for the District of Colorado (or were removed to the United States District Court for the District of Colorado) naming the Company's President and Chief Executive Officer and certain current and former directors and a former executive officer as individual defendants, and the Company as a nominal defendant. On January 5, 2015, the court entered an order consolidating the actions and appointing City of Cambridge Retirement System and MARTA/ATU Local 732 Employees Retirement Plan as co-lead plaintiffs. On February 4, 2015, co-lead plaintiffs filed a verified consolidated shareholder derivative complaint naming the Company's President and Chief Executive Officer and nine current or former executive officers and directors as individual defendants, and the Company as a nominal defendant. The consolidated complaint asserts separate claims for breach of fiduciary duty against the director defendants and the officer defendants, claims against all of the individual defendants for violations of section 14(a) of the Securities Exchange Act of 1934 ("Exchange Act"), corporate waste and unjust enrichment, and a claim against the former executive officer for breach of fiduciary duties for insider selling and misappropriation of information. The breach of fiduciary duty claim against the director defendants includes allegations that they declined to implement an effective AML compliance system after receiving numerous red flags indicating prolonged willful illegality, obstructed the efforts of the monitor assigned to the Company pursuant to the Southwest Border Agreement to impose effective compliance systems on the Company, failed to take action in response to alleged Western Union management efforts to undermine the monitor, reappointed the same directors to the Audit Committee and Corporate Governance and Public Policy Committees constituting a majority of those committees between 2006 and 2014, appointed a majority of directors to the Compliance Committee who were directly involved in overseeing the alleged misconduct as members of the Audit Committee and the Corporate Governance and Public Policy Committee, caused the Company to materially breach the Southwest Border Agreement, caused the Company to repurchase its stock at artificially inflated prices, awarded the Company's senior executives excessive compensation despite their responsibility for the Company's alleged willful non-compliance with state and federal AML laws, and failed to prevent the former executive officer from misappropriating and profiting from nonpublic information when making allegedly unlawful stock sales. The breach of fiduciary duty claim against the officer defendants includes allegations that they caused the Company and allowed its agents to ignore the recording and reporting requirements of the BSA and parallel AML laws and regulations for a prolonged period of time, authorized and implemented AML policies and practices that they knew or should have known to be inadequate, caused the Company to fail to comply with the Southwest Border Agreement and refused to implement and maintain adequate internal controls.

The claim for violations of section 14(a) of the Exchange Act includes allegations that the individual defendants caused the Company to issue proxy statements in 2012, 2013 and 2014 containing materially incomplete and inaccurate disclosures - in particular, by failing to disclose the extent to which the Company's financial results depended on the non-compliance with AML requirements, the Board's awareness of the regulatory and criminal enforcement actions in real time pursuant to the 2003 Consent Agreement with the California Department of Financial Institutions and that the directors were not curing violations and preventing misconduct, the extent to which the Board considered the flood of increasingly severe red flags in their determination to re-nominate certain directors to the Audit Committee between 2006 and 2010, and the extent to which the Board considered ongoing regulatory and criminal investigations in awarding multi-million dollar compensation packages to senior executives. The corporate waste claim includes allegations that the individual defendants paid or approved the payment of undeserved executive and director compensation based on the illegal conduct alleged in the consolidated complaint, which exposed the Company to civil liabilities and fines. The corporate waste claim also includes allegations that the individual defendants made improper statements and omissions, which forced the Company to expend resources in defending itself in City of Taylor Police and Fire Retirement System v. The Western Union Company, et al., a lawsuit that was subsequently renamed and dismissed, authorized the repurchase of over \$1.565 billion of the Company's stock at prices they knew or recklessly were aware, were artificially inflated, failed to maintain sufficient internal controls over the Company's marketing and sales process, failed to consider the interests of the Company and its shareholders, and failed to conduct the proper supervision. The claim for unjust enrichment includes allegations that the individual defendants derived compensation, fees and other benefits from the Company and were otherwise unjustly enriched by their wrongful acts and omissions in managing the Company. The claim for breach of fiduciary duties for insider selling and misappropriation of information includes allegations that the former executive sold Company stock while knowing material, nonpublic information that would have significantly reduced the market price of the stock. On March 16, 2015, the defendants filed a motion to dismiss the consolidated complaint. On March 31, 2016, the Court entered an order granting the defendants' collective motion to dismiss without prejudice, denying as moot a separate motion to dismiss that was filed by the former executive officer, and staying the order for 30 days, within which plaintiffs could file an amended complaint that cured the defects noted in the order. On May 2, 2016, co-lead plaintiffs filed a verified amended consolidated shareholder derivative complaint naming the Company's President and Chief Executive Officer, six of its current directors (including the Company's President and Chief Executive Officer, who also serves as a director) and three of its former directors as individual defendants, and the Company as a nominal defendant. The amended complaint, among other things, drops the claims against the former executive officer named in the prior complaint, realleges and narrows the breach of fiduciary duty claims, and drops the remaining claims. On June 15, 2016, defendants filed a motion to dismiss the amended consolidated shareholder derivative complaint. On August 1, 2016, plaintiffs filed an opposition to the motion to dismiss. On September 1, 2016, defendants filed a reply brief in support of the motion to dismiss. On February

24, 2017, plaintiffs filed a motion to supplement the amended complaint with allegations relating to the DPA, the criminal information filed in the United States District Court for the Middle District of Pennsylvania, and the FTC's January 19, 2017 Complaint for Permanent Injunctive and Other Equitable Relief and the Consent Order referenced in the *United States Department of Justice, Federal Trade Commission, Financial Crimes Enforcement Network, and State Attorneys General Settlements* in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies." The same day, the Court granted plaintiffs' request to supplement the complaint, ordered them to file a second amended complaint, denied without prejudice defendants' motion to dismiss and granted defendants leave to renew the motion to dismiss. On March 17, 2017, plaintiffs filed a second amended derivative complaint. On September 29, 2017, the Court granted defendants' motion to dismiss the second amended derivative complaint. On December 19, 2017, plaintiffs filed an appeal brief in the United States Court of Appeals for the Tenth Circuit, seeking reversal of the dismissal, to which the Company filed an opposition on February 20, 2018.

Due to the stages of the actions described above under "Shareholder Derivative Actions," the Company is unable to predict the outcome, or reasonably estimate the possible loss or range of loss, if any, which could be associated with these actions. The Company and the named individuals intend to vigorously defend themselves in all of these matters.

Other Matters

On March 12, 2014, Jason Douglas filed a purported class action complaint in the United States District Court for the Northern District of Illinois asserting a claim under the Telephone Consumer Protection Act, 47 U.S.C. § 227, et seq., based on allegations that since 2009, the Company has sent text messages to class members' wireless telephones without their consent. During the first quarter of 2015, the Company's insurance carrier and the plaintiff reached an agreement to create an \$8.5 million settlement fund that will be used to pay all class member claims, class counsel's fees and the costs of administering the settlement. The agreement has been signed by the parties and, on November 10, 2015, the Court granted preliminary approval to the settlement. On January 9, 2018, plaintiff filed a motion requesting decisions on its pending motion to approve the settlement and motion for attorneys' fees, costs, and incentive award. On January 10, 2018, the Court issued an order stating that the pending motions will be decided shortly and setting a status conference for February 28, 2018. The Company accrued an amount equal to the retention under its insurance policy in previous quarters and believes that any amounts in excess of this accrual will be covered by the insurer. However, if the Company's insurer is unable to or refuses to satisfy its obligations under the policy or the parties are unable to reach a definitive agreement or otherwise agree on a resolution, the Company's financial condition, results of operations, and cash flows could be adversely impacted. As the parties have reached an agreement in this matter, the Company believes that the potential for additional loss in excess of amounts already accrued is remote.

On February 10, 2015, Caryn Pincus filed a purported class action lawsuit in the United States District Court for the Southern District of Florida against Speedpay, Inc. ("Speedpay"), a subsidiary of the Company, asserting claims based on allegations that Speedpay imposed an unlawful surcharge on credit card transactions and that Speedpay engages in money transmission without a license. The complaint requests certification of a class and two subclasses generally comprised of consumers in Florida who made a payment through Speedpay's bill payment services using a credit card and were charged a surcharge for such payment during the four-year and five-year periods prior to the filing of the complaint through the date of class certification. On April 6, 2015, Speedpay filed a motion to dismiss the complaint. On April 23, 2015, in response to the motion to dismiss, Pincus filed an amended complaint that adds claims (1) under the Florida Civil Remedies for Criminal Practices Act, which authorizes civil remedies for certain criminal conduct; and (2) for violation of the federal Racketeer Influenced and Corrupt Organizations Act ("RICO"). On May 15, 2015, Speedpay filed a motion to dismiss the amended complaint. On October 6, 2015, the Court entered an order denying Speedpay's motion to dismiss. On October 20, 2015, Speedpay filed an answer to the amended complaint. On December 1, 2015, Pincus filed a second amended complaint that revised her factual allegations, but added no new claims. On December 18, 2015, Speedpay filed an answer to the second amended complaint. On May 20, 2016, Speedpay filed a motion for judgment on the pleadings as to Pincus' Florida Civil Remedies for Criminal Practices Act and federal RICO claims. On June 7, 2016, Pincus filed an opposition to Speedpay's motion for judgment on the pleadings. On June 17, 2016, Speedpay filed a reply brief in support of the motion. On October 28, 2016, Pincus filed a motion seeking class certification. The motion seeks the certification of a class consisting of "All (i) persons in Florida (ii) who paid Speedpay, Inc. a fee for using Speedpay, Inc.'s electronic payment services (iii) during the five-year period prior to the filing of the complaint in this action through the present." Pincus also filed a motion to file her motion under seal. On November 4, 2016, the Court denied Pincus' motion for class certification without prejudice and motion to seal and ordered her to file a new motion that redacts proprietary and private information. Later that day, Pincus filed a redacted version of the motion. On November 7, 2016, Speedpay filed a motion for summary judgment on Pincus' remaining claims. On December 15, 2016, Speedpay filed an opposition to Pincus' class certification motion. The same day, Pincus filed an opposition to Speedpay's summary judgment motion and requested summary judgment on her individual and class claims. On January 12, 2017, Speedpay filed a reply in support of its summary judgment motion and Pincus filed a reply in support of her class certification motion. On March 28, 2017, the Court granted Speedpay's motion for judgment on the pleadings as to Pincus' Florida Civil Remedies for Criminal Practices Act and federal RICO claims. On June 27, 2017, the Court granted Speedpay's summary judgment motion, entered judgment in favor of Speedpay and ordered the Court clerk to close the case. On October 19, 2017, Pincus filed an appeal brief in the United States Court of Appeals for the Eleventh Circuit, seeking reversal of the summary judgment, to which the Company filed an opposition on December 4, 2017. Pincus filed her reply brief on January 17, 2018. Due to this pending appeal, the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with this action. Speedpay intends to vigorously defend itself in this matter.

In October 2015, Consumidores Financieros Asociación Civil para su Defensa, an Argentinian consumer association, filed a purported class action lawsuit in Argentina's National Commercial Court No. 19 against the Company's subsidiary Western Union Financial Services Argentina S.R.L. ("WUFSA"). The lawsuit alleges, among other things, that WUFSA's fees for money transfers sent from Argentina are excessive and that WUFSA does not provide consumers with adequate information about foreign exchange rates. The plaintiff is seeking, among other things, an order requiring WUFSA to reimburse consumers for the fees they paid and the foreign exchange revenue associated with money transfers sent from Argentina, plus punitive damages. The complaint does not specify a monetary value of the claim or a time period. In November 2015, the Court declared the complaint formally admissible as a class action. The notice of claim was served on WUFSA in May 2016, and in June 2016 WUFSA filed a response to the claim and moved to dismiss it on statute of limitations and standing grounds. In April 2017, the Court deferred ruling on the motion until later in the proceedings. In January 2018, the parties agreed on a notification process for potential class members. After notices are published, the case will move to the evidentiary stage. Due to the stage of this matter, the Company is unable to predict the outcome or the possible loss or range of loss, if any, associated with this matter. WUFSA intends to defend itself vigorously.

On February 22, 2017, the Company, its President and Chief Executive Officer, its Chief Financial Officer, and a former executive officer of the Company were named as defendants in two purported class action lawsuits, both of which asserted claims under section 10(b) of the Exchange Act and Securities and Exchange Commission rule 10b-5 and section 20(a) of the Exchange Act. On May 3, 2017, the two cases were consolidated by the United States District Court for the District of Colorado under the caption Lawrence Henry Smallen and Laura Anne Smallen Revocable Living Trust et al. v. The Western Union Company et al., Civil Action No. 1:17-cv-00474-KLM (D. Colo.). On September 6, 2017, the Court appointed Lawrence Henry Smallen and Laura Anne Smallen Revocable Living Trust as the lead plaintiff. On November 6, 2017, the plaintiffs filed a consolidated amended complaint (“Amended Complaint”) that, among other things, added two other former executive officers as defendants, one of whom subsequently was voluntarily dismissed by the plaintiffs. The Amended Complaint asserts claims under section 10(b) of the Exchange Act and Securities and Exchange Commission rule 10b-5 and section 20(a) of the Exchange Act, and alleges that, during the purported class period of February 24, 2012, through May 2, 2017, the defendants made false or misleading statements or failed to disclose purported adverse material facts regarding, among other things, the Company’s compliance with AML and anti-fraud regulations, the status and likely outcome of certain governmental investigations targeting the Company, the reasons behind the Company’s decisions to make certain regulatory enhancements, and the Company’s premium pricing. The defendants filed a motion to dismiss the complaint on January 16, 2018. The consolidated action is in a preliminary stage and the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with it. The Company and the individual defendants intend to vigorously defend themselves in this matter.

On February 13, 2017, the Company’s subsidiary, Western Union Payment Services Ireland Limited (“WUPSIL”), was served with a writ of accusation from the National Court of Spain. The writ charges 98 former Western Union money transfer agents or agent representatives with fraud and money laundering in connection with consumer fraud scams they allegedly perpetrated using Western Union money transfer transactions. The writ also names WUPSIL as a civil defendant, allegedly responsible under Spanish law to pay any portion of the alleged amount in victim losses that cannot be repaid by any of the criminal defendants who are convicted. In accordance with Spanish law, on January 4, 2018, the Company, through its subsidiary Western Union International Limited, provided a corporate guaranty in an amount of approximately €23 million to cover any liability that could theoretically attach to WUPSIL. Due to the preliminary stage of this matter, the Company is unable to predict the outcome, or the amount of loss, if any, associated with this matter.

On March 31, 2017, the Company received a request for the production of documents from the New York State Department of Financial Services (the “NYDFS”), following up on a meeting the Company had with the NYDFS on March 7, 2017. The requests pertain to the Company’s oversight of one current and two former Western Union agents located in New York state. The two former agents were identified in the DPA described in the United States Department of Justice, Federal Trade Commission, Financial Crimes Enforcement Network, and State Attorneys General Settlements section above, and were terminated as agents by the Company prior to 2013. The Company complied with all requests and produced all requested documents to the NYDFS. On July 28, 2017, the NYDFS informed the Company that the facts set forth in the DPA regarding the Company’s anti-money laundering programs over the 2004 through 2012 period gave the NYDFS a basis to take additional enforcement action. On January 4, 2018, the Company’s subsidiary, Western Union Financial Services, Inc. (“WUFSI”), and the NYDFS agreed to the NYDFS Consent Order, which resolved the NYDFS investigation into these matters. Under the NYDFS Consent Order, the Company is required, among other things, to pay to the NYDFS a civil monetary penalty of \$60 million, which the Company paid on January 12, 2018. In the second quarter of 2017, the Company accrued \$49 million towards resolution of this matter, and in the fourth quarter of 2017, the Company accrued the remaining \$11 million. The NYDFS Consent Order also imposes certain non-monetary obligations, including a requirement to provide to the NYDFS a remediation plan within 90 days after the date of the NYDFS Consent Order.

In addition to the principal matters described above and the matters described in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, “Commitments and Contingencies,” the Company is a party to a variety of other legal matters that arise in the normal course of the Company’s business. While the results of these other legal matters cannot be predicted with certainty, management believes that the final outcome of these matters will not have a material adverse effect either individually or in the aggregate on the Company’s financial condition, results of operations, or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock trades on the New York Stock Exchange under the symbol "WU." There were 3,452 stockholders of record as of February 14, 2018. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. The following table presents the high and low prices of the common stock on the New York Stock Exchange as well as dividends declared per share during the calendar quarter indicated.

| | Common Stock Market Price | | Dividends Declared per Share |
|----------------|------------------------------|----------|------------------------------------|
| | High | Low | |
| | 2017 | | |
| First Quarter | \$ 22.70 | \$ 19.25 | \$ 0.175 |
| Second Quarter | \$ 20.35 | \$ 18.52 | \$ 0.175 |
| Third Quarter | \$ 20.40 | \$ 18.39 | \$ 0.175 |
| Fourth Quarter | \$ 20.67 | \$ 18.72 | \$ 0.175 |
| 2016 | | | |
| First Quarter | \$ 19.61 | \$ 16.02 | \$ 0.16 |
| Second Quarter | \$ 20.57 | \$ 18.07 | \$ 0.16 |
| Third Quarter | \$ 21.80 | \$ 18.81 | \$ 0.16 |
| Fourth Quarter | \$ 22.26 | \$ 19.38 | \$ 0.16 |

The following table sets forth stock repurchases for each of the three months of the quarter ended December 31, 2017 :

| Period | Total Number of Shares Purchased* | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs** | Remaining Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (In millions) |
|-----------------|--------------------------------------|---------------------------------|---|--|
| October 1 - 31 | 6,707 | \$ 19.52 | — | \$ 955.5 |
| November 1 - 30 | 635,599 | \$ 19.69 | 610,873 | \$ 943.5 |
| December 1 - 31 | 2,115 | \$ 19.54 | — | \$ 943.5 |
| Total | 644,421 | \$ 19.69 | 610,873 | |

* These amounts represent both shares authorized by the Board of Directors for repurchase under a publicly announced authorization, as described below, as well as shares withheld from employees to cover tax withholding obligations on restricted stock units that have vested.

** On February 9, 2017, the Board of Directors authorized \$1.2 billion of common stock repurchases through December 31, 2019, of which \$943.5 million remained available as of December 31, 2017. In certain instances, management has historically and may continue to establish prearranged written plans pursuant to Rule 10b5-1. A Rule 10b5-1 plan permits us to repurchase shares at times when we may otherwise be unable to do so, provided the plan is adopted when we are not aware of material non-public information.

Refer to Part II, Item 8, *Financial Statements and Supplementary Data*, Note 16, "Stock Compensation Plans" and Part III, Item 12, *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* for information related to our equity compensation plans.

Dividend Policy and Share Repurchases

During 2017, the Board of Directors declared quarterly cash dividends of \$0.175 per common share payable on December 29, 2017, September 29, 2017, June 30, 2017 and March 31, 2017. During 2016, the Board of Directors declared quarterly cash dividends of \$0.16 per common share payable on December 30, 2016, September 30, 2016, June 30, 2016 and March 31, 2016. The declaration or authorization and amount of future dividends or share repurchases will be determined by the Board of Directors and will depend on our financial condition, earnings, liquidity, the amount and timing of payments under our debt and other obligations, capital requirements, regulatory constraints, cash generated or made available in the United States, industry practice and any other factors that the Board of Directors believes are relevant. As a holding company with no material assets other than the capital stock of our subsidiaries, our ability to pay dividends or repurchase shares in future periods will be dependent primarily on our ability to use cash generated by our operating subsidiaries. Several of our operating subsidiaries are subject to financial services regulations and their ability to pay dividends and distribute cash may be restricted. In addition, the Tax Act imposes a tax on certain of our previously undistributed foreign earnings, which we have elected to pay in periodic installments over the next eight years, as discussed in the "Capital Resources and Liquidity" section in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*. These payments will adversely affect our cash flow and liquidity and may adversely affect future share repurchases.

On February 13, 2018, the Board of Directors declared a quarterly cash dividend of \$0.19 per common share payable on March 30, 2018.

ITEM 6. SELECTED FINANCIAL DATA

The financial information in this Annual Report on Form 10-K is presented on a consolidated basis and includes the accounts of the Company and our majority-owned subsidiaries. Our selected historical financial data are not necessarily indicative of our future financial condition, future results of operations or future cash flows.

You should read the information set forth below in conjunction with our historical consolidated financial statements and the notes to those statements included elsewhere in this Annual Report on Form 10-K.

| <u>(in millions, except per share data)</u> | Year Ended December 31, | | | | |
|---|--------------------------------|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Statements of Income/(Loss) Data: | | | | | |
| Revenues | \$ 5,524.3 | \$ 5,422.9 | \$ 5,483.7 | \$ 5,607.2 | \$ 5,542.0 |
| Operating expenses (a) | 5,050.9 | 4,939.2 | 4,374.3 | 4,466.7 | 4,434.6 |
| Operating income (a) | 473.4 | 483.7 | 1,109.4 | 1,140.5 | 1,107.4 |
| Interest income (b) | 4.9 | 3.5 | 10.9 | 11.5 | 9.4 |
| Interest expense (c) | (142.1) | (152.5) | (167.9) | (176.6) | (195.6) |
| Other income/(expense), net, excluding interest income and interest expense | 11.3 | 7.0 | (10.6) | (7.2) | 5.7 |
| Income before income taxes (a) (b) (c) | 347.5 | 341.7 | 941.8 | 968.2 | 926.9 |
| Net income/(loss) (a) (b) (c) (d) | (557.1) | 253.2 | 837.8 | 852.4 | 798.4 |
| Depreciation and amortization | 262.9 | 263.2 | 270.2 | 271.9 | 262.8 |
| Cash Flow Data: | | | | | |
| Net cash provided by operating activities (e) | \$ 735.8 | \$ 1,041.9 | \$ 1,071.1 | \$ 1,045.9 | \$ 1,088.6 |
| Capital expenditures (f) | (177.1) | (229.8) | (266.5) | (179.0) | (241.3) |
| Common stock repurchased (g) | (502.8) | (501.6) | (511.3) | (495.4) | (399.7) |
| Earnings/(Loss) Per Share Data: | | | | | |
| Basic (a) (b) (c) (g) | \$ (1.19) | \$ 0.52 | \$ 1.63 | \$ 1.60 | \$ 1.43 |
| Diluted (a) (b) (c) (g) | \$ (1.19) | \$ 0.51 | \$ 1.62 | \$ 1.59 | \$ 1.43 |
| Cash dividends declared per common share (h) | \$ 0.70 | \$ 0.64 | \$ 0.62 | \$ 0.50 | \$ 0.50 |
| Key Indicators (unaudited): | | | | | |
| Consumer-to-Consumer transactions | 275.8 | 268.3 | 261.5 | 254.9 | 242.3 |

| <u>(in millions)</u> | As of December 31, | | | | |
|--------------------------------------|---------------------------|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Balance Sheet Data: | | | | | |
| Settlement assets | \$ 4,188.9 | \$ 3,749.1 | \$ 3,308.7 | \$ 3,313.7 | \$ 3,270.4 |
| Total assets | 9,231.4 | 9,419.6 | 9,449.2 | 9,877.5 | 10,105.4 |
| Settlement obligations | 4,188.9 | 3,749.1 | 3,308.7 | 3,313.7 | 3,270.4 |
| Total borrowings | 3,033.6 | 2,786.1 | 3,215.9 | 3,707.5 | 4,197.1 |
| Total liabilities | 9,722.8 | 8,517.4 | 8,044.3 | 8,577.1 | 9,000.7 |
| Total stockholders' equity/(deficit) | (491.4) | 902.2 | 1,404.9 | 1,300.4 | 1,104.7 |

- (a) For the year ended December 31, 2017, operating expenses included a non-cash goodwill impairment charge of \$464.0 million related to our Business Solutions reporting unit, as described in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 4, "Goodwill," and \$60.0 million of expenses related to the NYDFS Consent Order. For the year ended December 31, 2016, operating expenses included \$601.0 million of expenses as a result of the Joint Settlement Agreements, as described in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies." For the year ended December 31, 2015, operating expenses included \$35.3 million of expenses as a result of the Paymap Settlement Agreement.
- (b) Interest income consists of interest earned on cash balances not required to satisfy settlement obligations.
- (c) Interest expense primarily relates to our outstanding borrowings.
- (d) For the year ended December 31, 2017, the Company's provision for income taxes included an estimated \$828 million related to the enactment of the Tax Act into United States law, primarily due to a tax on certain previously undistributed earnings of foreign subsidiaries, partially offset by the remeasurement of deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects, as discussed in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 10, "Income Taxes." Certain of the law's impacts have been provisionally estimated and will likely be adjusted in future periods as the Company completes its accounting for these matters in 2018.
- (e) Net cash provided by operating activities during the year ended December 31, 2017 was impacted by cash payments of \$591 million due under the Joint Settlement Agreements and payments of \$77.3 million related to our business transformation initiative as discussed in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 3, "Business Transformation and Productivity and Cost-Savings Initiatives Expenses."
- (f) Capital expenditures include capitalization of contract costs, capitalization of purchased and developed software and purchases of property and equipment.
- (g) On February 9, 2017, the Board of Directors authorized \$1.2 billion of common stock repurchases through December 31, 2019, of which \$943.5 million remained available as of December 31, 2017. During the years ended December 31, 2017, 2016, 2015, 2014, and 2013, we repurchased 24.9 million, 24.8 million, 25.1 million, 29.3 million, and 25.7 million shares, respectively, under authorizations from our Board of Directors.
- (h) Cash dividends per share declared quarterly by the Company's Board of Directors were as follows:

| Year | Q1 | Q2 | Q3 | Q4 |
|-------------|-----------|-----------|-----------|-----------|
| 2017 | \$ 0.175 | \$ 0.175 | \$ 0.175 | \$ 0.175 |
| 2016 | \$ 0.16 | \$ 0.16 | \$ 0.16 | \$ 0.16 |
| 2015 | \$ 0.155 | \$ 0.155 | \$ 0.155 | \$ 0.155 |
| 2014 | \$ 0.125 | \$ 0.125 | \$ 0.125 | \$ 0.125 |
| 2013 | \$ 0.125 | \$ 0.125 | \$ 0.125 | \$ 0.125 |

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the consolidated financial statements and the notes to those statements included elsewhere in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained in the Management's Discussion and Analysis of Financial Condition and Results of Operations are forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in other sections of this Annual Report on Form 10-K. See "Risk Factors" and "Forward-looking Statements."

Overview

We are a leading provider of money movement and payment services, operating in two business segments:

- *Consumer-to-Consumer* - The Consumer-to-Consumer operating segment facilitates money transfers between two consumers, primarily through a network of third-party agents. Our multi-currency money transfer service is viewed by us as one interconnected global network where a money transfer can be sent from one location to another, around the world. This service is available for international cross-border transfers and, in certain countries, intra-country transfers. This segment also includes money transfer transactions that can be initiated through websites and mobile devices.
- *Business Solutions* - The Business Solutions operating segment facilitates payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals. The majority of the segment's business relates to exchanges of currency at spot rates, which enable customers to make cross-currency payments. In addition, in certain countries, we write foreign currency forward and option contracts for customers to facilitate future payments.

All businesses and other services that have not been classified in the above segments are reported as "Other," which primarily includes our electronic-based and cash-based bill payment services which facilitate bill payments from consumers to businesses and other organizations and which were previously reported in the historical Consumer-to-Business operating segment, and our money order and other services, in addition to costs for the review and closing of acquisitions. Additional information on our reportable segments is further described in the Segment Discussion below.

Results of Operations

The following discussion of our consolidated results of operations and segment results refers to the year ended December 31, 2017 compared to the same period in 2016 and the year ended December 31, 2016 compared to the same period in 2015. The results of operations should be read in conjunction with the discussion of our segment results of operations, which provide more detailed discussions concerning certain components of the Consolidated Statements of Income/(Loss). All significant intercompany accounts and transactions between our segments have been eliminated and the below information has been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"). All amounts provided in this section are rounded to the nearest tenth of a million, except as otherwise noted. As a result, the percentage changes and margins disclosed herein may not recalculate precisely using the rounded amounts provided. Beginning in the first quarter of 2017, we have reported total "Revenues" in our Consolidated Statements of Income/(Loss) for all periods presented and no longer present the subcaptions previously reported, including "Transaction fees," "Foreign exchange revenues," and "Other revenues."

For the year ended December 31, 2017, we recognized a non-cash goodwill impairment charge related to our Business Solutions reporting unit, which reduced our operating income by \$464 million as the estimated fair value of the reporting unit declined below its carrying value. For further detail, see the "Critical Accounting Policies and Estimates" discussion below.

Additionally, our operating income for the year ended December 31, 2017 was negatively impacted by a \$60 million accrual related to the NYDFS Consent Order, described further in Part I, Item 3, *Legal Proceedings*. Our operating income for the year ended December 31, 2016 was impacted by \$601 million of expenses related to compensation payments and other costs as a result of the Joint Settlement Agreements described further in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies." Our operating income for the year ended December 31, 2015 was impacted by \$35.3 million of expenses related to restitution, penalties, and other costs as a result of the Paymap Settlement Agreement. The NYDFS Consent Order, the Joint Settlement Agreements, and the Paymap Settlement Agreement have been reflected within "Selling, general and administrative" expenses in our Consolidated Statements of Income/(Loss).

During the year ended December 31, 2017, our provision for income taxes included an estimated \$828 million related to the enactment of the Tax Act into United States law, primarily due to a tax on certain previously undistributed earnings of foreign subsidiaries, partially offset by the remeasurement of deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects. As discussed below, certain of the law's impacts have been provisionally estimated and will likely be adjusted in future periods as we complete our accounting for these matters.

Our revenues and operating income for the years ended December 31, 2017 and 2016 were negatively impacted by the strengthening of the United States dollar compared to foreign currencies. The strengthening of the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, resulted in a reduction to revenues for the years ended December 31, 2017 and 2016 of \$61.3 million and \$217.1 million, respectively, and negatively impacted operating income by \$44.0 million and \$90.2 million, respectively, relative to the respective prior year.

The following table sets forth our consolidated results of operations for the years ended December 31, 2017, 2016 and 2015.

| (in millions, except per share amounts) | Year Ended December 31, | | | % Change | |
|---|-------------------------|------------|------------|------------------|------------------|
| | 2017 | 2016 | 2015 | 2017 vs. 2016 | 2016 vs. 2015 |
| Revenues | \$ 5,524.3 | \$ 5,422.9 | \$ 5,483.7 | 2 % | (1)% |
| Expenses: | | | | | |
| Cost of services | 3,355.4 | 3,270.0 | 3,199.4 | 3 % | 2 % |
| Selling, general and administrative | 1,231.5 | 1,669.2 | 1,174.9 | (26)% | 42 % |
| Goodwill impairment charge | 464.0 | — | — | (a) | — % |
| Total expenses | 5,050.9 | 4,939.2 | 4,374.3 | 2 % | 13 % |
| Operating income | 473.4 | 483.7 | 1,109.4 | (2)% | (56)% |
| Other income/(expense): | | | | | |
| Interest income | 4.9 | 3.5 | 10.9 | 41 % | (68)% |
| Interest expense | (142.1) | (152.5) | (167.9) | (7)% | (9)% |
| Derivative gains, net | 7.1 | 4.5 | 1.2 | 56 % | (a) |
| Other income/(expense), net | 4.2 | 2.5 | (11.8) | 77 % | (a) |
| Total other expense, net | (125.9) | (142.0) | (167.6) | (11)% | (15)% |
| Income before income taxes | 347.5 | 341.7 | 941.8 | 2 % | (64)% |
| Provision for income taxes | 904.6 | 88.5 | 104.0 | (a) | (15)% |
| Net income/(loss) | \$ (557.1) | \$ 253.2 | \$ 837.8 | (a) | (70)% |
| Earnings/(loss) per share: | | | | | |
| Basic | \$ (1.19) | \$ 0.52 | \$ 1.63 | (a) | (68)% |
| Diluted | \$ (1.19) | \$ 0.51 | \$ 1.62 | (a) | (69)% |
| Weighted-average shares outstanding: | | | | | |
| Basic | 467.9 | 490.2 | 512.6 | | |
| Diluted | 467.9 | 493.5 | 516.7 | | |

(a) Calculation not meaningful.

Revenues overview

Transaction volume is the primary generator of revenue in our businesses. Revenues are primarily derived from consideration paid by customers to transfer money. These revenues vary by transaction based upon send and receive locations, the principal amount sent, whether the money transfer involves different send and receive currencies, the difference between the exchange rate we set to the customer and the rate available in the wholesale foreign exchange market, speed of service, and channel, as applicable. We also offer several other services, including foreign exchange and payment services and other bill payment services, for which revenue is impacted by similar factors.

Due to the significance of the effect that foreign exchange fluctuations against the United States dollar can have on our reported revenues, constant currency results have been provided in the table below for consolidated revenues. Additionally, due to the significance of our Consumer-to-Consumer segment to our overall results, we have also provided constant currency results for our Consumer-to-Consumer segment revenues. Constant currency results assume foreign revenues are translated from foreign currencies to the United States dollar, net of the effect of foreign currency hedges, at rates consistent with those in the prior year. Constant currency measures are non-GAAP financial measures and are provided so that revenue can be viewed without the effect of fluctuations in foreign currency exchange rates, which is consistent with how management evaluates our revenue results and trends. We believe that these measures provide management and investors with information about revenue results and trends that eliminates currency volatility and provides greater clarity regarding, and increases the comparability of, our underlying results and trends. This constant currency disclosure is provided in addition to, and not as a substitute for, the percentage change in revenue on a GAAP basis for the years ended December 31, 2017 and 2016 compared to the prior year. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

The following table sets forth our consolidated revenue results for the years ended December 31, 2017, 2016, and 2015.

| (dollars in millions) | Year Ended December 31, | | | % Change | |
|---|--------------------------------|-------------|-------------|-----------------|-----------------|
| | 2017 | 2016 | 2015 | 2017 | 2016 |
| | | | | vs. 2016 | vs. 2015 |
| Revenues, as reported - (GAAP) | \$ 5,524.3 | \$ 5,422.9 | \$ 5,483.7 | 2% | (1)% |
| Foreign currency impact (a) | | | | 1% | 4 % |
| Revenue change, constant currency adjusted - (Non-GAAP) | | | | <u>3%</u> | <u>3 %</u> |

- (a) The strengthening of the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, resulted in a reduction to revenues of \$61.3 million and \$217.1 million for the years ended December 31, 2017 and 2016, respectively, when compared to foreign currency rates in the prior year.

We use foreign currency forwards to hedge certain foreign exchange impacts on our forecasted revenues. To the extent these derivatives are effective in managing our foreign exchange risk, we reflect the hedge impact in revenues in the period the hedged revenues are recorded. Foreign currency hedges benefited GAAP revenues by \$4.8 million, \$48.0 million, and \$77.8 million for the years ended December 31, 2017, 2016, and 2015, respectively.

2017 compared to 2016

During the year ended December 31, 2017 compared to 2016, GAAP revenues increased 2%. The increase in revenue was the result of transaction growth in our Consumer-to-Consumer segment of 3% for the year ended December 31, 2017 and growth in our United States electronic-based and Argentina cash-based bill payments services. This growth was partially offset by the strengthening of the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, which negatively impacted revenue by 1% for the year ended December 31, 2017. The increase in non-GAAP revenues constant currency adjusted of 3% was also due to transaction growth in our Consumer-to-Consumer segment and growth in our Argentina cash-based and United States electronic-based bill payments services.

2016 compared to 2015

During the year ended December 31, 2016 compared to 2015, GAAP revenues decreased 1%. This was primarily due to the strengthening of the United States dollar compared to foreign currencies, which negatively impacted revenue by 4%, net of the impact of foreign currency hedges. This decrease was partially offset by transaction growth of 3% in our Consumer-to-Consumer segment for the year ended December 31, 2016. The increase in non-GAAP revenues constant currency adjusted of 3% was primarily due to Consumer-to-Consumer transaction growth and growth in our Argentina cash-based and United States electronic bill payments services.

Operating expenses overview

Enhanced regulatory compliance

The financial services industry, including money services businesses, continues to be subject to increasingly strict legal and regulatory requirements, and we continue to focus on and regularly review our compliance programs. In connection with these reviews, and in light of growing and rapidly evolving regulatory complexity and heightened attention of, and increased dialogue with, governmental and regulatory authorities related to our compliance activities, we have made, and continue to make enhancements to our processes and systems designed to detect and prevent money laundering, terrorist financing, and fraud and other illicit activity, along with enhancements to improve consumer protection, including related to the Joint Settlement Agreements and the NYDFS Consent Order described further in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies," the Dodd-Frank Wall Street Reform and Consumer Protection Act and similar regulations outside the United States, and other matters. In coming periods, we expect these enhancements will continue to result in changes to certain of our business practices and increased costs. Some of these changes have had, and we believe will continue to have, an adverse effect on our business, financial condition and results of operations.

Cost of services

Cost of services primarily consists of agent commissions, which represented approximately 60% of total cost of services for the year ended December 31, 2017. Cost of services increased for the year ended December 31, 2017 compared to the prior year due to increased bank fees, primarily in our growing United States electronic bill payments services, and severance and related employee benefits and other expenses related to a business transformation initiative referred to as the WU Way, as further discussed below.

Cost of services increased for the year ended December 31, 2016 compared to the prior year due to increased technology expenses and increased bank fees in our United States electronic bill payments, partially offset by a decrease in agent commissions, which generally fluctuate with revenues.

Selling, general and administrative

Selling, general and administrative expenses decreased for the year ended December 31, 2017 compared to the prior year due to expenses related to the Joint Settlement Agreements in the amount of \$601 million recorded during 2016, as described earlier, partially offset by the NYDFS Consent Order accrual of \$60 million discussed above, WU Way-related severance and related employee benefits, consulting service fees, and other expenses, increased employee incentive compensation expenses, and increased marketing expenses. Additionally, the strengthening of the United States dollar compared to foreign currencies resulted in a positive impact on the translation of our expenses.

Selling, general and administrative expenses increased for the year ended December 31, 2016 compared to the prior year due to expenses related to the Joint Settlement Agreements and WU Way-related consulting expenses. The increase was partially offset by expenses related to the Paymap Settlement Agreement in the amount of \$35.3 million recorded during 2015, as described earlier, and reductions in employee compensation costs and advertising expenses. Additionally, the strengthening of the United States dollar compared to foreign currencies resulted in a positive impact on the translation of our expenses.

Goodwill Impairment

For the year ended December 31, 2017, we recognized a non-cash goodwill impairment charge of \$464.0 million related to our Business Solutions reporting unit, as described earlier. We did not record any goodwill impairments during the years ended December 31, 2016 and 2015.

Total other expense, net

Total other expense, net decreased for the year ended December 31, 2017 compared to the prior year primarily due to lower interest expense related to a decrease in the weighted-average effective interest rate on our debt. Total other expense, net decreased for the year ended December 31, 2016 compared to the prior year due to lower interest expense related to lower average debt balances outstanding.

Income taxes

Our effective tax rates on pre-tax income were 260.3% , 25.9% and 11.0% for the years ended December 31, 2017 , 2016 and 2015 , respectively. Our effective tax rate for the year ended December 31, 2017 was significantly impacted by the enactment of the Tax Act into United States law, primarily due to a tax on certain previously undistributed earnings of foreign subsidiaries, partially offset by the remeasurement of our deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects, as discussed in Part II, Item 8, *Financial Statements and Supplementary Data* , Note 10, "Income Taxes." Our effective tax rate for year ended December 31, 2017 compared to 2016 was also impacted by the goodwill impairment in our Business Solutions reporting unit, the NYDFS Consent Order accrual recorded in 2017, and the Joint Settlement Agreements recorded during 2016. The increase in our effective tax rate for the year ended December 31, 2016 compared to 2015 was primarily due to the Joint Settlement Agreements and an increase in higher-taxed earnings (excluding the Joint Settlement Agreements) compared to lower-taxed foreign earnings, partially offset by the combined effects of various discrete items, including changes in tax contingency reserves.

Provisional Tax Act amounts

Certain of the Tax Act's impacts have been provisionally estimated and will likely be adjusted in future periods as we complete our accounting for these matters in accordance with a recent staff accounting bulletin issued by the SEC. For those areas of the Tax Act where we do not have the necessary information available, prepared, or analyzed in reasonable detail to complete our accounting, we have recorded estimates which we may need to adjust in subsequent periods, and those subsequent adjustments will be recorded in our provision for income taxes if our estimates change as we complete the accounting for those matters during 2018. While we believe we have made reasonable estimates for the numerous complex provisions in the law, our tax expense is provisional for the following items:

- With respect to the United States taxation of certain previously undistributed earnings of foreign subsidiaries, the determination of the amount of earnings, the amount of assets which are to be included as cash and other specified assets, and which are therefore subject to the higher effective tax rate specified in the Tax Act, and the related potential foreign tax implications are provisional and subject to further analysis, including our completion of the calculation for our 2017 federal, state, and foreign income tax returns. In addition, we are completing this analysis for a significant number of our controlled foreign corporations, as the analysis must be completed for each of the subsidiaries and not consolidated at a higher level. Therefore, the amount of this tax may change until we finalize the calculation. The estimated tax provision amount related to this matter was \$916 million in the year ended December 31, 2017 .
- We recorded a provisional \$87 million benefit for the remeasurement of deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects. We are still analyzing certain aspects of the Tax Act and refining the calculations, which could potentially affect the measurement of these balances, and the amount is also subject to our completion of the calculation for the 2017 federal, state, and foreign income tax returns.
- We have provisionally estimated the total amount of outside basis differences with respect to our foreign subsidiaries as of December 31, 2017 to be \$254 million (after giving effect to the Tax Act), and no deferred income tax effects have been recognized with respect to such outside basis differences. These outside tax basis differences primarily relate to the remaining undistributed foreign earnings not subject to the tax on certain previously undistributed earnings of foreign subsidiaries pursuant to the Tax Act and additional outside basis difference inherent in certain entities. To the extent such outside basis differences are attributable to undistributed earnings not already subject to United States tax, such undistributed earnings continue to be indefinitely reinvested in foreign operations. The amount of total outside basis differences and appropriate deferred tax effects are impacted by the application of the Tax Act and will be finalized during 2018.

- Subsequent to the enactment of the Tax Act, we must make an accounting policy election to account for the tax effects of global intangible low-tax income either as a component of income tax expense in the period the tax arises, or as a component of deferred taxes on the related investments in foreign subsidiaries. We are currently evaluating these provisions of the Tax Act and the related implications and have not finalized our accounting policy election. We will finalize this accounting policy election in 2018.

Our income tax expense could also increase or decrease in future periods as the effects of the Tax Act are clarified through federal or state regulations, interpretations, or law changes. For example, the Tax Act is broad and complex, and given its recent enactment, regulations or other interpretive guidance is currently limited. Any change in the interpretation of the Tax Act or other legislative proposals or amendments could have a significant effect on our income tax expense in future periods. Furthermore, the effect of the Tax Act on state income taxes, including how the tax on certain previously undistributed earnings of foreign subsidiaries will be interpreted by the states and how states will apply forward-looking provisions of the Tax Act, are currently unclear and subject to potential changes affecting both the amount of state taxes and the remeasurement of our deferred tax assets and liabilities and other tax balances.

We expect that the Tax Act will increase our effective tax rate in future periods, excluding the current year effect of the enactment and subsequent adjustments, as certain activity related to our foreign affiliates will generally be taxed at a higher tax rate.

We have established contingency reserves for a variety of material, known tax exposures. As of December 31, 2017, the total amount of tax contingency reserves was \$344.0 million, including accrued interest and penalties, net of related items. Our tax reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review or other settlement. While we believe that our reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed our related reserve. With respect to these reserves, our income tax expense would include (i) any changes in tax reserves arising from material changes in facts and circumstances (i.e. new information) surrounding a tax issue during the period and (ii) any difference from our tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in our consolidated financial statements in future periods and could impact our operating cash flows.

A significant proportion of our profits are foreign-derived. For the years ended December 31, 2017, 2016 and 2015, 169%, 260% and 103%, respectively, of our pre-tax income was derived from foreign sources. While the income tax imposed by any one foreign country is not material to us, our overall effective tax rate could be adversely affected by changes in foreign tax laws.

Earnings/(loss) per share

During the years ended December 31, 2017, 2016 and 2015, basic earnings/(loss) per share were \$(1.19), \$0.52 and \$1.63, respectively, and diluted earnings/(loss) per share were \$(1.19), \$0.51 and \$1.62, respectively. Outstanding options to purchase Western Union stock and unvested shares of restricted stock are excluded from basic shares outstanding. Diluted earnings/(loss) per share reflects the potential dilution that could occur if outstanding stock options at the presented dates are exercised and shares of restricted stock have vested. As of December 31, 2017, 2016 and 2015, there were 2.8 million, 3.4 million and 6.0 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings/(loss) per share calculation under the treasury stock method as their exercise prices were above our weighted-average share price during the periods and their effect was anti-dilutive. Due to the net loss for the year ended December 31, 2017, an additional 3.0 million shares have been excluded from diluted weighted-average shares outstanding, because the effect of including such shares would be anti-dilutive in the calculation of diluted loss per share.

Earnings/(loss) per share for the years ended December 31, 2017 and 2016 compared to the prior year were impacted by the previously described factors impacting net income/(loss). We estimate that the Tax Act negatively impacted the loss per share for the year ended December 31, 2017 by \$1.76, and the goodwill impairment charge related to our Business Solutions reporting unit and the NYDFS Consent Order negatively impacted loss per share for the year ended December 31, 2017 by \$0.96, net of income tax effects, and \$0.13, respectively. The Joint Settlement Agreements decreased earnings per share for the year ended December 31, 2016 by \$1.21. For the year ended December 31, 2015, the Paymap Settlement Agreement negatively impacted earnings per share by \$0.05. Earnings/(loss) per share for the years ended December 31, 2017 and 2016 were also impacted by lower weighted-average shares outstanding. For both the years ended December 31, 2017 and 2016 compared to the prior year, the lower number of shares outstanding was due to stock repurchases exceeding stock issuances related to our stock compensation programs.

Segment Discussion

We manage our business around the consumers and businesses we serve and the types of services we offer. Each of our segments addresses a different combination of consumer groups, distribution networks and services offered. Our reportable segments are Consumer-to-Consumer and Business Solutions.

Leadership and organizational structure changes within the Company have impacted how the Chief Operating Decision Maker ("CODM") manages the Company, resulting in changes to the operating and reportable segments in the second quarter of 2017. Prior to these changes, we had organized the business into the following operating segments: Consumer-to-Consumer, Consumer-to-Business, and Business Solutions. As a result of these leadership and organizational structure changes, the components of the historical Consumer-to-Business operating segment have been divided between two executives, with the majority of our cash-based bill payments services under one executive and the majority of our electronic-based bill payments services under the other executive. The CODM allocates resources and assesses performance using discrete information for these separate components, neither of which is material from either a quantitative or qualitative perspective. Accordingly, we no longer report a separate Consumer-to-Business operating segment, and no new reportable segments result from the impact of these changes. The cash-based and electronic-based bill payments services are therefore included in "Other" along with other businesses and services not classified in the Consumer-to-Consumer or Business Solutions segments. This new operating segment structure is based upon the financial information provided to the CODM for decision-making and is consistent with our overall business strategy. Segment results for the years ended December 31, 2016 and 2015 in the discussion and tables below have been adjusted to conform to these changes in reportable segments.

The business segment measurements provided to, and evaluated by, our CODM are computed in accordance with the following principles:

- The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.
- Corporate costs, including stock-based compensation and other overhead, are allocated to the segments primarily based on a percentage of the segments' revenue compared to total revenue.
- As described above, for the year ended December 31, 2017, we recognized a non-cash goodwill impairment charge of \$464.0 million related to our Business Solutions reporting unit. While the impairment was identifiable to our Business Solutions segment, it was not allocated to the segment, as it was not included in the measurement of segment operating income provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation.
- As described above, we incurred \$60.0 million of expenses related to the NYDFS Consent Order during the year ended December 31, 2017, and expenses of \$8.0 million and \$601.0 million related to the Joint Settlement Agreements during the years ended December 31, 2017 and 2016, respectively. While these expenses were identifiable to our Consumer-to-Consumer segment, they were not included in the measurement of segment operating income provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation.
- We incurred expenses related to the WU Way of \$94.4 million and \$20.3 million during the years ended December 31, 2017 and 2016, respectively. A majority of these expenses related to severance and related employee benefits and consulting service fees. While certain items related to the initiative were identifiable to our segments, they were not included in the measurement of segment operating income provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation, beginning in the fourth quarter of 2016. For additional information on this business transformation initiative, see Part II, Item 8, *Financial Statements and Supplementary Data*, Note 3, "Business Transformation and Productivity and Cost-Savings Initiatives Expenses." We believe that the expenses associated with the WU Way initiative are effectively complete as of December 31, 2017.
- Costs incurred for the review and closing of acquisitions are included in "Other."
- All items not included in operating income are excluded from the segments.

The following table sets forth the components of segment revenues as a percentage of the consolidated totals for the years ended December 31, 2017, 2016 and 2015.

| | Year Ended December 31, | | |
|----------------------|-------------------------|------|------|
| | 2017 | 2016 | 2015 |
| Consumer-to-Consumer | 79% | 79% | 79% |
| Business Solutions | 7% | 7% | 7% |
| Other | 14% | 14% | 14% |
| | 100% | 100% | 100% |

Consumer-to-Consumer Segment

The following table sets forth our Consumer-to-Consumer segment results of operations for the years ended December 31, 2017, 2016 and 2015.

| <u>(dollars and transactions in millions)</u> | Year Ended December 31, | | | % Change | |
|---|-------------------------|------------|------------|---------------|---------------|
| | 2017 | 2016 | 2015 | 2017 vs. 2016 | 2016 vs. 2015 |
| Revenues | \$ 4,354.5 | \$ 4,304.6 | \$ 4,343.9 | 1 % | (1)% |
| Operating income | \$ 1,002.4 | \$ 1,008.7 | \$ 1,042.0 | (1)% | (3)% |
| Operating income margin | 23% | 23% | 24% | | |
| Key indicator: | | | | | |
| Consumer-to-Consumer transactions | 275.8 | 268.3 | 261.5 | 3 % | 3 % |

We view our Consumer-to-Consumer money transfer service as one interconnected global network where a money transfer can be sent from one location to another, around the world. The segment includes five geographic regions whose functions are primarily related to generating, managing and maintaining agent relationships and localized marketing activities. We include our online money transfer services initiated through Western Union branded websites ("westernunion.com") in our regions. By means of common processes and systems, these regions, including westernunion.com, create an interconnected network for consumer transactions, thereby constituting one global Consumer-to-Consumer money transfer business and one operating segment. Due to leadership and organizational structure changes within the Company, the regions within this segment were reorganized as of January 1, 2017:

| Region Description | Former Region Description | Significant Changes |
|---|---------------------------------|--|
| North America (United States and Canada) ("NA") | North America | Excludes Mexico |
| Europe and Russia/CIS ("EU & CIS") | Europe and CIS | None |
| Middle East, Africa, and South Asia ("MEASA") | Middle East and Africa | Includes India and certain other South Asian countries (a) |
| Latin America and the Caribbean ("LACA") | Latin America and the Caribbean | Includes Mexico |
| East Asia and Oceania ("APAC") | Asia Pacific | Excludes India and certain other South Asian countries (a) |

(a) These other South Asian countries include Bangladesh, Bhutan, Maldives, Nepal, and Sri Lanka.

Regional results for the years ended December 31, 2016 and 2015 have been adjusted to reflect the reorganization of the regions and to conform to the 2017 presentation.

The geographic split for transactions and revenue in the table that follows, including transactions initiated through westernunion.com, is determined entirely based upon the region where the money transfer is initiated. Prior to January 1, 2017, for transactions originated and paid in different regions, we split the transaction count and revenue between the two regions, with each region receiving 50%. Therefore, regional results for the years ended December 31, 2016 and 2015 have been adjusted to attribute the transactions and revenue entirely to the region where the transaction was initiated. Included in each region's transaction and revenue percentages in the tables below are transactions initiated through westernunion.com for the years ended December 31, 2017, 2016 and 2015, respectively. Where reported separately in the discussion below, westernunion.com consists of 100% of the transactions and revenue that are initiated through westernunion.com.

The table below sets forth revenue and transaction changes by geographic region compared to the prior year. Consumer-to-Consumer segment constant currency revenue growth/(decline) is a non-GAAP financial measure, as further discussed in "Revenues overview" above.

| | Year Ended December 31, 2017 | | | | Year Ended December 31, 2016 | | | |
|---|--|-------------------------------------|---|------------------------------|--|-------------------------------------|---|------------------------------|
| | Revenue Growth/(Decline), as Reported - (GAAP) | Foreign Exchange Translation Impact | Constant Currency Revenue Growth/(Decline) (a) - (Non-GAAP) | Transaction Growth/(Decline) | Revenue Growth/(Decline), as Reported - (GAAP) | Foreign Exchange Translation Impact | Constant Currency Revenue Growth/(Decline) (a) - (Non-GAAP) | Transaction Growth/(Decline) |
| Consumer-to-Consumer regional growth/(decline): | | | | | | | | |
| NA | 2 % | (1)% | 3 % | 3 % | 6 % | (1)% | 7 % | 7 % |
| EU & CIS | 1 % | (1)% | 2 % | 7 % | (2)% | (3)% | 1 % | 4 % |
| MEASA | (8)% | (1)% | (7)% | (10)% | (10)% | (2)% | (8)% | (11)% |
| LACA | 22 % | (1)% | 23 % | 17 % | (3)% | (10)% | 7 % | 13 % |
| APAC | (2)% | (2)% | 0 % | 0 % | (2)% | (2)% | 0 % | (6)% |
| Total Consumer-to-Consumer growth/(decline): | 1 % | (1)% | 2 % | 3 % | (1)% | (3)% | 2 % | 3 % |
| westernunion.com (b) | 23 % | (1)% | 24 % | 24 % | 22 % | (2)% | 24 % | 27 % |

- (a) Constant currency revenue growth assumes that revenues denominated in foreign currencies are translated to the United States dollar, net of the effect of foreign currency hedges, at rates consistent with those in the prior year.
- (b) Westernunion.com revenues have also been included in each region, as described earlier.

The table below sets forth regional revenues as a percentage of our Consumer-to-Consumer revenue for the years ended December 31, 2017 , 2016 , and 2015

| | Year Ended December 31, | | |
|--|-------------------------|------|------|
| | 2017 | 2016 | 2015 |
| Consumer-to-Consumer revenue as a percentage of segment revenue: | | | |
| NA | 37% | 36% | 34% |
| EU & CIS | 31% | 31% | 31% |
| MEASA | 16% | 18% | 20% |
| LACA | 8% | 7% | 7% |
| APAC | 8% | 8% | 8% |

Westernunion.com, which is included in the regional percentages above, represented approximately 10% , 8%, and 6% of our Consumer-to-Consumer revenue for the years ended December 31, 2017 , 2016 , and 2015 , respectively.

Our consumers transferred \$81.8 billion , \$80.0 billion, and \$81.6 billion in Consumer-to-Consumer principal for the years ended December 31, 2017 , 2016 , and 2015 , respectively, of which \$74.5 billion , \$72.5 billion, and \$73.6 billion, respectively, related to cross-border principal, for the same corresponding periods described above.

Revenues

2017 compared to 2016

Consumer-to-Consumer money transfer revenue increased 1% on transaction growth of 3% for the year ended December 31, 2017 compared to the prior year. The strengthening of the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 1% for the year ended December 31, 2017. Fluctuations in the exchange rate between the United States dollar and other currencies, net of the impact of foreign currency hedges, resulted in a reduction to revenues for the year ended December 31, 2017 of \$37.7 million compared to the previous year. Foreign currency hedges benefited revenues by \$4.8 million for the year ended December 31, 2017. Constant currency revenue growth of 2% and transaction growth was driven primarily by continued growth in westernunion.com. Consumer-to-Consumer money transfer revenue was positively impacted by net price increases of 1% for the year ended December 31, 2017.

Our NA region experienced increased revenue of 2% for the year ended December 31, 2017 compared to the prior year and transaction growth of 3%. The increase in revenue was primarily due to transaction growth in our United States outbound services, including to certain LACA and MEASA countries. Revenue for the year ended December 31, 2017 was negatively impacted by transaction declines for money transfers sent and received within the United States and lower revenue generated from money transfers sent to Mexico from the United States.

Our EU & CIS region experienced increased revenue of 1% for the year ended December 31, 2017 compared to the prior year and transaction growth of 7%. Fluctuations in the exchange rate between the United States dollar, the euro, the British pound, and other currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 1% for the year ended December 31, 2017. Revenue growth in the region was positively impacted by transaction growth in France but negatively impacted by geographic mix for the year ended December 31, 2017.

Our MEASA region experienced decreased revenue of 8% for the year ended December 31, 2017 compared to the prior year and a transaction decline of 10%. Fluctuations in the exchange rate between the United States dollar and other currencies negatively impacted revenue by 1% for the year ended December 31, 2017. Revenue was negatively impacted by declines in transactions from oil-producing countries, partially offset by price increases in the region for the year ended December 31, 2017.

Our LACA region experienced increased revenue of 22% for the year ended December 31, 2017 compared to the prior year and transaction growth of 17%. The increase in revenue was primarily due to growth in Argentina and other South American countries.

Our APAC region experienced decreased revenue of 2% for the year ended December 31, 2017 compared to the prior year and flat transaction growth. Fluctuations in the exchange rate between the United States dollar and other currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 2% for the year ended December 31, 2017.

We have historically implemented and will likely continue to implement price reductions from time to time in response to competition and other factors. Price reductions generally reduce margins and adversely affect financial results in the short term and may also adversely affect financial results in the long term if transaction volumes do not increase sufficiently.

2016 compared to 2015

Consumer-to-Consumer money transfer revenue decreased 1% and transactions increased 3% for the year ended December 31, 2016 compared to the prior year. The strengthening of the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 3% for the year ended December 31, 2016. Fluctuations in the exchange rate between the United States dollar and other currencies, net of the impact of foreign currency hedges, resulted in a reduction to revenues for the year ended December 31, 2016 of \$112.2 million over the previous year. Foreign currency hedges benefited revenues by \$48.0 million for the year ended December 31, 2016. Constant currency revenue growth of 2% and transaction growth was driven primarily by continued growth in westernunion.com.

Our NA region experienced increased revenue of 6% for the year ended December 31, 2016 compared to the prior year and transaction growth of 7%. The increase in revenue was primarily due to transaction growth in our United States outbound services, including transactions sent to Mexico and Latin America from the United States.

Our EU & CIS region experienced decreased revenue of 2% for the year ended December 31, 2016 compared to the prior year and transaction growth of 4%. Fluctuations in the exchange rate between the United States dollar, the euro, the British pound and other currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 3% for the year ended December 31, 2016. Revenue was also negatively impacted by declines in Turkey, partially offset by price increases implemented in the United Kingdom and growth in Germany.

Our MEASA region experienced decreased revenue of 10% for the year ended December 31, 2016 compared to the prior year and transaction decline of 11%. Fluctuations in the exchange rate between the United States dollar and other currencies negatively impacted revenue by 2% for the year ended December 31, 2016. Declines in transactions originated in oil-producing countries, including transactions sent to India, which were also negatively impacted by actions by the government of India that temporarily reduced its supply of banknotes, negatively impacted revenues.

Our LACA region experienced decreased revenue of 3% for the year ended December 31, 2016 compared to the prior year and transaction growth of 13%. Fluctuations in the exchange rate between the United States dollar and other currencies, primarily the Argentine peso, negatively impacted revenue by 10% for the year ended December 31, 2016. Price reductions implemented in Argentina also negatively impacted revenue.

Our APAC region experienced decreased revenue of 2% for the year ended December 31, 2016 compared to the prior year and transaction decline of 6%. Fluctuations in the exchange rate between the United States dollar and other currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 2% for the year ended December 31, 2016.

Consumer-to-Consumer net pricing changes had a minimal effect on segment revenue for the year ended December 31, 2016.

Operating income

2017 compared to 2016

Consumer-to-Consumer operating income decreased 1% during the year ended December 31, 2017 compared to the prior year. Results for the year ended December 31, 2017 were impacted by increased employee incentive compensation expenses and increased marketing expenses, partially offset by the revenue increase described above. Additionally, operating income for the year ended December 31, 2017 was negatively impacted by the strengthening of the United States dollar compared to foreign currencies.

2016 compared to 2015

Consumer-to-Consumer operating income declined 3% during the year ended December 31, 2016 compared to the prior year. Results for the year ended December 31, 2016 were negatively impacted by the strengthening of the United States dollar compared to foreign currencies and increased technology expenses, partially offset by reductions in employee compensation. Operating margins in the segment were also impacted by these factors.

Business Solutions

The following table sets forth our Business Solutions segment results of operations for the years ended December 31, 2017, 2016 and 2015.

| (dollars in millions) | Year Ended December 31, | | | % Change | |
|------------------------------|--------------------------------|-------------|-------------|-----------------|-----------------|
| | 2017 | 2016 | 2015 | 2017 | 2016 |
| | | | | vs. 2016 | vs. 2015 |
| Revenues | \$ 383.9 | \$ 396.0 | \$ 398.7 | (3)% | (1)% |
| Operating income | \$ 13.6 | \$ 21.1 | \$ 2.8 | (36)% | (a) |
| Operating income margin | 4% | 5% | 1% | | |

(a) Calculation not meaningful.

Revenues

2017 compared to 2016

For the year ended December 31, 2017 compared to the prior year, Business Solutions revenue decreased 3%. The termination of a partner contract effective during the fourth quarter of 2016 negatively impacted revenue as compared to the prior period. During the fourth quarter of 2017, our revenue was negatively impacted by declines in Europe, particularly in the United Kingdom.

2016 compared to 2015

For the year ended December 31, 2016 compared to the prior year, Business Solutions revenue decreased 1% . Fluctuations in the exchange rate between the United States dollar and other currencies negatively impacted revenue growth by 4% for the year ended December 31, 2016. Growth in Europe was offset by declines in the APAC region.

*Operating income**2017 compared to 2016*

For the year ended December 31, 2017 , operating income decreased when compared to the prior year as a result of increased information technology expenses and the decrease in revenues described above, partially offset by a reduction in amortization expense. The change in operating margins in the segment was due to these same factors.

2016 compared to 2015

For the year ended December 31, 2016, operating income increased when compared to the prior year as a result of reductions in employee compensation costs and amortization expenses recorded in the prior year related to the termination of a partner relationship contract. The change in operating margins in the segment was due to these same factors.

Other

The following table sets forth Other results for the years ended December 31, 2017 , 2016 and 2015 . Other primarily includes our electronic-based and cash-based bill payment services which facilitate bill payments from consumers to businesses and other organizations.

| (dollars in millions) | Year Ended December 31, | | | % Change | |
|------------------------------|--------------------------------|-----------------|-------------|-----------------|-----------------|
| | 2017 | 2016 | 2015 | 2017 | 2016 |
| | vs. 2016 | vs. 2015 | | vs. 2016 | vs. 2015 |
| Revenues | \$ 785.9 | \$ 722.3 | \$ 741.1 | 9% | (3)% |
| Operating income | \$ 83.8 | \$ 75.2 | \$ 64.6 | 11% | 16 % |
| Operating income margin | 11% | 10% | 9% | | |

*Revenues**2017 compared to 2016*

For the year ended December 31, 2017 compared to the prior year, Other revenue increased 9% primarily due to growth in our United States electronic bill payments and Argentina cash-based bill payments. The strengthening of the United States dollar against foreign currencies, primarily the Argentine peso, negatively impacted revenue growth by 3% for the year ended December 31, 2017 .

2016 compared to 2015

For the year ended December 31, 2016 compared to the prior year, Other revenue decreased 3% primarily due to declines related to foreign currency translation in our Argentina cash-based bill payments and declines in our United States cash-based bill payments, partially offset by increases in our United States electronic bill payments. The strengthening of the United States dollar against the Argentine peso negatively impacted our Argentina cash-based bill payments revenue by 14% for the year ended December 31, 2016.

Operating income

2017 compared to 2016

For the year ended December 31, 2017 , Other operating income increased due to the revenue increase described above and information technology efficiencies, partially offset by increased bank fees in our United States electronic bill payments and increased employee incentive compensation expenses. The bank fees were impacted by increased credit card usage from our customers. The changes in operating margins were also due to these factors.

2016 compared to 2015

For the year ended December 31, 2016 , Other operating income increased due to the Paymap Settlement Agreement that was recorded in the second quarter of 2015, increased investment income and other revenues in our money order business, and a reduction of expenses in our prepaid services, partially offset by changes in customer mix and increased bank fees in our United States electronic bill payments, and increased technology expenses. The changes in operating margins in the segment were also due to these factors.

Capital Resources and Liquidity

Our primary source of liquidity has been cash generated from our operating activities, primarily from net income and fluctuations in working capital. Our working capital is affected by the timing of interest payments on our outstanding borrowings and timing of income tax payments, among other items. The majority of our interest payments are due in the second and fourth quarters which results in a decrease in the amount of cash provided by operating activities in those quarters and a corresponding increase to the first and third quarters.

Our future cash flows could be impacted by a variety of factors, some of which are out of our control, including changes in economic conditions, especially those impacting migrant populations, changes in income tax laws or the status of income tax audits, including the resolution of outstanding tax matters, and the settlement or resolution of legal contingencies.

Substantially all of our cash flows from operating activities have been generated from subsidiaries. Most of these cash flows are generated from our regulated subsidiaries. Our regulated subsidiaries may transfer all excess cash to the parent company for general corporate use, except for assets subject to legal or regulatory restrictions, including: (1) requirements to maintain cash and other qualifying investment balances, free of any liens or other encumbrances, related to the payment of certain of our money transfer and other payment obligations, (2) other legal or regulatory restrictions, including statutory or formalized minimum net worth requirements, and (3) restrictions on transferring assets outside of the countries where these assets are located. See also Part II, Item 8, *Financial Statements and Supplementary Data*, Note 1, "Business and Basis of Presentation," in this Annual Report on Form 10-K.

We currently believe we have adequate liquidity to meet our business needs, including payments under our debt and other obligations, through our existing cash balances, our ability to generate cash flows through operations, and our \$1.65 billion revolving credit facility ("Revolving Credit Facility"), which expires in September 2020 and supports our \$1.5 billion commercial paper program. Our commercial paper program enables us to issue unsecured commercial paper notes in an amount not to exceed \$1.5 billion outstanding at any time, reduced to the extent of any borrowings outstanding on our Revolving Credit Facility in excess of \$150 million. As of December 31, 2017, we had no outstanding borrowings under our Revolving Credit Facility or commercial paper program.

To help ensure availability of our worldwide cash where needed, we utilize a variety of planning and financial strategies, including decisions related to the amounts, timing and manner by which cash is made available from our international subsidiaries. These decisions can influence our overall tax rate and impact our total liquidity.

Cash and Investment Securities

As of December 31, 2017 and 2016, we had cash and cash equivalents of \$838 million and \$878 million, respectively. Approximately \$650 million and \$700 million was held by our foreign entities as of December 31, 2017 and 2016, respectively. Our ongoing cash management strategies to fund our business needs could cause United States and foreign cash balances to fluctuate. We regularly evaluate, taking tax consequences and other factors into consideration, our United States cash requirements and also the potential uses of cash internationally to determine the appropriate level of dividend repatriations of our foreign source income.

In many cases, we receive funds from money transfers and certain other payment services before we settle the payment of those transactions. These funds, referred to as "Settlement assets" on our Consolidated Balance Sheets, are not used to support our operations. However, we earn income from investing these funds. We maintain a portion of these settlement assets in highly liquid investments, classified as "Cash and cash equivalents" within "Settlement assets," to fund settlement obligations.

Investment securities, classified within "Settlement assets," were \$1.4 billion and \$1.2 billion as of December 31, 2017 and 2016, respectively, and consist primarily of highly-rated state and municipal debt securities, including fixed rate term notes and variable rate demand notes. The substantial majority of our investment securities are held in order to comply with state licensing requirements in the United States and are required to have credit ratings of "A-" or better from a major credit rating agency.

Investment securities are exposed to market risk due to changes in interest rates and credit risk. We regularly monitor credit risk and attempt to mitigate our exposure by investing in highly-rated securities and diversifying our investment portfolio. Our investment securities are also actively managed with respect to concentration. As of December 31, 2017, all investments with a single issuer and each individual security were less than 10% of our investment securities portfolio.

Cash Flows from Operating Activities

During the years ended December 31, 2017, 2016 and 2015, cash provided by operating activities was \$735.8 million, \$1,041.9 million and \$1,071.1 million, respectively. Cash provided by operating activities during the year ended December 31, 2017 was impacted by cash payments of \$591 million pursuant to the Joint Settlement Agreements and payments of \$77.3 million related to our business transformation initiative as discussed in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 3, "Business Transformation and Productivity and Cost-Savings Initiatives Expenses." Cash provided by operating activities can also be impacted by changes to our consolidated net income, in addition to fluctuations in our working capital balances, among other factors. For the year ending December 31, 2018, cash flow provided by operating activities will be negatively impacted by \$60 million of payments related to the NYDFS Consent Order, and we expect that cash flow provided by operating activities could also be negatively impacted by higher income tax payments, specifically those related to the tax on certain of our previously undistributed foreign earnings associated with the Tax Act, for which a payment of approximately \$62 million is expected to be made in 2018, and by \$100 million of anticipated tax payments relating to the IRS Agreement.

Financing Resources

As of December 31, 2017, we had the following outstanding borrowings (in millions):

| Notes: | | |
|---|----|---------|
| 3.650% notes (effective rate of 5.0%) due 2018 | \$ | 400.0 |
| 3.350% notes due 2019 (a) | | 250.0 |
| Floating rate notes (effective rate of 2.5%) due 2019 (b) | | 250.0 |
| 5.253% notes due 2020 (a) | | 324.9 |
| 3.600% notes (effective rate of 3.7%) due 2022 (c) | | 500.0 |
| 6.200% notes due 2036 (a) | | 500.0 |
| 6.200% notes due 2040 (a) | | 250.0 |
| Term loan facility borrowing (effective rate of 3.0%) | | 575.0 |
| Total borrowings at par value | | 3,049.9 |
| Fair value hedge accounting adjustments, net (d) | | 0.5 |
| Debt issuance costs and unamortized discount, net | | (16.8) |
| Total borrowings at carrying value (e) | \$ | 3,033.6 |

(a) The difference between the stated interest rate and the effective interest rate is not significant.

(b) On August 22, 2017, we issued \$250.0 million of aggregate principal amount of unsecured floating rate notes due May 22, 2019 ("Floating Rate Notes").

(c) On March 15, 2017, we issued \$400.0 million of aggregate principal amount of 3.600% unsecured notes due in 2022. On August 22, 2017, we issued an additional \$100.0 million of aggregate principal amount of 3.600% unsecured notes, for an aggregate principal total of \$500.0 million of 3.600% unsecured notes ("2022 Notes").

(d) We utilize interest rate swaps designated as fair value hedges to effectively change the interest rate payments on a portion of our notes from fixed-rate payments to short-term LIBOR-based variable rate payments in order to manage our overall exposure to interest rates. The changes in fair value of these interest rate swaps result in an offsetting hedge accounting adjustment recorded to the carrying value of the related note. These hedge accounting adjustments will be reclassified as reductions to or increases in "Interest expense" in the Consolidated Statements of Income/(Loss) over the life of the related notes and cause the effective rate of interest to differ from the notes' stated rate.

(e) As of December 31, 2017, our weighted-average effective rate on total borrowings was approximately 4.5%.

Commercial Paper Program

Pursuant to our commercial paper program, we may issue unsecured commercial paper notes in an amount not to exceed \$1.5 billion outstanding at any time, reduced to the extent of borrowings outstanding on our Revolving Credit Facility in excess of \$150 million. Our commercial paper borrowings may have maturities of up to 397 days from date of issuance. Interest rates for borrowings are based on market rates at the time of issuance. We had no commercial paper borrowings outstanding as of December 31, 2017 and 2016. During the years ended December 31, 2017, 2016, and 2015, the average commercial paper balance outstanding was \$69.6 million, \$14.6 million, and \$27.0 million, respectively, and the maximum balance outstanding was \$610.0 million, \$440.0 million, and \$440.0 million, respectively. Proceeds from our commercial paper borrowings were used for general corporate purposes and working capital needs.

Revolving Credit Facility

On September 29, 2015, we entered into a credit agreement which expires in September 2020 providing for unsecured financing facilities in an aggregate amount of \$1.65 billion, including a \$250.0 million letter of credit sub-facility.

Interest due under the Revolving Credit Facility is fixed for the term of each borrowing and is payable according to the terms of that borrowing. Generally, interest is calculated using a selected LIBOR rate plus an interest rate margin of 110 basis points. A facility fee of 15 basis points is also payable quarterly on the total facility, regardless of usage. Both the interest rate margin and facility fee percentage are based on certain of our credit ratings.

The purpose of our Revolving Credit Facility, which is diversified through a group of 18 participating institutions, is to provide general liquidity and to support our commercial paper program, which we believe enhances our short-term credit rating. The largest commitment from any single financial institution within the total committed balance of \$1.65 billion is approximately 11%. As of December 31, 2017 and 2016, we had no outstanding borrowings under our Revolving Credit Facility. If the amount available to borrow under the Revolving Credit Facility decreased, or if the Revolving Credit Facility were eliminated, the cost and availability of borrowing under the commercial paper program may be impacted.

Term Loan Facility

On April 11, 2016, we entered into a term loan agreement, which matures in April 2021, providing for an unsecured delayed draw term loan facility in an aggregate amount of \$575 million (the "Term Loan Facility"). In October 2016, we borrowed \$575 million under the Term Loan Facility and used the proceeds, in addition to cash, including cash generated from operations, and proceeds from commercial paper borrowings in October 2016 to repay our notes due in October 2016.

Generally, interest under the Term Loan Facility is calculated using a selected LIBOR rate plus an interest rate margin of 150 basis points. The interest rate margin percentage is based on certain of our credit ratings and will increase or decrease in the event of certain upgrades or downgrades in our credit ratings.

In addition to the payment of interest, we are required to make certain periodic amortization payments with respect to the outstanding principal of the term loan beginning in July 2018. The final maturity date of the Term Loan Facility is April 11, 2021.

Notes

On August 22, 2017, we issued \$250.0 million of aggregate principal amount of unsecured floating rate notes due May 22, 2019. We used the net proceeds from the sale of the Floating Rate Notes for general corporate purposes, including to fund a portion of the 2017 notes that matured in December 2017. Interest with respect to the Floating Rate Notes is payable quarterly on each February 22, May 22, August 22 and November 22, beginning November 22, 2017, at a per annum interest rate equal to the three-month LIBOR plus 80 basis points (reset quarterly). We may not redeem the Floating Rate Notes prior to maturity.

On March 15, 2017, we issued \$400.0 million of aggregate principal amount of unsecured notes due March 15, 2022. We used the net proceeds from the sale of the notes for general corporate purposes, including to fund a portion of the payments due under the Joint Settlement Agreements. On August 22, 2017, we issued an additional \$100.0 million of aggregate principal amount of unsecured notes due March 15, 2022, for an aggregate principal total of \$500.0 million of 3.600% unsecured notes. The notes issued on August 22, 2017 are part of the same series and, accordingly, have the same terms and conditions as the notes issued on March 15, 2017; however, the notes issued on August 22, 2017 were issued at a premium of 101.783% and we received \$1.57 million of accrued interest upon issuance. We used the net proceeds from the August 22, 2017 sale of the notes, excluding the accrued interest received, for general corporate purposes, including to fund a portion of the notes that matured in December 2017. Interest with respect to the 2022 Notes is payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2017, based on the per annum rate of 3.600%. The interest rate payable on the 2022 Notes will be increased if the debt rating assigned to the note is downgraded by an applicable credit rating agency, beginning at a downgrade below investment grade. However, in no event will the interest rate on the 2022 Notes exceed 5.600% per annum. The interest rate payable on the 2022 Notes may also be adjusted downward for debt rating upgrades subsequent to any debt rating downgrades but may not be adjusted below 3.600% per annum. We may redeem the 2022 Notes at any time prior to February 15, 2022 at the greater of par or a price based on the applicable treasury rate plus 25 basis points. We may redeem the 2022 Notes at any time after February 15, 2022 at a price equal to par, plus accrued interest.

On November 22, 2013, we issued \$250.0 million of aggregate principal amount of unsecured notes due May 22, 2019 ("2019 Notes"). Interest with respect to the 2019 Notes is payable semi-annually in arrears on May 22 and November 22 of each year, beginning on May 22, 2014, based on the fixed per annum rate of 3.350%. The interest rate payable on the 2019 Notes will be increased if the debt rating assigned to the note is downgraded by an applicable credit rating agency, beginning at a downgrade below investment grade. However, in no event will the interest rate on the 2019 Notes be increased by more than 2.00% above 3.350% per annum. The interest rate payable on the 2019 Notes may also be adjusted downward for debt rating upgrades subsequent to any debt rating downgrades but may not be adjusted below 3.350% per annum. We may redeem the 2019 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 30 basis points.

On August 22, 2013, we issued \$250.0 million of aggregate principal amount of unsecured floating rate notes due August 21, 2015 ("2015 Floating Rate Notes"). The 2015 Floating Rate Notes matured and were repaid in August 2015.

On December 10, 2012, we issued \$250.0 million and \$500.0 million of aggregate principal amounts of unsecured notes due December 10, 2015 ("2015 Fixed Rate Notes") and December 10, 2017 ("2017 Notes"), respectively. The 2015 Fixed Rate Notes matured and were repaid in December 2015. In December 2017, the 2017 Notes matured and were repaid.

On August 22, 2011, we issued \$400.0 million of aggregate principal amount of unsecured notes due August 22, 2018 ("2018 Notes"). Interest with respect to the 2018 Notes is payable semi-annually in arrears on February 22 and August 22 of each year, based on the fixed per annum rate of 3.650%. We may redeem the 2018 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 35 basis points.

On June 21, 2010, we issued \$250.0 million of aggregate principal amount of unsecured notes due June 21, 2040 ("2040 Notes"). Interest with respect to the 2040 Notes is payable semi-annually on June 21 and December 21 each year based on the fixed per annum rate of 6.200%. We may redeem the 2040 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 30 basis points.

On March 30, 2010, we exchanged \$303.7 million of aggregate principal amount of unsecured notes due November 17, 2011 for unsecured notes due April 1, 2020 ("2020 Notes"). Interest with respect to the 2020 Notes is payable semi-annually on April 1 and October 1 each year based on the fixed per annum rate of 5.253%. In connection with the exchange, note holders were given a 7% premium (\$21.2 million), which approximated market value at the exchange date, as additional principal. As this transaction was accounted for as a debt modification, this premium was not charged to expense. Rather, the premium, along with the offsetting hedge accounting adjustments, will be accreted into "Interest expense" over the life of the notes. We may redeem the 2020 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 15 basis points.

On November 17, 2006, we issued \$500.0 million of aggregate principal amount of unsecured notes due November 17, 2036 ("2036 Notes"). Interest with respect to the 2036 Notes is payable semi-annually on May 17 and November 17 each year based on the fixed per annum rate of 6.200% . We may redeem the 2036 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 25 basis points.

On September 29, 2006, we issued \$1.0 billion of aggregate principal amount of unsecured notes maturing on October 1, 2016 ("2016 Notes"). In October 2016, the 2016 Notes matured and were repaid.

Credit Ratings and Debt Covenants

The credit ratings on our debt are an important consideration in our overall business, managing our financing costs and facilitating access to additional capital on favorable terms. Factors that we believe are important in assessing our credit ratings include earnings, cash flow generation, leverage, available liquidity and the overall business.

Our Revolving Credit Facility and our Term Loan Facility contain interest rate margins which are determined based on certain of our credit ratings, and our Revolving Credit Facility also contains a facility fee that is based on our credit ratings. In addition, the interest rates payable on our 2019 Notes and 2022 Notes can be impacted by our credit ratings. We are also subject to certain provisions in many of our notes and certain of our derivative contracts, which could require settlement or collateral posting in the event of a change in control combined with a downgrade below investment grade, as further described below. We do not have any other terms within our debt agreements that are tied to changes in our credit ratings.

The Revolving Credit Facility and Term Loan Facility contain covenants, subject to certain exceptions, that, among other things, limit or restrict our ability to sell or transfer assets or merge or consolidate with another company, grant certain types of security interests, incur certain types of liens, impose restrictions on subsidiary dividends, enter into sale and leaseback transactions, incur certain subsidiary level indebtedness, or use proceeds in violation of anti-corruption or anti-money laundering laws. Our notes are subject to similar covenants except that only the 2020 Notes and the 2036 Notes contain covenants limiting or restricting subsidiary indebtedness and none of our notes are subject to a covenant that limits our ability to impose restrictions on subsidiary dividends. Our Revolving Credit Facility and Term Loan Facility require us to maintain a consolidated adjusted EBITDA interest coverage ratio of greater than 3:1 (ratio of consolidated adjusted EBITDA, defined as net income/(loss) plus the sum of (a) interest expense; (b) income tax expense; (c) depreciation expense; (d) amortization expense; (e) any other non-cash deductions, losses or charges made in determining net income/(loss) for such period; and (f) extraordinary losses or charges, minus extraordinary gains, in each case determined in accordance with United States generally accepted accounting principles for such period, to interest expense) for each period comprising the four most recent consecutive fiscal quarters. Our consolidated interest coverage ratio was 9:1 for the year ended December 31, 2017 .

For the year ended December 31, 2017 , we were in compliance with our debt covenants. A violation of our debt covenants could impair our ability to borrow and outstanding amounts borrowed could become due, thereby restricting our ability to use our excess cash for other purposes.

Certain of our notes (the Floating Rate Notes, 2018 Notes, 2019 Notes, and 2022 Notes) include a change of control triggering event provision, as defined in the terms of the notes. If a change of control triggering event occurs, holders of the notes may require us to repurchase some or all of their notes at a price equal to 101% of the principal amount of their notes, plus any accrued and unpaid interest. A change of control triggering event will occur when there is a change of control involving us and among other things, within a specified period in relation to the change of control, the notes are downgraded from an investment grade rating to below an investment grade rating by all three major credit rating agencies.

Cash Priorities

Liquidity

Our objective is to maintain strong liquidity and a capital structure consistent with investment-grade credit ratings. We have existing cash balances, cash flows from operating activities, access to the commercial paper markets and our Revolving Credit Facility available to support the needs of our business.

Capital Expenditures

The total aggregate amount paid for contract costs, purchases of property and equipment and purchased and developed software was \$177.1 million, \$229.8 million and \$266.5 million in 2017, 2016 and 2015, respectively. Amounts paid for new and renewed agent contracts vary depending on the terms of existing contracts as well as the timing of new and renewed contract signings. Other capital expenditures during these periods included investments in our information technology infrastructure and purchased and developed software.

Share Repurchases and Dividends

During the years ended December 31, 2017, 2016 and 2015, 24.9 million, 24.8 million and 25.1 million shares, respectively, were repurchased for \$487.0 million, \$481.3 million and \$500.0 million, respectively, excluding commissions, at an average cost of \$19.55, \$19.41 and \$19.96 per share, respectively. As of December 31, 2017, \$943.5 million remained available under a share repurchase authorization approved by our Board of Directors through December 31, 2019.

Our Board of Directors declared quarterly cash dividends of \$0.175 per common share in all four quarters of 2017, representing \$325.6 million in total dividends. Our Board of Directors declared quarterly cash dividends of \$0.16 per common share in all four quarters of 2016 and \$0.155 per common share in all four quarters of 2015, representing \$312.2 million and \$316.5 million, respectively, in total dividends. These amounts were paid to shareholders of record in the respective quarter the dividend was declared.

On February 13, 2018, the Board of Directors declared a quarterly cash dividend of \$0.19 per common share payable on March 30, 2018.

Debt Service Requirements

Our 2018 and future debt service requirements will include payments on all outstanding indebtedness. In August 2018, our 2018 Notes of \$400.0 million will mature. We plan to fund this maturity by refinancing all or a portion of this debt and could repay a portion using cash, including cash generated from operations.

Tax Act Requirements

As previously discussed, the Tax Act imposes a tax on certain of our previously undistributed foreign earnings. This tax charge, combined with our other 2017 United States taxable income and tax attributes, results in an estimated United States federal tax liability of \$780 million at December 31, 2017, which we have elected to pay in periodic installments over the next eight years. Under the terms of the law, we owe 8% of this liability in each of the first five years after the enactment (2018 through 2022), with 15%, 20%, and 25% of the tax owed in 2023, 2024, and 2025, respectively. These payments will adversely affect our cash flows and liquidity and may adversely affect future share repurchases.

Our ability to grow the business, make investments in our business, make acquisitions, return capital to shareholders, including through dividends and share repurchases, and service our debt and tax obligations will depend on our ability to continue to generate excess operating cash through our operating subsidiaries and to continue to receive dividends from those operating subsidiaries, our ability to obtain adequate financing and our ability to identify acquisitions that align with our long-term strategy.

Off-Balance Sheet Arrangements

Other than facility and equipment leasing arrangements disclosed in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 12, "Operating Lease Commitments," we have no material off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Pension Plan

We have a frozen defined benefit pension plan ("Plan"), for which we had a recorded unfunded pension obligation of \$15.0 million and \$26.4 million as of December 31, 2017 and 2016, respectively. We were not required to and did not make a contribution to the Plan during the year ended December 31, 2017. During the year ended December 31, 2016, we made a contribution of \$38.1 million to the Plan. We are not required to make any contributions to the Plan in 2018.

Our most recent measurement date for our pension plan was December 31, 2017. The calculation of the funded status and net periodic benefit cost is dependent upon three primary assumptions: 1) expected long-term return on plan assets; 2) discount rate; and 3) life expectancy trends.

The expected long-term return on plan assets is 6.50% for 2018. As of our December 31, 2017 measurement date, pension plan target allocations were approximately 60% in fixed income, 20% in equity investments, and 20% in alternative investment strategies (e.g. hedge funds, royalty rights, and private equity funds). Hedge fund strategy types include, but are not limited to: equity long-short, commodities/currencies, relative value, event driven, and multi-strategy. The Plan holds interest rate derivative contracts directly, including interest rate futures that are based on United States Treasury bond rates. Additionally, derivatives are held indirectly through funds in which the Plan is invested. Derivatives are used by the Plan to help reduce the Plan's exposure to interest rate volatility and to provide an additional source of return. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset and liability studies.

The discount rate assumption is set based on the rate at which the pension benefits could be settled effectively. The discount rate is determined by matching the timing and amount of anticipated payouts under the Plan to the rates from an AA spot rate yield curve. The curve is derived from AA bonds of varying maturities. The discount rate assumption for our benefit obligation was 3.11% and 3.40% as of December 31, 2017 and 2016, respectively. A 100 basis point change to both the discount rate and long-term rate of return on plan assets would not have a material impact to our annual pension expense.

The assumptions related to life expectancy are used to estimate the expected period over which pension benefits will be required to be paid. Projections used for life expectancy are based on mortality tables and mortality improvement tables, which are statistical tables of expected annual mortality rates and expected future mortality improvements, respectively. We utilize a mortality table that we believe best aligns with the underlying demographics and census data of the Plan participants.

Contractual Obligations

The following table summarizes our contractual obligations to third parties as of December 31, 2017 and the effect such obligations are expected to have on our liquidity and cash flows in future periods (in millions):

| | Payments Due by Period | | | | |
|--|------------------------|-------------------|-------------------|-------------------|-------------------|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | After 5 Years |
| Items related to amounts included on our balance sheet: | | | | | |
| Borrowings, including interest (a) | \$ 4,209.7 | \$ 542.3 | \$ 1,098.3 | \$ 1,113.8 | \$ 1,455.3 |
| 2017 United States federal income taxes (including Tax Act taxes on certain previously undistributed foreign earnings) (b) | 780.0 | 62.0 | 124.0 | 124.0 | 470.0 |
| IRS Agreement and related state tax payments (c) | 100.0 | 100.0 | — | — | — |
| Unrecognized tax benefits (d) | 350.4 | — | — | — | — |
| Foreign currency and interest rate derivative contracts (e) | 263.0 | 234.4 | 28.6 | — | — |
| Other (f) | 85.0 | 76.6 | 8.2 | 0.2 | — |
| Other Contractual Obligations: | | | | | |
| Purchase obligations (g) | 167.5 | 86.9 | 68.4 | 12.2 | — |
| Operating leases (h) | 278.8 | 43.2 | 67.9 | 49.0 | 118.7 |
| Total | \$ 6,234.4 | \$ 1,145.4 | \$ 1,395.4 | \$ 1,299.2 | \$ 2,044.0 |

- (a) We have estimated our interest payments based on (i) the assumption that no debt issuances or renewals will occur upon the maturity dates of our notes and (ii) an estimate of future interest rates on our interest rate swap agreements based on projected LIBOR rates. However, we plan to refinance all or a portion of our notes maturing in 2018.
- (b) The Tax Act imposes United States tax on certain of our previously undistributed foreign earnings. This tax charge, combined with our other 2017 United States taxable income and tax attributes, results in an estimated United States federal tax liability of \$780 million at December 31, 2017, which we have elected to pay in periodic installments over the next eight years. Under the terms of the law, we owe 8% of this liability in each of the first five years after the enactment (2018 through 2022), with 15%, 20%, and 25% of the tax owed in 2023, 2024, and 2025, respectively.
- (c) In December 2011, we reached an agreement with the IRS resolving substantially all of the issues related to the restructuring of our international operations in 2003. As a result of the IRS Agreement, we have made cash payments to the IRS and various state tax authorities of \$94.1 million as of December 31, 2017. We have estimated that we may make payments of approximately \$100 million in 2018 (plus interest) to cover the remaining portion; however, certain or all of these payments may be made after 2018.
- (d) Unrecognized tax benefits include associated interest and penalties. The timing of related cash payments for substantially all of these liabilities is inherently uncertain because the ultimate amount and timing of such liabilities is affected by factors which are variable and outside our control.
- (e) Represents the liability position of our foreign currency and interest rate derivative contracts as of December 31, 2017, which will fluctuate based on market conditions.
- (f) This line item primarily includes the \$60 million payment required and paid in January 2018 pursuant to the NYDFS Consent Order and accrued and unpaid initial payments for new and renewed agent contracts as of December 31, 2017.
- (g) Many of our contracts contain clauses that allow us to terminate the contract with notice and with a termination penalty. Termination penalties are generally an amount less than the original obligation. Obligations under certain contracts are usage-based and are, therefore, estimated in the above amounts. Historically, we have not had any significant defaults of our contractual obligations or incurred significant penalties for termination of our contractual obligations.
- (h) We have entered into lease agreements to move employees in our current corporate headquarters to other locations in the Denver, Colorado area, and we expect to relocate during the second half of 2018.

Other Commercial Commitments

We had approximately \$210 million in outstanding letters of credit and bank guarantees as of December 31, 2017 that are primarily held in connection with safeguarding consumer funds, lease arrangements, and certain agent agreements. The letters of credit and bank guarantees have expiration dates through 2021, with many having a one -year renewal option. We expect to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

Critical Accounting Policies and Estimates

Management's discussion and analysis of results of operations and financial condition is based on our consolidated financial statements that have been prepared in accordance with generally accepted accounting principles in the United States of America. The preparation of these consolidated financial statements requires that management make estimates and assumptions that affect the amounts reported for revenues, expenses, assets, liabilities and other related disclosures. Actual results may or may not differ from these estimates. Our significant accounting policies are discussed in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 2, "Summary of Significant Accounting Policies."

Our critical accounting policies and estimates, described below, are very important to the portrayal of our financial condition and our results of operations and applying them requires our management to make difficult, subjective and complex judgments. We believe that the understanding of these key accounting policies and estimates is essential in achieving more insight into our operating results and financial condition.

Income Taxes

Income taxes, as reported in our consolidated financial statements, represent the net amount of income taxes we expect to pay to various taxing jurisdictions in connection with our operations. We provide for income taxes based on amounts that we believe we will ultimately owe after applying the required analyses and judgments.

As discussed further in the "Results of Operations" discussion in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, certain of the Tax Act's impacts have been provisionally estimated and will likely be adjusted in future periods as we complete our accounting for these matters in 2018, in accordance with the SEC's recent staff accounting bulletin. While, at a minimum, we have made what we believe to be reasonable estimates for the numerous provisions in the law, there are a number of areas for which tax expense is provisional.

Income tax contingencies

We recognize the tax benefit from an uncertain tax position only when it is more likely than not, based on the technical merits of the position, that the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the consolidated financial statements from such a position are measured as the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

We have established contingency reserves for a variety of material, known tax exposures. Our tax reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review or other settlement. While we believe our reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed our related reserve. With respect to these reserves, our income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e., new information) surrounding a tax issue and (ii) any difference from our tax position as recorded in the consolidated financial statements and the final resolution of a tax issue during the period.

We were incorporated in Delaware as a wholly-owned subsidiary of First Data on February 17, 2006. On September 29, 2006, First Data distributed all of its money transfer and consumer payments businesses and its interest in a Western Union money transfer agent, as well as its related assets, including real estate, through a tax-free distribution to First Data shareholders (the "Spin-off"). Pursuant to the tax allocation agreement signed in connection with the Spin-off from First Data, we believe we have appropriately apportioned the taxes between First Data and us. If we are required to indemnify First Data for taxes incurred as a result of the Spin-off being taxable to First Data, it likely would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our tax contingency reserves for our uncertain tax positions, including those related to the Spin-off, as of December 31, 2017 were \$344.0 million, including accrued interest and penalties, net of related items. While we believe that our reserves are adequate to cover reasonably expected tax risks, in the event that the ultimate resolution of our uncertain tax positions differs from our estimates, we may be exposed to material increases in income tax expense, which could materially impact our financial condition, results of operations and cash flows.

Derivative Financial Instruments

We use derivatives to (a) minimize our exposures related to changes in foreign currency exchange rates and interest rates and (b) facilitate cross-currency Business Solutions payments by writing derivatives to customers. We recognize all derivatives in "Other assets" and "Other liabilities" in our Consolidated Balance Sheets at their fair value. Certain of our derivative arrangements are designated as either cash flow hedges or fair value hedges at the time of inception, and others are not designated as accounting hedges.

- Cash flow hedges - Cash flow hedges consist of foreign currency hedging of forecasted revenues, as well as hedges of the forecasted issuance of fixed rate debt. Derivative fair value changes that are captured in "Accumulated other comprehensive loss" are reclassified to earnings in the same period or periods the hedged item affects earnings, to the extent the instrument is effective in offsetting the change in cash flows attributable to the risk being hedged. The portions of the change in fair value that are either considered ineffective or are excluded from the measure of effectiveness are recognized immediately in "Derivative gains/(losses), net."
- Fair value hedges - Fair value hedges consist of hedges of fixed rate debt, through interest rate swaps. The changes in fair value of these hedges, along with offsetting changes in fair value of the related debt instrument attributable to changes in the benchmark interest rate, are recorded in "Interest expense."

The accounting guidance related to derivative accounting is complex and contains strict documentation requirements. The details of each designated hedging relationship must be formally documented at the inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risks being hedged, the derivative instrument, how effectiveness is being assessed and how ineffectiveness, if any, will be measured. The derivative must be highly effective in offsetting the changes in cash flows or fair value of the hedged item, and effectiveness is evaluated quarterly on a retrospective and prospective basis. If the hedge is no longer deemed effective, we discontinue applying hedge accounting to that relationship prospectively.

While we expect that our derivative instruments that currently qualify for hedge accounting will continue to meet the conditions for hedge accounting, if hedges do not qualify for hedge accounting, the changes in the fair value of the derivatives used as hedges would be reflected in earnings which could have a significant impact on our reported results. As of December 31, 2017, the cumulative pre-tax unrealized losses classified within accumulated other comprehensive loss from such cash flow hedges that would be reflected in earnings if our hedges were disqualified from hedge accounting was \$46.5 million. As of December 31, 2017, the cumulative debt adjustments from our fair value hedges that would be reflected in earnings if such hedges were disqualified from hedge accounting was a \$0.5 million gain.

In August 2017, the Financial Accounting Standards Board issued a new accounting pronouncement to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements, which we have adopted on January 1, 2018. Refer to Part II, Item 8, *Financial Statements and Supplementary Data*, Note 2, "Summary of Significant Accounting Policies" for further discussion.

Other Intangible Assets

We capitalize acquired intangible assets as well as certain initial payments for new and renewed agent contracts and software. We evaluate such intangible assets for impairment on an annual basis or whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. In such reviews, estimated undiscounted cash flows associated with these assets or operations are compared with their carrying amounts to determine if a write-down to fair value (normally measured by the present value technique) is required.

The capitalization of initial payments for new and renewed agent contracts is subject to strict accounting policy criteria and requires management judgment as to the amount to capitalize and the related period of benefit. Our accounting policy is to limit the amount of capitalized costs for a given agent contract to the lesser of the estimated future cash flows from the contract or the termination fees we would receive in the event of early termination of the contract. Additionally, the estimated undiscounted cash flows associated with each asset requires us to make estimates and assumptions, including, among other things, revenue growth rates, and operating margins based on our budgets and business plans.

Disruptions to contractual relationships, significant declines in cash flows or transaction volumes associated with contracts, or other issues significantly impacting the future cash flows associated with the contract would cause us to evaluate the recoverability of the asset. If an event described above occurs and causes us to determine that an asset has been impaired, that could result in an impairment charge. The net carrying value of our other intangible assets as of December 31, 2017 was \$586.3 million. During the years ended December 31, 2017, 2016 and 2015 we recorded immaterial impairments related to other intangible assets.

Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and other intangible assets acquired, less liabilities assumed arising from business combinations. An impairment assessment of goodwill is conducted annually during the Company's fourth quarter at the reporting unit level. This assessment of goodwill is performed more frequently if events or changes in circumstances indicate that the carrying value of the goodwill may not be recoverable. Reporting units are determined by the level at which management reviews segment operating results. In some cases, that level is the operating segment and in others it is one level below the operating segment.

Our impairment assessment typically begins with a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. The initial qualitative assessment includes comparing the overall financial performance of the reporting units against the planned results. Additionally, each reporting unit's fair value is assessed under certain events and circumstances, including macroeconomic conditions, industry and market considerations, cost factors, and other relevant entity-specific events. Periodically, we perform a quantitative assessment, as described below, for each of our reporting units, regardless of the results of prior qualitative assessments.

If we determine in the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then we calculate or determine the fair value of the reporting unit using discounted cash flows and compare the estimated fair value to its carrying value. If the carrying value exceeds the fair value of the reporting unit, then an impairment is recognized for the difference. Refer to Part II, Item 8, *Financial Statements and Supplementary Data*, Note 2, "Summary of Significant Accounting Policies," for further discussion regarding our accounting policies for goodwill and any related impairments.

The determination of the reporting units and which reporting units to include in the qualitative assessment requires significant judgment. Also, all of the assumptions used in the qualitative assessment require judgment. Additionally, for the quantitative goodwill impairment test, we calculate the fair value of reporting units through discounted cash flow analyses which require us to make estimates and assumptions including, among other items, revenue growth rates, operating margins, and capital expenditures based on our budgets and business plans which take into account expected regulatory, marketplace, and other economic factors as well as relevant discount rates and terminal values.

We could be required to evaluate the recoverability of goodwill if we experience disruptions to the business, unexpected significant declines in operating results, a divestiture of a significant component of our business, or other triggering events. In addition, as our business or the way we manage our business changes, our reporting units may also change. If an event described above occurs and causes us to recognize a goodwill impairment charge, it would impact our reported earnings in the period such charge occurs.

The carrying value of goodwill as of December 31, 2017 was \$2,727.9 million which represented approximately 30% of our consolidated assets. As of December 31, 2017, goodwill of \$1,981.0 million and \$532.0 million resides in our Consumer-to-Consumer and Business Solutions reporting units, respectively, while the remaining \$214.9 million resides in Other. For the reporting units that comprise Consumer-to-Consumer and Other, the fair value of the businesses significantly exceed their carrying amounts.

For the year ended December 31, 2017, we recognized a non-cash goodwill impairment charge of \$464.0 million related to our Business Solutions reporting unit, as the estimated fair value of the reporting unit declined below its carrying value. The reduction in estimated fair value primarily resulted from a decrease in projected revenue growth rates and EBITDA margins and the impact of the Tax Act. Revenue and EBITDA projections were reevaluated due to the declines in revenues and operating results recognized in the fourth quarter of 2017, which were significantly below management's expectations. Additionally, as disclosed in prior Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, the total estimated fair value of the Business Solutions reporting unit previously included value derived from strategies to optimize United States cash flow management and global liquidity by utilizing international cash balances (including balances generated by other operating segments) to initially fund global principal payouts for Business Solutions transactions initiated in the United States ("Cash Management Strategies") that would have been available to certain market participants. However, the December 2017 enactment of the Tax Act, which imposes a tax on certain previously undistributed foreign earnings and establishes minimum taxes on certain future payments and foreign earnings, eliminated any fair value associated with the Cash Management Strategies.

The fair value of the Business Solutions reporting unit continues to be sensitive to changes in projections for revenue growth rates and EBITDA margins, and, after this impairment, the carrying value and estimated fair value of the Business Solutions reporting unit are the same as of December 31, 2017. Our current expectation is for Business Solutions to average low mid-single digit annual revenue growth over the 10-year forecast period, with EBITDA margins dependent on revenue growth. Our ability to achieve the projected revenue growth and EBITDA margins may be affected by, amongst other factors, (a) pricing and product competition from direct competitors, banks and new market entrants; (b) our success and speed to market in developing new products; (c) the foreign exchange impact from revenues generated in currencies other than the United States dollar; (d) increased regulatory compliance requirements; (e) our ability to enter relationships with partners that can accelerate our time to market; (f) failure of long-term import growth rates returning to historic levels; (g) our ability to continue to maintain our payment network and bank account infrastructure; (h) foreign currency volatility impacts on customer activity; and (i) continued opportunities for cost reduction. Based on assumptions used within the Business Solutions reporting unit valuation, we believe a decrease of 50 basis points in the ten-year compound annual growth rate of revenue (also reflecting the assumed impact such a reduction would have on EBITDA margins) would result in a corresponding decrease in the fair value of the Business Solutions reporting unit of approximately \$140 million.

We did not record any goodwill impairments during the years ended December 31, 2016 and 2015.

Legal Contingencies

We are subject to certain claims and litigation that could result in losses, including damages, fines and/or civil penalties, which could be significant, and in some cases, criminal charges. We regularly evaluate the status of legal matters to assess whether a loss is probable and reasonably estimable in determining whether an accrual is appropriate. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. When a potential loss is considered probable and the reasonable estimate is a range, we accrue on the low end of the range when no amount is a better estimate than any other amount.

Significant judgment is required in determining whether a loss is probable and whether the loss can be reasonably estimated, including determining a loss value within a range. Our judgments are subjective and are based on considerations such as the status of the legal or regulatory proceedings, the merits of our defenses and consultations with in-house and outside legal counsel. As the outcome of claims and litigation is uncertain, accruals are based on the best information available at the time the judgment is made. As additional information becomes available, which may include information we learn through the discovery process, settlement discussions, or rulings by courts, arbitrators or others, we reassess the potential liability related to pending claims and litigation and may revise our estimates.

In determining whether disclosure is appropriate, we evaluate each legal matter to assess if there is at least a reasonable possibility that a material loss or additional material loss may have been incurred beyond those amounts which we have already accrued. If such a reasonable possibility exists, we include an estimate of possible loss or range of loss in our disclosure of reasonably possible potential litigation losses or we state if such an estimate of possible loss or range of loss cannot be made.

Due to the inherent uncertainties of the legal and regulatory process in the multiple jurisdictions in which we operate and to the varied range of potential outcomes, the actual outcomes may differ materially from our judgments.

Recent Accounting Pronouncements

Refer to Part II, Item 8, *Financial Statements and Supplementary Data*, Note 2, "Summary of Significant Accounting Policies" for further discussion.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks arising from changes in market rates and prices, including changes in foreign currency exchange rates and interest rates and credit risk related to our agents and customers. A risk management program is in place to manage these risks.

Foreign Currency Exchange Rates

We provide our services primarily through a network of agent locations in more than 200 countries and territories. We manage foreign exchange risk through the structure of the business and an active risk management process. We currently settle with the substantial majority of our agents in United States dollars, euros, or Mexican pesos, requiring those agents to obtain local currency to pay recipients, and we generally do not rely on international currency markets to obtain and pay illiquid currencies. However, in certain circumstances, we settle in other currencies. The foreign currency exposure that does exist is limited by the fact that the majority of transactions are paid by the next day after they are initiated. To mitigate this risk further, we enter into short duration foreign currency forward contracts, generally with maturities from a few days up to one month, to offset foreign exchange rate fluctuations between transaction initiation and settlement. We also have exposure to certain foreign currency denominated cash and other asset and liability positions and may utilize foreign currency forward contracts, typically with maturities of less than one year at inception, to offset foreign exchange rate fluctuations on these positions. In certain consumer money transfer, bill payment and Business Solutions transactions involving different send and receive currencies, we generate revenue based on the difference between the exchange rate set by us to the consumer or business and the rate available in the wholesale foreign exchange market, helping to provide protection against currency fluctuations. We attempt to promptly buy and sell foreign currencies as necessary to cover our net payables and receivables which are denominated in foreign currencies.

We use longer-term foreign currency forward contracts to help mitigate risks associated with changes in foreign currency exchange rates on revenues denominated primarily in the euro, and to a lesser degree the British pound, Canadian dollar, Australian dollar, Swiss franc, and other currencies. We use contracts with maturities of up to 36 months at inception to mitigate some of the impact that changes in foreign currency exchange rates could have on forecasted revenues, with a targeted weighted-average maturity of approximately one year. We believe the use of longer-term foreign currency forward contracts provides predictability of future cash flows from our international operations.

We have additional foreign exchange risk and associated foreign exchange risk management requirements due to the nature of our Business Solutions business. The majority of this business' revenue is from exchanges of currency at spot rates, which enable customers to make cross-currency payments. In certain countries, this business also writes foreign currency forward and option contracts for our customers to facilitate future payments. The duration of these derivative contracts at inception is generally less than one year. Business Solutions aggregates its foreign exchange exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties.

As of December 31, 2017 and 2016, a hypothetical uniform 10% strengthening or weakening in the value of the United States dollar relative to all other currencies in which our net income/(loss) is generated would have resulted in a decrease/increase to pre-tax annual income of approximately \$35 million and \$25 million, respectively, based on our forecast of unhedged exposure to foreign currency at those dates. There are inherent limitations in this sensitivity analysis, primarily due to the following assumptions: (a) that foreign exchange rate movements are linear and instantaneous, (b) that fixed exchange rates between certain currency pairs are retained, (c) that the unhedged exposure is static, and (d) that we would not hedge any additional exposure. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income/(loss).

Interest Rates

We invest in several types of interest-bearing assets, with a total value as of December 31, 2017 of \$2.4 billion. Approximately \$1.5 billion of these assets bear interest at floating rates and are therefore sensitive to changes in interest rates. These assets primarily include cash in banks, money market instruments, and state and municipal variable rate securities and are included in our Consolidated Balance Sheets within "Cash and cash equivalents" and "Settlement assets." To the extent these assets are held in connection with money transfers and other related payment services awaiting redemption, they are classified as "Settlement assets." Earnings on these investments will increase and decrease with changes in the underlying short-term interest rates.

The remainder of our interest-bearing assets primarily consists of highly-rated state and municipal debt securities which are fixed rate term notes. These investments may include investments made from cash received from our money order services, money transfer business, and other related payment services awaiting redemption classified within "Settlement assets" in the Consolidated Balance Sheets. As interest rates rise, the fair value of these fixed-rate interest-bearing securities will decrease; conversely, a decrease to interest rates would result in an increase to the fair values of the securities. We have classified these investments as available-for-sale within "Settlement assets" in the Consolidated Balance Sheets, and accordingly, recorded these instruments at their fair value with the net unrealized gains and losses, net of the applicable deferred income tax effect, being added to or deducted from our "Total stockholders' equity/(deficit)" on our Consolidated Balance Sheets.

As of December 31, 2017, we had a total of \$1.3 billion of borrowings that are subject to floating interest rates. Our Floating Rate Notes had an outstanding balance of \$250.0 million as of December 31, 2017 and had an effective interest rate of 2.5% or 80 basis points above three-month LIBOR. In addition, as of December 31, 2017, a total of \$475.0 million of our fixed-rate borrowings at par value are effectively floating rate debt through interest rate swap agreements, changing this fixed-rate debt to LIBOR-based floating rate debt, with weighted-average spreads of approximately 300 basis points above LIBOR. Finally, interest on \$575.0 million borrowed under our Term Loan Facility is calculated using a selected LIBOR rate plus an interest rate margin of 150 basis points. Any borrowings under our commercial paper program mature in such a short period that the financing is also effectively floating rate.

We review our overall exposure to floating and fixed rates by evaluating our net asset or liability position in each, also considering the duration of the individual positions. We manage this mix of fixed versus floating exposure in an attempt to minimize risk, reduce costs and improve returns. Our exposure to interest rates can be modified by changing the mix of our interest-bearing assets as well as adjusting the mix of fixed versus floating rate debt. The latter is accomplished primarily through the use of interest rate swaps and the decision regarding terms of any new debt issuances (i.e., fixed versus floating). We use interest rate swaps designated as hedges to increase the percentage of floating rate debt, subject to market conditions. As of December 31, 2017, our weighted-average effective rate on total borrowings was approximately 4.5%.

A hypothetical 100 basis point increase/decrease in interest rates would result in a decrease/increase to pre-tax income of approximately \$13 million and \$16 million annually based on borrowings, net of the impact of hedges, on December 31, 2017 and 2016, respectively, that are sensitive to interest rate fluctuations. The same 100 basis point increase/decrease in interest rates, if applied to our cash and investment balances on December 31, 2017 and 2016 that are sensitive to interest rate fluctuations, would result in an offsetting increase/decrease to annual pre-tax income of approximately \$15 million and \$16 million, respectively. There are inherent limitations in the sensitivity analysis presented, primarily due to the assumption that interest rate changes would be instantaneous. As a result, the analysis is unable to reflect the potential effects of more complex market changes, including changes in credit risk regarding our investments, which may positively or negatively affect income. In addition, the mix of fixed versus floating rate debt and investments and the level of assets and liabilities will change over time, including the impact from commercial paper borrowings that may be outstanding in future periods.

Credit Risk

To manage our exposures to credit risk with respect to investment securities, money market fund investments, derivatives and other credit risk exposures resulting from our relationships with banks and financial institutions, we regularly review investment concentrations, trading levels, credit spreads and credit ratings, and we attempt to diversify our investments among global financial institutions.

We are also exposed to credit risk related to receivable balances from agents in the money transfer, walk-in bill payment and money order settlement process. We perform a credit review before each agent signing and conduct periodic analyses of agents and certain other parties we transact with directly. In addition, we are exposed to credit risk directly from consumer transactions, particularly through our electronic channels, where transactions are originated through means other than cash and therefore are subject to "chargebacks," insufficient funds or other collection impediments, such as fraud, which are anticipated to increase as electronic channels become a greater proportion of our money transfer business.

We are exposed to credit risk in our Business Solutions business relating to: (a) derivatives written by us, primarily to our customers and (b) the extension of trade credit when transactions are paid to recipients prior to our receiving cleared funds from the sending customers. For the derivatives, the duration of these contracts at inception is generally less than one year. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. For those receivables where we have offered trade credit, collection ordinarily occurs within a few days. To mitigate the risk associated with potential customer defaults, we perform credit reviews of the customer on an ongoing basis, and, for our derivatives, we may require certain customers to post or increase collateral.

Our losses associated with bad debts have been approximately 1% of our consolidated revenues in all periods presented.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

THE WESTERN UNION COMPANY

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All other financial statement schedules for The Western Union Company have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the respective consolidated financial statements or notes thereto.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Western Union Company's ("Western Union" or the "Company") internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Western Union's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Western Union's internal control over financial reporting as of December 31, 2017, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 framework). Based on the results of its evaluation, the Company's management concluded that as of December 31, 2017, the Company's internal control over financial reporting is effective. Western Union's internal control over financial reporting as of December 31, 2017 has been audited by Ernst & Young LLP, Western Union's independent registered public accounting firm, as stated in their attestation report included in this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of The Western Union Company

Opinion on Internal Control over Financial Reporting

We have audited The Western Union Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, The Western Union Company (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, and the related consolidated statements of income/(loss), comprehensive income/(loss), cash flows and stockholders' equity/(deficit) for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 22, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Denver, Colorado
February 22, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of The Western Union Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Western Union Company (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of income/(loss), comprehensive income/(loss), cash flows and stockholders' equity/(deficit) for each of the three years in the period ended December 31, 2017 and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 22, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2006.

Denver, Colorado
February 22, 2018

THE WESTERN UNION COMPANY
CONSOLIDATED STATEMENTS OF INCOME/(LOSS)
(in millions, except per share amounts)

| | Year Ended December 31, | | |
|--|-------------------------|------------|------------|
| | 2017 | 2016 | 2015 |
| Revenues | \$ 5,524.3 | \$ 5,422.9 | \$ 5,483.7 |
| Expenses: | | | |
| Cost of services | 3,355.4 | 3,270.0 | 3,199.4 |
| Selling, general and administrative | 1,231.5 | 1,669.2 | 1,174.9 |
| Goodwill impairment charge | 464.0 | — | — |
| Total expenses* | 5,050.9 | 4,939.2 | 4,374.3 |
| Operating income | 473.4 | 483.7 | 1,109.4 |
| Other income/(expense): | | | |
| Interest income | 4.9 | 3.5 | 10.9 |
| Interest expense | (142.1) | (152.5) | (167.9) |
| Derivative gains, net | 7.1 | 4.5 | 1.2 |
| Other income/(expense), net | 4.2 | 2.5 | (11.8) |
| Total other expense, net | (125.9) | (142.0) | (167.6) |
| Income before income taxes | 347.5 | 341.7 | 941.8 |
| Provision for income taxes (Note 10) | 904.6 | 88.5 | 104.0 |
| Net income/(loss) | \$ (557.1) | \$ 253.2 | \$ 837.8 |
| Earnings/(loss) per share: | | | |
| Basic | \$ (1.19) | \$ 0.52 | \$ 1.63 |
| Diluted | \$ (1.19) | \$ 0.51 | \$ 1.62 |
| Weighted-average shares outstanding: | | | |
| Basic | 467.9 | 490.2 | 512.6 |
| Diluted | 467.9 | 493.5 | 516.7 |
| Cash dividends declared per common share | \$ 0.70 | \$ 0.64 | \$ 0.62 |

* As further described in Note 6, total expenses include amounts for related parties of \$65.9 million , \$68.0 million and \$65.5 million for the years ended December 31, 2017 , 2016 and 2015 , respectively.

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(in millions)

| | Year Ended December 31, | | |
|--|-------------------------|----------|----------|
| | 2017 | 2016 | 2015 |
| Net income/(loss) | \$ (557.1) | \$ 253.2 | \$ 837.8 |
| Other comprehensive income/(loss), net of tax (Note 13): | | | |
| Unrealized gains/(losses) on investment securities | 6.5 | (11.6) | (1.1) |
| Unrealized losses on hedging activities | (74.4) | (7.6) | (7.2) |
| Foreign currency translation adjustments | (6.2) | (4.7) | (16.8) |
| Defined benefit pension plan adjustments | 9.0 | 5.0 | 0.1 |
| Total other comprehensive loss | (65.1) | (18.9) | (25.0) |
| Comprehensive income/(loss) | \$ (622.2) | \$ 234.3 | \$ 812.8 |

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY
CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)

| | December 31, | |
|--|-------------------|-------------------|
| | 2017 | 2016 |
| Assets | | |
| Cash and cash equivalents | \$ 838.2 | \$ 877.5 |
| Settlement assets | 4,188.9 | 3,749.1 |
| Property and equipment, net of accumulated depreciation of \$635.7 and \$600.0, respectively | 214.2 | 220.5 |
| Goodwill | 2,727.9 | 3,162.0 |
| Other intangible assets, net of accumulated amortization of \$1,042.7 and \$958.2, respectively | 586.3 | 664.2 |
| Other assets | 675.9 | 746.3 |
| Total assets | \$ 9,231.4 | \$ 9,419.6 |
| Liabilities and Stockholders' Equity/(Deficit) | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities (Note 5) | \$ 718.5 | \$ 1,129.6 |
| Settlement obligations | 4,188.9 | 3,749.1 |
| Income taxes payable (Note 10) | 1,252.0 | 407.3 |
| Deferred tax liability, net | 173.0 | 85.9 |
| Borrowings | 3,033.6 | 2,786.1 |
| Other liabilities | 356.8 | 359.4 |
| Total liabilities | 9,722.8 | 8,517.4 |
| Commitments and contingencies (Note 5) | | |
| Stockholders' equity/(deficit): | | |
| Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued | — | — |
| Common stock, \$0.01 par value; 2,000 shares authorized; 459.0 shares and 481.5 shares issued and outstanding as of December 31, 2017 and 2016, respectively | 4.6 | 4.8 |
| Capital surplus | 697.8 | 640.9 |
| Retained earnings/(accumulated deficit) | (965.9) | 419.3 |
| Accumulated other comprehensive loss | (227.9) | (162.8) |
| Total stockholders' equity/(deficit) | (491.4) | 902.2 |
| Total liabilities and stockholders' equity/(deficit) | \$ 9,231.4 | \$ 9,419.6 |

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

| | Year Ended December 31, | | |
|--|-------------------------|-----------|------------|
| | 2017 | 2016 | 2015 |
| Cash flows from operating activities | | | |
| Net income/(loss) | \$ (557.1) | \$ 253.2 | \$ 837.8 |
| Adjustments to reconcile net income/(loss) to net cash provided by operating activities: | | | |
| Depreciation | 77.1 | 74.2 | 67.7 |
| Amortization | 185.8 | 189.0 | 202.5 |
| Goodwill impairment charge (Note 4) | 464.0 | — | — |
| Deferred income tax provision/(benefit) (Note 10) | 69.5 | (174.2) | (39.9) |
| Other non-cash items, net | 124.2 | 98.3 | 63.7 |
| Increase/(decrease) in cash, excluding the effects of acquisitions, resulting from changes in: | | | |
| Other assets | (68.7) | (71.4) | (107.4) |
| Accounts payable and accrued liabilities (Note 5) | (417.6) | 522.8 | 14.2 |
| Income taxes payable (Note 10) | 850.4 | 190.9 | 47.1 |
| Other liabilities | 8.2 | (40.9) | (14.6) |
| Net cash provided by operating activities | 735.8 | 1,041.9 | 1,071.1 |
| Cash flows from investing activities | | | |
| Capitalization of contract costs | (74.8) | (107.3) | (122.8) |
| Capitalization of purchased and developed software | (33.2) | (53.7) | (49.3) |
| Purchases of property and equipment | (69.1) | (68.8) | (94.4) |
| Purchases of non-settlement related investments and other | (192.1) | (64.7) | (110.9) |
| Proceeds from maturity of non-settlement related investments and other | 203.8 | 53.2 | 100.3 |
| Purchases of held-to-maturity non-settlement related investments | (42.7) | (39.7) | (9.3) |
| Proceeds from held-to-maturity non-settlement related investments | 28.4 | 9.9 | — |
| Acquisition of businesses, net (Note 4) | (24.9) | — | — |
| Net cash used in investing activities | (204.6) | (271.1) | (286.4) |
| Cash flows from financing activities | | | |
| Cash dividends paid | (325.6) | (312.2) | (316.5) |
| Common stock repurchased (Note 13) | (502.8) | (501.6) | (511.3) |
| Net proceeds from issuance of borrowings | 746.2 | 575.0 | — |
| Principal payments on borrowings | (500.0) | (1,005.4) | (500.0) |
| Proceeds from exercise of options and other | 11.7 | 35.0 | 75.8 |
| Net cash used in financing activities | (570.5) | (1,209.2) | (1,252.0) |
| Net change in cash and cash equivalents | (39.3) | (438.4) | (467.3) |
| Cash and cash equivalents at beginning of year | 877.5 | 1,315.9 | 1,783.2 |
| Cash and cash equivalents at end of year | \$ 838.2 | \$ 877.5 | \$ 1,315.9 |
| Supplemental cash flow information: | | | |
| Interest paid | \$ 128.0 | \$ 159.0 | \$ 161.8 |
| Income taxes (refunded)/paid | \$ (11.6) | \$ 68.4 | \$ 92.8 |

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY/(DEFICIT)
(in millions)

| | Common Stock | | Capital Surplus | Retained Earnings/(Accumulated Deficit) | Accumulated Other Comprehensive Loss | Total Stockholders' Equity/(Deficit) |
|--|--------------|--------|-----------------|---|--------------------------------------|--------------------------------------|
| | Shares | Amount | | | | |
| Balance, December 31, 2014 | 521.5 | \$ 5.2 | \$ 445.4 | \$ 968.7 | \$ (118.9) | \$ 1,300.4 |
| Net income | — | — | — | 837.8 | — | 837.8 |
| Stock-based compensation | — | — | 42.2 | — | — | 42.2 |
| Common stock dividends | — | — | — | (316.5) | — | (316.5) |
| Repurchase and retirement of common shares | (25.7) | (0.3) | — | (512.7) | — | (513.0) |
| Shares issued under stock-based compensation plans | 6.6 | 0.1 | 78.9 | — | — | 79.0 |
| Unrealized losses on investment securities, net of tax | — | — | — | — | (1.1) | (1.1) |
| Unrealized losses on hedging activities, net of tax | — | — | — | — | (7.2) | (7.2) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | (16.8) | (16.8) |
| Defined benefit pension plan adjustments, net of tax | — | — | — | — | 0.1 | 0.1 |
| Balance, December 31, 2015 | 502.4 | 5.0 | 566.5 | 977.3 | (143.9) | 1,404.9 |
| Net income | — | — | — | 253.2 | — | 253.2 |
| Stock-based compensation | — | — | 41.8 | — | — | 41.8 |
| Common stock dividends | — | — | — | (312.2) | — | (312.2) |
| Repurchase and retirement of common shares | (25.8) | (0.2) | — | (499.0) | — | (499.2) |
| Shares issued under stock-based compensation plans | 4.9 | — | 32.6 | — | — | 32.6 |
| Unrealized losses on investment securities, net of tax | — | — | — | — | (11.6) | (11.6) |
| Unrealized losses on hedging activities, net of tax | — | — | — | — | (7.6) | (7.6) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | (4.7) | (4.7) |
| Defined benefit pension plan adjustments, net of tax | — | — | — | — | 5.0 | 5.0 |
| Balance, December 31, 2016 | 481.5 | 4.8 | 640.9 | 419.3 | (162.8) | 902.2 |
| Net loss | — | — | — | (557.1) | — | (557.1) |
| Stock-based compensation | — | — | 43.9 | — | — | 43.9 |
| Common stock dividends | — | — | — | (325.6) | — | (325.6) |
| Repurchase and retirement of common shares | (25.7) | (0.2) | — | (502.5) | — | (502.7) |
| Shares issued under stock-based compensation plans | 3.2 | — | 13.0 | — | — | 13.0 |
| Unrealized gains on investment securities, net of tax | — | — | — | — | 6.5 | 6.5 |
| Unrealized losses on hedging activities, net of tax | — | — | — | — | (74.4) | (74.4) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | (6.2) | (6.2) |
| Defined benefit pension plan adjustments, net of tax | — | — | — | — | 9.0 | 9.0 |
| Balance, December 31, 2017 | 459.0 | \$ 4.6 | \$ 697.8 | \$ (965.9) | \$ (227.9) | \$ (491.4) |

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Basis of Presentation

The Western Union Company ("Western Union" or the "Company") is a leader in global money movement and payment services, providing people and businesses with fast, reliable and convenient ways to send money and make payments around the world. The Western Union® brand is globally recognized. The Company's services are primarily available through a network of agent locations in more than 200 countries and territories. Each location in the Company's agent network is capable of providing one or more of the Company's services.

Leadership and organizational structure changes within the Company have impacted how its Chief Operating Decision Maker ("CODM") manages the Company, resulting in changes to its operating and reportable segments in the second quarter of 2017. Prior to these changes, the Company had organized its business into the following operating segments: Consumer-to-Consumer, Consumer-to-Business, and Business Solutions. As a result of these leadership and organizational structure changes, the components of the historical Consumer-to-Business operating segment have been divided between two executives, with the majority of the Company's cash-based bill payments services under one executive and the majority of the Company's electronic-based bill payments services under the other executive. The CODM allocates resources and assesses performance using discrete information for these separate components, neither of which is material from either a quantitative or qualitative perspective. Accordingly, the Company no longer reports a separate Consumer-to-Business operating segment, and no new reportable segments result from the impact of these changes. The cash-based and electronic-based bill payments services are therefore included in "Other."

The Western Union business consists of the following segments:

- *Consumer-to-Consumer* - The Consumer-to-Consumer operating segment facilitates money transfers between two consumers, primarily through a network of third-party agents. The Company's multi-currency money transfer service is viewed by the Company as one interconnected global network where a money transfer can be sent from one location to another, around the world. This service is available for international cross-border transfers and, in certain countries, intra- country transfers. This segment also includes money transfer transactions that can be initiated through websites and mobile devices.
- *Business Solutions* - The Business Solutions operating segment facilitates payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals. The majority of the segment's business relates to exchanges of currency at spot rates, which enable customers to make cross-currency payments. In addition, in certain countries, the Company writes foreign currency forward and option contracts for customers to facilitate future payments.

All businesses and other services that have not been classified in the above segments are reported as "Other," which, as noted above, primarily includes the Company's electronic-based and cash-based bill payment services which facilitate bill payments from consumers to businesses and other organizations and which were previously reported in the historical Consumer-to-Business operating segment, and the Company's money order and other services, in addition to costs for the review and closing of acquisitions. Results and balances as of and for the years ended December 31, 2016 and 2015 have been adjusted to conform to the changes in reportable segments discussed above. See Note 17 for further information regarding the Company's segments.

There are legal or regulatory limitations on transferring certain assets of the Company outside of the countries where these assets are located. However, there are generally no limitations on the use of these assets within those countries. Additionally, the Company must meet minimum capital requirements in some countries in order to maintain operating licenses. As of December 31, 2017, the amount of these net asset limitations totaled approximately \$265 million.

Various aspects of the Company's services and businesses are subject to United States federal, state and local regulation, as well as regulation by foreign jurisdictions, including certain banking and other financial services regulations.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Spin-off from First Data

On January 26, 2006, the First Data Corporation ("First Data") Board of Directors announced its intention to pursue the distribution of all of its money transfer and consumer payments businesses and its interest in a Western Union money transfer agent, as well as its related assets, including real estate, through a tax-free distribution to First Data shareholders (the "Spin-off"). Effective on September 29, 2006, First Data completed the separation and the distribution of these businesses by distributing The Western Union Company common stock to First Data shareholders (the "Distribution"). Prior to the Distribution, the Company had been a segment of First Data.

Basis of Presentation

The financial statements in this Annual Report on Form 10-K are presented on a consolidated basis and include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated. Beginning in the first quarter of 2017, the Company has reported total "Revenues" in its Consolidated Statements of Income/(Loss) for all periods presented and no longer presents the subcaptions previously reported, including "Transaction fees," "Foreign exchange revenues," and "Other revenues."

Consistent with industry practice, the accompanying Consolidated Balance Sheets are unclassified due to the short-term nature of the Company's settlement obligations contrasted with the Company's ability to invest cash awaiting settlement in long-term investment securities.

2. Summary of Significant Accounting Policies***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Principles of Consolidation

The Company consolidates financial results when it has a controlling financial interest in a subsidiary via voting rights or when it has both the power to direct the activities of an entity that most significantly impact the entity's economic performance and the ability to absorb losses or the right to receive benefits of the entity that could potentially be significant to the entity. The Company utilizes the equity method of accounting when it is able to exercise significant influence over the entity's operations, which generally occurs when the Company has an ownership interest of between 20% and 50% in an entity.

Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is computed by dividing net income/(loss) available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Outstanding options to purchase Western Union stock and unvested shares of restricted stock are excluded from basic shares outstanding. Diluted earnings/(loss) per share reflects the potential dilution that could occur if outstanding stock options at the presented dates are exercised and shares of restricted stock have vested, using the treasury stock method. The treasury stock method assumes proceeds from the exercise price of stock options and the unamortized compensation expense of options and restricted stock are available to acquire shares at an average market price throughout the period, and therefore, reduce the dilutive effect.

For the years ended December 31, 2017, 2016 and 2015, there were 2.8 million, 3.4 million and 6.0 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings/(loss) per share calculation, as their exercise prices were above the Company's weighted-average share price during the periods and their effect was anti-dilutive. Due to the net loss for the year ended December 31, 2017, an additional 3.0 million shares have been excluded from diluted weighted-average shares outstanding, because the effect of including such shares would be anti-dilutive in the calculation of diluted loss per share.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides the calculation of diluted weighted-average shares outstanding (in millions):

| | For the Year Ended December 31, | | |
|---|---------------------------------|-------|-------|
| | 2017 | 2016 | 2015 |
| Basic weighted-average shares outstanding | 467.9 | 490.2 | 512.6 |
| Common stock equivalents | — | 3.3 | 4.1 |
| Diluted weighted-average shares outstanding | 467.9 | 493.5 | 516.7 |

Fair Value Measurements

The Company determines the fair values of its assets and liabilities that are recognized or disclosed at fair value in accordance with the hierarchy described below. The fair values of the assets and liabilities held in the Company's defined benefit plan trust ("Trust") are recognized or disclosed utilizing the same hierarchy. The following three levels of inputs may be used to measure fair value:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities.
- **Level 2:** Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. For most of these assets, the Company utilizes pricing services that use multiple prices as inputs to determine daily market values.
- **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation. The Company has Level 3 assets that are recognized and disclosed at fair value on a non-recurring basis related to the Company's business combinations, where the values of the intangible assets and goodwill acquired in a purchase are derived utilizing one of the three recognized approaches: the market approach, the income approach or the cost approach.

In addition, the Trust has other investments that are valued at net asset value which is not quoted on an active market; however, the unit price is based on underlying investments which are traded on an active market.

Carrying amounts for many of the Company's financial instruments, including cash and cash equivalents, settlement cash and cash equivalents, and settlement receivables and settlement obligations approximate fair value due to their short maturities. Available-for-sale investment securities and derivative financial instruments are carried at fair value and included in Note 8. Fixed rate notes are carried at their original issuance values as adjusted over time to accrete that value to par, except for portions of notes hedged by interest rate swap agreements as disclosed in Note 14. The fair values of fixed rate notes are disclosed in Note 8 and are based on market quotations. The Company's investments in foreign corporate debt securities are classified as held-to-maturity securities. The fair values of the foreign corporate debt securities are disclosed in Note 8 and are based on market quotations.

The fair values of non-financial assets and liabilities related to the Company's business combinations are disclosed in Note 4. The fair value of the assets in the Trust, which holds the assets for the Company's defined benefit plan, is disclosed in Note 11.

Business Combinations

The Company accounts for all business combinations where control over another entity is obtained using the acquisition method of accounting, which requires that most assets (both tangible and intangible), liabilities (including contingent consideration), and remaining noncontrolling interests be recognized at fair value at the date of acquisition. The excess of the purchase price over the fair value of assets less liabilities and noncontrolling interests is recognized as goodwill. Certain adjustments to the assessed fair values of the assets, liabilities, or noncontrolling interests made subsequent to the acquisition date, but within the measurement period, which is one year or less, are recorded as adjustments to goodwill. Any adjustments subsequent to the measurement period are recorded in income. Any cost or equity method interest that the Company holds in the acquired company prior to the acquisition is remeasured to fair value at acquisition with a resulting gain or loss recognized in income for the difference between fair value and existing book value. Results of operations of the acquired company are included in the Company's results from the date of the acquisition forward and include amortization expense arising from acquired intangible assets. The Company expenses all costs as incurred related to or involved with an acquisition in "Selling, general and administrative" expenses.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash and Cash Equivalents

Highly liquid investments (other than those included in settlement assets) with maturities of three months or less at the date of purchase (that are readily convertible to cash) are considered to be cash equivalents and are stated at cost, which approximates fair value.

The Company maintains cash and cash equivalent balances, including a portion in money market funds, with a group of globally diversified banks and financial institutions. The Company limits the concentration of its cash and cash equivalents with any one institution and regularly reviews investment concentrations and credit worthiness of these institutions.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts when it is probable that the related receivable balance will not be collected based on its history of collection experience, known collection issues, such as agent suspensions and bankruptcies, consumer chargebacks and insufficient funds, and other matters the Company identifies in its routine collection monitoring. The allowance for doubtful accounts was \$64.5 million and \$55.4 million as of December 31, 2017 and 2016, respectively, and is recorded in the same Consolidated Balance Sheet caption as the related receivable. During the years ended December 31, 2017, 2016, and 2015, the provision for doubtful accounts (bad debt expense) reflected in the Consolidated Statements of Income/(Loss) was \$60.6 million, \$63.9 million and \$60.3 million, respectively.

Settlement Assets and Obligations

Settlement assets represent funds received or to be received from agents for unsettled money transfers, money orders and consumer payments. The Company records corresponding settlement obligations relating to amounts payable under money transfers, money orders and consumer payment service arrangements. Settlement assets and obligations also include amounts receivable from, and payable to, customers for the value of their cross-currency payment transactions related to the Business Solutions segment.

Settlement assets consist of cash and cash equivalents, receivables from selling agents and Business Solutions customers, and investment securities. Cash received by Western Union agents generally becomes available to the Company within one week after initial receipt by the agent. Cash equivalents consist of short-term time deposits, commercial paper and other highly liquid investments. Receivables from selling agents represent funds collected by such agents, but in transit to the Company. Western Union has a large and diverse agent base, thereby reducing the credit risk of the Company from any one agent. In addition, the Company performs ongoing credit evaluations of its agents' financial condition and credit worthiness. See Note 7 for information concerning the Company's investment securities.

Receivables from Business Solutions customers arise from cross-currency payment transactions in the Business Solutions segment. Receivables occur when funds have been paid out to a beneficiary but not yet received from the customer. Aside from these receivables, the credit risk associated with spot foreign currency exchange contracts is largely mitigated, as in most cases the Company requires the receipt of funds from customers before releasing the associated cross-currency payment.

Settlement obligations consist of money transfer, money order and payment service payables and payables to agents. Money transfer payables represent amounts to be paid to transferees when they request their funds. Most agents typically settle with transferees first and then obtain reimbursement from the Company. Money order payables represent amounts not yet presented for payment. Payment service payables represent amounts to be paid to utility companies, auto finance companies, mortgage servicers, financial service providers, government agencies and others. Due to the agent funding and settlement process, payables to agents represent amounts due to agents for money transfers that have been settled with transferees.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Settlement assets and obligations consisted of the following (in millions):

| | December 31, | |
|--|-------------------|-------------------|
| | 2017 | 2016 |
| Settlement assets: | | |
| Cash and cash equivalents | \$ 1,264.8 | \$ 1,190.0 |
| Receivables from selling agents and Business Solutions customers | 1,573.9 | 1,327.3 |
| Investment securities | 1,350.2 | 1,231.8 |
| | <u>\$ 4,188.9</u> | <u>\$ 3,749.1</u> |
| Settlement obligations: | | |
| Money transfer, money order and payment service payables | \$ 2,789.2 | \$ 2,598.2 |
| Payables to agents | 1,399.7 | 1,150.9 |
| | <u>\$ 4,188.9</u> | <u>\$ 3,749.1</u> |

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the lesser of the estimated life of the related assets (generally three to ten years for equipment and furniture and fixtures, and 30 years for buildings) or the lease term. Maintenance and repairs, which do not extend the useful life of the respective assets, are charged to expense as incurred.

Property and equipment consisted of the following (in millions):

| | December 31, | |
|-------------------------------------|-----------------|-----------------|
| | 2017 | 2016 |
| Equipment | \$ 604.7 | \$ 585.5 |
| Buildings | 88.6 | 88.3 |
| Leasehold improvements | 87.4 | 84.3 |
| Furniture and fixtures | 42.0 | 40.4 |
| Land and improvements | 17.0 | 17.0 |
| Projects in process | 10.2 | 5.0 |
| Total property and equipment, gross | <u>849.9</u> | <u>820.5</u> |
| Less accumulated depreciation | (635.7) | (600.0) |
| Property and equipment, net | <u>\$ 214.2</u> | <u>\$ 220.5</u> |

Amounts charged to expense for depreciation of property and equipment were \$77.1 million, \$74.2 million and \$67.7 million during the years ended December 31, 2017, 2016 and 2015, respectively.

Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and other intangible assets acquired, less liabilities assumed arising from business combinations. For the year ended December 31, 2017, the Company recognized a goodwill impairment charge of \$464.0 million related to its Business Solutions reporting unit, as disclosed in Note 4. The Company's annual impairment assessment did not identify any goodwill impairment during the years ended December 31, 2016 and 2015.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Intangible Assets

Other intangible assets primarily consist of contract costs (primarily amounts paid to agents in connection with establishing and renewing long-term contracts), acquired contracts and software. Other intangible assets are amortized on a straight-line basis over the length of the contract or benefit periods. Included in the Consolidated Statements of Income/(Loss) is amortization expense of \$185.8 million, \$189.0 million and \$202.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The Company capitalizes initial payments for new and renewed agent contracts to the extent recoverable through future operations or penalties in the case of early termination. The Company's accounting policy is to limit the amount of capitalized costs for a given contract to the lesser of the estimated future cash flows from the contract or the termination fees the Company would receive in the event of early termination of the contract.

Acquired contracts include customer and contractual relationships and networks of subagents that are recognized in connection with the Company's acquisitions.

The Company purchases and develops software that is used in providing services and in performing administrative functions. Software development costs are capitalized once technological feasibility of the software 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 and designing 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 for general use. Software development costs and purchased software are generally amortized over a term of three to five years.

The following table provides the components of other intangible assets (in millions):

| | December 31, 2017 | | | December 31, 2016 | |
|--------------------------------------|---|-------------------|---------------------------------|-------------------|---------------------------------|
| | Weighted-Average Amortization Period (in years) | Initial Cost | Net of Accumulated Amortization | Initial Cost | Net of Accumulated Amortization |
| Acquired contracts | 11.5 | \$ 600.4 | \$ 220.0 | \$ 599.6 | \$ 264.4 |
| Capitalized contract costs | 6.2 | 559.5 | 268.2 | 559.2 | 294.0 |
| Internal use software | 3.2 | 387.8 | 53.1 | 371.3 | 56.4 |
| Acquired trademarks | 24.8 | 33.2 | 16.9 | 34.2 | 18.5 |
| Projects in process | 3.0 | 28.1 | 28.1 | 30.6 | 30.6 |
| Other intangibles | 4.6 | 20.0 | — | 27.5 | 0.3 |
| Total other intangible assets | 7.7 | \$ 1,629.0 | \$ 586.3 | \$ 1,622.4 | \$ 664.2 |

The estimated future aggregate amortization expense for existing other intangible assets as of December 31, 2017 is expected to be \$175.7 million in 2018, \$136.2 million in 2019, \$109.1 million in 2020, \$76.7 million in 2021, \$39.8 million in 2022 and \$ 48.8 million thereafter.

Other intangible assets are reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In such reviews, estimated undiscounted cash flows associated with these assets or operations are compared with their carrying values to determine if a write-down to fair value (normally measured by the present value technique) is required. The Company recorded immaterial impairments related to other intangible assets during the years ended December 31, 2017, 2016 and 2015.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue Recognition

The Company's revenues are primarily derived from consideration paid by customers to transfer money. These revenues vary by transaction based upon send and receive locations, the principal amount sent, whether the money transfer involves different send and receive currencies, the difference between the exchange rate set by the Company to the customer and the rate available in the wholesale foreign exchange market, speed of service, and channel, as applicable. The Company also offers several other services, including foreign exchange and payment services and other bill payment services, for which revenue is impacted by similar factors. Generally, revenues are recorded at the time a transaction is initiated.

Cost of Services

Cost of services primarily consists of agent commissions and expenses for call centers, settlement operations and related information technology costs. Expenses within these functions include personnel, software, equipment, telecommunications, bank fees, depreciation, amortization and other expenses incurred in connection with providing money transfer and other payment services.

Advertising Costs

Advertising costs are charged to operating expenses as incurred. Advertising costs for the years ended December 31, 2017, 2016 and 2015 were \$168.3 million, \$151.1 million, and \$166.3 million, respectively.

Income Taxes

The Company accounts for income taxes under the liability method, which requires that deferred tax assets and liabilities be determined based on the expected future income tax consequences of events that have been recognized in the consolidated financial statements. Deferred tax assets and liabilities are recognized based on temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. The Company assesses the realizability of its deferred tax assets. A valuation allowance must be established when, based upon available evidence, it is more likely than not that all or a portion of the deferred tax assets will not be realized.

The Company recognizes the tax benefits from uncertain tax positions only when it is more likely than not, based on the technical merits of the position, the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the consolidated financial statements from such a position are measured as the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign Currency Translation

The United States dollar is the functional currency for substantially all of the Company's businesses. Revenues and expenses are translated at average exchange rates prevailing during the period. Foreign currency denominated assets and liabilities for those businesses for which the local currency is the functional currency are translated into United States dollars based on exchange rates at the end of the year. The effects of foreign exchange gains and losses arising from the translation of assets and liabilities of these businesses are included as a component of "Accumulated other comprehensive loss" in the accompanying Consolidated Balance Sheets. Foreign currency denominated monetary assets and liabilities of businesses for which the United States dollar is the functional currency are remeasured based on exchange rates at the end of the period, and the resulting remeasurement gains and losses are recognized in net income/(loss). Non-monetary assets and liabilities of these operations are remeasured at historical rates in effect when the asset was recognized or the liability was incurred.

Derivatives

The Company uses derivatives to (a) minimize its exposures related to changes in foreign currency exchange rates and interest rates and (b) facilitate cross-currency Business Solutions payments by writing derivatives to customers. The Company recognizes all derivatives in the "Other assets" and "Other liabilities" captions in the accompanying Consolidated Balance Sheets at their fair value. All cash flows associated with derivatives are included in cash flows from operating activities in the Consolidated Statements of Cash Flows.

- Cash flow hedges - Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in "Accumulated other comprehensive loss." Cash flow hedges consist of foreign currency hedging of forecasted revenues, as well as hedges of the forecasted issuance of fixed rate debt. Derivative fair value changes that are captured in "Accumulated other comprehensive loss" are reclassified to earnings in the same period or periods the hedged item affects earnings, to the extent the instrument is effective in offsetting the change in cash flows attributable to the risk being hedged. The portions of the change in fair value that are either considered ineffective or are excluded from the measure of effectiveness are recognized immediately in "Derivative gains, net."
- Fair value hedges - Changes in the fair value of derivatives that are designated as fair value hedges of fixed rate debt are recorded in "Interest expense." The offsetting change in value of the related debt instrument attributable to changes in the benchmark interest rate is also recorded in "Interest expense."
- Undesignated - Derivative contracts entered into to reduce the variability related to (a) money transfer settlement assets and obligations, generally with maturities from a few days up to one month, and (b) certain foreign currency denominated cash and other asset and liability positions, typically with maturities of less than one year at inception, are not designated as hedges for accounting purposes and changes in their fair value are included in "Selling, general and administrative." The Company is also exposed to risk from derivative contracts written to its customers arising from its cross-currency Business Solutions payments operations. The duration of these derivative contracts at inception is generally less than one year. The Company aggregates its Business Solutions payments foreign currency exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties (economic hedge contracts) as part of a broader foreign currency portfolio, including significant spot exchanges of currency in addition to forwards and options. The changes in fair value related to these contracts are recorded in "Revenues."

The fair value of the Company's derivatives is derived from standardized models that use market-based inputs (e.g., forward prices for foreign currency).

The details of each designated hedging relationship are formally documented at the inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risks being hedged, the derivative instrument, how effectiveness is being assessed, and how ineffectiveness, if any, will be measured. The derivative must be highly effective in offsetting the changes in cash flows or fair value of the hedged item, and effectiveness is evaluated quarterly on a retrospective and prospective basis.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Legal Contingencies

The Company is a party to certain legal and regulatory proceedings with respect to a variety of matters. The Company records an accrual for these contingencies to the extent that a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, that amount is accrued. When no amount within a range of loss appears to be a better estimate than any other amount, the lowest amount in the range is accrued.

Stock-Based Compensation

The Company currently has a stock-based compensation plan that provides for grants of Western Union stock options, restricted stock awards and restricted and unrestricted stock units to employees and non-employee directors of the Company.

All stock-based compensation to employees is required to be measured at fair value and expensed over the requisite service period. The Company recognizes compensation expense on awards on a straight-line basis over the requisite service period for the entire award, with an estimate of forfeitures. Refer to Note 16 for additional discussion regarding details of the Company's stock-based compensation plans.

Severance and Other Related Expenses

The Company records severance-related expenses once they are both probable and estimable in accordance with the provisions of the applicable accounting guidance for severance provided under an ongoing benefit arrangement. One-time, involuntary benefit arrangements and other costs are generally recognized when the liability is incurred. The Company also evaluates impairment issues associated with restructuring and other activities when the carrying amount of the related assets may not be fully recoverable, in accordance with the appropriate accounting guidance.

Recently Adopted Accounting Pronouncements

On January 1, 2017, the Company adopted an accounting pronouncement related to share-based payments to employees. This standard requires all excess tax benefits and tax deficiencies to be recognized as income tax expense (benefit) in the Consolidated Statements of Income/(Loss) and that excess tax benefits be included as an operating activity for the cash flow statement. In addition, these tax benefits must be removed from the dilutive weighted-average shares outstanding calculation as these assumed proceeds will have already been recognized in the Consolidated Statements of Income/(Loss). The Company will continue its current practice of estimating forfeitures when calculating compensation expense. The adoption of this standard did not have a material impact on the Company's financial position, results of operations, cash flows, or related disclosures.

In January 2017, the Financial Accounting Standards Board issued a new accounting pronouncement to simplify the method of measuring a goodwill impairment charge in the event a reporting unit's carrying amount exceeds its fair value. In those circumstances, the new standard requires the Company to recognize an impairment charge for the amount by which the carrying amount of the reporting unit exceeds its fair value. The Company early-adopted the new standard in the fourth quarter of 2017 and measured its goodwill impairment charge related to its Business Solutions reporting unit under this approach.

Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board issued a new accounting pronouncement regarding revenue from contracts with customers, which the Company is required to adopt on January 1, 2018. This new standard, along with subsequent amendments, provides guidance on recognizing revenue, including a five-step model to determine when revenue recognition is appropriate. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Based on management's analysis of the new standard, for the significant majority of the Company's revenues, the Company has an obligation to perform one integrated service for the customer - collect the consumer's money and make funds available for payment, predominantly on the same day, to a designated recipient in the currency requested. Accordingly, management has determined that the adoption of this standard will not have a material impact on the Company's financial position and results of operations. The Company will adopt the standard using the modified retrospective approach, applied to all contracts with customers, with the cumulative effect of adoption included in retained earnings as of January 1, 2018. Management has completed an analysis of the new disclosure requirements of the standard and has made minor enhancements to its systems and processes to comply with the new disclosure requirements.

THE WESTERN UNION COMPANY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In January 2016, the Financial Accounting Standards Board issued a new accounting pronouncement regarding classification and measurement of financial instruments. This new standard provides guidance on how entities measure certain equity investments and present changes in the fair value. This standard requires that entities measure certain equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. The Company is required to adopt the new standard on January 1, 2018. Management believes that the adoption of this standard will not have a material impact on the Company's financial position, results of operations, or related disclosures.

In February 2016, the Financial Accounting Standards Board issued a new accounting pronouncement regarding the financial reporting of leasing transactions. This new standard requires a lessee to record assets and liabilities on the balance sheet for the rights and obligations arising from leases with terms of more than 12 months. The Company is required to adopt the new standard on January 1, 2019 using a modified retrospective approach. Management is currently evaluating the potential impact that the adoption of this standard will have on the Company's financial position, results of operations, and related disclosures.

In June 2016, the Financial Accounting Standards Board issued a new accounting pronouncement regarding credit losses for financial instruments. The new standard requires entities to measure expected credit losses for certain financial assets held at the reporting date using a current expected credit loss model, which is based on historical experience, adjusted for current conditions and reasonable and supportable forecasts. The Company is required to adopt the new standard on January 1, 2020. Management is currently evaluating the potential impact that the adoption of this standard will have on the Company's financial position, results of operations, and related disclosures.

In October 2016, the Financial Accounting Standards Board issued a new accounting pronouncement regarding certain intra-entity asset transfers, requiring that an entity recognize any income tax consequences when the transfer occurs. The Company is required to adopt the new standard on January 1, 2018. Management believes that the adoption of this standard will not have a material impact on the Company's financial position and results of operations.

In March 2017, the Financial Accounting Standards Board issued a new accounting pronouncement to require the service cost component of defined benefit plan pension cost to be included in the same line item as other compensation costs arising from services rendered by relevant employees, with the other non-service cost components of this net benefit cost presented in the Consolidated Statements of Income/(Loss) separately from the service cost component, outside a subtotal of income from operations. The Company's defined benefit pension plan is frozen, thus there are no related service costs. The Company currently records the non-service costs of the defined benefit pension plan in the "Cost of services" line item of the Consolidated Statements of Income/(Loss), whereas the Company expects to record these costs in the "Other income/(expense), net" line item upon adoption of the standard. The Company is required to adopt the new standard on January 1, 2018, with retrospective presentation. Management believes that the adoption of this standard will not have a material impact on the Company's results of operations or related disclosures.

In August 2017, the Financial Accounting Standards Board issued a new accounting pronouncement to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The Company adopted the standard on January 1, 2018, using the amortization approach for excluded components related to the Company's foreign currency hedging program. Additionally, the impact of the excluded components will be recognized in "Revenues" in the Consolidated Statements of Income/(Loss) rather than "Derivative gains, net" as previously reported. The effects of the standard will be recognized prospectively in the Company's financial statements, since for foreign currency hedges existing at the date of adoption that exclude time value from the assessment of effectiveness, the Company will continue using the mark-to-market recognition model for the excluded component. The adoption of this standard will have no impact on the Company's existing interest rate hedges and will not have a material impact on the Company's financial position or results of operations, but will require the addition of certain disclosures.

In February 2018, the Financial Accounting Standards Board issued a new accounting pronouncement that gives entities the option to reclassify tax effects included within accumulated other comprehensive income/(loss) as a result of the United States tax reform legislation enacted in December 2017 (the "Tax Act") to retained earnings. The Company will adopt this standard in the first quarter of 2018 and will record the reclassification in the period of adoption. The adoption of this standard will not have a material impact on the Company's financial position or results of operations, but will require the addition of certain disclosures.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Business Transformation and Productivity and Cost-Savings Initiatives Expenses

In the second quarter of 2016, the Company began incurring expenses related to a business transformation initiative, referred to as the WU Way. Although the expenses related to the WU Way are specific to that initiative, the types of expenses related to the WU Way initiative are similar to expenses that the Company has previously incurred related to productivity and cost-savings initiatives, and can reasonably be expected to incur in the future. The following table summarizes the activity for the years ended December 31, 2017 and December 31, 2016 for the consulting service fees, severance, and other costs related to the business transformation accruals, which are included in "Accounts payable and accrued liabilities" in the Company's Consolidated Balance Sheets as of December 31, 2017 and December 31, 2016 (in millions):

| | Consulting Service Fees | Severance and Related Employee Benefits | Other | Total |
|-------------------------------|----------------------------|---|--------|---------|
| Balance, December 31, 2015 | \$ — | \$ — | \$ — | \$ — |
| Expenses | 16.4 | 3.9 | — | 20.3 |
| Cash payments | (7.4) | — | — | (7.4) |
| Balance, December 31, 2016 | \$ 9.0 | \$ 3.9 | \$ — | \$ 12.9 |
| Expenses (a) | 36.1 | 44.2 | 14.1 | 94.4 |
| Cash payments | (36.9) | (28.2) | (12.2) | (77.3) |
| Non-cash benefits/charges (a) | — | 3.3 | (0.3) | 3.0 |
| Balance, December 31, 2017 | \$ 8.2 | \$ 23.2 | \$ 1.6 | \$ 33.0 |

(a) Expenses incurred during 2017 include a non-cash benefit for adjustments to stock compensation for awards forfeited by employees and other immaterial items. These benefits and charges have been removed from the liability balance in the table above as they do not impact the business transformation accruals.

During the year ended December 31, 2015, the Company implemented initiatives to improve productivity and reduce costs. A significant majority of the productivity and cost-savings initiatives costs related to severance and related expenses, including termination benefits received by certain of the Company's former executives. During the year ended December 31, 2015, the Company incurred \$11.1 million of expenses related to productivity and cost-savings initiatives. During the years ended December 31, 2016 and 2015, the Company made cash payments of \$12.7 million and \$30.0 million, respectively, related to productivity and cost-savings initiatives, and as of December 31, 2016, the amount remaining to be paid related to productivity and cost-savings initiatives was immaterial.

As of December 31, 2017, expenses associated with the WU Way initiative are effectively complete. The following table presents the above expenses related to business transformation and productivity and cost-savings initiatives as reflected in the Consolidated Statements of Income/(Loss) (in millions):

| | Year Ended December 31, | | |
|-------------------------------------|-------------------------|---------|--|
| | 2017 | 2016 | 2015 |
| | Business Transformation | | Productivity and Cost-Savings Initiatives |
| Cost of services | \$ 35.7 | \$ 2.5 | \$ 1.0 |
| Selling, general and administrative | 58.7 | 17.8 | 10.1 |
| Total expenses, pre-tax | \$ 94.4 | \$ 20.3 | \$ 11.1 |
| Total expenses, net of tax | \$ 63.3 | \$ 12.9 | \$ 7.2 |

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the business transformation expenses incurred by reportable segment (in millions). Certain business transformation expenses, primarily consulting expenses, are not identifiable to a specific segment, and have therefore been excluded from the table below. These expenses have not been allocated to the Company's segments disclosed in Note 17. While the expenses shown below are identifiable to the Company's segments, they have been excluded from the measurement of segment operating income provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation.

| | Business Transformation | | | |
|---------------|-------------------------|--------------------|---------|---------|
| | Consumer-to-Consumer | Business Solutions | Other | Total |
| 2017 expenses | \$ 30.8 | \$ 16.1 | \$ 13.6 | \$ 60.5 |
| 2016 expenses | 2.7 | 0.6 | 0.5 | 3.8 |

For those expenses related to initiatives to improve productivity and reduce costs that the Company incurred during the year ended December 31, 2015, \$7.6 million, \$1.8 million, and \$1.7 million were identifiable to the Consumer-to-Consumer and Business Solutions segments, and Other, respectively.

4. Goodwill

Business Solutions Goodwill Impairment Charge

For the year ended December 31, 2017, the Company recognized a goodwill impairment charge of \$464.0 million related to its Business Solutions reporting unit, as the estimated fair value of the reporting unit declined below its carrying value. The reduction in estimated fair value primarily resulted from a decrease in projected revenue growth rates and EBITDA margins and the impact of the Tax Act. Revenue and EBITDA projections were reevaluated due to the declines in revenues and operating results recognized in the fourth quarter of 2017, which were significantly below management's expectations. Additionally, as disclosed in prior Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, the total estimated fair value of the Business Solutions reporting unit previously included value derived from strategies to optimize United States cash flow management and global liquidity by utilizing international cash balances (including balances generated by other operating segments) to initially fund global principal payouts for Business Solutions transactions initiated in the United States ("Cash Management Strategies") that would have been available to certain market participants. However, the Tax Act, which imposes a tax on certain previously undistributed foreign earnings and establishes minimum taxes on certain future payments and foreign earnings, eliminated any fair value associated with the Cash Management Strategies.

The Company estimated the fair value of its Business Solutions reporting unit using the income approach. The estimated fair value was derived primarily using unobservable Level 3 inputs, which require significant management judgment and estimation.

Business Combinations

On November 6, 2017, the Company completed the purchase of Opus Software Technologies Private Limited and the assets of its affiliate for total consideration of approximately \$25.3 million. The Company expects that the acquisition will assist in enhancing and centralizing the Company's information technology expertise through a newly established information technology development and maintenance center located in India, which was an integral part of the Company's WU Way transformation efforts. The Company has recognized \$22.2 million of goodwill related to this acquisition. The valuation of the acquisition, which is preliminary, was derived primarily using unobservable Level 3 inputs, which require significant management judgment and estimation.

The Company completed one other immaterial acquisition during the fourth quarter of 2017.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents changes to goodwill for the years ended December 31, 2017 and 2016 (in millions):

| | Consumer-to- Consumer | Business Solutions | Other | Total |
|---------------------------------|--------------------------|--------------------|----------|------------|
| January 1, 2016 goodwill, net | \$ 1,950.1 | \$ 996.0 | \$ 217.7 | \$ 3,163.8 |
| Currency translation | — | — | (1.8) | (1.8) |
| December 31, 2016 goodwill, net | \$ 1,950.1 | \$ 996.0 | \$ 215.9 | \$ 3,162.0 |
| Goodwill impairment charge | — | (464.0) | — | (464.0) |
| Acquisitions | 30.9 | — | — | 30.9 |
| Currency translation | — | — | (1.0) | (1.0) |
| December 31, 2017 goodwill, net | \$ 1,981.0 | \$ 532.0 | \$ 214.9 | \$ 2,727.9 |

The following table presents accumulated impairment losses for the years ended December 31, 2017, 2016 and 2015 (in millions):

| | As of December 31, | | |
|-------------------------------|--------------------|------------|------------|
| | 2017 | 2016 | 2015 |
| Goodwill, gross | \$ 3,191.9 | \$ 3,162.0 | \$ 3,163.8 |
| Accumulated impairment losses | (464.0) | — | — |
| Goodwill, net | \$ 2,727.9 | \$ 3,162.0 | \$ 3,163.8 |

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Commitments and Contingencies*Letters of Credit and Bank Guarantees*

The Company had approximately \$210 million in outstanding letters of credit and bank guarantees as of December 31, 2017 that are primarily held in connection with safeguarding consumer funds, lease arrangements, and certain agent agreements. The letters of credit and bank guarantees have expiration dates through 2021, with many having a one-year renewal option. The Company expects to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

Litigation and Related Contingencies

The Company is subject to certain claims and litigation that could result in losses, including damages, fines and/or civil penalties, which could be significant, and in some cases, criminal charges. The Company regularly evaluates the status of legal matters to assess whether a loss is probable and reasonably estimable in determining whether an accrual is appropriate. Furthermore, in determining whether disclosure is appropriate, the Company evaluates each legal matter to assess if there is at least a reasonable possibility that a loss or additional loss may have been incurred and whether an estimate of possible loss or range of loss can be made. Unless otherwise specified below, the Company believes that there is at least a reasonable possibility that a loss or additional loss may have been incurred for each of the matters described below.

For those matters that the Company believes there is at least a reasonable possibility that a loss or additional loss may have been incurred and can reasonably estimate the loss or potential loss, the reasonably possible potential litigation losses in excess of the Company's recorded liability for probable and estimable losses was approximately \$100 million as of December 31, 2017. For the remaining matters, management is unable to provide a meaningful estimate of the possible loss or range of loss because, among other reasons: (a) the proceedings are in preliminary stages; (b) specific damages have not been sought; (c) damage claims are unsupported and/or unreasonable; (d) there is uncertainty as to the outcome of pending appeals or motions; (e) there are significant factual issues to be resolved; or (f) novel legal issues or unsettled legal theories are being asserted.

The outcomes of legal actions are unpredictable and subject to significant uncertainties, and it is inherently difficult to determine whether any loss is probable or even possible. It is also inherently difficult to estimate the amount of any loss and there may be matters for which a loss is probable or reasonably possible but not currently estimable. Accordingly, actual losses may be in excess of the established liability or the range of reasonably possible loss.

United States Department of Justice, Federal Trade Commission, Financial Crimes Enforcement Network, and State Attorneys General Settlements

In late November 2016, the Company entered into discussions with the United States Department of Justice (the "DOJ"), the United States Attorney's Office for the Central District of California ("USAO-CDCA"), the United States Attorney's Office for the Eastern District of Pennsylvania ("USAO-EDPA"), the United States Attorney's Office for the Middle District of Pennsylvania ("USAO-MDPA"), and the United States Attorney's Office for the Southern District of Florida ("USAO-SDFL") to resolve the investigations by the USAO-CDCA, USAO-EDPA, USAO-MDPA, and USAO-SDFL (collectively, the "USAOs") (collectively, the "USAO Investigations"). On January 19, 2017, the Company announced that it, or its subsidiary Western Union Financial Services, Inc. ("WUFSI"), had entered into (1) a Deferred Prosecution Agreement (the "DPA") with the DOJ and the USAOs; (2) a Stipulated Order for Permanent Injunction and Final Judgment (the "Consent Order") with the United States Federal Trade Commission ("FTC") resolving claims by the FTC alleging unfair acts and practices under the Federal Trade Commission Act and for violations of the FTC Telemarketing Sales Rule; and (3) a Consent to the Assessment of Civil Money Penalty with the Financial Crimes Enforcement Network ("FinCEN") of the United States Department of Treasury (the "FinCEN Agreement"), to resolve the respective investigations of those agencies. FinCEN provided notice to the Company dated December 16, 2016 of its investigation regarding possible violations of the United States Bank Secrecy Act ("BSA"). On January 31, 2017, the Company entered into assurances of discontinuance/assurances of voluntary compliance with the attorneys general of 49 U.S. states and the District of Columbia named therein to resolve investigations by the state attorneys general, which sought information and documents relating to money transfers sent from the United States to certain countries, consumer fraud complaints that the Company had received and the Company's procedures to help identify and prevent fraudulent transfers. On April 12, 2017, the Company settled with the one remaining state attorney general under effectively the same terms as the January 31, 2017 agreement with no additional monetary payment required. The agreements with the state attorneys general are collectively referred to herein as the "State AG Agreement." The DPA, Consent Order, FinCEN Agreement, and State AG Agreement are collectively referred to herein as the "Joint Settlement Agreements."

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pursuant to the DPA, the USAOs filed a two -count criminal information in the United States District Court for the Middle District of Pennsylvania, charging the Company with aiding and abetting wire fraud and willfully failing to implement an effective anti-money laundering ("AML") program. The USAOs agreed that if the Company fully complies with all of its obligations under the DPA, the USAOs will, at the conclusion of the DPA's term, seek dismissal with prejudice of the criminal information filed against the Company.

Under the Joint Settlement Agreements, the Company was required to (1) pay an aggregate amount of \$586 million to the DOJ to be used to reimburse consumers who were the victims of third-party fraud conducted through the Company's money transfer services (the "Compensation Payment"), (2) pay an aggregate amount of \$5 million to the State Attorneys General to reimburse investigative, enforcement, and other costs, and (3) retain an independent compliance auditor for three years to review and assess actions taken by the Company under the Consent Order to further enhance its oversight of agents and protection of consumers. The FinCEN Agreement also set forth a civil penalty of \$184 million, the full amount of which was deemed satisfied by the Compensation Payment, without any additional payment or non-monetary obligations. No separate payment to the FTC was required under the Joint Settlement Agreements. The Company paid the Compensation Payment and the aggregate amount due to the State Attorneys General during the first half of 2017. The Company had accrued the Compensation Payment and the aggregate amount due to the State Attorneys General in "Accounts payable and accrued liabilities" in the Company's Consolidated Balance Sheets as of December 31, 2016. In the second quarter of 2017, pursuant to the terms of the Joint Settlement Agreements, the Company engaged an independent compliance auditor, and during the year ended December 31, 2017, the Company accrued an additional \$8 million of expenses related to the independent compliance auditor.

The Joint Settlement Agreements also require, among other things, the Company to adopt certain new or enhanced practices with respect to its compliance program relating to consumer reimbursement, agent due diligence, agent training, monitoring, reporting, and record-keeping by the Company and its agents, consumer fraud disclosures, agent suspensions and terminations, and other items. The changes in the Company's compliance program required by the Joint Settlement Agreements will have adverse effects on the Company's business, including additional costs and potential loss of business. The Company has faced (as described below) and could also face additional actions from other regulators as a result of the Joint Settlement Agreements. Further, if the Company fails to comply with the Joint Settlement Agreements, it could face criminal prosecution, civil litigation, significant fines, damage awards or other regulatory consequences. Any or all of these outcomes could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Shareholder Derivative Actions

On January 13, 2014, Natalie Gordon served the Company with a Verified Shareholder Derivative Complaint and Jury Demand that was filed in District Court, Douglas County, Colorado naming the Company's President and Chief Executive Officer, one of its former executive officers, one of its former directors, and all but one of its current directors as individual defendants, and the Company as a nominal defendant. The complaint asserts claims for breach of fiduciary duty and gross mismanagement against all of the individual defendants and unjust enrichment against the President and Chief Executive Officer and the former executive officer based on allegations that between February 12, 2012 to October 30, 2012, the individual defendants made or caused the Company to issue false and misleading statements or failed to make adequate disclosures regarding the effects of a settlement agreement signed on February 11, 2010 between WUFSI and the State of Arizona regarding WUFSI's AML compliance programs along the United States and Mexico border ("Southwest Border Agreement"), including regarding the anticipated costs of compliance with the Southwest Border Agreement, potential effects on business operations, and Company projections. Plaintiff also alleges that the individual defendants caused or allowed the Company to lack requisite internal controls, caused or allowed financial statements to be misstated, and caused the Company to be subject to the costs, expenses and liabilities associated with City of Taylor Police and Fire Retirement System v. The Western Union Company, et al., a lawsuit that was subsequently renamed and dismissed. Plaintiff further alleges that the Company's President and Chief Executive Officer and the former executive officer received excessive compensation based on the allegedly inaccurate financial statements. On March 12, 2014, the Court entered an order granting the parties' joint motion to stay proceedings in the case during the pendency of certain of the shareholder derivative actions described below.

In 2014, Stanley Lieblein, R. Andre Klein, City of Cambridge Retirement System, Mayar Fund Ltd, Louisiana Municipal Police Employees' Retirement System, MARTA/ATU Local 732 Employees Retirement Plan, and The Police Retirement System of St. Louis filed shareholder derivative complaints in the United States District Court for the District of Colorado (or were removed to the United States District Court for the District of Colorado) naming the Company's President and Chief Executive Officer and certain current and former directors and a former executive officer as individual defendants, and the Company as a nominal defendant. On January 5, 2015, the court entered an order consolidating the actions and appointing City of Cambridge Retirement System and MARTA/ATU Local 732 Employees Retirement Plan as co-lead plaintiffs. On February 4, 2015, co-lead plaintiffs filed a verified consolidated shareholder derivative complaint naming the Company's President and Chief Executive Officer and nine current or former executive officers and directors as individual defendants, and the Company as a nominal defendant. The consolidated complaint asserts separate claims for breach of fiduciary duty against the director defendants and the officer defendants, claims against all of the individual defendants for violations of section 14(a) of the Securities Exchange Act of 1934 ("Exchange Act"), corporate waste and unjust enrichment, and a claim against the former executive officer for breach of fiduciary duties for insider selling and misappropriation of information. The breach of fiduciary duty claim against the director defendants includes allegations that they declined to implement an effective AML compliance system after receiving numerous red flags indicating prolonged willful illegality, obstructed the efforts of the monitor assigned to the Company pursuant to the Southwest Border Agreement to impose effective compliance systems on the Company, failed to take action in response to alleged Western Union management efforts to undermine the monitor, reappointed the same directors to the Audit Committee and Corporate Governance and Public Policy Committees constituting a majority of those committees between 2006 and 2014, appointed a majority of directors to the Compliance Committee who were directly involved in overseeing the alleged misconduct as members of the Audit Committee and the Corporate Governance and Public Policy Committee, caused the Company to materially breach the Southwest Border Agreement, caused the Company to repurchase its stock at artificially inflated prices, awarded the Company's senior executives excessive compensation despite their responsibility for the Company's alleged willful non-compliance with state and federal AML laws, and failed to prevent the former executive officer from misappropriating and profiting from nonpublic information when making allegedly unlawful stock sales. The breach of fiduciary duty claim against the officer defendants includes allegations that they caused the Company and allowed its agents to ignore the recording and reporting requirements of the BSA and parallel AML laws and regulations for a prolonged period of time, authorized and implemented AML policies and practices that they knew or should have known to be inadequate, caused the Company to fail to comply with the Southwest Border Agreement and refused to implement and maintain adequate internal controls.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The claim for violations of section 14(a) of the Exchange Act includes allegations that the individual defendants caused the Company to issue proxy statements in 2012, 2013 and 2014 containing materially incomplete and inaccurate disclosures - in particular, by failing to disclose the extent to which the Company's financial results depended on the non-compliance with AML requirements, the Board's awareness of the regulatory and criminal enforcement actions in real time pursuant to the 2003 Consent Agreement with the California Department of Financial Institutions and that the directors were not curing violations and preventing misconduct, the extent to which the Board considered the flood of increasingly severe red flags in their determination to re-nominate certain directors to the Audit Committee between 2006 and 2010, and the extent to which the Board considered ongoing regulatory and criminal investigations in awarding multi-million dollar compensation packages to senior executives. The corporate waste claim includes allegations that the individual defendants paid or approved the payment of undeserved executive and director compensation based on the illegal conduct alleged in the consolidated complaint, which exposed the Company to civil liabilities and fines. The corporate waste claim also includes allegations that the individual defendants made improper statements and omissions, which forced the Company to expend resources in defending itself in City of Taylor Police and Fire Retirement System v. The Western Union Company, et al., a lawsuit that was subsequently renamed and dismissed, authorized the repurchase of over \$1.565 billion of the Company's stock at prices they knew or recklessly were aware, were artificially inflated, failed to maintain sufficient internal controls over the Company's marketing and sales process, failed to consider the interests of the Company and its shareholders, and failed to conduct the proper supervision. The claim for unjust enrichment includes allegations that the individual defendants derived compensation, fees and other benefits from the Company and were otherwise unjustly enriched by their wrongful acts and omissions in managing the Company. The claim for breach of fiduciary duties for insider selling and misappropriation of information includes allegations that the former executive sold Company stock while knowing material, nonpublic information that would have significantly reduced the market price of the stock. On March 16, 2015, the defendants filed a motion to dismiss the consolidated complaint. On March 31, 2016, the Court entered an order granting the defendants' collective motion to dismiss without prejudice, denying as moot a separate motion to dismiss that was filed by the former executive officer, and staying the order for 30 days, within which plaintiffs could file an amended complaint that cured the defects noted in the order. On May 2, 2016, co-lead plaintiffs filed a verified amended consolidated shareholder derivative complaint naming the Company's President and Chief Executive Officer, six of its current directors (including the Company's President and Chief Executive Officer, who also serves as a director) and three of its former directors as individual defendants, and the Company as a nominal defendant. The amended complaint, among other things, drops the claims against the former executive officer named in the prior complaint, realleges and narrows the breach of fiduciary duty claims, and drops the remaining claims. On June 15, 2016, defendants filed a motion to dismiss the amended consolidated shareholder derivative complaint. On August 1, 2016, plaintiffs filed an opposition to the motion to dismiss. On September 1, 2016, defendants filed a reply brief in support of the motion to dismiss. On February 24, 2017, plaintiffs filed a motion to supplement the amended complaint with allegations relating to the DPA, the criminal information filed in the United States District Court for the Middle District of Pennsylvania, and the FTC's January 19, 2017 Complaint for Permanent Injunctive and Other Equitable Relief and the Consent Order referenced in the *United States Department of Justice, Federal Trade Commission, Financial Crimes Enforcement Network, and State Attorneys General Settlements* section above. The same day, the Court granted plaintiffs' request to supplement the complaint, ordered them to file a second amended complaint, denied without prejudice defendants' motion to dismiss and granted defendants leave to renew the motion to dismiss. On March 17, 2017, plaintiffs filed a second amended derivative complaint. On September 29, 2017, the Court granted defendants' motion to dismiss the second amended derivative complaint. On December 19, 2017, plaintiffs filed an appeal brief in the United States Court of Appeals for the Tenth Circuit, seeking reversal of the dismissal, to which the Company filed an opposition on February 20, 2018.

Due to the stages of the actions described above under "Shareholder Derivative Actions," the Company is unable to predict the outcome, or reasonably estimate the possible loss or range of loss, if any, which could be associated with these actions. The Company and the named individuals intend to vigorously defend themselves in all of these matters.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Matters

The Company and one of its subsidiaries are defendants in two purported class action lawsuits: *James P. Tennille v. The Western Union Company* and *Robert P. Smet v. The Western Union Company*, both of which are pending in the United States District Court for the District of Colorado. The original complaints asserted claims for violation of various consumer protection laws, unjust enrichment, conversion and declaratory relief, based on allegations that the Company waits too long to inform consumers if their money transfers are not redeemed by the recipients and that the Company uses the unredeemed funds to generate income until the funds are escheated to state governments. During the fourth quarter of 2012, the parties executed a settlement agreement, which the Court preliminarily approved on January 3, 2013. On June 25, 2013, the Court entered an order certifying the class and granting final approval to the settlement. Under the approved settlement, a substantial amount of the settlement proceeds, as well as all of the class counsel's fees, administrative fees and other expenses, would be paid from the class members' unclaimed money transfer funds. During the final approval hearing, the Court overruled objections to the settlement that had been filed by several class members. In July 2013, two of those class members filed notices of appeal. On May 1, 2015, the United States Court of Appeals for the Tenth Circuit affirmed the District Court's decision to overrule the objections filed by the two class members who appealed. On January 11, 2016, the United States Supreme Court denied petitions for certiorari that were filed by the two class members who appealed. On February 1, 2016, pursuant to the settlement agreement and the Court's June 25, 2013 final approval order, Western Union deposited the class members' unclaimed money transfer funds into a class settlement fund, from which class member claims, administrative fees and class counsel's fees, as well as other expenses have been paid, with the remainder to go to eligible jurisdictions to which the unclaimed funds would have escheated in the absence of a settlement. Some jurisdictions may opt not to participate in the settlement, taking the position that the Company must escheat those jurisdictions' full share of the settlement fund and that the pro rata deductions for class counsel's fees, administrative costs, and other expenses that are required under the settlement agreement are not permitted. In that event, there is a reasonable possibility a loss could result up to approximately the pro rata amount of those fees and other expenses.

On March 12, 2014, Jason Douglas filed a purported class action complaint in the United States District Court for the Northern District of Illinois asserting a claim under the Telephone Consumer Protection Act, 47 U.S.C. § 227, et seq., based on allegations that since 2009, the Company has sent text messages to class members' wireless telephones without their consent. During the first quarter of 2015, the Company's insurance carrier and the plaintiff reached an agreement to create an \$8.5 million settlement fund that will be used to pay all class member claims, class counsel's fees and the costs of administering the settlement. The agreement has been signed by the parties and, on November 10, 2015, the Court granted preliminary approval to the settlement. On January 9, 2018, plaintiff filed a motion requesting decisions on its pending motion to approve the settlement and motion for attorneys' fees, costs, and incentive award. On January 10, 2018, the Court issued an order stating that the pending motions will be decided shortly and setting a status conference for February 28, 2018. The Company accrued an amount equal to the retention under its insurance policy in previous quarters and believes that any amounts in excess of this accrual will be covered by the insurer. However, if the Company's insurer is unable to or refuses to satisfy its obligations under the policy or the parties are unable to reach a definitive agreement or otherwise agree on a resolution, the Company's financial condition, results of operations, and cash flows could be adversely impacted. As the parties have reached an agreement in this matter, the Company believes that the potential for additional loss in excess of amounts already accrued is remote.

THE WESTERN UNION COMPANY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On February 10, 2015, Caryn Pincus filed a purported class action lawsuit in the United States District Court for the Southern District of Florida against Speedpay, Inc. ("Speedpay"), a subsidiary of the Company, asserting claims based on allegations that Speedpay imposed an unlawful surcharge on credit card transactions and that Speedpay engages in money transmission without a license. The complaint requests certification of a class and two subclasses generally comprised of consumers in Florida who made a payment through Speedpay's bill payment services using a credit card and were charged a surcharge for such payment during the four -year and five -year periods prior to the filing of the complaint through the date of class certification. On April 6, 2015, Speedpay filed a motion to dismiss the complaint. On April 23, 2015, in response to the motion to dismiss, Pincus filed an amended complaint that adds claims (1) under the Florida Civil Remedies for Criminal Practices Act, which authorizes civil remedies for certain criminal conduct; and (2) for violation of the federal Racketeer Influenced and Corrupt Organizations Act ("RICO"). On May 15, 2015, Speedpay filed a motion to dismiss the amended complaint. On October 6, 2015, the Court entered an order denying Speedpay's motion to dismiss. On October 20, 2015, Speedpay filed an answer to the amended complaint. On December 1, 2015, Pincus filed a second amended complaint that revised her factual allegations, but added no new claims. On December 18, 2015, Speedpay filed an answer to the second amended complaint. On May 20, 2016, Speedpay filed a motion for judgment on the pleadings as to Pincus' Florida Civil Remedies for Criminal Practices Act and federal RICO claims. On June 7, 2016, Pincus filed an opposition to Speedpay's motion for judgment on the pleadings. On June 17, 2016, Speedpay filed a reply brief in support of the motion. On October 28, 2016, Pincus filed a motion seeking class certification. The motion seeks the certification of a class consisting of "All (i) persons in Florida (ii) who paid Speedpay, Inc. a fee for using Speedpay, Inc.'s electronic payment services (iii) during the five -year period prior to the filing of the complaint in this action through the present." Pincus also filed a motion to file her motion under seal. On November 4, 2016, the Court denied Pincus' motion for class certification without prejudice and motion to seal and ordered her to file a new motion that redacts proprietary and private information. Later that day, Pincus filed a redacted version of the motion. On November 7, 2016, Speedpay filed a motion for summary judgment on Pincus' remaining claims. On December 15, 2016, Speedpay filed an opposition to Pincus' class certification motion. The same day, Pincus filed an opposition to Speedpay's summary judgment motion and requested summary judgment on her individual and class claims. On January 12, 2017, Speedpay filed a reply in support of its summary judgment motion and Pincus filed a reply in support of her class certification motion. On March 28, 2017, the Court granted Speedpay's motion for judgment on the pleadings as to Pincus' Florida Civil Remedies for Criminal Practices Act and federal RICO claims. On June 27, 2017, the Court granted Speedpay's summary judgment motion, entered judgment in favor of Speedpay and ordered the Court clerk to close the case. On October 19, 2017, Pincus filed an appeal brief in the United States Court of Appeals for the Eleventh Circuit, seeking reversal of the summary judgment, to which the Company filed an opposition on December 4, 2017. Pincus filed her reply brief on January 17, 2018. Due to this pending appeal, the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with this action. Speedpay intends to vigorously defend itself in this matter.

In October 2015, Consumidores Financieros Asociación Civil para su Defensa, an Argentinian consumer association, filed a purported class action lawsuit in Argentina's National Commercial Court No. 19 against the Company's subsidiary Western Union Financial Services Argentina S.R.L. ("WUFSA"). The lawsuit alleges, among other things, that WUFSA's fees for money transfers sent from Argentina are excessive and that WUFSA does not provide consumers with adequate information about foreign exchange rates. The plaintiff is seeking, among other things, an order requiring WUFSA to reimburse consumers for the fees they paid and the foreign exchange revenue associated with money transfers sent from Argentina, plus punitive damages. The complaint does not specify a monetary value of the claim or a time period. In November 2015, the Court declared the complaint formally admissible as a class action. The notice of claim was served on WUFSA in May 2016, and in June 2016 WUFSA filed a response to the claim and moved to dismiss it on statute of limitations and standing grounds. In April 2017, the Court deferred ruling on the motion until later in the proceedings. In January 2018, the parties agreed on a notification process for potential class members. After notices are published, the case will move to the evidentiary stage. Due to the stage of this matter, the Company is unable to predict the outcome or the possible loss or range of loss, if any, associated with this matter. WUFSA intends to defend itself vigorously.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On February 22, 2017, the Company, its President and Chief Executive Officer, its Chief Financial Officer, and a former executive officer of the Company were named as defendants in two purported class action lawsuits, both of which asserted claims under section 10(b) of the Exchange Act and Securities and Exchange Commission rule 10b-5 and section 20(a) of the Exchange Act. On May 3, 2017, the two cases were consolidated by the United States District Court for the District of Colorado under the caption Lawrence Henry Smallen and Laura Anne Smallen Revocable Living Trust et al. v. The Western Union Company et al., Civil Action No. 1:17-cv-00474-KLM (D. Colo.). On September 6, 2017, the Court appointed Lawrence Henry Smallen and Laura Anne Smallen Revocable Living Trust as the lead plaintiff. On November 6, 2017, the plaintiffs filed a consolidated amended complaint ("Amended Complaint") that, among other things, added two other former executive officers as defendants, one of whom subsequently was voluntarily dismissed by the plaintiffs. The Amended Complaint asserts claims under section 10(b) of the Exchange Act and Securities and Exchange Commission rule 10b-5 and section 20(a) of the Exchange Act, and alleges that, during the purported class period of February 24, 2012, through May 2, 2017, the defendants made false or misleading statements or failed to disclose purported adverse material facts regarding, among other things, the Company's compliance with AML and anti-fraud regulations, the status and likely outcome of certain governmental investigations targeting the Company, the reasons behind the Company's decisions to make certain regulatory enhancements, and the Company's premium pricing. The defendants filed a motion to dismiss the complaint on January 16, 2018. The consolidated action is in a preliminary stage and the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with it. The Company and the individual defendants intend to vigorously defend themselves in this matter.

On February 13, 2017, the Company's subsidiary, Western Union Payment Services Ireland Limited ("WUPSIL"), was served with a writ of accusation from the National Court of Spain. The writ charges 98 former Western Union money transfer agents or agent representatives with fraud and money laundering in connection with consumer fraud scams they allegedly perpetrated using Western Union money transfer transactions. The writ also names WUPSIL as a civil defendant, allegedly responsible under Spanish law to pay any portion of the alleged amount in victim losses that cannot be repaid by any of the criminal defendants who are convicted. In accordance with Spanish law, on January 4, 2018, the Company, through its subsidiary Western Union International Limited, provided a corporate guaranty in an amount of approximately €23 million to cover any liability that could theoretically attach to WUPSIL. Due to the preliminary stage of this matter, the Company is unable to predict the outcome, or the amount of loss, if any, associated with this matter.

On March 31, 2017, the Company received a request for the production of documents from the New York State Department of Financial Services (the "NYDFS"), following up on a meeting the Company had with the NYDFS on March 7, 2017. The requests pertain to the Company's oversight of one current and two former Western Union agents located in New York state. The two former agents were identified in the DPA described in the United States Department of Justice, Federal Trade Commission, Financial Crimes Enforcement Network, and State Attorneys General Settlements section above, and were terminated as agents by the Company prior to 2013. The Company complied with all requests and produced all requested documents to the NYDFS. On July 28, 2017, the NYDFS informed the Company that the facts set forth in the DPA regarding the Company's anti-money laundering programs over the 2004 through 2012 period gave the NYDFS a basis to take additional enforcement action. On January 4, 2018, the Company's subsidiary, WUFSI, and the NYDFS agreed to a consent order (the "NYDFS Consent Order"), which resolved the NYDFS investigation into these matters. Under the NYDFS Consent Order, the Company is required, among other things, to pay to the NYDFS a civil monetary penalty of \$60 million, which the Company paid on January 12, 2018. In the second quarter of 2017, the Company accrued \$49 million towards resolution of this matter, and in the fourth quarter of 2017, the Company accrued the remaining \$11 million. The NYDFS Consent Order also imposes certain non-monetary obligations, including a requirement to provide to the NYDFS a remediation plan within 90 days after the date of the NYDFS Consent Order.

In addition to the principal matters described above, the Company is a party to a variety of other legal matters that arise in the normal course of the Company's business. While the results of these other legal matters cannot be predicted with certainty, management believes that the final outcome of these matters will not have a material adverse effect either individually or in the aggregate on the Company's financial condition, results of operations, or cash flows.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On January 26, 2006, the First Data Corporation ("First Data") Board of Directors announced its intention to pursue the distribution of all of its money transfer and consumer payments business and its interest in a Western Union money transfer agent, as well as its related assets, including real estate, through a tax-free distribution to First Data shareholders (the "Spin-off"). The Spin-off resulted in the formation of the Company and these assets and businesses no longer being part of First Data. Pursuant to the separation and distribution agreement with First Data in connection with the Spin-off, First Data and the Company are each liable for, and agreed to perform, all liabilities with respect to their respective businesses. In addition, the separation and distribution agreement also provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of the Company's business with the Company and financial responsibility for the obligations and liabilities of First Data's retained businesses with First Data. The Company also entered into a tax allocation agreement ("Tax Allocation Agreement") that sets forth the rights and obligations of First Data and the Company with respect to taxes imposed on their respective businesses both prior to and after the Spin-off as well as potential tax obligations for which the Company may be liable in conjunction with the Spin-off (see Note 10).

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Related Party Transactions

The Company has ownership interests in certain of its agents accounted for under the equity method of accounting. The Company pays these agents commissions for money transfer and other services provided on the Company's behalf. Commission expense recognized for these agents for the years ended December 31, 2017, 2016 and 2015 totaled \$65.9 million, \$68.0 million and \$65.5 million, respectively.

7. Investment Securities

Investment securities included in "Settlement assets" in the Company's Consolidated Balance Sheets consist primarily of highly-rated state and municipal debt securities, including fixed rate term notes and variable rate demand notes. Variable rate demand note securities can be put (sold at par) typically on a daily basis with settlement periods ranging from the same day to one week, but have varying maturities through 2050. These securities may be used by the Company for short-term liquidity needs and held for short periods of time. The Company is required to hold highly-rated, investment grade securities and such investments are restricted to satisfy outstanding settlement obligations in accordance with applicable state and foreign country requirements.

The substantial majority of the Company's investment securities are classified as available-for-sale and recorded at fair value. Investment securities are exposed to market risk due to changes in interest rates and credit risk. Western Union regularly monitors credit risk and attempts to mitigate its exposure by investing in highly-rated securities and through investment diversification.

Unrealized gains and losses on available-for-sale securities are excluded from earnings and presented as a component of accumulated other comprehensive loss, net of related deferred taxes. Proceeds from the sale and maturity of available-for-sale securities during the years ended December 31, 2017, 2016 and 2015 were \$7.9 billion, \$4.4 billion and \$8.7 billion, respectively. The increase in proceeds from the sale and maturity of available-for-sale securities for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to increased sales of variable rate demand notes securities. The decline in proceeds from the sale and maturity of available-for-sale securities for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to reduced sales of variable rate demand note securities.

Gains and losses on investments are calculated using the specific-identification method and are recognized during the period in which the investment is sold or when an investment experiences an other-than-temporary decline in value. Factors that could indicate an impairment exists include, but are not limited to: earnings performance, changes in credit rating or adverse changes in the regulatory or economic environment of the asset. If potential impairment exists, the Company assesses whether it has the intent to sell the debt security, more likely than not will be required to sell the debt security before its anticipated recovery or expects that some of the contractual cash flows will not be received. The Company had no material other-than-temporary impairments during the periods presented.

THE WESTERN UNION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of investment securities are as follows (in millions):

| | Amortized Cost | Fair Value | Gross Unrealized Gains | Gross Unrealized Losses | Net Unrealized Gains/ (Losses) |
|--|-------------------|-------------------|------------------------------|-------------------------------|--------------------------------------|
| December 31, 2017 | | | | | |
| Settlement assets: | | | | | |
| Available-for-sale securities: | | | | | |
| State and municipal debt securities (a) | \$ 955.7 | \$ 960.0 | \$ 7.9 | \$ (3.6) | \$ 4.3 |
| State and municipal variable rate demand notes | 319.6 | 319.6 | — | — | — |
| Corporate and other debt securities | 60.9 | 60.8 | 0.2 | (0.3) | (0.1) |
| United States Treasury securities | 9.9 | 9.8 | — | (0.1) | (0.1) |
| | <u>1,346.1</u> | <u>1,350.2</u> | <u>8.1</u> | <u>(4.0)</u> | <u>4.1</u> |
| Other assets: | | | | | |
| Held-to-maturity securities: | | | | | |
| Foreign corporate debt securities | 56.2 | 56.2 | — | — | — |
| | <u>\$ 1,402.3</u> | <u>\$ 1,406.4</u> | <u>\$ 8.1</u> | <u>\$ (4.0)</u> | <u>\$ 4.1</u> |

| | Amortized Cost | Fair Value | Gross Unrealized Gains | Gross Unrealized Losses | Net Unrealized Gains/ (Losses) |
|--|-------------------|-------------------|------------------------------|-------------------------------|--------------------------------------|
| December 31, 2016 | | | | | |
| Settlement assets: | | | | | |
| Available-for-sale securities: | | | | | |
| State and municipal debt securities (a) | \$ 1,008.5 | \$ 1,002.4 | \$ 5.0 | \$ (11.1) | \$ (6.1) |
| State and municipal variable rate demand notes | 203.4 | 203.4 | — | — | — |
| Corporate and other debt securities | 26.0 | 26.0 | — | — | — |
| | <u>1,237.9</u> | <u>1,231.8</u> | <u>5.0</u> | <u>(11.1)</u> | <u>(6.1)</u> |
| Other assets: | | | | | |
| Held-to-maturity securities: | | | | | |
| Foreign corporate debt securities | 36.2 | 36.2 | 0.1 | (0.1) | — |
| | <u>\$ 1,274.1</u> | <u>\$ 1,268.0</u> | <u>\$ 5.1</u> | <u>\$ (11.2)</u> | <u>\$ (6.1)</u> |

(a) The majority of these securities are fixed rate instruments.

There were no investments with a single issuer or individual securities representing greater than 10% of total investment securities as of December 31, 2017 and 2016.

The following summarizes the contractual maturities of settlement-related debt securities as of December 31, 2017 (in millions):

| | Amortized Cost | Fair Value |
|------------------------------------|-------------------|-------------------|
| Due within 1 year | \$ 102.5 | \$ 102.4 |
| Due after 1 year through 5 years | 525.7 | 527.6 |
| Due after 5 years through 10 years | 275.6 | 277.1 |
| Due after 10 years | 442.3 | 443.1 |
| | <u>\$ 1,346.1</u> | <u>\$ 1,350.2</u> |

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay the obligations or the Company may have the right to put the obligation prior to its contractual maturity, as with variable rate demand notes. Variable rate demand notes, having a fair value of \$0.9 million, \$15.9 million and \$302.8 million are included in the "Due within 1 year", "Due after 5 years through 10 years" and "Due after 10 years" categories, respectively, in the table above. Held-to-maturity foreign corporate debt securities are due within 2 years.

8. Fair Value Measurements

Fair value, as defined by the relevant accounting standards, represents the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For additional information on how the Company measures fair value, refer to Note 2.

The following tables reflect assets and liabilities that were measured at fair value on a recurring basis (in millions):

| | Fair Value Measurement Using | | | Assets/ Liabilities at Fair Value |
|--|------------------------------|-------------------|-------------|--|
| | Level 1 | Level 2 | Level 3 | |
| December 31, 2017 | | | | |
| Assets: | | | | |
| Settlement assets: | | | | |
| State and municipal debt securities | \$ — | \$ 960.0 | \$ — | \$ 960.0 |
| State and municipal variable rate demand notes | — | 319.6 | — | 319.6 |
| Corporate and other debt securities | — | 60.8 | — | 60.8 |
| United States Treasury securities | 9.8 | — | — | 9.8 |
| Other assets: | | | | |
| Derivatives | — | 273.4 | — | 273.4 |
| Total assets | \$ 9.8 | \$ 1,613.8 | \$ — | \$ 1,623.6 |
| Liabilities: | | | | |
| Derivatives | \$ — | \$ 263.0 | \$ — | \$ 263.0 |
| Total liabilities | \$ — | \$ 263.0 | \$ — | \$ 263.0 |
| | | | | |
| | Fair Value Measurement Using | | | Assets/ Liabilities at Fair Value |
| | Level 1 | Level 2 | Level 3 | |
| December 31, 2016 | | | | |
| Assets: | | | | |
| Settlement assets: | | | | |
| State and municipal debt securities | \$ — | \$ 1,002.4 | \$ — | \$ 1,002.4 |
| State and municipal variable rate demand notes | — | 203.4 | — | 203.4 |
| Corporate and other debt securities | — | 26.0 | — | 26.0 |
| Other assets: | | | | |
| Derivatives | — | 365.6 | — | 365.6 |
| Total assets | \$ — | \$ 1,597.4 | \$ — | \$ 1,597.4 |
| Liabilities: | | | | |
| Derivatives | \$ — | \$ 262.3 | \$ — | \$ 262.3 |
| Total liabilities | \$ — | \$ 262.3 | \$ — | \$ 262.3 |

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

No non-recurring fair value adjustments were recorded during the years ended December 31, 2017 and 2016, except those associated with a goodwill impairment charge and acquisitions, as disclosed in Note 4, for which fair values were estimated primarily using unobservable Level 3 inputs, which require significant management judgment and estimation.

Other Fair Value Measurements

The carrying amounts for many of the Company's financial instruments, including cash and cash equivalents, settlement cash and cash equivalents, and settlement receivables and settlement obligations approximate fair value due to their short maturities. The Company's borrowings are classified as Level 2 of the valuation hierarchy, and the aggregate fair value of these borrowings was based on quotes from multiple banks and excluded the impact of related interest rate swaps. Fixed rate notes are carried in the Company's Consolidated Balance Sheets at their original issuance values as adjusted over time to accrete that value to par, except for portions of notes hedged by these interest rate swaps, as disclosed in Note 14. As of December 31, 2017, the carrying value and fair value of the Company's borrowings were \$3,033.6 million and \$3,146.5 million, respectively (see Note 15). As of December 31, 2016, the carrying value and fair value of the Company's borrowings were \$2,786.1 million and \$2,888.7 million, respectively.

The Company holds investments in foreign corporate debt securities that are classified as held-to-maturity securities within Level 2 of the valuation hierarchy and are recorded at amortized cost in "Other Assets" in the Company's Consolidated Balance Sheets. As of December 31, 2017, both the carrying value and fair value of the Company's foreign corporate debt securities was \$56.2 million. As of December 31, 2016, both the carrying value and fair value of the Company's foreign corporate debt securities was \$36.2 million.

9. Other Assets and Other Liabilities

The following table summarizes the components of other assets and other liabilities (in millions):

| | December 31, | |
|--|-----------------|-----------------|
| | 2017 | 2016 |
| Other assets: | | |
| Derivatives | \$ 273.4 | \$ 365.6 |
| Prepaid expenses | 120.5 | 126.9 |
| Amounts advanced to agents, net of discounts | 53.5 | 58.0 |
| Equity method investments | 29.1 | 40.1 |
| Other | 199.4 | 155.7 |
| Total other assets | <u>\$ 675.9</u> | <u>\$ 746.3</u> |
| Other liabilities: | | |
| Derivatives | \$ 263.0 | \$ 262.3 |
| Pension obligations | 15.0 | 26.4 |
| Other | 78.8 | 70.7 |
| Total other liabilities | <u>\$ 356.8</u> | <u>\$ 359.4</u> |

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Income Taxes

The components of pre-tax income, generally based on the jurisdiction of the legal entity, were as follows (in millions):

| | Year Ended December 31, | | |
|----------|-------------------------|-----------------|-----------------|
| | 2017 | 2016 | 2015 |
| Domestic | \$ (238.8) | \$ (546.4) | \$ (27.0) |
| Foreign | 586.3 | 888.1 | 968.8 |
| | <u>\$ 347.5</u> | <u>\$ 341.7</u> | <u>\$ 941.8</u> |

For the years ended December 31, 2017, 2016 and 2015, 169%, 260% and 103% of the Company's pre-tax income was derived from foreign sources, respectively. The increase in domestic pre-tax income for the year ended December 31, 2017 compared to the prior year was primarily due to expenses recorded in 2016 as a result of the Joint Settlement Agreements, described further in Note 5, partially offset by the domestic portion of the goodwill impairment charge related to the Company's Business Solutions reporting unit, the NYDFS Consent Order accrual, as also discussed in Note 5, and an increase in business transformation expenses.

In December 2017, the Tax Act was enacted into United States law. Certain of the Tax Act's impacts have been provisionally estimated and will likely be adjusted in future periods as the Company completes its accounting for these matters in accordance with a recent staff accounting bulletin issued by the SEC. For those areas of the Tax Act where the Company does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting, the Company has recorded estimates which may need to be adjusted in subsequent periods, and those subsequent adjustments will be recorded in the Company's provision for income taxes if the estimates change as the Company completes the accounting for those matters during 2018. While management believes it has made reasonable estimates for the numerous complex provisions in the law, tax expense is provisional for the following items:

- With respect to the United States taxation of certain previously undistributed earnings of foreign subsidiaries, the determination of the amount of earnings, the amount of assets which are to be included as cash and other specified assets, and which are therefore subject to the higher effective tax rate specified in the Tax Act, and the related potential foreign tax implications are provisional and subject to further analysis, including the Company's completion of the calculation for the 2017 federal, state, and foreign income tax returns. In addition, the Company is completing this analysis for a significant number of its controlled foreign corporations, as the analysis must be completed for each of the subsidiaries and not consolidated at a higher level. Therefore, the amount of this tax may change until the Company finalizes the calculation. The estimated tax provision amount related to this matter was \$916 million in the year ended December 31, 2017.
- The Company recorded a provisional \$87 million benefit for the remeasurement of deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects. The Company is still analyzing certain aspects of the Tax Act and refining the calculations, which could potentially affect the measurement of these balances, and the amount is also subject to the Company's completion of the calculation for the 2017 federal, state, and foreign income tax returns.
- The Company has provisionally estimated the total amount of outside basis differences with respect to its foreign subsidiaries as of December 31, 2017 to be \$254 million (after giving effect to the Tax Act), and no deferred income tax effects have been recognized with respect to such outside basis differences. These outside tax basis differences primarily relate to the remaining undistributed foreign earnings not subject to the tax on certain previously undistributed earnings of foreign subsidiaries pursuant to the Tax Act and additional outside basis difference inherent in certain entities. To the extent such outside basis differences are attributable to undistributed earnings not already subject to United States tax, such undistributed earnings continue to be indefinitely reinvested in foreign operations. Upon the future realization of the Company's basis difference, the Company could be subject to United States income taxes, state income taxes and possible withholding taxes payable to various foreign countries. However, determination of this amount of unrecognized deferred tax liability is not practicable because of the complexities associated with its hypothetical calculation. The amount of total outside basis differences and appropriate deferred tax effects are impacted by the application of the Tax Act and will be finalized during 2018.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Subsequent to the enactment of the Tax Act, the Company must make an accounting policy election to account for the tax effects of global intangible low-tax income either as a component of income tax expense in the period the tax arises, or as a component of deferred taxes on the related investments in foreign subsidiaries. The Company is currently evaluating these provisions of the Tax Act and the related implications and has not finalized its accounting policy election. The Company will finalize its accounting policy election in 2018.

The Company's income tax expense could also increase or decrease in future periods as the effects of the Tax Act are clarified through federal or state regulations, interpretations, or law changes. For example, the Tax Act is broad and complex, and given its recent enactment, regulations or other interpretive guidance is currently limited. Any change in the interpretation of the Tax Act or other legislative proposals or amendments could have a significant effect on the Company's income tax expense in future periods. Furthermore, the effect of the Tax Act on state income taxes, including how the tax on certain previously undistributed earnings of foreign subsidiaries will be interpreted by the states and how states will apply forward-looking provisions of the Tax Act, are currently unclear and subject to potential changes affecting both the amount of state taxes and the remeasurement of the Company's deferred tax assets and liabilities and other tax balances.

The provision for income taxes was as follows (in millions):

| | Year Ended December 31, | | |
|-----------------|-------------------------|----------------|-----------------|
| | 2017 | 2016 | 2015 |
| Federal | \$ 848.5 | \$ 43.5 | \$ 33.2 |
| State and local | 5.4 | 2.9 | (1.0) |
| Foreign | 50.7 | 42.1 | 71.8 |
| | <u>\$ 904.6</u> | <u>\$ 88.5</u> | <u>\$ 104.0</u> |

No tax benefit was recorded in either 2017 for the \$60 million NYDFS Consent Order accrual or in 2016 for the \$586 million Compensation Payment resulting from the Joint Settlement Agreements. Domestic taxes have been incurred on certain pre-tax income amounts that were generated by the Company's foreign operations, including a tax on certain previously undistributed earnings of foreign subsidiaries imposed by the Tax Act. In addition, certain portions of the Company's foreign source income are subject to United States federal and state income tax as earned due to the nature of the income, and dividend repatriations of the Company's foreign source income may be subject to state income tax. Accordingly, the percentage obtained by dividing the total federal, state and local tax provision by the domestic pre-tax income, all as shown in the preceding tables, is higher than the statutory tax rates in the United States.

The Company's effective tax rates differed from statutory rates as follows:

| | Year Ended December 31, | | |
|---|-------------------------|---------------|---------------|
| | 2017 | 2016 | 2015 |
| Federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| State income taxes, net of federal income tax benefits | 1.7 % | 1.2 % | 0.4 % |
| Foreign rate differential, net of United States tax paid on foreign earnings (1.1%, 24.8% and 3.4%, respectively) | (69.3)% | (50.8)% | (24.6)% |
| Tax Act impact | 251.5 % | — % | — % |
| Joint Settlement Agreements impact | — % | 62.1 % | — % |
| NYDFS Consent Order impact | 6.0 % | — % | — % |
| Goodwill impairment | 46.7 % | — % | — % |
| Lapse of statute of limitations | (10.0)% | (11.3)% | (0.8)% |
| Valuation allowances | 0.8 % | (2.8)% | (0.9)% |
| Other | (2.1)% | (7.5)% | 1.9 % |
| Effective tax rate | <u>260.3 %</u> | <u>25.9 %</u> | <u>11.0 %</u> |

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's effective tax rate for the year ended December 31, 2017 was significantly impacted by the enactment of the Tax Act into United States law, primarily due to a tax on certain previously undistributed earnings of foreign subsidiaries, partially offset by the remeasurement of the Company's deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects. The Company's effective tax rate for the year ended December 31, 2017 compared to 2016 was also impacted by the goodwill impairment in the Company's Business Solutions reporting unit, the NYDFS Consent Order accrual recorded in 2017, and the Joint Settlement Agreements recorded during 2016. The increase in the Company's effective tax rate for the year ended December 31, 2016 compared to 2015 was primarily due to the Joint Settlement Agreements and an increase in higher-taxed earnings (excluding the Joint Settlement Agreements) compared to lower-taxed foreign earnings, partially offset by the combined effects of various discrete items, including changes in tax contingency reserves.

The Company's provision for income taxes consisted of the following components (in millions):

| | Year Ended December 31, | | |
|----------------------|-------------------------|----------------|-----------------|
| | 2017 | 2016 | 2015 |
| Current: | | | |
| Federal | \$ 774.4 | \$ 186.2 | \$ 59.6 |
| State and local | 1.0 | 13.1 | 5.4 |
| Foreign | 59.7 | 63.4 | 78.9 |
| Total current taxes | 835.1 | 262.7 | 143.9 |
| Deferred: | | | |
| Federal | 74.1 | (142.7) | (26.4) |
| State and local | 4.4 | (10.2) | (6.4) |
| Foreign | (9.0) | (21.3) | (7.1) |
| Total deferred taxes | 69.5 | (174.2) | (39.9) |
| | <u>\$ 904.6</u> | <u>\$ 88.5</u> | <u>\$ 104.0</u> |

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the book and tax bases of the Company's assets and liabilities. The following table outlines the principal components of deferred tax items (in millions):

| | December 31, | |
|---|-----------------|----------------|
| | 2017 | 2016 |
| Deferred tax assets related to: | | |
| Reserves, accrued expenses and employee-related items | \$ 44.8 | \$ 279.8 |
| Tax attribute carryovers | 27.1 | 39.1 |
| Pension obligations | 4.6 | 11.1 |
| Intangibles, property and equipment | 11.9 | 9.7 |
| Other | 10.7 | 14.8 |
| Valuation allowance | (19.9) | (22.0) |
| Total deferred tax assets | 79.2 | 332.5 |
| Deferred tax liabilities related to: | | |
| Intangibles, property and equipment | 239.4 | 394.4 |
| Other | 0.9 | 14.3 |
| Total deferred tax liabilities | 240.3 | 408.7 |
| Net deferred tax liability (a) | <u>\$ 161.1</u> | <u>\$ 76.2</u> |

- (a) As of December 31, 2017 and 2016, deferred tax assets that cannot be fully offset by deferred tax liabilities in the respective tax jurisdictions of \$11.9 million and \$9.7 million, respectively, are reflected in "Other assets" in the Consolidated Balance Sheets.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The valuation allowances are primarily the result of uncertainties regarding the Company's ability to recognize tax benefits associated with certain United States foreign tax credit carryforwards and certain foreign and state net operating losses. Such uncertainties include generating sufficient United States foreign tax credit limitation related to passive income and generating sufficient income. Changes in circumstances, or the identification and implementation of relevant tax planning strategies, could make it foreseeable that the Company will recover these deferred tax assets in the future, which could lead to a reversal of these valuation allowances and a reduction in income tax expense.

Uncertain Tax Positions

The Company has established contingency reserves for a variety of material, known tax exposures. As of December 31, 2017, the total amount of tax contingency reserves was \$344.0 million, including accrued interest and penalties, net of related items. The Company's tax reserves reflect management's judgment as to the resolution of the issues involved if subject to judicial review or other settlement. While the Company believes its reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed its related reserve. With respect to these reserves, the Company's income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e., new information) surrounding a tax issue and (ii) any difference from the Company's tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in the Company's consolidated financial statements in future periods and could impact operating cash flows.

Unrecognized tax benefits represent the aggregate tax effect of differences between tax return positions and the amounts otherwise recognized in the Company's consolidated financial statements, and are reflected in "Income taxes payable" in the Consolidated Balance Sheets. A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows (in millions):

| | 2017 | 2016 |
|---|-----------------|-----------------|
| Balance as of January 1, | \$ 352.0 | \$ 105.6 |
| Increase related to current period tax positions (a) | 9.0 | 223.6 |
| Increase related to prior period tax positions | — | 71.7 |
| Decrease related to prior period tax positions | (19.8) | (14.9) |
| Decrease due to lapse of applicable statute of limitations | (14.0) | (33.1) |
| Increase/(decrease) due to effects of foreign currency exchange rates | 1.8 | (0.9) |
| Balance as of December 31, | <u>\$ 329.0</u> | <u>\$ 352.0</u> |

(a) Includes recurring accruals for issues which initially arose in previous periods.

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$319.6 million and \$343.3 million as of December 31, 2017 and 2016, respectively, excluding interest and penalties.

The Company recognizes interest and penalties with respect to unrecognized tax benefits in "Provision for income taxes" in its Consolidated Statements of Income/(Loss), and records the associated liability in "Income taxes payable" in its Consolidated Balance Sheets. The Company recognized \$2.2 million, \$(0.2) million and \$1.9 million in interest and penalties during the years ended December 31, 2017, 2016 and 2015, respectively. The Company has accrued \$25.4 million and \$22.5 million for the payment of interest and penalties as of December 31, 2017 and 2016, respectively.

The unrecognized tax benefits accrual as of December 31, 2017 consists of federal, state and foreign tax matters. It is reasonably possible that the Company's total unrecognized tax benefits will decrease by approximately \$19 million during the next 12 months in connection with various matters which may be resolved.

The Company and its subsidiaries file tax returns for the United States, for multiple states and localities, and for various non-United States jurisdictions, and the Company has identified the United States as its major tax jurisdiction, as the income tax imposed by any one foreign country is not material to the Company. The United States federal income tax returns of First Data, which include the Company, are eligible to be examined for 2005 and 2006. The Company's United States federal income tax returns since the Spin-off (other than 2010-2013) are also eligible to be examined.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The United States Internal Revenue Service ("IRS") completed its examination of the United States federal consolidated income tax returns of First Data for 2003 and 2004, which included the Company, and issued a Notice of Deficiency in December 2008. In December 2011, the Company reached an agreement with the IRS resolving substantially all of the issues related to the Company's restructuring of its international operations in 2003 ("IRS Agreement"). As a result of the IRS Agreement, the Company expects to make cash payments of approximately \$190 million, plus additional accrued interest, of which \$94.1 million has been paid as of December 31, 2017. A substantial majority of these payments were made in the year ended December 31, 2012. The Company may pay the remaining amount in 2018. The IRS completed its examination of the United States federal consolidated income tax returns of First Data, which include the Company's 2005 and pre-Spin-off 2006 taxable periods and issued its report on October 31, 2012 ("FDC 30-Day Letter"). Furthermore, the IRS completed its examination of the Company's United States federal consolidated income tax returns for the 2006 post-Spin-off period through 2009 and issued its report also on October 31, 2012 ("WU 30-Day Letter"). Both the FDC 30-Day Letter and the WU 30-Day Letter propose tax adjustments affecting the Company, some of which are agreed and some of which are unagreed. Both First Data and the Company filed their respective protests with the IRS Appeals Division on November 28, 2012 related to the unagreed proposed adjustments. The Company believes its reserves are adequate with respect to both the agreed and unagreed adjustments. During the year ended December 31, 2016, the Company reached an agreement in principle with the IRS concerning its unagreed adjustments and adjusted its reserves accordingly. The Company anticipates concluding the matters related to these years in 2018.

Tax Allocation Agreement with First Data

The Company and First Data each are liable for taxes imposed on their respective businesses both prior to and after the Spin-off. If such taxes have not been appropriately apportioned between First Data and the Company, subsequent adjustments may occur that may impact the Company's financial condition or results of operations.

Also under the tax allocation agreement, with respect to taxes and other liabilities that result from a final determination that is inconsistent with the anticipated tax consequences of the Spin-off (as set forth in the private letter ruling and relevant tax opinion) ("Spin-off Related Taxes"), the Company will be liable to First Data for any such Spin-off Related Taxes attributable solely to actions taken by or with respect to the Company. In addition, the Company will also be liable for half of any Spin-off Related Taxes (i) that would not have been imposed but for the existence of both an action by the Company and an action by First Data or (ii) where the Company and First Data each take actions that, standing alone, would have resulted in the imposition of such Spin-off Related Taxes. The Company may be similarly liable if it breaches certain representations or covenants set forth in the tax allocation agreement. If the Company is required to indemnify First Data for taxes incurred as a result of the Spin-off being taxable to First Data, it likely would have a material adverse effect on the Company's business, financial condition and results of operations. First Data generally will be liable for all Spin-off Related Taxes, other than those described above.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Employee Benefit Plans***Defined Contribution Plans***

The Company administers several defined contribution plans in various countries globally, including The Western Union Company Incentive Savings Plan (the "401(k)"), which covers eligible employees on the United States payroll. Such plans have vesting and employer contribution provisions that vary by country. In addition, the Company sponsors a non-qualified deferred compensation plan for a select group of highly compensated United States employees. The plan provides tax-deferred contributions and the restoration of Company matching contributions otherwise limited under the 401(k). The aggregate amount charged to expense in connection with all of the above plans was \$19.2 million, \$17.8 million, and \$18.0 million during the years ended December 31, 2017, 2016 and 2015, respectively.

Defined Benefit Plan

The Company has a frozen defined benefit pension plan (the "Plan") and recognizes its funded status, measured as the difference between the fair value of the plan assets and the projected benefit obligation, in "Other liabilities" in the Consolidated Balance Sheets. Plan assets, which are managed in a third-party trust, primarily consist of a diversified blend of approximately 60% fixed income, 20% equity investments, and 20% alternative investments (e.g., hedge funds, royalty rights and private equity funds) and had a total fair value of \$271.7 million and \$280.0 million as of December 31, 2017 and 2016, respectively. The significant majority of plan assets fall within either Level 1 or Level 2 of the fair value hierarchy. The benefit obligation associated with the Plan will vary over time only as a result of changes in market interest rates, the life expectancy of the plan participants, and benefit payments, since the accrual of benefits was suspended when the Plan was frozen in 1988. The benefit obligation was \$286.7 million and \$306.4 million, and the discount rate assumption used in the measurement of this obligation was 3.11% and 3.40% as of December 31, 2017 and 2016, respectively. The Company's unfunded pension obligation was \$15.0 million and \$26.4 million as of December 31, 2017 and 2016, respectively.

The net periodic benefit cost associated with the Plan was \$2.4 million, \$3.3 million, and \$2.8 million for the years ended December 31, 2017, 2016 and 2015, respectively. The expected long-term return on plan assets assumption is 6.50% for 2018. The Company made no contributions to the Plan for the year ended December 31, 2017 and \$38.1 million of contributions to the Plan in the year ended December 31, 2016. No funding to the Plan will be required for 2018. The estimated undiscounted future benefit payments are expected to be \$31.5 million in 2018, \$29.8 million in 2019, \$28.0 million in 2020, \$26.3 million in 2021, \$24.5 million in 2022, and \$98.1 million in 2023 through 2027.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Operating Lease Commitments

The Company leases certain real properties for use as customer service centers and administrative and sales offices. The Company also leases automobiles and office equipment. Certain of these leases contain renewal options and escalation provisions. Total rent expense under operating leases, net of sublease income, was \$51.1 million, \$46.2 million and \$46.9 million during the years ended December 31, 2017, 2016 and 2015, respectively. Additionally, during the year ended December 31, 2017, the Company entered into lease agreements to move employees in its current corporate headquarters to other locations in the Denver, Colorado area, and is expected to relocate during the second half of 2018.

As of December 31, 2017, the minimum aggregate rental commitments under all non-cancelable operating leases were as follows (in millions):

| <u>Year Ending December 31,</u> | | |
|-------------------------------------|----|--------------|
| 2018 | \$ | 43.2 |
| 2019 | | 35.5 |
| 2020 | | 32.4 |
| 2021 | | 26.3 |
| 2022 | | 22.7 |
| Thereafter | | 118.7 |
| Total future minimum lease payments | \$ | <u>278.8</u> |

13. Stockholders' Equity/(Deficit)*Accumulated other comprehensive loss*

Accumulated other comprehensive loss includes all changes in equity during a period that have yet to be recognized in income, except those resulting from transactions with shareholders. The major components include unrealized gains and losses on investment securities, unrealized gains and losses from cash flow hedging activities, foreign currency translation adjustments and defined benefit pension plan adjustments.

Unrealized gains and losses on investment securities that are available for sale, primarily state and municipal debt securities, are included in "Accumulated other comprehensive loss" until the investment is either sold or deemed other-than-temporarily impaired. See Note 7 for further discussion.

The effective portion of the change in fair value of derivatives that qualify as cash flow hedges are recorded in "Accumulated other comprehensive loss." Generally, amounts are recognized in income when the related forecasted transaction affects earnings. See Note 14 for further discussion.

The assets and liabilities of foreign subsidiaries whose functional currency is not the United States dollar are translated using the appropriate exchange rate as of the end of the year. Foreign currency translation adjustments represent unrealized gains and losses on assets and liabilities arising from the difference in the foreign country currency compared to the United States dollar. These gains and losses are accumulated in other comprehensive income/(loss). When a foreign subsidiary is substantially liquidated, the cumulative translation gain or loss is removed from "Accumulated other comprehensive loss" and is recognized as a component of the gain or loss on the sale of the subsidiary.

The defined benefit pension plan adjustment is recognized for the difference between estimated assumptions (e.g., asset returns, discount rates, mortality) and actual results. The amount in "Accumulated other comprehensive loss" is amortized to income over the remaining life expectancy of the plan participants. Details of the pension plan's assets and obligations are explained further in Note 11.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the components of accumulated other comprehensive loss, net of tax (in millions). All amounts reclassified from accumulated other comprehensive loss affect the line items as indicated below within the Consolidated Statements of Income/(Loss).

| | Year Ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2017 | 2016 | 2015 |
| Unrealized gains/(losses) on investment securities, beginning of year | \$ (3.8) | \$ 7.8 | \$ 8.9 |
| Unrealized gains/(losses) | 12.6 | (14.9) | 0.4 |
| Tax (expense)/benefit | (4.6) | 5.4 | (0.1) |
| Reclassification of gains into "Revenues" | (2.4) | (3.3) | (2.2) |
| Tax expense related to reclassifications | 0.9 | 1.2 | 0.8 |
| Net unrealized gains/(losses) on investment securities | 6.5 | (11.6) | (1.1) |
| Unrealized gains/(losses) on investment securities, end of year | \$ 2.7 | \$ (3.8) | \$ 7.8 |
| Unrealized gain/(losses) on hedging activities, beginning of year | \$ 33.8 | \$ 41.4 | \$ 48.6 |
| Unrealized gains/(losses) | (73.9) | 34.3 | 70.8 |
| Tax (expense)/benefit | 2.2 | 1.0 | (7.0) |
| Reclassification of gains into "Revenues" | (4.8) | (48.0) | (77.8) |
| Reclassification of losses into "Interest expense" | 3.3 | 3.6 | 3.6 |
| Tax expense/(benefit) related to reclassifications | (1.2) | 1.5 | 3.2 |
| Net unrealized gains/(losses) on hedging activities | (74.4) | (7.6) | (7.2) |
| Unrealized gains/(losses) on hedging activities, end of year | \$ (40.6) | \$ 33.8 | \$ 41.4 |
| Foreign currency translation adjustments, beginning of year | \$ (70.7) | \$ (66.0) | \$ (49.2) |
| Foreign currency translation adjustments | (6.8) | (5.4) | (20.3) |
| Tax benefit | 0.6 | 0.7 | 3.5 |
| Net foreign currency translation adjustments | (6.2) | (4.7) | (16.8) |
| Foreign currency translation adjustments, end of year | \$ (76.9) | \$ (70.7) | \$ (66.0) |
| Defined benefit pension plan adjustments, beginning of year | \$ (122.1) | \$ (127.1) | \$ (127.2) |
| Unrealized gains/(losses) | 2.3 | (2.9) | (9.7) |
| Tax (expense)/benefit | (0.5) | 1.1 | 2.5 |
| Reclassification of losses into "Cost of services" | 11.3 | 10.7 | 11.4 |
| Tax benefit related to reclassifications | (4.1) | (3.9) | (4.1) |
| Net defined benefit pension plan adjustments | 9.0 | 5.0 | 0.1 |
| Defined benefit pension plan adjustments, end of year | \$ (113.1) | \$ (122.1) | \$ (127.1) |
| Accumulated other comprehensive loss, end of year | \$ (227.9) | \$ (162.8) | \$ (143.9) |

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash Dividends Paid

Cash dividends paid for the years ended December 31, 2017 , 2016 and 2015 were \$325.6 million , \$312.2 million and \$316.5 million , respectively. Dividends per share declared quarterly by the Company's Board of Directors during the years ended 2017 , 2016 and 2015 were as follows:

| Year | Q1 | Q2 | Q3 | Q4 |
|------|----------|----------|----------|----------|
| 2017 | \$ 0.175 | \$ 0.175 | \$ 0.175 | \$ 0.175 |
| 2016 | \$ 0.16 | \$ 0.16 | \$ 0.16 | \$ 0.16 |
| 2015 | \$ 0.155 | \$ 0.155 | \$ 0.155 | \$ 0.155 |

On February 13, 2018 , the Company's Board of Directors declared a quarterly cash dividend of \$0.19 per common share payable on March 30, 2018 .

Share Repurchases

During the years ended December 31, 2017 , 2016 and 2015 , 24.9 million , 24.8 million and 25.1 million shares, respectively, have been repurchased for \$487.0 million , \$481.3 million and \$500.0 million , respectively, excluding commissions, at an average cost of \$19.55 , \$19.41 and \$19.96 per share, respectively. These amounts represent shares authorized by the Board of Directors for repurchase under the publicly announced authorizations. As of December 31, 2017 , \$943.5 million remained available under the share repurchase authorization approved by the Company's Board of Directors through December 31, 2019. The amounts included in the "Common stock repurchased" line in the Company's Consolidated Statements of Cash Flows represent both shares authorized by the Board of Directors for repurchase under the publicly announced authorization, described earlier, as well as shares withheld from employees to cover tax withholding obligations on restricted stock units that have vested.

14. Derivatives

The Company is exposed to foreign currency exchange risk resulting from fluctuations in exchange rates, primarily the euro, and to a lesser degree the British pound, Canadian dollar, Australian dollar, Swiss franc, and other currencies , related to forecasted revenues and on settlement assets and obligations as well as on certain foreign currency denominated cash and other asset and liability positions. The Company is also exposed to risk from derivative contracts, primarily from customer derivatives, arising from its cross-currency Business Solutions payments operations. Additionally, the Company is exposed to interest rate risk related to changes in market rates both prior to and subsequent to the issuance of debt. The Company uses derivatives to (a) minimize its exposures related to changes in foreign currency exchange rates and interest rates and (b) facilitate cross-currency Business Solutions payments by writing derivatives to customers.

The Company executes derivatives with established financial institutions, with the substantial majority of these financial institutions having credit ratings of "A-" or better from a major credit rating agency. The Company also writes Business Solutions derivatives mostly with small and medium size enterprises. The primary credit risk inherent in derivative agreements represents the possibility that a loss may occur from the nonperformance of a counterparty to the agreements. The Company performs a review of the credit risk of these counterparties at the inception of the contract and on an ongoing basis. The Company also monitors the concentration of its contracts with any individual counterparty. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements, but takes action when doubt arises about the counterparties' ability to perform. These actions may include requiring Business Solutions customers to post or increase collateral, and for all counterparties, the possible termination of the related contracts. The Company's hedged foreign currency exposures are in liquid currencies; consequently, there is minimal risk that appropriate derivatives to maintain the hedging program would not be available in the future.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign Currency Derivatives

The Company's policy is to use longer-term foreign currency forward contracts, with maturities of up to 36 months at inception and a targeted weighted-average maturity of approximately one year, to help mitigate some of the risk that changes in foreign currency exchange rates compared to the United States dollar could have on forecasted revenues denominated in other currencies related to its business. As of December 31, 2017, the Company's longer-term foreign currency forward contracts had maturities of a maximum of 24 months with a weighted-average maturity of approximately one year. These contracts are accounted for as cash flow hedges of forecasted revenue, with effectiveness assessed based on changes in the spot rate of the affected currencies during the period of designation. Accordingly, all changes in the fair value of the hedges not considered effective or portions of the hedge that are excluded from the measure of effectiveness are recognized immediately in "Derivative gains, net" within the Company's Consolidated Statements of Income/(Loss).

The Company also uses short duration foreign currency forward contracts, generally with maturities from a few days up to one month, to offset foreign exchange rate fluctuations on settlement assets and obligations between initiation and settlement. In addition, forward contracts, typically with maturities of less than one year at inception, are utilized to offset foreign exchange rate fluctuations on certain foreign currency denominated cash and other asset and liability positions. None of these contracts are designated as accounting hedges.

The aggregate equivalent United States dollar notional amounts of foreign currency forward contracts as of December 31, 2017 were as follows (in millions):

| | | |
|-------------------------------------|----|-------|
| Contracts designated as hedges: | | |
| Euro | \$ | 384.7 |
| British pound | | 103.4 |
| Canadian dollar | | 92.9 |
| Australian dollar | | 52.4 |
| Swiss franc | | 32.4 |
| Other | | 62.6 |
| Contracts not designated as hedges: | | |
| Euro | \$ | 320.0 |
| British pound | | 74.1 |
| Australian dollar | | 51.3 |
| Canadian dollar | | 46.8 |
| Mexican peso | | 42.8 |
| Indian rupee | | 35.9 |
| Brazilian real | | 29.7 |
| Other (a) | | 156.6 |

(a) Comprised of exposures to 21 different currencies. None of these individual currency exposures is greater than \$25 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Business Solutions Operations

The Company writes derivatives, primarily foreign currency forward contracts and option contracts, mostly with small and medium size enterprises and derives a currency spread from this activity as part of its Business Solutions operations. The Company aggregates its Business Solutions foreign currency exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties (economic hedge contracts). The derivatives written are part of the broader portfolio of foreign currency positions arising from the Company's cross-currency payments operations, which primarily include spot exchanges of currency in addition to forwards and options. Foreign exchange revenues from the total portfolio of positions were \$341.0 million, \$352.6 million, and \$357.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. None of the derivative contracts used in Business Solutions operations are designated as accounting hedges. The duration of these derivative contracts at inception is generally less than one year.

The aggregate equivalent United States dollar notional amount of foreign currency derivative customer contracts held by the Company in its Business Solutions operations as of December 31, 2017 was approximately \$6.0 billion. The significant majority of customer contracts are written in major currencies such as the Australian dollar, British pound, Canadian dollar, and euro.

Interest Rate Hedging

The Company utilizes interest rate swaps to effectively change the interest rate payments on a portion of its notes from fixed-rate payments to short-term LIBOR-based variable rate payments in order to manage its overall exposure to interest rates. The Company designates these derivatives as fair value hedges. The change in fair value of the interest rate swaps is offset by a change in the carrying value of the debt being hedged within "Borrowings" in the Consolidated Balance Sheets and "Interest expense" in the Consolidated Statements of Income/(Loss) has been adjusted to include the effects of interest accrued on the swaps.

The Company, at times, utilizes derivatives to hedge the forecasted issuance of fixed-rate debt. These derivatives are designated as cash flow hedges of the variability in the fixed-rate coupon of the debt expected to be issued. The effective portion of the change in fair value of the derivatives is recorded in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets.

The Company held interest rate swaps in an aggregate notional amount of \$475.0 million as of December 31, 2017. Of this aggregate notional amount held at December 31, 2017, \$300.0 million related to notes due in 2018 and \$175.0 million related to notes due in 2020.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Balance Sheet

The following table summarizes the fair value of derivatives reported in the Consolidated Balance Sheets as of December 31, 2017 and December 31, 2016 (in millions):

| | Balance Sheet Location | Derivative Assets | | Derivative Liabilities | |
|--|------------------------|-------------------|-------------------|------------------------|-------------------|
| | | Fair Value | | Fair Value | |
| | | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| Derivatives — hedges: | | | | | |
| Interest rate fair value hedges | Other assets | \$ 3.3 | \$ 6.7 | Other liabilities | \$ — |
| Foreign currency cash flow hedges | Other assets | 8.0 | 48.4 | Other liabilities | 36.1 |
| Total | | \$ 11.3 | \$ 55.1 | | \$ 36.1 |
| Derivatives — undesignated: | | | | | |
| Business Solutions operations — foreign currency (a) | Other assets | \$ 260.2 | \$ 307.2 | Other liabilities | \$ 221.6 |
| Foreign currency | Other assets | 1.9 | 3.3 | Other liabilities | 5.3 |
| Total | | \$ 262.1 | \$ 310.5 | | \$ 226.9 |
| Total derivatives | | \$ 273.4 | \$ 365.6 | | \$ 263.0 |

- (a) In many circumstances, the Company allows its Business Solutions customers to settle part or all of their derivative contracts prior to maturity. However, the offsetting positions originally entered into with financial institution counterparties do not allow for similar settlement. To mitigate this, additional foreign currency contracts are entered into with financial institution counterparties to offset the original economic hedge contracts. This frequently results in changes in the Company's derivative assets and liabilities that may not directly align to the growth in the underlying derivatives business.

The fair values of derivative assets and liabilities associated with contracts that include netting language that the Company believes to be enforceable have been netted in the following tables to present the Company's net exposure with these counterparties. The Company's rights under these agreements generally allow for transactions to be settled on a net basis, including upon early termination, which could occur upon the counterparty's default, a change in control, or other conditions.

In addition, certain of the Company's other agreements include netting provisions, the enforceability of which may vary from jurisdiction to jurisdiction and depending on the circumstances. Due to the uncertainty related to the enforceability of these provisions, the derivative balances associated with these agreements are included within "Derivatives that are not or may not be subject to master netting arrangement or similar agreement" in the following tables. In certain circumstances, the Company may require its Business Solutions customers to maintain collateral balances which may mitigate the risk associated with potential customer defaults.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables summarize the gross and net fair value of derivative assets and liabilities as of December 31, 2017 and December 31, 2016 (in millions):

Offsetting of Derivative Assets

| | Gross Amounts of Recognized Assets | Gross Amounts Offset in the Consolidated Balance Sheets | Net Amounts Presented in the Consolidated Balance Sheets | Derivatives Not Offset in the Consolidated Balance Sheets | Net Amounts |
|---|---------------------------------------|---|---|--|-------------|
| December 31, 2017 | | | | | |
| Derivatives subject to a master netting arrangement or similar agreement | \$ 115.4 | \$ — | \$ 115.4 | \$ (98.7) | \$ 16.7 |
| Derivatives that are not or may not be subject to master netting arrangement or similar agreement | 158.0 | | | | |
| Total | \$ 273.4 | | | | |
| December 31, 2016 | | | | | |
| Derivatives subject to a master netting arrangement or similar agreement | \$ 256.3 | \$ — | \$ 256.3 | \$ (146.4) | \$ 109.9 |
| Derivatives that are not or may not be subject to master netting arrangement or similar agreement | 109.3 | | | | |
| Total | \$ 365.6 | | | | |

Offsetting of Derivative Liabilities

| | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Consolidated Balance Sheets | Net Amounts Presented in the Consolidated Balance Sheets | Derivatives Not Offset in the Consolidated Balance Sheets | Net Amounts |
|---|---|---|---|--|-------------|
| December 31, 2017 | | | | | |
| Derivatives subject to a master netting arrangement or similar agreement | \$ 214.9 | \$ — | \$ 214.9 | \$ (98.7) | \$ 116.2 |
| Derivatives that are not or may not be subject to master netting arrangement or similar agreement | 48.1 | | | | |
| Total | \$ 263.0 | | | | |
| December 31, 2016 | | | | | |
| Derivatives subject to a master netting arrangement or similar agreement | \$ 152.6 | \$ — | \$ 152.6 | \$ (146.4) | \$ 6.2 |
| Derivatives that are not or may not be subject to master netting arrangement or similar agreement | 109.7 | | | | |
| Total | \$ 262.3 | | | | |

THE WESTERN UNION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Income Statement

The following tables summarize the location and amount of gains and losses of derivatives in the Consolidated Statements of Income/(Loss) segregated by designated, qualifying hedging instruments and those that are not, for the years ended December 31, 2017, 2016, and 2015 (in millions):

Fair Value Hedges

The following table presents the location and amount of gains/(losses) from fair value hedges for the years ended December 31, 2017, 2016, and 2015 (in millions):

| Derivatives | Gain/(Loss) Recognized in Income on Derivatives | | | Hedged Item | Gain/(Loss) Recognized in Income on Related Hedged Item (a) | | | Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) | | | | | |
|-------------------------|---|----------|--------|-------------|---|------------------|--------|--|---------------------------|------------------|----------|------|--------|
| | Income Statement Location | Amount | | | Income Statement Location | Amount | | | Income Statement Location | Amount | | | |
| | | 2017 | 2016 | | | 2015 | 2017 | 2016 | | 2015 | 2017 | 2016 | 2015 |
| Interest rate contracts | Interest expense | \$ (1.8) | \$ 6.2 | \$ 15.2 | Fixed-rate debt | Interest expense | \$ 3.9 | \$ 3.2 | \$ (2.3) | Interest expense | \$ (0.2) | \$ — | \$ 0.8 |
| Total gain/(loss) | | \$ (1.8) | \$ 6.2 | \$ 15.2 | | | \$ 3.9 | \$ 3.2 | \$ (2.3) | | \$ (0.2) | \$ — | \$ 0.8 |

Cash Flow Hedges

The following table presents the location and amount of gains/(losses) from cash flow hedges for the years ended December 31, 2017, 2016, and 2015 (in millions):

| Derivatives | Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion) | | | Income Statement Location | Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | | | Income Statement Location | Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b) | | |
|-----------------------------|--|---------|---------|---------------------------|---|---------|---------|---------------------------|--|--------|----------|
| | Amount | | | | Amount | | | | Amount | | |
| | 2017 | 2016 | 2015 | | 2017 | 2016 | 2015 | | 2017 | 2016 | 2015 |
| Foreign currency contracts | \$ (73.9) | \$ 34.3 | \$ 70.8 | Revenue | \$ 4.8 | \$ 48.0 | \$ 77.8 | Derivative gains, net | \$ 9.0 | \$ 3.7 | \$ (0.1) |
| Interest rate contracts (c) | — | — | — | Interest expense | (3.3) | (3.6) | (3.6) | Interest expense | — | — | — |
| Total gain/(loss) | \$ (73.9) | \$ 34.3 | \$ 70.8 | | \$ 1.5 | \$ 44.4 | \$ 74.2 | | \$ 9.0 | \$ 3.7 | \$ (0.1) |

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Undesignated Hedges

The following table presents the location and amount of net gains/(losses) from undesignated hedges for the years ended December 31, 2017, 2016, and 2015 (in millions):

| Derivatives | Income Statement Location | Gain/(Loss) Recognized in Income on Derivatives (d) | | |
|--------------------------------|-------------------------------------|---|---------|---------|
| | | Amount | | |
| | | 2017 | 2016 | 2015 |
| Foreign currency contracts (e) | Selling, general and administrative | \$ (20.5) | \$ 13.2 | \$ 35.9 |
| Foreign currency contracts (f) | Derivative gains, net | (0.5) | 0.8 | 1.3 |
| Total gain/(loss) | | \$ (21.0) | \$ 14.0 | \$ 37.2 |

- (a) The 2017 gain of \$3.9 million consisted of a gain in value on the debt of \$2.0 million and amortization of hedge accounting adjustments of \$1.9 million. The 2016 gain of \$3.2 million was comprised of a loss in value on the debt of \$6.2 million and amortization of hedge accounting adjustments of \$9.4 million. The 2015 loss of \$2.3 million was comprised of a loss in value on the debt of \$16.0 million and amortization of hedge accounting adjustments of \$13.7 million.
- (b) The portion of the change in fair value of a derivative excluded from the effectiveness assessment for foreign currency forward contracts designated as cash flow hedges represents the difference between changes in forward rates and spot rates.
- (c) The Company uses derivatives to hedge the forecasted issuance of fixed-rate debt and records the effective portion of the derivatives' fair value in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. These amounts are reclassified to "Interest expense" in the Consolidated Statements of Income/(Loss) over the life of the related notes.
- (d) The Company uses foreign currency forward and option contracts as part of its Business Solutions payments operations. These derivative contracts are excluded from this table as they are managed as part of a broader currency portfolio that includes non-derivative currency exposures. The gains and losses on these derivatives are included as part of the broader disclosure of portfolio revenue for this business discussed above.
- (e) The Company uses foreign currency forward contracts to offset foreign exchange rate fluctuations on settlement assets and obligations as well as certain foreign currency denominated positions. Foreign exchange gains/(losses) on settlement assets and obligations, cash balances, and other assets and liabilities, not including amounts related to derivatives activity as displayed above and included in "Selling, general, and administrative" in the Consolidated Statements of Income/(Loss) were \$17.5 million, \$(21.4) million, and \$(36.1) million for the years ended 2017, 2016, and 2015, respectively.
- (f) The derivative contracts used in the Company's revenue hedging program are not designated as hedges in the final month of the contract.

An accumulated other comprehensive pre-tax loss of \$23.7 million related to the foreign currency forward contracts is expected to be reclassified into revenue within the next 12 months as of December 31, 2017. Approximately \$2.0 million of net losses on the forecasted debt issuance hedges are expected to be recognized in "Interest expense" in the Consolidated Statements of Income/(Loss) within the next 12 months as of December 31, 2017. During the year ended December 31, 2017, \$1.4 million of losses were reclassified into earnings from "Accumulated other comprehensive loss" as a result of the underlying transactions being considered probable of not occurring. During the years ended December 31, 2016 and December 31, 2015, no amounts were reclassified into earnings as a result of an underlying transaction being considered probable of not occurring.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Borrowings

The Company's outstanding borrowings consisted of the following (in millions):

| | December 31, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| Notes: | | |
| 2.875% notes due 2017 (a) | \$ — | \$ 500.0 |
| 3.650% notes (effective rate of 5.0%) due 2018 | 400.0 | 400.0 |
| 3.350% notes due 2019 (b) | 250.0 | 250.0 |
| Floating rate notes (effective rate of 2.5%) due 2019 (c) | 250.0 | — |
| 5.253% notes due 2020 (b) | 324.9 | 324.9 |
| 3.600% notes (effective rate of 3.7%) due 2022 (d) | 500.0 | — |
| 6.200% notes due 2036 (b) | 500.0 | 500.0 |
| 6.200% notes due 2040 (b) | 250.0 | 250.0 |
| Term loan facility borrowing (effective rate of 3.0%) | 575.0 | 575.0 |
| Total borrowings at par value | 3,049.9 | 2,799.9 |
| Fair value hedge accounting adjustments, net (e) | 0.5 | 4.4 |
| Debt issuance costs and unamortized discount, net | (16.8) | (18.2) |
| Total borrowings at carrying value (f) | \$ 3,033.6 | \$ 2,786.1 |

- (a) Proceeds from the unsecured floating rate notes due May 22, 2019 ("Floating Rate Notes") and the August 22, 2017 sale of 3.600% unsecured notes due March 15, 2022 ("2022 Notes"), as well as cash generated from operations, were used to repay the December 2017 maturity of \$500.0 million of aggregate principal amount unsecured notes, as discussed further below.
- (b) The difference between the stated interest rate and the effective interest rate is not significant.
- (c) On August 22, 2017, the Company issued \$250.0 million of aggregate principal amount of Floating Rate Notes.
- (d) On March 15, 2017, the Company issued \$400.0 million of aggregate principal amount of 2022 Notes. On August 22, 2017, the Company issued an additional \$100.0 million of aggregate principal amount of 2022 Notes, for an aggregate principal total of \$500.0 million of 2022 Notes.
- (e) The Company utilizes interest rate swaps designated as fair value hedges to effectively change the interest rate payments on a portion of its notes from fixed-rate payments to short-term LIBOR-based variable rate payments in order to manage its overall exposure to interest rates. The changes in fair value of these interest rate swaps result in an offsetting hedge accounting adjustment recorded to the carrying value of the related note. These hedge accounting adjustments will be reclassified as reductions to or increases in "Interest expense" in the Consolidated Statements of Income/(Loss) over the life of the related notes and cause the effective rate of interest to differ from the notes' stated rate.
- (f) As of December 31, 2017, the Company's weighted-average effective rate on total borrowings was approximately 4.5%.

The following summarizes the Company's maturities of borrowings at par value as of December 31, 2017 (in millions):

| | |
|-----------------------------------|----------|
| Due within 1 year | \$ 414.3 |
| Due after 1 year through 2 years | 528.8 |
| Due after 2 years through 3 years | 368.0 |
| Due after 3 years through 4 years | 488.8 |
| Due after 4 years through 5 years | 500.0 |
| Due after 5 years | 750.0 |

The Company's obligations with respect to its outstanding notes, as described below, rank equally.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Commercial Paper Program

Pursuant to the Company's commercial paper program, the Company may issue unsecured commercial paper notes in an amount not to exceed \$1.5 billion outstanding at any time, reduced to the extent of borrowings outstanding on the Company's Revolving Credit Facility in excess of \$150 million. The commercial paper notes may have maturities of up to 397 days from date of issuance. The Company had no commercial paper borrowings outstanding as of December 31, 2017 and 2016.

Revolving Credit Facility

On September 29, 2015, the Company entered into a credit agreement which expires in September 2020 providing for unsecured financing facilities in an aggregate amount of \$1.65 billion, including a \$250.0 million letter of credit sub-facility ("Revolving Credit Facility"). Consistent with the prior facility, the Company is required to maintain compliance with a consolidated interest coverage ratio covenant. The Revolving Credit Facility supports borrowings under the Company's \$1.5 billion commercial paper program.

Interest due under the Revolving Credit Facility is fixed for the term of each borrowing and is payable according to the terms of that borrowing. Generally, interest is calculated using a selected LIBOR rate plus an interest rate margin of 110 basis points. A facility fee of 15 basis points is also payable quarterly on the total facility, regardless of usage. Both the interest rate margin and facility fee percentage are based on certain of the Company's credit ratings.

As of December 31, 2017 and 2016, the Company had no outstanding borrowings under the Revolving Credit Facility.

Term Loan Facility

On April 11, 2016, the Company entered into a term loan agreement, which matures in April 2021, providing for an unsecured delayed draw term loan facility in an aggregate amount of \$575 million (the "Term Loan Facility"). In October 2016, the Company borrowed \$575 million under the Term Loan Facility and used the proceeds, in addition to cash, including cash generated from operations, and proceeds from commercial paper borrowings in October 2016 to repay the Company's notes due in October 2016.

The Term Loan Facility requires the Company to maintain a consolidated adjusted EBITDA interest coverage ratio of greater than 3 :1 for each period of four consecutive fiscal quarters. The Term Loan Facility also contains customary representations, warranties and events of default.

Generally, interest under the Term Loan Facility is calculated using a selected LIBOR rate plus an interest rate margin of 150 basis points. The interest rate margin percentage is based on certain of the Company's credit ratings and will increase or decrease in the event of certain upgrades or downgrades in the Company's credit ratings.

In addition to the payment of interest, the Company is required to make certain periodic amortization payments with respect to the outstanding principal of the term loan, beginning in July 2018. The final maturity date of the Term Loan Facility is April 11, 2021.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Notes

On August 22, 2017, the Company issued \$250.0 million of aggregate principal amount of unsecured floating rate notes due May 22, 2019. Interest with respect to the Floating Rate Notes is payable quarterly on each February 22, May 22, August 22 and November 22, beginning November 22, 2017, at a per annum interest rate equal to the three-month LIBOR plus 80 basis points (reset quarterly). The Company may not redeem the Floating Rate Notes prior to maturity.

On March 15, 2017, the Company issued \$400.0 million of aggregate principal amount of unsecured notes due March 15, 2022. On August 22, 2017, the Company issued an additional \$100.0 million of aggregate principal amount of unsecured notes due March 15, 2022. The notes issued on August 22, 2017 are part of the same series and, accordingly, have the same terms and conditions as the notes issued on March 15, 2017; however, the notes issued on August 22, 2017 were issued at a premium of 101.783% and the Company received \$1.57 million of accrued interest upon issuance. Interest with respect to the 2022 Notes is payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2017, based on the per annum rate of 3.600%. The interest rate payable on the 2022 Notes will be increased if the debt rating assigned to the note is downgraded by an applicable credit rating agency, beginning at a downgrade below investment grade. However, in no event will the interest rate on the 2022 Notes exceed 5.60% per annum. The interest rate payable on the 2022 Notes may also be adjusted downward for debt rating upgrades subsequent to any debt rating downgrades but may not be adjusted below 3.600% per annum. The Company may redeem the 2022 Notes at any time prior to February 15, 2022 at the greater of par or a price based on the applicable treasury rate plus 25 basis points. The Company may redeem the 2022 Notes at any time after February 15, 2022 at a price equal to par, plus accrued interest.

On November 22, 2013, the Company issued \$250.0 million of aggregate principal amount of unsecured notes due May 22, 2019 ("2019 Notes"). Interest with respect to the 2019 Notes is payable semi-annually in arrears on May 22 and November 22 of each year, beginning on May 22, 2014, based on the fixed per annum rate of 3.350%. The interest rate payable on the 2019 Notes will be increased if the debt rating assigned to the note is downgraded by an applicable credit rating agency, beginning at a downgrade below investment grade. However, in no event will the interest rate on the 2019 Notes be increased by more than 2.00% above 3.350% per annum. The interest rate payable on the 2019 Notes may also be adjusted downward for debt rating upgrades subsequent to any debt rating downgrades but may not be adjusted below 3.350% per annum. The Company may redeem the 2019 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 30 basis points.

On August 22, 2013, the Company issued \$250.0 million of aggregate principal amount of unsecured floating rate notes due August 21, 2015 ("2015 Floating Rate Notes"). The 2015 Floating Rate Notes matured and were repaid in August 2015.

On December 10, 2012, the Company issued \$250.0 million and \$500.0 million of aggregate principal amounts of unsecured notes due December 10, 2015 ("2015 Fixed Rate Notes") and December 10, 2017 ("2017 Notes"), respectively. The 2015 Fixed Rate Notes matured and were repaid in December 2015. In December 2017, the 2017 Notes matured and were repaid.

On August 22, 2011, the Company issued \$400.0 million of aggregate principal amount of unsecured notes due August 22, 2018 ("2018 Notes"). Interest with respect to the 2018 Notes is payable semi-annually in arrears on February 22 and August 22 of each year, based on the fixed per annum rate of 3.650%. The Company may redeem the 2018 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 35 basis points.

On June 21, 2010, the Company issued \$250.0 million of aggregate principal amount of unsecured notes due June 21, 2040 ("2040 Notes"). Interest with respect to the 2040 Notes is payable semi-annually on June 21 and December 21 each year based on the fixed per annum rate of 6.200%. The Company may redeem the 2040 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 30 basis points.

On March 30, 2010, the Company exchanged \$303.7 million of aggregate principal amount of unsecured notes due November 17, 2011 for unsecured notes due April 1, 2020 ("2020 Notes"). Interest with respect to the 2020 Notes is payable semi-annually on April 1 and October 1 each year based on the fixed per annum rate of 5.253%. In connection with the exchange, note holders were given a 7% premium (\$21.2 million), which approximated market value at the exchange date, as additional principal. As this transaction was accounted for as a debt modification, this premium was not charged to expense. Rather, the premium, along with the offsetting hedge accounting adjustments, will be accreted into "Interest expense" over the life of the notes. The Company may redeem the 2020 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 15 basis points.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On November 17, 2006, the Company issued \$500.0 million of aggregate principal amount of unsecured notes due November 17, 2036 ("2036 Notes"). Interest with respect to the 2036 Notes is payable semi-annually on May 17 and November 17 each year based on the fixed per annum rate of 6.200% . The Company may redeem the 2036 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 25 basis points.

On September 29, 2006, the Company issued \$1.0 billion of aggregate principal amount of unsecured notes maturing on October 1, 2016 ("2016 Notes"). In October 2016, the 2016 Notes matured and were repaid.

The Revolving Credit Facility and Term Loan Facility contain covenants, subject to certain exceptions, that, among other things, limit or restrict the Company's ability to sell or transfer assets or merge or consolidate with another company, grant certain types of security interests, incur certain types of liens, impose restrictions on subsidiary dividends, enter into sale and leaseback transactions, incur certain subsidiary level indebtedness, or use proceeds in violation of anti-corruption or anti-money laundering laws. The Company's notes are subject to similar covenants except that only the 2020 Notes and the 2036 Notes contain covenants limiting or restricting subsidiary indebtedness and none of the Company's notes are subject to a covenant that limits the Company's ability to impose restrictions on subsidiary dividends.

Certain of the Company's notes (the Floating Rate Notes, 2018 Notes, 2019 Notes, and 2022 Notes) include a change of control triggering event provision, as defined in the terms of the notes. If a change of control triggering event occurs, holders of the notes may require the Company to repurchase some or all of their notes at a price equal to 101% of the principal amount of their notes, plus any accrued and unpaid interest. A change of control triggering event will occur when there is a change of control involving the Company and among other things, within a specified period in relation to the change of control, the notes are downgraded from an investment grade rating to below an investment grade rating by all three major credit rating agencies.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Stock Compensation Plans*Stock Compensation Plans**The Western Union Company 2006 Long-Term Incentive Plan and 2015 Long-Term Incentive Plan*

The Western Union Company 2015 Long-Term Incentive Plan ("2015 LTIP"), approved on May 15, 2015, provides for the granting of stock options, restricted stock awards and units, unrestricted stock awards and units, and other equity-based awards to employees and non-employee directors of the Company. Prior to this, equity-based awards were granted out of the 2006 Long-Term Incentive Plan ("2006 LTIP"). Shares available for grant under the 2015 LTIP were 28.1 million as of December 31, 2017.

Options granted under the 2015 LTIP and the 2006 LTIP are issued with exercise prices equal to the fair market value of Western Union common stock on the grant date, have 10-year terms, and typically vest over four equal annual increments beginning 12 months after the date of grant, with the exception of options granted to retirement eligible employees, which generally will vest on a prorated basis, upon termination. Compensation expense related to stock options is recognized over the requisite service period, which is the same as the vesting period.

Restricted stock unit grants typically vest over four equal annual increments beginning 12 months after the date of grant. Restricted stock units granted to retirement eligible employees generally vest on a prorated basis upon termination. The fair value of the awards granted is measured based on the fair value of the shares on the date of grant. The majority of stock unit grants do not provide for the payment of dividend equivalents. For those grants, the value of the grants is reduced by the net present value of the foregone dividend equivalent payments. The related compensation expense is recognized over the requisite service period, which is the same as the vesting period.

The compensation committee of the Company's Board of Directors has granted the Company's executives and certain other key employees, excluding the Chief Executive Officer ("CEO"), long-term incentive awards under the 2015 LTIP and 2006 LTIP, which in 2017 and 2016 consisted of 60% Financial PSUs (as defined below), 20% TSR PSUs (as defined below), and 20% restricted stock unit awards. The CEO received long-term incentive awards under the 2015 LTIP and 2006 LTIP, which in 2017 and 2016 consisted of 60% Financial PSUs (as defined below), 20% TSR PSUs (as defined below), and 20% stock option awards. In 2017, the compensation committee granted Senior Vice Presidents ("SVPs") of the Company awards under the 2015 LTIP which consisted of 50% Financial PSUs (as defined below) and 50% restricted stock unit awards. The compensation committee granted the remaining non-executive employees of the Company participating in the 2015 LTIP (other than those non-executive employees receiving the performance-based restricted stock units described above) annual equity grants consisting solely of restricted stock unit awards for 2017. In 2016 the SVPs and the remaining non-executive employees of the Company received annual equity awards consisting solely of restricted stock unit awards.

The performance-based restricted stock units granted to the Company's executives in 2017 are restricted stock units and consist of two separate awards. The first award consists of performance-based restricted stock units, which require the Company to meet certain financial objectives during 2017, 2018 and 2019 ("Financial PSUs"). The second award consists of performance-based restricted stock units with a market condition tied to the Company's total shareholder return in relation to the S&P 500 Index as calculated over a three-year performance period (2017 through 2019) ("TSR PSUs"). Both of these awards will vest 100% on the third anniversary of the grant date, contingent upon threshold market and financial performance metrics being met. The actual number of performance-based restricted stock units that the recipients will receive for both 2017 awards will range from 0% up to 150% of the target number of stock units granted based on actual financial and total shareholder return performance results. The performance-based restricted stock units granted in 2016 were designed similar to the 2017 awards described above. The grant date fair value of the performance-based restricted stock units is fixed and the amount of restricted stock units that will ultimately vest depends upon the level of achievement of the performance and market conditions over the performance period. The fair value of the Financial PSUs is measured similar to the restricted stock units discussed above, while the fair value of the TSR PSUs is determined using the Monte-Carlo simulation model. Unlike the Financial PSUs, compensation costs related to the TSR PSUs are recognized regardless of whether the market condition is satisfied, provided that the requisite service period has been completed.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has also granted deferred stock units out of the 2015 LTIP to the non-employee directors of the Company. Since deferred stock units vest immediately, compensation expense is recognized on the date of grant based on the fair value of the awards when granted. These awards may be settled immediately unless the participant elects to defer the receipt of common shares under the applicable plan rules.

Stock Option Activity

A summary of stock option activity for the year ended December 31, 2017 was as follows (options and aggregate intrinsic value in millions):

| | Year Ended December 31, 2017 | | | |
|---------------------------------------|------------------------------|---------------------------------|---|---------------------------|
| | Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
| Outstanding as of January 1 | 8.1 | \$ 17.46 | | |
| Granted | 0.4 | \$ 19.99 | | |
| Exercised | (0.8) | \$ 15.57 | | |
| Cancelled/forfeited | (0.4) | \$ 19.97 | | |
| Outstanding as of December 31 | 7.3 | \$ 17.71 | 4.6 | \$ 13.4 |
| Options exercisable as of December 31 | 6.1 | \$ 17.49 | 3.9 | \$ 12.7 |

The Company received \$13.0 million, \$32.5 million and \$80.1 million in cash proceeds related to the exercise of stock options during the years ended December 31, 2017, 2016 and 2015, respectively. Upon the exercise of stock options, shares of common stock are issued from authorized common shares.

The Company realized total tax benefits during the years ended December 31, 2017, 2016 and 2015 from stock option exercises of \$1.3 million, \$1.6 million and \$4.3 million, respectively.

The total intrinsic value of stock options exercised during the years ended December 31, 2017, 2016 and 2015 was \$4.0 million, \$5.3 million and \$15.0 million, respectively.

Restricted Stock Activity

A summary of activity for restricted stock units and performance-based restricted stock units for the year ended December 31, 2017 is listed below (units in millions):

| | Year Ended December 31, 2017 | |
|------------------------------|------------------------------|--|
| | Number Outstanding | Weighted-Average Grant-Date Fair Value |
| Non-vested as of January 1 | 7.4 | \$ 16.68 |
| Granted | 3.6 | \$ 17.70 |
| Vested | (2.4) | \$ 16.02 |
| Forfeited | (1.2) | \$ 17.10 |
| Non-vested as of December 31 | 7.4 | \$ 17.32 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-Based Compensation

The following table sets forth the total impact on earnings for stock-based compensation expense recognized in the Consolidated Statements of Income/(Loss) resulting from stock options, restricted stock units, performance-based restricted stock units and bonus/deferred stock units for the years ended December 31, 2017, 2016 and 2015 (in millions, except per share data).

| | Year Ended December 31, | | |
|--|-------------------------|-----------|-----------|
| | 2017 | 2016 | 2015 |
| Stock-based compensation expense | \$ (43.9) | \$ (41.8) | \$ (42.2) |
| Income tax benefit from stock-based compensation expense | 12.8 | 12.3 | 12.3 |
| Net income/(loss) impact | \$ (31.1) | \$ (29.5) | \$ (29.9) |
| Earnings/(loss) per share: | | | |
| Basic and Diluted | \$ (0.07) | \$ (0.06) | \$ (0.06) |

As of December 31, 2017, there was \$1.4 million of total unrecognized compensation cost, net of assumed forfeitures, related to non-vested stock options which is expected to be recognized over a weighted-average period of 2.5 years, and there was \$64.6 million of total unrecognized compensation cost, net of assumed forfeitures, related to non-vested restricted stock units and performance-based restricted stock units which is expected to be recognized over a weighted-average period of 2.1 years.

Fair Value Assumptions

The Company used the following assumptions for the Black-Scholes option pricing model to determine the value of Western Union options granted.

| | Year Ended December 31, | | |
|--|-------------------------|---------|---------|
| | 2017 | 2016 | 2015 |
| Stock options granted: | | | |
| Weighted-average risk-free interest rate | 2.1% | 1.4% | 1.7% |
| Weighted-average dividend yield | 3.5% | 3.3% | 3.6% |
| Volatility | 24.7% | 27.9% | 28.2% |
| Expected term (in years) | 6.05 | 6.32 | 6.00 |
| Weighted-average grant date fair value | \$ 3.39 | \$ 3.44 | \$ 3.58 |

Risk-free interest rate - The risk-free rate for stock options granted during the period is determined by using a United States Treasury rate for the period that coincided with the expected terms listed above.

Expected dividend yield - The Company's expected annual dividend yield is the calculation of the annualized Western Union dividend divided by an average Western Union stock price on each respective grant date.

Expected volatility - For the Company's executives and non-employee directors, the expected volatility for the 2017, 2016 and 2015 grants was 24.7%, 27.9% and 28.2%, respectively. There were no options granted to non-executive employees in 2017, 2016 or 2015. The Company used a blend of implied and historical volatility. Volatility was calculated using the market price of traded options on Western Union's common stock and the historical volatility of Western Union stock data.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Expected term - For 2017 and 2016, Western Union's expected term for the CEO grant was 6 years and approximately 7 years for the non-employee director grants. For 2015, Western Union's expected term for all grants was approximately 6 years. The Company's expected term for options was based upon, among other things, historical exercises, the vesting term of the Company's options and the options' contractual term of ten years.

The assumptions used to calculate the fair value of options granted are evaluated and revised, as necessary, to reflect market conditions and the Company's historical experience and future expectations. The calculated fair value is recognized as compensation cost in the Company's consolidated financial statements over the requisite service period of the entire award. Compensation cost is recognized only for those options expected to vest, with forfeitures estimated at the date of grant and evaluated and adjusted periodically to reflect the Company's historical experience and future expectations. Any change in the forfeiture assumption is accounted for as a change in estimate, with the cumulative effect of the change on periods previously reported being reflected in the consolidated financial statements of the period in which the change is made.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Segments

As further described in Note 1, the Company made changes to its operating and reportable segments in the second quarter of 2017, and the historical Consumer-to-Business operating segment is no longer a separate operating segment. The Company currently consists of two reportable segments: Consumer-to-Consumer and Business Solutions. Operating segments are defined as components of an enterprise that engage in business activities, about which separate financial information is available that is evaluated regularly by the Company's CODM in deciding where to allocate resources and in assessing performance.

The Consumer-to-Consumer operating segment facilitates money transfers between two consumers. The Company's money transfer service is viewed by the Company as one interconnected global network where a money transfer can be sent from one location to another, around the world. The segment includes five geographic regions whose functions are primarily related to generating, managing and maintaining agent relationships and localized marketing activities. The Company includes its online money transfer services initiated through Western Union branded websites ("westernunion.com") in its regions. By means of common processes and systems, these regions, including westernunion.com, create an interconnected network for consumer transactions, thereby constituting one global Consumer-to-Consumer money transfer business and one operating segment.

The Business Solutions operating segment facilitates payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals.

All businesses and other services that have not been classified in the above segments are reported as "Other," which primarily includes the Company's electronic-based and cash-based bill payment services which facilitate bill payments from consumers to businesses and other organizations and which were previously reported in the historical Consumer-to-Business operating segment, and the Company's money order and other services.

The Company's reportable segments are reviewed separately below because each reportable segment represents a strategic business unit that offers different products and serves different markets. The business segment measurements provided to, and evaluated by, the Company's CODM are computed in accordance with the following principles:

- The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.
- Corporate costs, including stock-based compensation and other overhead, are allocated to the segments primarily based on a percentage of the segments' revenue compared to total revenue.
- As described in Note 4, for the year ended December 31, 2017, the Company recognized a goodwill impairment charge of \$464.0 million related to its Business Solutions reporting unit. While the impairment was identifiable to the Business Solutions segment, it was not allocated to the segment, as it was not included in the measurement of segment operating income provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation.
- Expenses of \$60.0 million related to the NYDFS Consent Order for the year ended December 31, 2017, and expenses of \$8.0 million and \$601.0 million related to the Joint Settlement Agreements for the years ended December 31, 2017 and 2016, respectively, were not allocated to the segments. While these items were identifiable to the Company's Consumer-to-Consumer segment, they were not included in the measurement of segment operating income provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on the NYDFS Consent Order and the Joint Settlement Agreements, see Note 5.
- Business transformation expenses of \$94.4 million and \$20.3 million for the years ended December 31, 2017 and 2016, respectively, were not allocated to the segments. While certain of these items were identifiable to the Company's segments, they were not included in the measurement of segment operating income provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on business transformation related activities, see Note 3.
- Costs incurred for the review and closing of acquisitions are included in "Other."
- All items not included in operating income are excluded from the segments.

THE WESTERN UNION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables present the Company's reportable segment results for the years ended December 31, 2017, 2016 and 2015, respectively (in millions). Results for the years ended 2016 and 2015 have been adjusted to conform to the changes in reportable segments discussed in Note 1.

| | Year Ended December 31, | | |
|--|-------------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 |
| Revenues: | | | |
| Consumer-to-Consumer | \$ 4,354.5 | \$ 4,304.6 | \$ 4,343.9 |
| Business Solutions | 383.9 | 396.0 | 398.7 |
| Other (a) | 785.9 | 722.3 | 741.1 |
| Total consolidated revenues | \$ 5,524.3 | \$ 5,422.9 | \$ 5,483.7 |
| Operating income: | | | |
| Consumer-to-Consumer | \$ 1,002.4 | \$ 1,008.7 | \$ 1,042.0 |
| Business Solutions | 13.6 | 21.1 | 2.8 |
| Other (a) (b) | 83.8 | 75.2 | 64.6 |
| Total segment operating income | 1,099.8 | 1,105.0 | 1,109.4 |
| Goodwill impairment charge (Note 4) | (464.0) | — | — |
| NYDFS Consent Order (Note 5) | (60.0) | — | — |
| Joint Settlement Agreements (Note 5) | (8.0) | (601.0) | — |
| Business transformation expenses (Note 3) | (94.4) | (20.3) | — |
| Total consolidated operating income | \$ 473.4 | \$ 483.7 | \$ 1,109.4 |

(a) Other consists primarily of the Company's bill payments businesses in the United States and Argentina.

(b) During the year ended December 31, 2015, Other operating income included \$35.3 million of expenses related to a settlement agreement between the Consumer Financial Protection Bureau and one of the Company's subsidiaries, Paymap, Inc.

| | Year Ended December 31, | | |
|---|-------------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 |
| Assets: | | | |
| Consumer-to-Consumer | \$ 4,850.8 | \$ 4,467.7 | \$ 4,738.7 |
| Business Solutions (a) | 1,575.5 | 2,370.8 | 2,384.4 |
| Other | 2,805.1 | 2,581.1 | 2,326.1 |
| Total assets | \$ 9,231.4 | \$ 9,419.6 | \$ 9,449.2 |
| Depreciation and amortization: | | | |
| Consumer-to-Consumer | \$ 183.0 | \$ 183.5 | \$ 183.4 |
| Business Solutions | 42.5 | 50.8 | 57.4 |
| Other | 37.4 | 28.9 | 29.4 |
| Total consolidated depreciation and amortization | \$ 262.9 | \$ 263.2 | \$ 270.2 |
| Capital expenditures: | | | |
| Consumer-to-Consumer | \$ 120.2 | \$ 167.7 | \$ 191.0 |
| Business Solutions | 8.8 | 11.4 | 19.2 |
| Other | 48.1 | 50.7 | 56.3 |
| Total capital expenditures | \$ 177.1 | \$ 229.8 | \$ 266.5 |

(a) The decrease in Business Solutions assets is primarily due to a goodwill impairment charge recognized in the fourth quarter of 2017 in this segment, as further discussed in Note 4.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The geographic revenue split for Consumer-to-Consumer transactions in the table below, including westernunion.com transactions, is determined entirely based upon the region where the money transfer is initiated. Prior to January 1, 2017, for transactions originated and paid in different regions, the Company split the revenue between the two regions, with each region receiving 50%. The results for the years ended December 31, 2016 and 2015 have been adjusted to attribute the revenue entirely to the region where the transaction was initiated. The geographic split of revenue below for the Business Solutions segment and Other is also based upon the country where the transaction is initiated with 100% of the revenue allocated to that country. Long-lived assets, consisting of "Property and equipment, net," are presented based upon the location of the assets.

Based on the method used to attribute revenue between countries described in the paragraph above, each individual country outside the United States accounted for less than 10% of consolidated revenue for the years ended December 31, 2017, 2016 and 2015, respectively. In addition, each individual agent or Business Solutions customer accounted for less than 10% of consolidated revenue during these periods.

Information concerning principal geographic areas was as follows (in millions):

| | Year Ended December 31, | | |
|--------------------|-------------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 |
| Revenue: | | | |
| United States | \$ 2,159.0 | \$ 2,091.5 | \$ 1,962.1 |
| International | 3,365.3 | 3,331.4 | 3,521.6 |
| Total | <u>\$ 5,524.3</u> | <u>\$ 5,422.9</u> | <u>\$ 5,483.7</u> |
| Long-lived assets: | | | |
| United States | \$ 156.8 | \$ 174.0 | \$ 182.9 |
| International | 57.4 | 46.5 | 48.9 |
| Total | <u>\$ 214.2</u> | <u>\$ 220.5</u> | <u>\$ 231.8</u> |

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Quarterly Financial Information (Unaudited)

Summarized quarterly results for the years ended December 31, 2017 and 2016 were as follows (in millions, except per share data):

| 2017 by Quarter: | Q1 | Q2 | Q3 | Q4 | Year Ended December 31, 2017 |
|--------------------------------------|------------|------------|------------|--------------|---------------------------------|
| Revenues | \$ 1,302.4 | \$ 1,378.9 | \$ 1,404.7 | \$ 1,438.3 | \$ 5,524.3 |
| Expenses (a) (b) (c) | 1,062.9 | 1,164.1 | 1,133.1 | 1,690.8 | 5,050.9 |
| Operating income/(loss) | 239.5 | 214.8 | 271.6 | (252.5) | 473.4 |
| Other expense, net | 26.4 | 30.4 | 32.4 | 36.7 | 125.9 |
| Income/(loss) before income taxes | 213.1 | 184.4 | 239.2 | (289.2) | 347.5 |
| Provision for income taxes (d) | 51.4 | 17.9 | 3.6 | 831.7 | 904.6 |
| Net income/(loss) | \$ 161.7 | \$ 166.5 | \$ 235.6 | \$ (1,120.9) | \$ (557.1) |
| Earnings/(loss) per share: | | | | | |
| Basic | \$ 0.34 | \$ 0.35 | \$ 0.51 | \$ (2.44) | \$ (1.19) |
| Diluted | \$ 0.33 | \$ 0.35 | \$ 0.51 | \$ (2.44) | \$ (1.19) |
| Weighted-average shares outstanding: | | | | | |
| Basic | 479.8 | 469.4 | 462.8 | 459.6 | 467.9 |
| Diluted | 483.4 | 472.0 | 465.4 | 459.6 | 467.9 |

- (a) Includes a goodwill impairment charge of \$464.0 million in the fourth quarter related to the Company's Business Solutions reporting unit. For more information, see Note 4.
- (b) Includes a \$49 million accrual in the second quarter and an \$11 million accrual in the fourth quarter as a result of the NYDFS Consent Order, and an additional \$8 million of expenses in the third quarter related to the independent compliance auditor required pursuant to the terms of the Joint Settlement Agreements, as described further in Note 5.
- (c) Includes \$14.3 million, \$35.0 million, \$9.9 million, and \$35.2 million in the first, second, third, and fourth quarters, respectively, of expenses related to business transformation. For more information, see Note 3.
- (d) Includes an estimated \$828 million in the fourth quarter of 2017 related to the enactment of the Tax Act into United States law, primarily due to a tax on certain previously undistributed earnings of foreign subsidiaries, partially offset by the remeasurement of deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects. This tax charge, combined with the Company's other 2017 United States taxable income and tax attributes, results in an estimated United States federal tax liability of \$780 million at December 31, 2017, which the Company has elected to pay in periodic installments over the next eight years. As discussed in Note 10, certain of the law's impacts have been provisionally estimated and will likely be adjusted in future periods as the Company completes its accounting for these matters in 2018.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| 2016 by Quarter: | Q1 | Q2 | Q3 | Q4 | Year Ended December 31, 2016 |
|--------------------------------------|-----------------|-----------------|-----------------|-------------------|---|
| Revenues | \$ 1,297.7 | \$ 1,375.7 | \$ 1,377.8 | \$ 1,371.7 | \$ 5,422.9 |
| Expenses (e) (f) | 1,039.1 | 1,115.4 | 1,099.5 | 1,685.2 | 4,939.2 |
| Operating income/(loss) | 258.6 | 260.3 | 278.3 | (313.5) | 483.7 |
| Other expense, net | 41.1 | 37.8 | 38.3 | 24.8 | 142.0 |
| Income/(loss) before income taxes | 217.5 | 222.5 | 240.0 | (338.3) | 341.7 |
| Provision for income taxes | 31.8 | 16.9 | 23.1 | 16.7 | 88.5 |
| Net income/(loss) | <u>\$ 185.7</u> | <u>\$ 205.6</u> | <u>\$ 216.9</u> | <u>\$ (355.0)</u> | <u>\$ 253.2</u> |
| Earnings/(loss) per share: | | | | | |
| Basic | \$ 0.37 | \$ 0.42 | \$ 0.45 | \$ (0.73) | \$ 0.52 |
| Diluted | \$ 0.37 | \$ 0.42 | \$ 0.44 | \$ (0.73) | \$ 0.51 |
| Weighted-average shares outstanding: | | | | | |
| Basic | 500.0 | 490.3 | 487.0 | 483.6 | 490.2 |
| Diluted | 503.2 | 493.0 | 490.3 | 483.6 | 493.5 |

(e) Includes \$15 million of accruals in each of the second and third quarters and \$571 million of additional expenses in the fourth quarter as a result of the Joint Settlement Agreements, as described further in Note 5.

(f) Includes \$2.1 million, \$5.0 million, and \$13.2 million in the second, third, and fourth quarters, respectively, of expenses related to business transformation. For more information, see Note 3.

THE WESTERN UNION COMPANY

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

The following lists the condensed financial information for the parent company as of December 31, 2017 and 2016 and statements of income/(loss) and comprehensive income/(loss) and cash flows for each of the three years in the period ended December 31, 2017 .

THE WESTERN UNION COMPANY

**CONDENSED BALANCE SHEETS
(PARENT COMPANY ONLY)
(in millions, except per share amounts)**

| | December 31, | |
|--|-------------------|-------------------|
| | 2017 | 2016 |
| Assets | | |
| Cash and cash equivalents | \$ 1.0 | \$ 0.3 |
| Property and equipment, net of accumulated depreciation of \$28.5 and \$26.6, respectively | 33.9 | 34.7 |
| Other assets | 34.2 | 39.4 |
| Investment in subsidiaries | 7,236.2 | 7,291.7 |
| Total assets | \$ 7,305.3 | \$ 7,366.1 |
| Liabilities and Stockholders' Equity/(Deficit) | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 74.6 | \$ 645.5 |
| Income taxes payable | 887.0 | 20.9 |
| Payable to subsidiaries, net | 3,800.8 | 3,010.6 |
| Borrowings | 3,033.6 | 2,786.1 |
| Other liabilities | 0.7 | 0.8 |
| Total liabilities | 7,796.7 | 6,463.9 |
| Stockholders' equity/(deficit): | | |
| Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued | — | — |
| Common stock, \$0.01 par value; 2,000 shares authorized; 459.0 shares and 481.5 shares issued and outstanding as of December 31, 2017 and 2016, respectively | 4.6 | 4.8 |
| Capital surplus | 697.8 | 640.9 |
| Retained earnings/(accumulated deficit) | (965.9) | 419.3 |
| Accumulated other comprehensive loss | (227.9) | (162.8) |
| Total stockholders' equity/(deficit) | (491.4) | 902.2 |
| Total liabilities and stockholders' equity/(deficit) | \$ 7,305.3 | \$ 7,366.1 |

See Notes to Condensed Financial Statements.

THE WESTERN UNION COMPANY
CONDENSED STATEMENTS OF INCOME/(LOSS) AND COMPREHENSIVE INCOME/(LOSS)
(PARENT COMPANY ONLY)
(in millions)

| | For the Years Ended December 31, | | |
|--|----------------------------------|----------|----------|
| | 2017 | 2016 | 2015 |
| Revenues | \$ — | \$ — | \$ — |
| Expenses | — | — | — |
| Operating income | — | — | — |
| Interest income | — | — | 0.2 |
| Interest expense | (177.0) | (168.1) | (171.2) |
| Other expense | (0.6) | — | — |
| Loss before equity in earnings/(losses) of affiliates and income taxes | (177.6) | (168.1) | (171.0) |
| Equity in earnings/(losses) of affiliates, net of tax | (436.1) | 357.1 | 943.3 |
| Income tax benefit | 56.6 | 64.2 | 65.5 |
| Net income/(loss) | (557.1) | 253.2 | 837.8 |
| Other comprehensive income, net of tax | 2.1 | 2.3 | 2.2 |
| Other comprehensive loss of affiliates, net of tax | (67.2) | (21.2) | (27.2) |
| Comprehensive income/(loss) | \$ (622.2) | \$ 234.3 | \$ 812.8 |

See Notes to Condensed Financial Statements.

THE WESTERN UNION COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
(PARENT COMPANY ONLY)
(in millions)

| | For the Years Ended December 31, | | |
|--|----------------------------------|-----------|----------|
| | 2017 | 2016 | 2015 |
| Cash flows from operating activities | | | |
| Net cash (used in)/provided by operating activities | \$ (605.0) | \$ 192.0 | \$ 327.1 |
| Cash flows from investing activities | | | |
| Purchases of property and equipment and other | (0.7) | (5.9) | (0.1) |
| Capital contributed to subsidiaries, net | — | (7.3) | (17.9) |
| Distributions received from subsidiaries, net | 307.3 | — | — |
| Net cash provided by/(used in) investing activities | 306.6 | (13.2) | (18.0) |
| Cash flows from financing activities | | | |
| Advances from subsidiaries, net | 868.3 | 1,024.0 | 796.1 |
| Net proceeds from issuance of borrowings | 746.2 | 575.0 | — |
| Principal payments on borrowings | (500.0) | (1,000.0) | (500.0) |
| Proceeds from exercise of options and other | 13.0 | 35.0 | 79.7 |
| Cash dividends paid | (325.6) | (312.2) | (316.5) |
| Common stock repurchased | (502.8) | (501.6) | (511.3) |
| Net cash provided by/(used in) financing activities | 299.1 | (179.8) | (452.0) |
| Net change in cash and cash equivalents | 0.7 | (1.0) | (142.9) |
| Cash and cash equivalents at beginning of year | 0.3 | 1.3 | 144.2 |
| Cash and cash equivalents at end of year | \$ 1.0 | \$ 0.3 | \$ 1.3 |
| Supplemental cash flow information: | | | |
| Non-cash investing activity, capital contribution to subsidiary (Note 3) | \$ 916.0 | \$ 591.0 | \$ — |
| Non-cash financing activity, distribution of note from subsidiary (Note 3) | \$ 80.3 | \$ — | \$ — |

See Notes to Condensed Financial Statements.

CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT**THE WESTERN UNION COMPANY
NOTES TO CONDENSED FINANCIAL STATEMENTS****1. Basis of Presentation**

The Western Union Company (the "Parent") is a holding company that conducts substantially all of its business operations through its subsidiaries. Under a parent company only presentation, the Parent's investments in its consolidated subsidiaries are presented under the equity method of accounting, and the condensed financial statements do not present the financial statements of the Parent and its subsidiaries on a consolidated basis. These financial statements should be read in conjunction with The Western Union Company's consolidated financial statements.

2. Restricted Net Assets

Certain assets of the Parent's subsidiaries totaling approximately \$265 million constitute restricted net assets, as there are legal or regulatory limitations on transferring such assets outside of the countries where the respective assets are located. Additionally, certain of the Parent's subsidiaries must meet minimum capital requirements in some countries in order to maintain operating licenses.

3. Related Party Transactions

All transactions described below are with subsidiaries of the Parent. The Parent has issued multiple promissory notes payable to its 100% owned subsidiary First Financial Management Corporation ("FFMC") in exchange for funds distributed to the Parent. All notes pay interest at a fixed rate, may be repaid at any time without penalty and are included within "Payable to subsidiaries, net" in the Condensed Balance Sheets. These promissory notes are as follows:

| Date Issued | Amount (in millions) | Due Date | Interest Rate (per annum) |
|--------------------|-----------------------------|--------------------|----------------------------------|
| June 1, 2015 | \$ 87.5 | February 28, 2018 | 0.43% |
| July 1, 2015 (a) | \$ 268.2 | March 31, 2018 | 0.43% |
| September 1, 2015 | \$ 226.2 | May 31, 2018 | 0.54% |
| January 1, 2017 | \$ 158.8 | September 30, 2019 | 0.96% |
| March 1, 2017 (a) | \$ 65.5 | November 30, 2019 | 1.01% |

(a) This note refinanced a note originally issued on a prior date.

On August 2, 2014, the Parent entered into a credit agreement (the "Facility") with its 100% owned subsidiary Custom House Holdings (USA), Ltd., which expires August 2, 2034, providing for unsecured financing facilities in an aggregate amount of \$700.0 million. As of December 31, 2017 and 2016, borrowings outstanding under the Facility were \$232.6 million and \$382.2 million, respectively. The interest rate applicable for outstanding borrowings under the Facility is the six-month LIBOR rate set on the first day of the calendar year, which was 1.84% and 0.84% for the years ended December 31, 2017 and 2016, respectively. Outstanding borrowings under the Facility are included within "Payable to subsidiaries, net" in the Condensed Balance Sheets as of December 31, 2017 and 2016.

On November 8, 2015, the Parent entered into a Revolving Credit Facility agreement (the "Revolver") with its 100% owned subsidiary RII Holdings, Inc, which expires on November 8, 2035, providing for unsecured financing facilities in an aggregate amount of \$3.0 billion. As of December 31, 2017 and 2016, borrowings outstanding under the Revolver were \$2.6 billion and \$1.5 billion, respectively. The interest rate applicable for outstanding borrowings under the Revolver is the six-month LIBOR rate set on the first day of the calendar year, which was 1.84% and 0.84% for the years ended December 31, 2017 and 2016, respectively. Outstanding borrowings under the Revolver are included within "Payable to subsidiaries, net" in the Condensed Balance Sheets as of December 31, 2017 and 2016.

CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

**THE WESTERN UNION COMPANY
NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)**

The Parent files its United States federal consolidated income tax return on its and certain of its affiliates' behalf. Accordingly, the Parent has recorded income taxes payable on behalf of its subsidiaries, and these income taxes payable were significant in the year ended December 31, 2017 due to the enactment of the Tax Act into United States law. Effective as of December 31, 2017, the Parent made a non-cash capital contribution of \$916.0 million to a subsidiary that was subject to the taxation of certain previously undistributed earnings of its foreign subsidiaries under the Tax Act, and this contribution is reflected as a non-cash investing activity in the Condensed Statements of Cash Flows.

The Parent agreed to fund certain payments related to the Joint Settlement Agreements on behalf of its subsidiaries. As of December 31, 2017, these amounts have been paid and are reflected in operating activities in the Condensed Statements of Cash Flows. As of December 31, 2016, \$591.0 million increased the Parent's investment in its subsidiaries, was included within "Accounts payable and accrued liabilities" in the Condensed Balance Sheets, and was reflected as a non-cash investing activity in the Condensed Statements of Cash Flows.

On November 30, 2017, FFMC distributed a promissory note owed by the Parent in the amount of \$80.3 million, and this distribution to the Parent is reflected as a non-cash financing activity in the Condensed Statements of Cash Flows in the year ended December 31, 2017.

Excess cash generated from operations of the Parent's subsidiaries that is not required to meet certain regulatory requirements is paid periodically to the Parent and is also included within "Payable to subsidiaries, net" in the Condensed Balance Sheets as of December 31, 2017 and 2016. The Parent's subsidiaries also periodically distribute excess cash balances to the Parent in the form of a dividend, although the amounts of such dividends may vary from year to year.

The Parent files a consolidated United States federal income tax return, and also a number of consolidated state income tax returns on behalf of its subsidiaries. In these circumstances, the Parent is responsible for remitting income tax payments on behalf of the consolidated group. The Parent's provision for income taxes has been computed as if it were a separate tax-paying entity.

4. Commitments and Contingencies

The Parent had \$60.4 million in outstanding letters of credit and bank guarantees as of December 31, 2017 with expiration dates through 2020. The letters of credit and bank guarantees are primarily held in connection with certain agent agreements. The Company expects to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of the Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our controls and procedures related to our reporting and disclosure obligations as of December 31, 2017, which is the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that, as of December 31, 2017, the disclosure controls and procedures were effective to ensure that information required to be disclosed by us, including our consolidated subsidiaries, in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported, as applicable, within the time periods specified in the rules and forms of the Securities and Exchange Commission, and are designed to ensure that information required to be disclosed by us in the reports that we file or submit is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Management's report on Western Union's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934), and the related Report of Independent Registered Public Accounting Firm, are set forth under Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes that occurred during our most recently completed fiscal quarter covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

The Company is making the following disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Securities Exchange Act of 1934 (the "Exchange Act"), which require us to include certain disclosures in our periodic reports if we or any of our "affiliates" (as defined in Rule 12b-2 under the Exchange Act) knowingly engage in certain specified activities.

Subsequent to the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, the Company determined that during 2017 the Company processed through its money transfer network two Consumer-to-Consumer money transfers for which the sender appears to have been an individual who is designated on the Specially Designated Nationals and Blocked Persons List ("SDN List") of the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") pursuant to Executive Order 13224. The first of these money transfers occurred on August 19, 2017 and was for a principal amount of \$1,000. The second of these money transfers occurred on September 6, 2017 and was for a principal amount of \$600. The Company's total revenue from these two transactions was \$64 and its net profit was approximately \$15.

Each of these transactions was identified for further review by the Company's automated transaction screening system but was released following review by first-level reviewers rather than escalated for further review and blocking. The release of these two transfers appears to have resulted from human error.

The Company has taken additional steps designed to prevent any future transactions with this individual.

The Company has disclosed this matter to OFAC and intends to cooperate with regulatory inquiries, if any.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except for the information required by this item with respect to our executive officers included in Item 1 of Part I of this Annual Report on Form 10-K and our Code of Ethics, the information required by this Item 10 is incorporated herein by reference to the discussion in "Proposal 1—Election of Directors," "Board of Directors Information," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Corporate Governance—Committees of the Board of Directors" of our definitive proxy statement for the 2018 annual meeting of stockholders.

Code of Ethics

The Company's Directors' Code of Conduct, Code of Ethics for Senior Financial Officers, Procedure for Accounting and Auditing Concerns, Professional Conduct Policy for Attorneys, and the Code of Conduct are available without charge through the "Corporate Governance" portion of the Company's website, www.westernunion.com, or by writing to the attention of: Investor Relations, The Western Union Company, 12500 East Belford Avenue, Englewood, Colorado 80112. In the event of an amendment to, or a waiver from, the Company's Code of Ethics for Senior Financial Officers, the Company intends to post such information on its website, www.westernunion.com.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the discussion in "Compensation Discussion and Analysis," "Executive Compensation," "Compensation of Directors," and "Compensation and Benefits Committee Report" of our definitive proxy statement for the 2018 annual meeting of stockholders, provided that the Compensation and Benefits Committee Report shall not be deemed filed in this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated herein by reference to the discussion in "Stock Beneficially Owned by Directors, Executive Officers and Our Largest Stockholders," and "Equity Compensation Plan Information" of our definitive proxy statement for the 2018 annual meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference to the discussion of "Corporate Governance—Independence of Directors" and "Certain Transactions and Other Matters" of our definitive proxy statement for the 2018 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference to the discussion in "Proposal 3—Ratification of Selection of Auditors" of our definitive proxy statement for the 2018 annual meeting of stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements (See Index to Consolidated Financial Statements in Item 8, *Financial Statements and Supplementary Data* , of this Annual Report on Form 10-K);
2. Financial Statement Schedule (See Index to Consolidated Financial Statements in Item 8, *Financial Statements and Supplementary Data* , of this Annual Report on Form 10-K);
3. The exhibits listed in the "Exhibit Index" attached to this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

The Western Union Company (Registrant)

February 22, 2018

By: _____ / s / H I K M E T E R S E K

Hikmet Ersek
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|--|---|-------------------|
| <u>/s/ Hikmet Ersek</u> Hikmet Ersek | President, Chief Executive Officer and Director (Principal Executive Officer) | February 22, 2018 |
| <u>/s/ Rajesh K. Agrawal</u> Rajesh K. Agrawal | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | February 22, 2018 |
| <u>/s/ Amintore T.X. Schenkel</u> Amintore T.X. Schenkel | Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer) | February 22, 2018 |
| <u>/s/ Jeffrey A. Joerres</u> Jeffrey A. Joerres | Non-Executive Chairman of the Board of Directors | February 22, 2018 |
| <u>/s/ Martin I. Cole</u> Martin I. Cole | Director | February 22, 2018 |
| <u>/s/ Richard A. Goodman</u> Richard A. Goodman | Director | February 22, 2018 |
| <u>/s/ Betsy D. Holden</u> Betsy D. Holden | Director | February 22, 2018 |
| <u>/s/ Roberto G. Mendoza</u> Roberto G. Mendoza | Director | February 22, 2018 |
| <u>/s/ Michael A. Miles, Jr.</u> Michael A. Miles, Jr. | Director | February 22, 2018 |
| <u>/s/ Robert W. Selander</u> Robert W. Selander | Director | February 22, 2018 |
| <u>/s/ Frances Fragos Townsend</u> Frances Fragos Townsend | Director | February 22, 2018 |
| <u>/s/ Solomon D. Trujillo</u> Solomon D. Trujillo | Director | February 22, 2018 |

EXHIBIT INDEX

| Exhibit Number | Description |
|-----------------------|--|
| 2.1 | Separation and Distribution Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto). |
| 3.1 | Amended and Restated Certificate of Incorporation of The Western Union Company, as filed with the Secretary of State of the State of Delaware on May 30, 2013 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 3, 2013 and incorporated herein by reference thereto). |
| 3.2 | Amended and Restated By-laws of the Company, as amended as of February 19, 2016 (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K filed on February 19, 2016 and incorporated herein by reference thereto). |
| 4.1 | Indenture, dated as of September 29, 2006, between The Western Union Company and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 2, 2006 and incorporated herein by reference thereto). |
| 4.2 | Supplemental Indenture, dated as of September 29, 2006, among The Western Union Company, First Financial Management Corporation and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed on October 2, 2006 and incorporated herein by reference thereto). |
| 4.3 | Second Supplemental Indenture, dated as of November 17, 2006, among The Western Union Company, First Financial Management Corporation and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.6 to the Company's Current Report on Form 8-K filed on November 20, 2006 and incorporated herein by reference thereto). |
| 4.4 | Third Supplemental Indenture, dated as of September 6, 2007, among The Western Union Company and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K filed on February 26, 2008 and incorporated herein by reference thereto). |
| 4.5 | Indenture, dated as of November 17, 2006, between The Western Union Company and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 20, 2006 and incorporated herein by reference thereto). |
| 4.6 | Form of 6.200% Note due 2036 (filed as Exhibit 4.14 to the Company's Registration Statement on Form S-4 filed on December 22, 2006 and incorporated herein by reference thereto). |
| 4.7 | Form of 6.200% Note due 2040 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 21, 2010 and incorporated herein by reference thereto). |
| 4.8 | Form of 5.253% Note due 2020 (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-4 filed on August 5, 2010 and incorporated herein by reference thereto). |
| 4.9 | Supplemental Indenture, dated as of September 6, 2007, among The Western Union Company and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.13 to the Company's Annual Report on Form 10-K filed on February 26, 2008 and incorporated herein by reference thereto). |
| 4.10 | Form of 3.650% Note due 2018 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 22, 2011 and incorporated herein by reference thereto). |

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- [4.11 Form of 3.350% Note due 2019 \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 22, 2013 and incorporated herein by reference thereto\).](#)

- [4.12 Form of Floating Rate Note due 2019 \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 22, 2017 and incorporated herein by reference thereto\)](#)

- [4.13 Form of 3.600% Note due 2022 \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 15, 2017 and incorporated herein by reference thereto\)](#)

- [4.14 Form of 3.600% Note due 2022 \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 22, 2017 and incorporated herein by reference thereto\)](#)

- [10.1 Tax Allocation Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto\).](#)

- [10.2 Employee Matters Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company \(filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto\).](#)

- [10.3 Transition Services Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company \(filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto\).](#)

- [10.4 Patent Ownership Agreement and Covenant Not to Sue, dated as of September 29, 2006, between First Data Corporation and The Western Union Company \(filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto\).](#)

- [10.5 Settlement Agreement, dated as of February 11, 2010, by and between Western Union Financial Services, Inc. and the State of Arizona \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 16, 2010 and incorporated herein by reference thereto\).](#)

- [10.6 Order Tolling Time Frames and Extending Benefits and Obligations of Settlement Agreement issued June 14, 2013 by The Honorable Warren Granville, Maricopa County Superior Court Judge \(filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2013 and incorporated herein by reference thereto\).](#)

- [10.7 Order Tolling Time Frames and Extending Benefits and Obligations of Settlement Agreement issued October 28, 2013 by The Honorable Warren Granville, Maricopa County Superior Court Judge \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 29, 2013 and incorporated herein by reference thereto\).](#)

- [10.8 Order Tolling Time Frames and Extending Benefits and Obligations of Settlement Agreement issued December 19, 2013 by The Honorable Warren Granville, Maricopa County Superior Court Judge \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 19, 2013 and incorporated herein by reference thereto\).](#)

- [10.9 Settlement Agreement Amendment issued January 31, 2014 by The Honorable Warren Granville, Maricopa County Superior Court Judge \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 3, 2014 and incorporated herein by reference thereto\).](#)

- [10.10 Order Granting Stipulated Motion to Modify Amendment to Settlement Agreement issued March 14, 2014 by The Honorable Warren Granville, Maricopa County Superior Court Judge \(filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2014 and incorporated herein by reference thereto\).](#)

- [10.11 Order Granting Stipulated Motion to Extend Deadline for Separate Agreements issued April 14, 2014 by The Honorable Warren Granville, Maricopa County Superior Court Judge \(filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2014 and incorporated herein by reference thereto\).](#)

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- [10.12](#) [Order Granting Stipulation to Extend Time for Production of Data issued October 17, 2014 by The Honorable Warren Granville, Maricopa County Superior Court Judge \(filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on October 30, 2014 and incorporated herein by reference thereto\).](#)
- [10.13](#) [Order Granting Stipulated Motion to Extend Time for Monitor Evaluation issued January 22, 2016 by The Honorable Warren Granville, Maricopa County Superior Court Judge \(filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K filed on February 19, 2016 and incorporated herein by reference thereto\).](#)
- [10.14](#) [Credit Agreement, dated as of September 29, 2015, among The Western Union Company, the banks named therein, as lenders, Citibank, N.A. and Bank of America, N.A., in their respective capacities as Issuing Lenders, Bank of America, N.A. and The Bank of New York Mellon, as Syndication Agents, Barclays Bank PLC, U.S. Bank National Association and Wells Fargo Bank, National Association, as Documentation Agents, and Citibank, N.A., as Administrative Agent for the Banks thereunder \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 1, 2015 and incorporated herein by reference thereto\).](#)
- [10.15](#) [Term Loan Agreement, dated as of April 11, 2016, among The Western Union Company, the banks named therein, as lenders, Mizuho Bank \(USA\) and U.S. Bank National Association, as Syndication Agents, Citizens Bank, N.A., Fifth Third Bank, State Bank of India, New York and Barclays Bank PLC, as Documentation Agents, and Bank of America, N.A., as Administrative Agent for the banks thereunder \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 13, 2016 and incorporated herein by reference thereto\).](#)
- [10.16](#) [Form of Director Indemnification Agreement \(filed as Exhibit 10.10 to Amendment No. 2 to the Company's Registration Statement on Form 10 \(file no. 001-32903\) filed on August 28, 2006 and incorporated herein by reference thereto\).*](#)
- [10.17](#) [The Western Union Company Severance/Change in Control Policy \(Executive Committee Level\), as Amended and Restated Effective July 28, 2015 \(filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K filed on February 19, 2016 and incorporated herein by reference thereto\).*](#)
- [10.18](#) [The Western Union Company 2006 Long-Term Incentive Plan, as amended and restated on January 31, 2014 \(filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K filed on February 24, 2014 and incorporated herein by reference thereto\).*](#)
- [10.19](#) [The Western Union Company 2006 Non-Employee Director Equity Compensation Plan, as Amended and Restated Effective January 31, 2014 \(filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K filed on February 24, 2014 and incorporated herein by reference thereto\).*](#)
- [10.20](#) [The Western Union Company Non-Employee Director Deferred Compensation Plan, as Amended and Restated Effective December 31, 2008 \(filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K filed on February 19, 2009 and incorporated herein by reference thereto\).*](#)
- [10.21](#) [The Western Union Company Senior Executive Annual Incentive Plan, as Amended and Restated Effective February 23, 2012 \(filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2012 and incorporated herein by reference thereto\).*](#)
- [10.22](#) [The Western Union Company Grandfathered Supplemental Incentive Savings Plan, as Amended and Restated Effective January 1, 2010 \(filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto\).*](#)
- [10.23](#) [Form of Unrestricted Stock Unit Award Agreement Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan, as Amended and Restated Effective February 17, 2009 \(filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto\).*](#)

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- [10.24](#) [Form of Nonqualified Stock Option Award Agreement Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan, as Amended and Restated Effective February 17, 2009 \(filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto\).*](#)
- [10.25](#) [Form of Nonqualified Stock Option Award Agreement for Non-Employee Directors Residing Outside the United States Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan \(filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2010 and incorporated herein by reference thereto\).*](#)
- [10.26](#) [Form of Unrestricted Stock Unit Award Agreement for Non-Employee Directors Residing in the United States Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan \(filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2010 and incorporated herein by reference thereto\).*](#)
- [10.27](#) [Form of Nonqualified Stock Option Award Agreement for Non-Employee Directors Residing in the United States Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan \(filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2010 and incorporated herein by reference thereto\).*](#)
- [10.28](#) [Form of Nonqualified Stock Option Award Agreement for Executive Committee Members Under The Western Union Company 2006 Long-Term Incentive Plan \(filed as Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2006 and incorporated herein by reference thereto\).*](#)
- [10.29](#) [Amendment to Form of Nonqualified Stock Option Award Agreement for Executive Committee Members Under The Western Union Company 2006 Long-Term Incentive Plan \(filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 5, 2008 and incorporated herein by reference thereto\).*](#)
- [10.30](#) [Form of Restricted Stock Unit Award Agreement for Executive Committee Members Residing in the United States Under The Western Union Company 2006 Long-Term Incentive Plan \(filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K filed on February 24, 2014 and incorporated herein by reference thereto\).*](#)
- [10.31](#) [Form of Nonqualified Stock Option Award Agreement for Section 16 Officers \(U.S.\) Under The Western Union Company 2006 Long-Term Incentive Plan \(filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K filed on February 25, 2011 and incorporated herein by reference thereto\).*](#)
- [10.32](#) [Form of Nonqualified Stock Option Award Agreement for Section 16 Officers \(Non - U.S.\) Under The Western Union Company 2006 Long-Term Incentive Plan \(filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K filed on February 25, 2011 and incorporated herein by reference thereto\).*](#)
- [10.33](#) [Form of Performance-Based Restricted Stock Unit Award Notice for Executive Committee Members \(U.S.\) Under The Western Union Company 2006 Long-Term Incentive Plan \(filed as Exhibit 10.38 to the Company's Annual Report on Form 10-K filed on February 24, 2012 and incorporated herein by reference thereto\).*](#)
- [10.34](#) [Employment Contract, dated as of November 9, 2009, between Western Union Financial Services GmbH and Hikmet Ersek \(filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto\).*](#)
- [10.35](#) [First Amendment to Employment Contract and Expatriate Letter Agreement, dated as of October 7, 2010, between Western Union Financial Services GmbH, The Western Union Company and Hikmet Ersek \(filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q filed on November 5, 2010 and incorporated herein by reference thereto\).*](#)
- [10.36](#) [Expatriate Letter Agreement, dated as of January 4, 2012, between Western Union, LLC and Rajesh K. Agrawal \(filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K filed on February 24, 2012 and incorporated herein by reference thereto\).*](#)

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- [10.37](#) [Form of Bonus Stock Unit Award Agreement for Non-Employee Directors Residing in the United States Under The Western Union Company 2006 Long-Term Incentive Plan \(filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2012 and incorporated herein by reference thereto\).*](#)
- [10.38](#) [Form of Nonqualified Stock Option Award Agreement for Non-Employee Directors Residing Outside the United States Under The Western Union Company 2006 Long-Term Incentive Plan \(filed as Exhibit 10.46 to the Company's Annual Report on Form 10-K filed on February 24, 2014 and incorporated herein by reference thereto\).*](#)
- [10.39](#) [Form of Nonqualified Stock Option Award Agreement for Non-Employee Directors Residing in the United States Under The Western Union Company 2006 Long-Term Incentive Plan \(filed as Exhibit 10.47 to the Company's Annual Report on Form 10-K filed on February 24, 2014 and incorporated herein by reference thereto\).*](#)
- [10.40](#) [Form of Award Agreement Under The Western Union Company Senior Executive Annual Incentive Plan for 2014 and Thereafter \(filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2014 and incorporated herein by reference thereto\).*](#)
- [10.41](#) [Form of Nonqualified Stock Option Award Agreement for Section 16 Officers \(Non - U.S.\) Under The Western Union Company 2006 Long-Term Incentive Plan For Awards Granted in 2014 and Thereafter \(filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2014 and incorporated herein by reference thereto\).*](#)
- [10.42](#) [Form of Nonqualified Stock Option Award Agreement for Section 16 Officers \(U.S.\) Under The Western Union Company 2006 Long-Term Incentive Plan For Awards Granted in 2014 and Thereafter \(filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2014 and incorporated herein by reference thereto\).*](#)
- [10.43](#) [Form of Performance-Based Restricted Stock Unit Award Agreement for Section 16 Officers \(Non - U.S.\) Under The Western Union Company 2006 Long-Term Incentive Plan For Awards Granted in 2014 and Thereafter \(filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2014 and incorporated herein by reference thereto\).*](#)
- [10.44](#) [Form of Performance-Based Restricted Stock Unit Award Agreement for Section 16 Officers \(U.S.\) Under The Western Union Company 2006 Long-Term Incentive Plan For Awards Granted in 2014 and Thereafter \(filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2014 and incorporated herein by reference thereto\).*](#)
- [10.45](#) [Form of Restricted Stock Unit Award Agreement for Section 16 Officers \(Non - U.S.\) Under The Western Union Company 2006 Long-Term Incentive Plan For Awards Granted in 2014 and Thereafter \(filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2014 and incorporated herein by reference thereto\).*](#)
- [10.46](#) [Form of Restricted Stock Unit Award Agreement for Section 16 Officers \(U.S.\) Under The Western Union Company 2006 Long-Term Incentive Plan For Awards Granted in 2014 and Thereafter \(filed as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2014 and incorporated herein by reference thereto\).*](#)
- [10.47](#) [The Western Union Company 2015 Long-Term Incentive Plan \(as amended and restated on February 21, 2018\).*](#)
- [10.48](#) [Form of Deferred Stock Unit Award Agreement for U.S. Non-Employee Directors Under The Western Union Company 2015 Long-Term Incentive Plan, Effective May 15, 2015 \(filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on July 30, 2015 and incorporated herein by reference thereto\).*](#)
- [10.49](#) [Form of Nonqualified Stock Option Award Agreement for U.S. Non-Employee Directors Under The Western Union Company 2015 Long-Term Incentive Plan, Effective May 15, 2015 \(filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on July 30, 2015 and incorporated herein by reference thereto\).*](#)

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- [10.50](#) [The Western Union Company Supplemental Incentive Savings Plan, as Amended and Restated Effective December 15, 2015 \(filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 3, 2016 and incorporated herein by reference thereto\).*](#)
- [10.51](#) [Form of Performance-Based Restricted Stock Unit Award Notice and Agreement for Section 16 Officers \(U.S.\) under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 3, 2016 and incorporated herein by reference thereto\).*](#)
- [10.52](#) [Form of Performance-Based Restricted Stock Unit Award Notice and Agreement for Section 16 Officers \(Austria\) under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 3, 2016 and incorporated herein by reference thereto\).*](#)
- [10.53](#) [Form of Performance-Based Restricted Stock Unit Award Notice and Agreement for Section 16 Officers \(United Arab Emirates\) under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on May 3, 2016 and incorporated herein by reference thereto\).*](#)
- [10.54](#) [Form of Restricted Stock Unit Award Agreement for Section 16 Officers \(U.S.\) under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on May 3, 2016 and incorporated herein by reference thereto\).*](#)
- [10.55](#) [Form of Restricted Stock Unit Award Agreement for Section 16 Officers \(Non - U.S.\) under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on May 3, 2016 and incorporated herein by reference thereto\).*](#)
- [10.56](#) [Form of Nonqualified Stock Option Award Agreement for Section 16 Officers \(Non - U.S.\) Under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed on May 3, 2016 and incorporated herein by reference thereto\).*](#)
- [10.57](#) [Form of Performance-Based Restricted Stock Unit Award Notice and Agreement for Section 16 Officers \(U.S.\) under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2017 and incorporated herein by reference thereto\).*](#)
- [10.58](#) [Form of Performance-Based Restricted Stock Unit Award Notice and Agreement for Section 16 Officers \(Austria\) under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2017 and incorporated herein by reference thereto\).*](#)
- [10.59](#) [Form of Performance-Based Restricted Stock Unit Award Notice and Agreement for Section 16 Officers \(United Arab Emirates\) under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2017 and incorporated herein by reference thereto\).*](#)
- [10.60](#) [Form of Restricted Stock Unit Award Agreement for Section 16 Officers \(U.S.\) under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2017 and incorporated herein by reference thereto\).*](#)
- [10.61](#) [Form of Restricted Stock Unit Award Agreement for Section 16 Officers \(Non - U.S.\) under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2017 and incorporated herein by reference thereto\).*](#)
- [10.62](#) [Form of Nonqualified Stock Option Award Agreement for Section 16 Officers \(Non - U.S.\) Under The Western Union Company 2015 Long-Term Incentive Plan \(filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2017 and incorporated herein by reference thereto\).*](#)

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| | |
|------------------------------|---|
| <u>10.63</u> | <u>Deferred Prosecution Agreement dated January 19, 2017 by and between The Western Union Company, the United States Department of Justice, and the United States Attorney's Offices for the Eastern and Middle Districts of Pennsylvania, the Central District of California, and the Southern District of Florida (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 20, 2017 and incorporated herein by reference thereto).</u> |
| <u>10.64</u> | <u>Stipulated Order for Permanent Injunction and Final Judgment dated January 19, 2017 by and between The Western Union Company and the United States Federal Trade Commission (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 20, 2017 and incorporated herein by reference thereto).</u> |
| <u>10.65</u> | <u>Consent to the Assessment of Civil Money Penalty dated January 19, 2017 by and between Western Union Financial Services, Inc. and the Financial Crimes Enforcement Network of the United States Department of Treasury (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on January 20, 2017 and incorporated herein by reference thereto).</u> |
| <u>10.66</u> | <u>Final Order Accepting Monitor's Final Report of the Secondary Recommendations Term and Concluding Matter Issued June 9, 2017 by the Honorable Warren Granville, Maricopa County Superior Court Judge (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 12, 2017 and incorporated by reference thereto).</u> |
| <u>12</u> | <u>Computation of Ratio of Earnings to Fixed Charges</u> |
| <u>14</u> | <u>The Western Union Company Code of Ethics for Senior Financial Officers, as Amended and Restated Effective December 9, 2009 (filed as Exhibit 14 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).</u> |
| <u>21</u> | <u>Subsidiaries of The Western Union Company</u> |
| <u>23</u> | <u>Consent of Independent Registered Public Accounting Firm</u> |
| <u>31.1</u> | <u>Certification of Chief Executive Officer of The Western Union Company Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934</u> |
| <u>31.2</u> | <u>Certification of Chief Financial Officer of The Western Union Company Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934</u> |
| <u>32</u> | <u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code</u> |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this report.

THE WESTERN UNION COMPANY
2015 LONG-TERM INCENTIVE PLAN
(As Amended and Restated on February 21, 2018)

I. INTRODUCTION

1.1. Purposes. The purposes of The Western Union Company 2015 Long-Term Incentive Plan (the “Plan”) are (i) to advance the interests of The Western Union Company (the “Company”) by attracting and retaining high caliber employees, and other key individuals who perform services for the Company, a Subsidiary or an Affiliate, (ii) to align the interests of the Company’s stockholders and recipients of awards under this Plan by increasing the proprietary interest of such recipients in the Company’s growth and success and (iii) to motivate award recipients to act in the long-term best interests of the Company and its stockholders.

1.2. Definitions.

“**Adjustment Events**” shall have the meaning set forth in the definition of “Performance Measures” in this Section 1.2.

“**Affiliate**” shall mean any entity of which the Company owns or controls, directly or indirectly, less than 50% but at least 20% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

“**Agreement**” shall mean the written or electronic agreement evidencing an award hereunder between the Company and the recipient of such award and shall include any terms and conditions that may apply to such award.

“**Board**” shall mean the Board of Directors of the Company.

“**Bonus Stock**” shall mean shares of Common Stock that are not subject to a Restriction Period or Performance Measures.

“**Bonus Stock Award**” shall mean an award of Bonus Stock.

“**Bonus Stock Unit**” shall mean the right to receive one share of Common Stock or, in lieu thereof and to the extent provided for in the Agreement, the Fair Market Value thereof in cash, which is not subject to a Restriction Period or Performance Measures.

“**Bonus Stock Unit Award**” shall mean an award of Bonus Stock Units under this Plan.

“**Cause**” shall mean, unless otherwise defined in an Agreement, the willful and continued failure to substantially perform the duties assigned by the Company, a Subsidiary or an Affiliate (other than a failure resulting from the award recipient’s Disability), the willful engaging in conduct which is demonstrably injurious to the Company, a Subsidiary or an Affiliate (monetarily or otherwise), any act of dishonesty, the commission of a felony, the continued

failure to meet performance standards, excessive absenteeism, or a significant violation of any statutory or common law duty of loyalty to the Company, a Subsidiary or an Affiliate.

“ **Change in Control** ” shall mean:

(a) the acquisition by any individual, entity or group (a “ **Person** ”), including any “person” within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, of beneficial ownership within the meaning of Rule 13d-3 promulgated under the Exchange Act, of 35% or more of either (i) the then outstanding shares of common stock of the Company (the “ **Outstanding Common Stock** ”) or (ii) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors (the “ **Outstanding Voting Securities** ”); excluding, however, the following: (A) any acquisition directly from the Company (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from the Company), (B) any acquisition by the Company, (C) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii), and (iii) of subsection (c) of this definition; provided further, that for purposes of clause (B), if any Person (other than the Company or any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company) shall become the beneficial owner of 35% or more of the Outstanding Common Stock or 35% or more of the Outstanding Voting Securities by reason of an acquisition by the Company, and such Person shall, after such acquisition by the Company, become the beneficial owner of any additional shares of the Outstanding Common Stock or any additional Outstanding Voting Securities and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control;

(b) during any twenty-four (24) month period, the cessation of individuals, who constitute the Board as of the date this Plan is adopted by the Board (the “ **Incumbent Board** ”), to constitute at least a majority of such Incumbent Board; provided that any individual who becomes a director of the Company subsequent to the date this Plan is approved by the Board whose election, or nomination for election by the Company's stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed a member of the Incumbent Board; and provided further, that any individual who was initially elected as a director of the Company as a result of an actual or threatened solicitation by a Person other than the Board for the purpose of opposing a solicitation by any other Person with respect to the election or removal of directors, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall not be deemed a member of the Incumbent Board;

(c) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “ **Corporate Transaction** ”); excluding, however, a Corporate Transaction pursuant to which (i) all or substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding Common Stock and the Outstanding Voting Securities immediately prior to such Corporate Transaction

will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Common Stock and the Outstanding Voting Securities, as the case may be, (ii) no Person (other than: the Company; any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; the corporation resulting from such Corporate Transaction; and any Person which beneficially owned, immediately prior to such Corporate Transaction, directly or indirectly, 35% or more of the Outstanding Common Stock or the Outstanding Voting Securities, as the case may be) will beneficially own, directly or indirectly, 35% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding securities of such corporation entitled to vote generally in the election of directors and (iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(d) the consummation of a plan of complete liquidation or dissolution of the Company.

“ **Code** ” shall mean the United States Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

“ **Committee** ” shall mean the committee designated by the Board or a subcommittee thereof, consisting of two or more members of the Board, each of whom shall be (i) a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act, (ii) an “outside director” within the meaning of Section 162(m) of the Code and (iii) “independent” within the meaning of the rules of the New York Stock Exchange or, if the Common Stock is not listed on the New York Stock Exchange, within the meaning of the rules of the principal stock exchange on which the Common Stock is then traded.

“ **Common Stock** ” shall mean the common stock of the Company.

“ **Company** ” has the meaning specified in Section 1.1.

“ **Corporate Transaction** ” shall have the meaning set forth in the definition of “Change in Control” in this Section 1.2.

“ **Deferred Stock Unit** ” shall mean the right to receive one share of Common Stock or, in lieu thereof and to the extent provided for in the Agreement, the Fair Market Value thereof in cash, which is not subject to a Restriction Period or Performance Measures. The Committee shall specify in the Agreement whether a Deferred Stock Unit Award shall be payable in Common Stock, cash, or any combination thereof.

“ **Deferred Stock Unit Award** ” shall mean an award of Deferred Stock Units under this Plan.

“ **Disability** ” shall mean the inability of the holder of an award to perform substantially such holder’s duties and responsibilities due to a physical or mental condition (i) that would entitle such holder to benefits under the Company’s Long-Term Disability Plan (or similar disability plan of the Company, a Subsidiary or an Affiliate in which such holder is a participant) or if the Committee deems it relevant, any disability rights provided as a matter of local law or (ii) if such holder is not eligible for long-term disability benefits under any plan sponsored by the Company, a Subsidiary, or an Affiliate, that would, as determined by the Committee, entitle such holder to benefits under the Company’s Long-Term Disability Plan if such holder were eligible therefor. In the case of Incentive Stock Options, the term “Disability” shall have the same meaning as “Permanent and Total Disability” as such term is defined in this Section 1.2.

“ **Exchange Act** ” shall mean the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“ **Fair Market Value** ” shall mean the closing price of a share of Common Stock as reported on the New York Stock Exchange or in the New York Stock Exchange Composite Transactions, as the case may be, on the date as of which such value is being determined; provided, however, that if there shall be no reported transactions for such date, Fair Market Value shall be based on the appropriate closing price on the next preceding date for which transactions were reported; and provided further that if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or methods as the Committee, in the good faith exercise of its discretion, shall at such time deem appropriate and in compliance with Section 409A of the Code. Notwithstanding the preceding sentence, solely for purposes of determining an award holder’s tax payment obligations under Section 5.5, in lieu of the definition of Fair Market Value in the preceding sentence, the Committee may determine that Fair Market Value shall mean the average of the high and low transaction prices of a share of Common Stock as reported in the New York Stock Exchange Composite Transactions on the date as of which such value is being determined or, if there shall be no reported transactions for such date, on the next preceding date for which transactions were reported.

“ **Free-Standing SAR** ” shall mean a SAR which is not granted in tandem with, or by reference to, a Stock Option, which entitles the holder thereof to receive, upon exercise, shares of Common Stock (which may be Restricted Stock) or, to the extent provided in the applicable Agreement, cash or a combination thereof, with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock on the date of exercise over the base price of such SAR, multiplied by the number of such SARs which are exercised.

“ **Incentive Stock Option** ” shall mean an option to purchase shares of Common Stock that meets the requirements of Section 422 of the Code, or any successor provision, which is intended by the Committee to constitute an Incentive Stock Option.

“ **Incumbent Board** ” shall have the meaning set forth in the definition of “Change in Control” in this Section 1.2.

“ **Non-Employee Director** ” shall mean a member of the Board who is not an employee of the Company or any Subsidiary or Affiliate.

“ **Nonqualified Stock Option** ” shall mean an option to purchase shares of Common Stock which is not an Incentive Stock Option.

“ **Outstanding Common Stock** ” shall have the meaning set forth in the definition of “Change in Control” in this Section 1.2.

“ **Outstanding Voting Securities** ” shall have the meaning set forth in the definition of “Change in Control” in this Section 1.2.

“ **Performance Grant** ” shall mean an award conferring a right, contingent upon the attainment of specified Performance Measures within a specified Performance Period, to receive shares of Common Stock, Restricted Stock, Restricted Stock Units, cash, or any combination thereof, as determined by the Committee or as evidenced in the Agreement relating to such Performance Grant.

“ **Performance Measures** ” shall mean the criteria and objectives, established by the Committee, which must be satisfied or met (i) as a condition to the grant or exercisability of all or a portion of a Stock Option or SAR, (ii) as a condition to the grant of a Stock Award or (iii) during the applicable Restriction Period or Performance Period as a condition to the holder’s receipt, in the case of a Stock Award, of the shares of Common Stock subject to such award and/or of payment with respect to such award, or, in the case of a Performance Grant, of the shares of Common Stock, Restricted Stock or Restricted Stock Units subject to such award and/or of payment with respect to such award. In the case of an award that is intended to be qualified performance-based compensation under Section 162(m) of the Code and the regulations thereunder, such criteria and objectives shall be one or more of the following corporate-wide or subsidiary, division, operating unit or individual measures: the attainment by a share of Common Stock of a specified value within or for a specified period of time; earnings; earnings per share; earnings before interest expense and taxes (“EBIT”); earnings before interest, taxes, depreciation, and amortization (“EBITDA”); return on equity; return on assets; return on total capital; return to stockholders (including dividends); total shareholder return; revenues; cash flow(s); cost reduction goals; net income; operating income; profit margin; expense management; economic profit; economic value added; customer satisfaction; productivity; employee retention; succession management; management of the cost of insurance claims; achievement of regulatory compliance performance goals; measurable marketing effectiveness; achievement of diversity goals; or any combination of the foregoing. Each such goal may be expressed on an absolute or relative basis and may include comparisons based on current internal targets, the past performance of the Company (including the performance of one or more subsidiaries, divisions, or operating units) or the past or current performance of other companies (or a combination of such past and current performance). If the Committee desires that compensation payable pursuant to any award subject to Performance Measures be “qualified

performance-based compensation” within the meaning of Section 162(m) of the Code, the Performance Measures shall satisfy all applicable requirements imposed under United States Treasury Regulations promulgated under Section 162(m) of the Code, including the requirement that such Performance Measures be stated in terms of an objective formula or standard. The applicable Performance Measures may be applied on a pre- or post-tax basis and may be adjusted in accordance with Section 162(m) of the Code to include or exclude objectively determinable components of any Performance Measure, including, without limitation, special charges such as restructuring or impairment charges, debt refinancing costs, extraordinary or noncash items, unusual, nonrecurring or one-time events affecting the Company or its financial statements or changes in law or accounting principles (“Adjustment Events”). In the sole discretion of the Committee, unless such action would cause a grant to a “covered employee” (within the meaning of Section 162(m) of the Code) to fail to qualify as qualified performance-based compensation under Section 162(m) of the Code, the Committee may amend or adjust the Performance Measures or other terms and conditions of an outstanding award in recognition of any Adjustment Events. With respect to participants who are not covered employees and who, in the Committee’s judgment, are not likely to be covered employees at any time during the applicable Performance Period or during any period in which an award may be paid following a Performance Period, the performance goals may consist of any objective or subjective corporate-wide or subsidiary, division, operating unit or individual measures, whether or not listed herein.

“ **Performance Period** ” shall mean any period designated by the Committee or specified in an Agreement during which (i) the Performance Measures applicable to an award shall be measured and (ii) the conditions to vesting applicable to an award shall remain in effect.

“ **Permanent and Total Disability** ” shall have the meaning set forth in Section 22(e)(3) of the Code or any successor thereto.

“ **Person** ” shall have the meaning set forth in the definition of "Change in Control" set forth in this Section 1.2.

“ **Plan** ” shall have the meaning set forth in Section 1.1.

“ **Plan Share Limit** ” shall have the meaning set forth in Section 1.5.

“ **Post-Termination Exercise Period** ” shall mean the period specified in or pursuant to Section 2.3(a), Section 2.3(b), Section 2.3(d) or Section 2.3(e) following termination of employment with or service to the Company during which a Stock Option or SAR may be exercised.

“ **Prior Plan** ” shall mean The Western Union Company 2006 Long-Term Incentive Plan and each other plan previously maintained by the Company under which equity awards remain outstanding as of the effective date of this Plan.

“ **Related Employment** ” shall mean the employment or performance of services by an individual for an employer that is neither the Company nor a Subsidiary nor an Affiliate, provided that (i) such employment or performance of services is undertaken by the individual at

the request of the Company, a Subsidiary or an Affiliate, (ii) immediately prior to undertaking such employment or performance of services, the individual was employed by or performing service for the Company, a Subsidiary, or an Affiliate or was engaged in Related Employment and (iii) such employment or performance of services is in the best interests of the Company as determined by the Committee and is recognized by the Committee, in its discretion, as Related Employment. The death or Disability of an individual or his or her involuntary termination of employment during a period of Related Employment shall be treated, for purposes of this Plan, as if the death, Disability or involuntary termination had occurred while the individual was employed by or performing services for the Company, a Subsidiary or an Affiliate.

“ **Restricted Stock** ” shall mean shares of Common Stock which are subject to a Restriction Period and which may, in addition thereto, be subject to the attainment of specified Performance Measures within a specified Performance Period.

“ **Restricted Stock Award** ” shall mean an award of Restricted Stock under this Plan.

“ **Restricted Stock Unit** ” shall mean the right to receive one share of Common Stock or, in lieu thereof and to the extent provided for in the Agreement, the Fair Market Value thereof in cash, which shall be contingent upon the expiration of a specified Restriction Period and which may, in addition thereto, be contingent upon the attainment of specified Performance Measures within a specified Performance Period. The Committee shall specify in the Agreement whether a Restricted Stock Unit Award shall be payable in Common Stock, cash, or any combination thereof.

“ **Restricted Stock Unit Award** ” shall mean an award of Restricted Stock Units under this Plan.

“ **Restriction Period** ” shall mean any period designated by the Committee during which (i) the Common Stock subject to a Restricted Stock Award may not be sold, transferred, assigned, pledged, hypothecated or otherwise encumbered or disposed of, except as provided in this Plan or the Agreement relating to such award or (ii) the vesting conditions applicable to a Restricted Stock Unit Award shall remain in effect.

“ **Retirement** ” shall mean an employee's termination of employment with or service to the Company (other than a termination by reason of death or Disability or for Cause) on or after (i) age 65, or (ii) age 55, provided the employee has completed at least 10 Years of Service; provided, however, that any employee who is “Retirement” eligible under the Prior Plan as of the effective date of this Plan shall be deemed “Retirement” eligible for purposes of this Plan.

“ **SAR** ” shall mean a stock appreciation right which may be a Free-Standing SAR or a Tandem SAR.

“ **Stock Award** ” shall mean a Restricted Stock Award, a Restricted Stock Unit Award, a Bonus Stock Award, a Bonus Stock Unit Award or a Deferred Stock Unit Award.

“ **Stock Option** ” shall mean a Nonqualified Stock Option or an Incentive Stock Option.

“ **Subsidiary** ” shall mean any entity of which the Company owns or controls, directly or indirectly, 50% or more of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

“ **Substitute Award** ” shall mean an award granted under this Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, including a merger, combination, consolidation or acquisition of property or stock; provided, however, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of a Stock Option or SAR.

“ **Tandem SAR** ” shall mean a SAR which is granted in tandem with, or by reference to, a Stock Option (including a Nonqualified Stock Option granted prior to the date of grant of the SAR), which entitles the holder thereof to receive, upon exercise of such SAR and surrender for cancellation of all or a portion of such Stock Option, shares of Common Stock (which may be Restricted Stock) or, to the extent provided in the applicable Agreement, cash or a combination thereof, with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock on the date of exercise over the base price of such SAR, multiplied by the number of shares of Common Stock subject to such Stock Option, or portion thereof, which is surrendered.

“ **Tax Date** ” shall have the meaning set forth in Section 5.5.

“ **Ten Percent Holder** ” shall have the meaning set forth in Section 2.1(a).

“ **Years of Service** ” shall mean the number of full years of uninterrupted service as a regular full-time employee or part-time employee from such employee’s most recent date of hire. Years of Service also includes (i) time spent on Company-approved leave of absences, provided that no more than one (1) cumulative Year of Service shall be credited for such leave of absences and (ii) prior service with certain acquired companies or other affiliated companies provided the prior service is negotiated for in the applicable acquisition agreement.

1.3. Administration . This Plan shall be administered by the Committee. The Committee may grant any one or a combination of the following awards under this Plan to eligible persons: (i) Stock Options (in the form of Nonqualified Stock Options or Incentive Stock Options); (ii) SARs (in the form of Free-Standing SARs or Tandem SARs); (iii) Stock Awards (in the form of Restricted Stock Awards, Restricted Stock Unit Awards, Bonus Stock Awards, Bonus Stock Unit Awards, and Deferred Stock Unit Awards); and (iv) Performance Grants.

The Committee shall, subject to the terms of this Plan, select eligible persons for participation in this Plan and determine the form, amount and timing of each award to such persons, the exercise price or base price associated with the award, the time and conditions of exercise or settlement of the award and all other terms and conditions of the award, including, without limitation, the form of the Agreement evidencing the award.

The Committee shall, subject to the terms of this Plan, interpret this Plan and the application thereof, establish, amend and revoke rules and regulations it deems necessary or desirable for the administration of this Plan, adopt sub-plans applicable to specific Subsidiaries, Affiliates or locations and may impose, incidental to the grant of an award, conditions with respect to the award, such as limiting competitive employment or other activities to the extent permitted under local law. The Committee may require, as a condition to the issuance, exercise, settlement or acceptance of an award under this Plan, that the award recipient agree to mandatory arbitration to settle any disputes relating to such award. All such interpretations, rules, regulations and conditions shall be final, binding and conclusive.

The Committee may delegate some or all of its power and authority hereunder to the Board or, subject to applicable law, to another committee, a member of the Board, the President and Chief Executive Officer or such other executive officer of the Company as the Committee deems appropriate; provided, however, that (i) the Committee may not delegate its power and authority to the Board, another committee, a member of the Board, the President and Chief Executive Officer or other executive officer of the Company with regard to the grant of an award to any person who is a “covered employee” within the meaning of Section 162(m) of the Code or who, in the Committee’s judgment, is likely to be a covered employee at any time during the period an award hereunder to such employee would be outstanding and (ii) the Committee may not delegate its power and authority to another committee, a member of the Board, the President and Chief Executive Officer or other executive officer of the Company with regard to (y) the selection for participation in this Plan of an officer, Non-Employee Director or other person subject to Section 16 of the Exchange Act or decisions concerning the timing, pricing or amount of an award to such an officer, Non-Employee Director or other person and (z) any decision regarding the impact of a Change in Control on awards issued under the Plan.

No member of the Board or Committee, and neither the President and Chief Executive Officer nor any other executive officer to whom the Committee delegates any of its power and authority hereunder, shall be liable for any act, omission, interpretation, construction or determination made in connection with this Plan in good faith, and the members of the Board and the Committee and the President and Chief Executive Officer or other executive officers shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including attorneys’ fees) arising therefrom to the full extent permitted by law (except as otherwise may be provided in the Company’s Certificate of Incorporation and/or By-laws) and under any directors’ and officers’ liability insurance that may be in effect from time to time.

A majority of the Committee shall constitute a quorum. The acts of the Committee shall be either (i) acts of a majority of the members of the Committee present at any meeting at which a quorum is present or (ii) acts approved in writing by all of the members of the Committee without a meeting.

1.4. Eligibility. Participants in this Plan shall consist of such officers, other employees, Non-Employee Directors, consultants, independent contractors, agents and persons expected to become officers, other employees, Non-Employee Directors, consultants,

independent contractors and agents of the Company, its Subsidiaries and its Affiliates, as the Committee in its sole discretion may select from time to time. The Committee's selection of a person to participate in this Plan at any time shall not require the Committee to select such person to participate in this Plan at any other time.

1.5. Shares Available.

(a) Plan Share Limit. Subject to adjustment as provided in Section 5.7, (i) 31,000,000 shares of Common Stock shall initially be available for awards under this Plan (the "Plan Share Limit"), and (ii) no more than 31,000,000 shares of Common Stock in the aggregate may be issued under this Plan in connection with Incentive Stock Options. The number of shares of Common Stock that remain available for future grants under the Plan shall be reduced by the sum of the aggregate number of shares of Common Stock which become subject to outstanding Stock Options, outstanding Free-Standing SARs, outstanding Stock Awards and outstanding Performance Grants denominated in shares of Common Stock.

The number of shares of Common Stock available for awards under this Plan shall not be reduced by (i) the number of shares of Common Stock subject to Substitute Awards or (ii) available shares under a stockholder approved plan of a company or other entity which was a party to a corporate transaction with the Company (as appropriately adjusted to reflect such corporate transaction) which become subject to awards granted under this Plan (subject to applicable stock exchange requirements).

(b) Increases. The Plan Share Limit, as reduced pursuant to Section 1.5(a), shall be increased by shares of Common Stock subject to an outstanding award granted under this Plan or the Prior Plan that are not issued or delivered by reason of (i) the expiration, termination, cancellation or forfeiture of such award (excluding shares subject to a Stock Option cancelled upon settlement in shares of a related Tandem SAR or shares subject to a Tandem SAR cancelled upon exercise of a related Stock Option) or (ii) the settlement of such award in cash; provided, however, that shares of Common Stock subject to an award under this Plan shall not again be available for issuance under this Plan if such shares are (x) shares that were subject to a Stock Option or a SAR and were not issued or delivered upon the net settlement or net exercise of such Stock Option or SAR, (y) shares delivered to or withheld by the Company to pay the purchase price or the withholding taxes related to an outstanding award or (z) shares repurchased by the Company on the open market with the proceeds of an option exercise.

(c) Source of Shares. Shares of Common Stock shall be made available from authorized but unissued shares, treasury shares, reacquired shares, or any combination thereof.

1.6. Per Person Limits. To the extent necessary for an award to be qualified performance-based compensation under Section 162(m) of the Code and the regulations thereunder (i) the maximum number of shares of Common Stock with respect to which Stock Options or SARs, or a combination thereof, may be granted during a calendar year to any person shall be 2,200,000, subject to adjustment as provided in Section 5.7, (ii) the maximum number of shares of Common Stock with respect to which Stock Awards subject to Performance Measures or Performance Grants denominated in Common Stock that may be earned by any person for

each 12-month period during a Performance Period shall be 2,200,000, subject to adjustment as provided in Section 5.7, and (iii) the maximum amount that may be earned by any person for each 12-month period during a Performance Period with respect to Performance Grants denominated in cash shall be \$8,000,000; provided, however, that each of the per person limits set forth in this sentence shall be multiplied by two for awards granted to a participant in the year in which such participant's employment with the Company commences. The aggregate grant date fair value of shares of Common Stock that may be granted during any fiscal year of the Company to any Non-Employee Director shall not exceed \$800,000; provided, however, that (i) the limit set forth in this sentence shall be multiplied by two in the year in which a Non-Employee Director commences service on the Board and (ii) the limit set forth in this sentence shall not apply to awards made pursuant to an election to receive the award in lieu of all or a portion of fees received for service on the Board or any committee thereunder.

1.7. Employment. Except as provided otherwise in this Plan or an Agreement, for purposes of this Plan, references to "employment" with the Company or "employment with or service to the Company" shall mean the employment with or service to the Company, a Subsidiary or an Affiliate, including transfers of employment between the Company, a Subsidiary and an Affiliate, approved leaves of absence (or leaves protected under applicable local law), and Related Employment.

II. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

2.1. Stock Options. The Committee may, in its discretion, grant Stock Options to such eligible persons as may be selected by the Committee. Each Stock Option, or portion thereof, that is not an Incentive Stock Option shall be a Nonqualified Stock Option. An Incentive Stock Option may not be granted to any person who is not an employee of the Company or any parent or subsidiary (as defined in Section 424 of the Code). Each Incentive Stock Option shall be granted within ten years of the date this Plan is adopted by the Board. To the extent the aggregate Fair Market Value (determined as of the date of grant) of shares of Common Stock with respect to which options designated as Incentive Stock Options are exercisable for the first time by a participant during any calendar year (under this Plan or any other plan of the Company, or any parent or subsidiary as defined in Section 424 of the Code) exceeds the amount (currently \$100,000) established by the Code, such options shall constitute Nonqualified Stock Options.

Stock Options shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable:

(a) **Number of Shares and Purchase Price.** The number of shares of Common Stock subject to a Stock Option shall be determined by the Committee. The purchase price per share of Common Stock purchasable upon exercise of a Stock Option shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of such Stock Option; provided, however, that if an Incentive Stock Option shall be granted to any person who, at the time such Incentive Stock Option is granted, owns capital stock possessing more than ten percent of the total combined voting power of all classes of capital stock of the Company (or of any

parent or subsidiary as defined in Section 424 of the Code) (a “ Ten Percent Holder ”), the purchase price per share of Common Stock shall be the price (currently 110% of Fair Market Value) required by the Code in order to constitute an Incentive Stock Option.

Notwithstanding the foregoing, in the case of a Stock Option that is a Substitute Award, the purchase price per share of the shares of Common Stock subject to such Stock Option may be less than 100% of the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares of Common Stock subject to the Substitute Award, over (b) the aggregate purchase price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Committee) of the shares of the predecessor company or other entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate purchase price of such shares.

(b) Option Period and Exercisability. The period during which a Stock Option may be exercised shall be determined by the Committee; provided, however, that no Stock Option shall be exercised later than ten years after its date of grant; provided further, that if an Incentive Stock Option shall be granted to a Ten Percent Holder, such Incentive Stock Option shall not be exercised later than five years after its date of grant. The Committee may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant of a Stock Option or to the exercisability of all or a portion of a Stock Option. The Committee shall determine whether a Stock Option shall become exercisable in cumulative or non-cumulative installments and in part or in full at any time. An exercisable Stock Option, or portion thereof, may be exercised only with respect to whole shares of Common Stock.

(c) Method of Exercise. A Stock Option may be exercised (i) by giving written or electronic notice to the Company or its designated agent, in accordance with procedures prescribed by the Company, specifying the number of whole shares of Common Stock to be purchased and accompanied by payment therefor in full (or arrangement made for such payment to the Company’s satisfaction) either (A) in cash, (B) by delivery (either actual delivery or by attestation procedures established by the Company) of shares of Common Stock having an aggregate Fair Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise, (C) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the date of exercise, equal to the amount necessary to satisfy such obligation, (D) except as may be prohibited by applicable law, in cash by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise, or (E) by a combination of (A), (B) and (C), in each case to the extent set forth in the Agreement relating to the Stock Option, (ii) if applicable, by surrendering to the Company any Tandem SARs which are cancelled by reason of the exercise of the option and (iii) by executing such documents as the Company may reasonably request. Any fraction of a share of Common Stock which would be required to pay such purchase price shall be disregarded and the remaining amount due shall be paid in cash by the optionee. No certificate or other indicia of ownership representing Common Stock shall be delivered until the full

purchase price therefor, and any withholding taxes thereon, as described in Section 5.5, have been paid (or arrangement made for such payment to the Company's satisfaction).

2.2. Stock Appreciation Rights. The Committee may, in its discretion, grant SARs to such eligible persons as may be selected by the Committee. The Agreement relating to a SAR shall specify whether the SAR is a Tandem SAR or a Free-Standing SAR.

SARs shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable:

(a) Number of SARs and Base Price. The number of SARs subject to an award shall be determined by the Committee. Any Tandem SAR related to an Incentive Stock Option shall be granted at the same time that such Incentive Stock Option is granted. The base price of a Tandem SAR shall be the purchase price per share of the related option. The base price of a Free-Standing SAR shall be determined by the Committee; provided, however, that such base price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of such SAR (or, if earlier, the date of grant of the option for which the SAR is exchanged or substituted).

Notwithstanding the foregoing, in the case of a SAR that is a Substitute Award, the base price per share of the shares of Common Stock subject to such SAR may be less than 100% of the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares of Common Stock subject to the Substitute Award, over (b) the aggregate base price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Committee) of the shares of the predecessor company or other entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate base price of such shares.

(b) Exercise Period and Exercisability. The Agreement relating to an award of SARs shall specify whether such award may be settled in shares of Common Stock (including shares of Restricted Stock) or cash or a combination thereof. The period for the exercise of a SAR shall be determined by the Committee; provided, however, that no SAR shall be exercised later than ten years after its date of grant; provided further, that no Tandem SAR shall be exercised later than the expiration, cancellation, forfeiture or other termination of the related option. The Committee may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant of a SAR or to the exercisability of all or a portion of a SAR. The Committee shall determine whether a SAR may be exercised in cumulative or non-cumulative installments and in part or in full at any time. An exercisable SAR, or portion thereof, may be exercised, in the case of a Tandem SAR, only with respect to whole Common Shares and, in the case of a Free-Standing SAR, only with respect to a whole number of SARs. If a SAR is exercised for shares of Restricted Stock, a certificate or certificates or other indicia of ownership representing such Restricted Stock shall be issued in accordance with Section 3.2(c) or such shares shall be transferred to the holder in book entry form with restrictions on the shares

duly noted and the holder of such Restricted Stock shall have such rights of a stockholder of the Company as determined pursuant to Section 3.2(d). Prior to the exercise of a SAR for shares of Common Stock, including Restricted Stock, the holder of such SAR shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject to such SAR and shall have rights as a stockholder of the Company in accordance with Section 5.11.

(c) Method of Exercise. A Tandem SAR may be exercised (i) by giving written or electronic notice to the Company or its designated agent, in accordance with procedures prescribed by the Company, specifying the number of whole SARs which are being exercised, (ii) by surrendering to the Company any Stock Options which are cancelled by reason of the exercise of the Tandem SAR and (iii) by executing such documents as the Company may reasonably request. A Free-Standing SAR may be exercised (A) by giving written or electronic notice to the Company or its designated agent, in accordance with procedures prescribed by the Company, specifying the whole number of SARs which are being exercised and (B) by executing such documents as the Company may reasonably request. No shares of Common Stock shall be issued and no certificate representing shares of Common Stock shall be delivered until any withholding taxes thereon, as described in Section 5.5, have been paid (or arrangement made for such payment to the Company's satisfaction).

2.3. Termination of Employment or Service

(a) Disability. Unless otherwise specified in the Agreement, if the employment with or service to the Company of the holder of a Stock Option or SAR terminates by reason of Disability, each Stock Option and SAR held by such holder shall become fully vested and exercisable and may thereafter be exercised by such holder (or such holder's legal representative or similar person) until the date which is one year after the effective date of such holder's termination of employment or service, or if earlier, the expiration date of the term of such Stock Option or SAR.

(b) Retirement. Unless otherwise specified in the Agreement, if the employment with or service to the Company of the holder of a Stock Option or SAR terminates by reason of Retirement, each Stock Option and SAR held by such holder, to the extent not already vested, shall vest on a prorated basis on the effective date of the holder's termination of employment or service. Effective for Stock Options and SARs granted under the Plan on and after February 21, 2018, such prorated vesting shall be calculated on a grant-by-grant basis by multiplying the total number of shares of Common Stock subject to each such Stock Option and the total number of SARs subject to each such SAR award as of the grant date of each such Stock Option and SAR award by a fraction, the numerator of which is the number of days between the grant date and the effective date of the holder's termination of employment or service and the denominator of which is the number of days between the grant date and the date the Stock Option or SAR award would have become fully vested and exercisable had the holder not terminated his or her employment or service, less the portion of each such Stock Option or SAR award which had previously vested (or based on such other proration methodology selected by the Company which the Company determines in its sole discretion yields substantially the same results as the foregoing proration methodology). Effective for Stock Options and SARs

granted under the Plan prior to February 21, 2018, such prorated vesting shall be calculated on a grant-by-grant basis by multiplying the unvested portion of each such Stock Option and SAR award by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the effective date of the holder's termination of employment or service and the denominator of which is the number of days between the grant date and the date the Stock Option or SAR award would have become fully vested and exercisable had the holder not terminated his or her employment or service. Unless otherwise specified in the Agreement, a vested Stock Option and SAR held by such holder may be exercised by the holder (or such holder's legal representative or similar person) until the date which is two years after the effective date of such holder's termination of employment or service, or if earlier, the expiration date of the term of such Stock Option or SAR.

(c) Death. Unless otherwise specified in the Agreement, if the employment with or service to the Company of the holder of a Stock Option or SAR terminates by reason of death, each Stock Option and SAR held by such holder shall become fully vested and exercisable and may thereafter be exercised by such holder's executor, administrator, legal representative, beneficiary or similar person until the date which is one year after the date of death, or if earlier, the expiration date of the term of such Stock Option or SAR.

(d) Involuntary Termination Without Cause. Unless otherwise specified in the Agreement, and except as provided in Section 5.8, if the employment with or service to the Company of the holder of a Stock Option or SAR is terminated by the Company, a Subsidiary or an Affiliate without Cause, each Stock Option and SAR held by such holder shall cease to vest, and to the extent already vested, may thereafter be exercised by such holder (or such holder's legal representative or similar person) until the date which is three months after such involuntary termination, or if earlier, the expiration date of the term of such Stock Option or SAR.

(e) Termination for Cause. If the employment with or service to the Company of the holder of a Stock Option or SAR is terminated for Cause, each Stock Option and SAR held by such holder shall cease to vest, and to the extent already vested, may thereafter be exercised by such holder (or such holder's legal representative or similar person) until the close of the New York Stock Exchange (if open) on the date of such holder's termination of employment or service. If the New York Stock Exchange is closed at the time of such holder's termination of employment, then such Stock Option or SAR shall be forfeited at the time such holder's employment is terminated and shall be canceled by the Company.

(f) Other Termination. Unless otherwise specified in the Agreement, if the employment with or service to the Company of the holder of a Stock Option or SAR terminates for any reason other than Disability, Retirement, death, involuntary termination without Cause, or termination for Cause, each Stock Option and SAR held by such holder shall cease to vest, and to the extent already vested, may thereafter be exercised by such holder (or such holder's legal representative or similar person) until the close of the New York Stock Exchange (if open) on the date which is the thirtieth (30th) day following such holder's termination of employment or service. If the New York Stock Exchange is closed on such date, then such Stock Option or SAR

shall be forfeited and shall be canceled by the Company effective with the close of the New York Stock Exchange on the next following day in which the New York Stock Exchange is open.

(g) **Death Following Termination of Employment or Service**. Unless otherwise specified in the Agreement, if the holder of a Stock Option or SAR dies during the applicable Post-Termination Exercise Period, each Stock Option and SAR held by such holder shall be exercisable only to the extent that such Stock Option or SAR is exercisable on the date of such holder's death and may thereafter be exercised by the holder's executor, administrator, legal representative, beneficiary or similar person until the date which ends on the earlier of (i) one year after the date of death or, if later, the end of the applicable Post-Termination Exercise Period or (ii) the expiration date of the term of such Stock Option or SAR.

2.4. Dividend Equivalents. Notwithstanding anything in an Agreement to the contrary, the holder of a Stock Option or SAR shall not be entitled to receive dividend equivalents with respect to the number of shares of Common Stock subject to such Stock Option or SAR.

2.5. Repricing and Discounting. Other than pursuant to Section 5.7, neither the Board nor the Committee shall without the approval of the Company's stockholders (i) lower the purchase price or base price per share of Common Stock subject to a Stock Option or SAR after it is granted, (ii) cancel a Stock Option or SAR when the purchase price or base price per share of Common Stock subject to such Stock Option or SAR exceeds the Fair Market Value of one share of Common Stock in exchange for cash or another award (other than in connection with a Change in Control), or (iii) take any other action with respect to a Stock Option or SAR that would be treated as a repricing under the rules and regulations of the principal U.S. national securities exchange on which the shares of Common Stock are listed.

2.6. Minimum Vesting Period. Except as provided in this subsection or as otherwise provided under the Plan, no Stock Option or SAR award may become exercisable until one year from the date such Stock Option or SAR was granted. The limitations of the preceding sentence shall not apply in the case of a Stock Option or SAR that becomes exercisable as a result of the attainment of a specified Performance Measure or in the case of a Stock Option or SAR granted as an employee recognition award, a retention award, or to a Non-Employee Director or a newly hired employee; provided that except for a Stock Option or SAR granted to a Non-Employee Director or as otherwise provided for under the Plan no portion of any such Stock Option or SAR may become exercisable until six months from the date the Stock Option or SAR was granted. The exceptions in the preceding sentence to the general minimum vesting provisions of this subsection, other than the exceptions applying to a Stock Option or SAR granted to a Non-Employee Director or that becomes exercisable as a result of the attainment of a specified Performance Measure, are intended to be applied only in special circumstances as determined by the Committee (or its delegate).

III. STOCK AWARDS

3.1. Stock Awards. The Committee may, in its discretion, grant Stock Awards to such eligible persons as may be selected by the Committee. The Agreement relating to the Stock

Award shall specify whether the Stock Award is a Restricted Stock Award, Restricted Stock Unit Award, Bonus Stock Award, Bonus Stock Unit Award or Deferred Stock Unit Award.

3.2. Terms of Stock Awards. Stock Awards shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable.

(a) Number of Shares and Other Terms. The number of shares of Common Stock subject to a Stock Award and the Performance Measures (if any) and the Restriction Period applicable to a Restricted Stock Award or a Restricted Stock Unit Award shall be determined by the Committee.

(b) Vesting and Forfeiture. The Agreement relating to a Restricted Stock Award or Restricted Stock Unit Award shall provide, in the manner determined by the Committee, in its discretion, and subject to the provisions of this Plan, for the vesting of the shares of Common Stock subject to such award, in the case of a Restricted Stock Award, or for the vesting of the Restricted Stock Unit Award itself, in the case of Restricted Stock Unit Award, (i) if specified Performance Measures are satisfied or met during the specified Restriction Period or Performance Period or (ii) if the holder of such award remains continuously in the employment of or service to the Company during the specified Restriction Period or Performance Period, and for the forfeiture of all or a portion of the shares of Common Stock subject to such award in the case of a Restricted Stock Award, or for the forfeiture of all or a portion of the Restricted Stock Unit Award itself, in the case of a Restricted Stock Unit Award, (x) if specified Performance Measures are not satisfied or met during the specified Restriction Period or Performance Period or (y) if the holder of such award does not remain continuously in the employment of or service to the Company during the specified Restriction Period or Performance Period.

(c) Stock Issuance. During the Restriction Period, the shares of Restricted Stock shall be held by a custodian in book entry form with restrictions on such shares duly noted or, alternatively, a certificate or certificates representing a Restricted Stock Award shall be registered in the holder's name and may bear a legend, in addition to any legend which may be required pursuant to Section 5.6, indicating that the ownership of the shares of Common Stock represented thereby is subject to the restrictions, terms and conditions of this Plan and the Agreement relating to the Restricted Stock Award. As determined by the Committee, all such certificates shall be deposited with the Company, together with stock powers or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate by the Company, which would permit transfer to the Company of all or a portion of the shares of Common Stock subject to the Restricted Stock Award in the event such award is forfeited in whole or in part. Upon termination of any applicable Restriction Period (and the satisfaction or attainment of any applicable Performance Measures), upon the grant of a Bonus Stock Award, or upon the settlement of a Bonus Stock Unit Award, in each case subject to the Company's right to require payment of any taxes in accordance with Section 5.5, the restrictions shall be removed from the requisite number of any shares of Common Stock that are held in book entry form, and all certificates evidencing

ownership of the requisite number of shares of Common Stock shall be delivered to the holder of such award.

(d) Rights with Respect to Restricted Stock Awards. Unless otherwise set forth in the Agreement relating to a Restricted Stock Award, and subject to the Committee's right to cause such Award to be cancelled pursuant to an adjustment under Section 5.7, the holder of such award shall have all rights as a stockholder of the Company, including voting rights, the right to receive dividends and the right to participate in any capital adjustment applicable to all holders of Common Stock; provided, however, that (i) unless the Committee determines otherwise, with respect to Restricted Stock Awards subject only to time-based vesting conditions and (ii) with respect to Restricted Stock Awards subject to performance-based vesting conditions, in each case, a distribution with respect to shares of Common Stock, including a regular cash dividend, shall be deposited with the Company and replaced with additional Restricted Stock Awards with a Fair Market Value equal to such distribution and otherwise subject to the same restrictions as the shares of Common Stock with respect to which such distribution was made.

(e) Rights and Provisions Applicable to Restricted Stock Unit Awards. The Agreement relating to a Restricted Stock Unit Award shall specify (i) whether such award may be settled in Common Stock or cash or a combination thereof and (ii) whether the holder thereof shall be entitled to receive, on a current or deferred basis, dividend equivalents, or the deemed reinvestment of any deferred dividend equivalents, with respect to the number of shares of Common Stock subject to such award. Any dividend equivalents with respect to Restricted Stock Units that are subject to performance-based vesting conditions shall be subject to the same restrictions as such Restricted Stock Units. Prior to the settlement of a Restricted Stock Unit Award, the holder thereof shall not have any rights as a stockholder of the Company with respect to the shares of Common Stock subject to such award, except to the extent that the Committee, in its sole discretion, may grant dividend equivalents on Restricted Stock Unit Awards which are settled in shares of Common Stock. No shares of Common Stock and no certificates or other indicia of ownership representing shares of Common Stock that are subject to a Restricted Stock Unit Award shall be issued upon the grant of a Restricted Stock Unit Award. Instead, shares of Common Stock subject to Restricted Stock Unit Awards and the certificates or other indicia of ownership representing such shares of Common Stock shall only be distributed at the time of settlement of such Restricted Stock Unit Awards in accordance with the terms and conditions of this Plan and the Agreement relating to such Restricted Stock Unit Award.

(f) Minimum Restriction Period. Except as provided in this subsection or as otherwise provided under the Plan, the Restriction Period applicable to a Restricted Stock Award or Restricted Stock Unit Award may not lapse until one year from the date such award was granted. The limitations of the preceding sentence shall not apply in the case of a Restricted Stock Award or Restricted Stock Unit Award that vests as a result of the attainment of a specified Performance Measure or in the case of a Restricted Stock Award or Restricted Stock Unit Award granted as an employee recognition award, a retention award, or to a newly hired employee; provided that except as provided for under the Plan the minimum Restriction Period applicable to such award shall be six months. The exceptions in the preceding sentence to the general minimum vesting provisions of this subsection, other than the exception applying to a Restricted

Stock Award or Restricted Stock Unit Award that vests as a result of the attainment of a specified Performance Measure, are intended to be applied only in special circumstances as determined by the Committee (or its delegate).

(g) Rights and Provisions Applicable to Bonus Stock Unit Awards and Bonus Stock Awards. The number of shares of Common Stock subject to a Bonus Stock Award or Bonus Stock Unit Award shall be determined by the Committee. Bonus Stock Awards and Bonus Stock Unit Awards shall not be subject to any Restriction Periods or Performance Measures. The Agreement relating to a Bonus Stock Unit Award shall specify (i) whether such award may be settled in Common Stock or cash or a combination thereof and (ii) whether the holder thereof shall be entitled to receive, on a current or deferred basis, dividend equivalents, or the deemed reinvestment of any deferred dividend equivalents, with respect to the number of shares of Common Stock subject to such award. Prior to the settlement of a Bonus Stock Unit Award, the holder thereof shall not have any rights as a stockholder of the Company with respect to the shares of Common Stock subject to such award, except to the extent that the Committee, in its sole discretion, may grant dividend equivalents on Bonus Stock Unit Awards. No shares of Common Stock and no certificates or other indicia of ownership representing shares of Common Stock that are subject to a Bonus Stock Unit Award shall be issued upon the grant of a Bonus Stock Unit Award.

(h) Rights and Provisions Applicable to Deferred Stock Unit Awards. The Agreement relating to a Deferred Stock Unit Award shall specify (i) whether such award may be settled in Common Stock or cash or a combination thereof and (ii) whether the holder thereof shall be entitled to receive, on a current or deferred basis, dividend equivalents, or the deemed reinvestment of any deferred dividend equivalents, with respect to the number of shares of Common Stock subject to such award. Deferred Stock Unit Awards shall not be subject to any Restriction Periods or Performance Measures. Prior to the settlement of a Deferred Stock Unit Award, the holder thereof shall not have any rights as a stockholder of the Company with respect to the shares of Common Stock subject to such award, except to the extent that the Committee, in its sole discretion, may grant dividend equivalents on Deferred Stock Unit Awards which are settled in shares of Common Stock. No shares of Common Stock and no certificates or other indicia of ownership representing shares of Common Stock that are subject to a Deferred Stock Unit Award shall be issued upon the grant of a Deferred Stock Unit Award. Instead, shares of Common Stock subject to Deferred Stock Unit Awards and the certificates or other indicia of ownership representing such shares of Common Stock shall only be distributed at the time of settlement of such Deferred Stock Unit Awards in accordance with the terms and conditions of this Plan and the Agreement relating to such Deferred Stock Unit Award.

3.3. Termination of Employment or Service

(a) Disability and Death. Unless otherwise set forth in the Agreement relating to a Stock Award, if the employment with or service to the Company of the holder of such award terminates by reason of Disability or death, the Restriction Period shall terminate as of the effective date of such holder's termination of employment or service and all Performance Measures applicable to such award shall be deemed to have been satisfied at the maximum level.

(b) Retirement.

(i) In the case of Restricted Stock Unit Awards which are not subject to Performance Measures, unless otherwise set forth in the Agreement, if the employment with or service to the Company of the holder of such award terminates by reason of Retirement, a prorated portion of such Restricted Stock Unit Award shall vest and be settled on the date on which the holder's employment with or service to the Company terminates, and the remaining portion of such award shall be forfeited by such holder and canceled by the Company. Effective for Restricted Stock Unit Awards granted under the Plan on and after February 21, 2018, such proration shall be calculated on a grant-by-grant basis by multiplying the total number of Restricted Stock Units granted under each such award by a fraction, the numerator of which is the number of days between the grant date and the effective date of the holder's termination of employment or service and the denominator of which is the number of days between the grant date and the date the Restriction Period applicable to the Restricted Stock Unit Award would have lapsed in full, less any portion of such Restricted Stock Unit Award which had previously vested (or based on such other proration methodology selected by the Company which the Company determines in its sole discretion yields substantially the same results as the foregoing proration methodology). Effective for Restricted Stock Unit Awards granted under the Plan prior to February 21, 2018, such proration shall be calculated on a grant-by-grant basis by multiplying the number of unvested Restricted Stock Units by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the effective date of the holder's termination of employment or service and the denominator of which is the number of days between the grant date and the date the Restriction Period applicable to the Restricted Stock Unit Award would have lapsed in full.

(ii) In the case of Restricted Stock Unit Awards which are subject to Performance Measures, unless otherwise set forth in the Agreement, if the employment with or service to the Company of the holder of such award terminates by reason of Retirement, a prorated portion of the amount of such Restricted Stock Unit Award which is actually earned, based upon satisfaction of the Performance Measures during the applicable Performance Period, shall vest and be settled on the later of (i) date on which the holder's employment with or service to the Company terminates or (ii) as soon as practicable following the end of the applicable Performance Period, and in no event later than March 15 of the calendar year following the calendar year in which the applicable Performance Period ends, and the remaining portion of such award shall be forfeited by such holder and canceled by the Company. Such proration shall be calculated on a grant-by-grant basis by multiplying the number of Restricted Stock Units which are actually earned, based upon satisfaction of the Performance Measures during the applicable Performance Period, by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the effective date of

the holder's termination of employment or service and the denominator of which is the number of days between the grant date and the date the Restriction Period applicable to the Restricted Stock Unit Award would have lapsed in full.

(c) Other Termination. Unless otherwise set forth in the Agreement relating to a Stock Award, and except as provided in Section 3.3(b) and Section 5.8, if the employment with or service to the Company of the holder of a Stock Award terminates for any reason other than Disability or death, the portion of such award which is subject to a Restriction Period on the effective date of such holder's termination of employment or service shall be immediately forfeited by such holder and canceled by the Company.

IV. PERFORMANCE GRANTS

4.1. Performance Grants. The Committee may, in its discretion, make Performance Grants to such eligible persons as may be selected by the Committee.

4.2. Terms of Performance Grants. Performance Grants shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable.

(a) Amount of Performance Grant and Performance Measures. The Agreement shall set forth the amount of the Performance Grant and a description of the Performance Measures and the Performance Period applicable to such Performance Grant, as determined by the Committee in its discretion.

(b) Vesting and Forfeiture. The Agreement shall provide, in the manner determined by the Committee in its discretion, for the vesting of a Performance Grant, if specified Performance Measures are satisfied during the specified Performance Period, and for the forfeiture of all or a portion of such award, if specified Performance Measures are not satisfied during the specified Performance Period.

(c) Settlement of Vested Performance Grants. The Agreement (i) shall specify whether a Performance Grant may be settled in shares of Common Stock, Restricted Stock, Restricted Stock Units, cash or a combination thereof and (ii) may specify whether the holder thereof shall be entitled to receive, on a current or deferred basis, dividend equivalents, and, if determined by the Committee, interest on or the deemed reinvestment of any deferred dividend equivalents, with respect to the number of shares of Common Stock subject to such award, if any; provided, however, any dividend equivalents with respect to a Performance Grant that is subject to performance-based vesting conditions shall be subject to the same restrictions as such Performance Grant. If a Performance Grant is settled in shares of Restricted Stock, a certificate or certificates or other indicia of ownership representing such Restricted Stock shall be issued in accordance with Section 3.2(c) and the holder of such Restricted Stock shall have such rights of a stockholder of the Company as determined pursuant to Section 3.2(d). Prior to the settlement of a Performance Grant in shares of Common Stock or Restricted Stock the holder of such award shall have no rights as a stockholder of the Company with respect to any shares of Common

Stock subject to such award and shall have rights as a stockholder of the Company in accordance with Section 5.11.

4.3. Termination of Employment or Service.

(a) Disability, Retirement and Death. Unless otherwise set forth in the Agreement, if the employment with or service to the Company of the holder of a Performance Grant terminates during the Performance Period by reason of Disability, Retirement or death, the Performance Period shall continue and the holder, or the holder's executor, administrator, legal representative, beneficiary or similar person, as applicable, shall be entitled to a prorated award. Such prorated award shall be equal to the value of the award at the end of the Performance Period multiplied by a fraction, the numerator of which shall equal the number of days such holder was employed with or performing services for the Company during the Performance Period and the denominator of which shall equal the number of days in the Performance Period; provided, however, that such holder, or such holder's executor, administrator, legal representative, beneficiary or similar person, as applicable, shall not be entitled to payment or distribution of such Performance Grant earlier than the date set forth in the Agreement.

(b) Other Termination. Unless otherwise set forth in the Agreement, if the employment with or service to the Company of the holder of a Performance Grant terminates during the Performance Period for any reason other than Disability, Retirement or death, each Performance Grant that is not vested shall be immediately forfeited.

V. GENERAL

5.1. Effective Date and Term of Plan. This Plan shall be submitted to the stockholders of the Company for approval at the Company's 2015 annual meeting of stockholders and, if so approved, the Plan shall become effective as of the date on which the Plan was approved by the Company's stockholders. Once effective, this Plan shall supersede and replace the Prior Plan; provided, that the Prior Plan shall remain in effect with respect to all outstanding awards granted under the Prior Plan until such awards have been exercised, forfeited, cancelled, expired, or otherwise terminated in accordance with the terms of such awards. This Plan shall terminate as of the first annual meeting of the Company's stockholders to occur on or after the tenth anniversary of its effective date, unless terminated earlier by the Board; provided, however, that no Incentive Stock Options shall be granted after the tenth anniversary of the date on which the Plan was approved by the Board. Termination of this Plan shall not affect the terms or conditions of any award granted prior to termination. Awards hereunder may be made at any time prior to the termination of this Plan.

5.2. Amendments. The Board or the Committee may amend or terminate this Plan, and except as provided in Section 2.5, the Committee may amend outstanding awards under this Plan in any manner as it shall deem advisable in its sole discretion, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including Section 162(m) and Section 422 of the Code and the rules of the New York Stock Exchange; provided, however, that no amendment of the Plan shall be made without stockholder approval if such amendment would (i) increase the maximum number of shares of Common Stock available under this Plan

(subject to Section 5.7) or (ii) modify the prohibitions on the repricing or discounting of Stock Options and SARs contained in Section 2.5. No amendment of the Plan or an outstanding award may impair the rights of a holder (the determination of which shall be made by the Committee in its sole discretion) of an outstanding award without the consent of such holder.

5.3. Agreement. The Company may condition an award holder's right (a) to exercise, vest or settle the award and (b) to receive delivery of shares, on the execution and delivery to the Company of the Agreement and the completion of other requirements, including, but not limited to, the execution of a nonsolicitation agreement by the recipient and delivery thereof to the Company. Notwithstanding anything contained herein to the contrary, the Committee may approve an Agreement that, upon the termination of an award holder's employment or service, provides that, or may, in its sole discretion based on a review of all relevant facts and circumstances, otherwise take action regarding an Agreement such that (i) any or all outstanding Stock Options and SARs shall become exercisable in part or in full, (ii) all or a portion of the Restriction Period applicable to any outstanding Stock Award shall lapse, (iii) all or a portion of the Performance Period applicable to any outstanding award shall lapse and (iv) the Performance Measures applicable to any outstanding award (if any) shall be deemed to be satisfied at the maximum or any other level.

5.4. Non-Transferability. No award shall be transferable other than by will, the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or, to the extent expressly permitted in the Agreement relating to such award, to the holder's family members, a trust or entity established by the holder for estate planning purposes or a charitable organization designated by the holder, in each case, without consideration. Except to the extent permitted by the foregoing sentence or the Agreement relating to an award, each award may be exercised or settled during the holder's lifetime only by the holder or the holder's legal representative or similar person. Except as permitted by the second preceding sentence, no award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any award, such award and all rights thereunder shall immediately become null and void.

5.5. Tax Withholding. The Company shall have the right to require, as of the grant, vesting, or exercise of an award, the sale of any shares of Common Stock, the receipt of any dividends or the payment of any cash pursuant to an award made hereunder, payment by the holder of such award of any federal, state, local, foreign or other income, social insurance, payroll or other tax-related items which may be required to be withheld or paid in connection with such award. An Agreement may provide that (i) the Company shall withhold whole shares of Common Stock which would otherwise be delivered to a holder having an aggregate Fair Market Value determined as of the date the obligation to withhold or pay taxes arises in connection with an award (the "Tax Date") in the amount necessary to satisfy any such obligation, or withhold an amount of cash which would otherwise be payable to a holder, including withholding from wages or other cash compensation otherwise due to the holder, in the amount necessary to satisfy any such obligation or (ii) the holder may satisfy any such obligation

by any of the following means: (A) a cash payment to the Company, (B) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of Common Stock having an aggregate Fair Market Value, determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (C) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the Tax Date, or withhold an amount of cash which would otherwise be payable to a holder, equal to the amount necessary to satisfy any such obligation, (D) a cash payment to the Company by a broker-dealer acceptable to the Company to whom the holder has submitted an irrevocable notice of exercise (in the case of a Stock Option) or an irrevocable notice of sale (in the case of a Stock Award), in each case to the extent set forth in the Agreement relating to an award, or (E) any combination of (A), (B) and (C). Shares of Common Stock to be delivered or withheld may not have an aggregate Fair Market Value in excess of the amount determined by applying the minimum statutory withholding rate. Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the holder.

5.6. Restrictions on Shares. Each award made hereunder shall be subject to the requirement that if at any time the Company determines that the listing, registration or qualification of the shares of Common Stock subject to such award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the vesting, exercise or settlement of such award or the delivery of shares thereunder, such award shall not vest, be exercised or settled and such shares shall not be delivered unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. In addition, the Committee may condition the grant of an award on compliance with certain listing, registration or other qualifications applicable to the award under any law or any obligation to obtain the consent or approval of a governmental body. The Company may require that certificates or other indicia of ownership evidencing shares of Common Stock delivered pursuant to any award made hereunder bear a legend indicating that the sale, transfer or other disposition thereof by the holder is prohibited except in compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder.

5.7. Adjustment. In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation) that causes the per share value of shares of Common Stock to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the number and class of securities available under this Plan, the terms of each outstanding Stock Option and SAR (including the number and class of securities subject to each outstanding Stock Option or SAR and the purchase price or base price per share), the terms of each outstanding Stock Award (including the number and class of securities subject thereto), the terms of each outstanding Performance Grant (including the number and class of securities subject thereto), the maximum number of securities with respect to which Stock Options or SARs may be granted during any fiscal year of the Company to any one grantee, the maximum number of shares of Common Stock that may be awarded during any fiscal year of the Company to any one grantee pursuant to a Stock Award that is subject to

Performance Measures or a Performance Grant shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding Stock Options and SARs without an increase in the aggregate purchase price or base price and in accordance with Section 409A of the Code. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of participants. In either case, the decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

5.8. Change in Control. If an award holder's employment is terminated by the Company, a Subsidiary or an Affiliate without Cause (or otherwise terminates for an eligible reason according to the terms of any Company severance policy applicable to the holder as of the effective date of a Change in Control) during the period commencing on and ending twenty-four months after the effective date of the Change in Control, then effective on the holder's date of termination of employment (i) each outstanding Stock Option and SAR held by such holder shall become fully vested and exercisable, (ii) the Restriction Period applicable to each outstanding award held by such holder shall lapse, and (iii) Performance Grants shall vest or become exercisable or payable in accordance with the applicable Agreements; provided, however, that awards that provide for a deferral of compensation within the meaning of Section 409A of the Code be settled in accordance with the applicable Agreements, subject to the terms of the Plan and Section 409A of the Code. Notwithstanding any provision of this Plan to the contrary, each Stock Option or SAR granted to such holder shall remain exercisable by the holder (or his or her legal representative or similar person) until the earlier of (y) the date that ends on the later of (1) one-year following the award holder's termination of employment under this section, (2) the expiration of the applicable Post-Termination Exercise Period under the Plan, (3) the expiration of any post-termination exercise period mandated by local statute, or (4) if an award holder is subject to a severance policy as of the effective date of a Change in Control, the end of the severance period applicable to the holder under such severance policy, or (z) the expiration date of the term of the Stock Option or SAR.

5.9. Deferrals. The Committee may determine that the delivery of shares of Common Stock or the payment of cash, or a combination thereof, upon the exercise or settlement of all or a portion of any award (other than awards of Incentive Stock Options, Nonqualified Stock Options and SARs) made hereunder shall be deferred, or the Committee may, in its sole discretion, approve deferral elections made by holders of awards. Deferrals shall be for such periods and upon such terms as the Committee may determine in its sole discretion, subject to the requirements of Section 409A of the Code.

5.10. No Right of Participation or Employment. No person shall have any right to participate in this Plan. Neither this Plan nor any award made hereunder shall confer upon any person any right to continued employment by the Company, any Subsidiary or any Affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any Affiliate of the Company to terminate the employment of any person at any time without liability hereunder.

5.11. Rights as Stockholder. No person shall have any right as a stockholder of the Company with respect to any shares of Common Stock or other equity security of the Company which is subject to an award hereunder unless and until such person becomes a stockholder of record with respect to such shares of Common Stock or equity security.

5.12. Designation of Beneficiary. If permitted by the Committee, the holder of an award may file with the Committee a written designation of one or more persons as such holder's beneficiary or beneficiaries (both primary and contingent) in the event of the holder's death. To the extent an outstanding Stock Option or SAR granted hereunder is exercisable, such beneficiary or beneficiaries shall be entitled to exercise such Stock Option or SAR to the extent permitted under local law.

Each beneficiary designation shall become effective only when filed in writing with the Committee during the holder's lifetime on a form prescribed by the Committee. The spouse of a married holder domiciled in a community property jurisdiction shall join in any designation of a beneficiary other than such spouse. The filing with the Committee of a new beneficiary designation shall cancel all previously filed beneficiary designations.

If a holder fails to designate a beneficiary, or if all designated beneficiaries of a holder predecease the holder, then each outstanding Stock Option and SAR hereunder held by such holder, to the extent exercisable, may be exercised by such holder's executor, administrator, legal representative or similar person.

5.13. Governing Law. This Plan, each award hereunder and the related Agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

5.14. Foreign Employees. The Committee may adopt, amend or rescind rules, procedures or sub-plans relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures and to foster and promote achievement of the purposes of this Plan. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules, procedures and sub-plans with provisions that limit or modify rights on death, Disability or Retirement or on termination of employment; available methods of exercise or settlement of an award; payment of income, social insurance contributions and payroll taxes; the withholding procedures and handling of any stock certificates or other indicia of ownership which vary with local requirements. The Committee may also adopt rules, procedures or sub-plans applicable to particular Subsidiaries, Affiliates or locations. The rules of such sub-plans may take precedence over other provisions of this Plan, with the exception of Sections 1.5 and 5.2, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan.

5.15. Termination of Employment or Service. Unless otherwise determined by the Committee, an award holder employed by or providing service to an entity that is a Subsidiary or an Affiliate under this Plan shall be deemed to have terminated employment with or service to

the Company for purposes of this Plan on the date that such entity ceases to be a Subsidiary or an Affiliate hereunder.

5.16. Code Section 409A. Notwithstanding anything in this Plan to the contrary (for purposes of this Section 5.16, “Plan” shall include all Agreements under the Plan), the Plan will be construed, administered or deemed amended as necessary to comply with the requirements of Section 409A of the Code to avoid taxation under Section 409A(a)(1) of the Code to the extent subject to Section 409A of the Code. The Committee, in its sole discretion, shall determine the requirements of Section 409A of the Code applicable to the Plan and shall interpret the terms of the Plan consistently therewith. Under no circumstances, however, shall the Company or any Subsidiary or Affiliate or any of its or their employees, officers, directors, service providers or agents have any liability to any person for any taxes, penalties or interest due on amounts paid or payable under the Plan, including any taxes, penalties or interest imposed under Section 409A of the Code. Any payments to award holders pursuant to this Plan are also intended to be exempt from Section 409A of the Code to the maximum extent possible, first, to the extent such payments are scheduled to be paid and are in fact paid during the short-term deferral period, as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and then, if applicable, under the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii), and for this purpose each payment shall be considered a separate payment such that the determination of whether a payment qualifies as a short-term deferral shall be made without regard to whether other payments so qualify and the determination of whether a payment qualifies under the separation pay exemption shall be made without regard to any payments which qualify as short-term deferrals. To the extent any amounts under this Plan are payable by reference to an award holder’s “termination of employment,” such term shall be deemed to refer to the award holder’s “separation from service,” within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Plan, if an award holder is a “specified employee,” as defined in Section 409A of the Code, as of the date of the award holder’s separation from service, then to the extent any amount payable under this Plan (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon the award holder’s separation from service and (iii) under the terms of this Plan would be payable prior to the six-month anniversary of the award holder’s separation from service, such payment shall be delayed until the earlier to occur of (a) the six-month anniversary of the separation from service or (b) the date of the award holder’s death.

5.17. Awards Subject to Clawback. Except to the extent prohibited by law, the awards granted under this Plan and any cash payment or Common Stock delivered pursuant to an award are subject to forfeiture, recovery by the Company or other action pursuant to the applicable Agreement or any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

THE WESTERN UNION COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(unaudited)
(in millions)

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------------|-----------------|-------------------|-------------------|-------------------|
| Earnings: | | | | | |
| Income before income taxes | \$ 347.5 | \$ 341.7 | \$ 941.8 | \$ 968.2 | \$ 926.9 |
| Fixed charges | 161.4 | 157.1 | 175.6 | 182.7 | 198.8 |
| Other adjustments | (5.2) | 2.7 | (6.9) | (3.2) | (0.7) |
| Total earnings (a) | \$ 503.7 | \$ 501.5 | \$ 1,110.5 | \$ 1,147.7 | \$ 1,125.0 |
| Fixed charges: | | | | | |
| Interest expense | \$ 142.1 | \$ 152.5 | \$ 167.9 | \$ 176.6 | \$ 195.6 |
| Other adjustments | 19.3 | 4.6 | 7.7 | 6.1 | 3.2 |
| Total fixed charges (b) | \$ 161.4 | \$ 157.1 | \$ 175.6 | \$ 182.7 | \$ 198.8 |
| Ratio of earnings to fixed charges (a/b) | 3.1 | 3.2 | 6.3 | 6.3 | 5.7 |

For purposes of calculating the ratio of earnings to fixed charges, earnings have been calculated by adding income before income taxes, fixed charges included in the determination of income before income taxes and distributions from equity method investments, and then subtracting income from equity method investments. Fixed charges consist of interest expense, and an estimated interest portion of rental expenses and income tax contingencies, which are included as a component of income tax expense.

LIST OF THE WESTERN UNION COMPANY SUBSIDIARIES
(as of December 31, 2017)

| <u>Name of Subsidiary</u> | <u>Jurisdiction of Incorporation</u> |
|---|--------------------------------------|
| Western Union Peru S.A. (formerly A. Serviban S.A.) | Peru |
| American Rapid Corporation | Delaware, USA |
| Banco Western Union do Brasil S.A. | Brazil |
| Custom House Currency Exchange (Australia) Pty. Limited | Australia |
| Custom House Currency Exchange (Singapore) Pte. Limited | Singapore |
| Custom House Financial Ltd. | Federal, Canada |
| Custom House Financial (UK) Limited | United Kingdom |
| Custom House Holdings (USA) Ltd. | Washington, USA |
| Custom House (Online) Ltd. | Federal, Canada |
| Custom House ULC | British Columbia, Canada |
| Custom House USA, LLC | Delaware, USA |
| E Commerce Group Products Inc. | New York, USA |
| First Financial Management Corporation | Georgia, USA |
| Global Collection Services, S.A. | Argentina |
| Global Corporate Real Estate Advisors, LLC | Colorado, USA |
| Grupo Dinámico Empresarial, S.A. de C.V. | Mexico |
| Money Transfer Financial Services Limited | Ireland |
| MT (Bermuda) 1 Ltd | Bermuda |
| MT (Bermuda) 2 Ltd | Bermuda |
| MT Caribbean Holdings SRL | Barbados |
| MT Financial Holdings Ltd. | Bermuda |
| MT Global Holdings Ltd. | Bermuda |
| MT Group Ltd. | Bermuda |
| MT Group Investment Holdings Ltd. | Bermuda |
| MT Holdings (Bermuda) Ltd. | Bermuda |
| MT Holdings Limited | Bermuda |
| MT Holdings Switzerland GmbH | Switzerland |
| MT International Holdings, Ltd. | Bermuda |
| MT International Operations SRL | Barbados |
| MT International Operations Partnership | Bermuda |
| MT Network Holdings Ltd. | Bermuda |
| MT Payment Services Operations EU/EEA Limited | Ireland |
| MT Worldwide Holdings Ltd. | Bermuda |
| Operaciones Internacionales OV, S.A. de C.V. | Mexico |
| Paymap Inc. | Delaware, USA |
| PT Western Union Indonesia | Indonesia |
| Red Global S.A. | Argentina |
| RII Holdings, Inc. | Delaware, USA |
| Ruesch Holding, LLC | Delaware, USA |
| Ruesch International (Delaware), LLC | Delaware, USA |
| Ruesch International L.L.C. | Delaware, USA |
| Servicio Electrónico de Pago S.A. | Argentina |
| Servicio Integral de Envios, S. de R.L. de C.V. | Mexico |
| Servicios de Apoyo GDE, S.A. de C.V. | Mexico |
| SpeedPay, Inc. | New York, USA |

The Western Union Real Estate Holdings LLC
Transfer Express de Panama S.A.
Union del Oeste de Costa Rica SRL
Vigo Remittance Canada Company
Vigo Remittance Corp.
Western Union Acquisition Partnership
Western Union Benelux MT Ltd.
Western Union (Bermuda) Holding Finance Ltd.

Delaware, USA
Panama
Costa Rica
Nova Scotia, Canada
Delaware, USA
Australia
Ireland
Bermuda

| | |
|---|---------------------|
| Western Union Business Solutions (Australia) Pty Limited | Australia |
| Western Union Business Solutions (Hong Kong) Limited | Hong Kong |
| Western Union Business Solutions Japan KK | Japan |
| Western Union Business Solutions (Malta) Limited | Malta |
| Western Union Business Solutions (SA) Limited | United Kingdom |
| Western Union Business Solutions (Singapore) Pte Limited | Singapore |
| Western Union Business Solutions (UK) Limited | United Kingdom |
| Western Union Business Solutions (USA), LLC | Delaware, USA |
| Western Union Chile Limitada | Chile |
| Western Union Communications, Inc. | Delaware, USA |
| Western Union Consulting Services (Beijing), Co., Ltd. | China |
| Western Union Corretora de Cambio S.A. | Brazil |
| Western Union do Brasil Participacoes Limitada | Brazil |
| Western Union do Brasil Serviços e Participações Ltda. | Brazil |
| Western Union Financial Holdings L.L.C. | New York, USA |
| Western Union Financial Services Argentina S.R.L. | Argentina |
| Western Union Financial Services (Australia) PTY Ltd. | Australia |
| Western Union Financial Services (Canada), Inc./Services Financiers Western Union (Canada) Inc. | Ontario, Canada |
| Western Union Financial Services Eastern Europe LLC | Delaware, USA |
| Western Union Financial Services GmbH | Austria |
| Western Union Financial Services (Hong Kong) Limited | Hong Kong |
| Western Union Financial Services International (France) SARL | France |
| Western Union Financial Services (Korea) Inc. | Korea |
| Western Union Financial Services (Luxembourg) S.á.r.l. | Luxembourg |
| Western Union Financial Services, Inc. | Colorado, USA |
| Western Union GB Limited | United Kingdom |
| Western Union Global Network Pte. Ltd | Singapore |
| Western Union (Hellas) International Holdings S.A. | Greece |
| Western Union Holdings, Inc. | Georgia, USA |
| Western Union International Bank GmbH | Austria |
| Western Union International Limited | Ireland |
| Western Union Ireland Holdings Limited | Ireland |
| Western Union Italy Holdings Srl | Italy |
| Western Union Japan K.K. | Japan |
| Western Union, LLC | Colorado, USA |
| Western Union Luxembourg Holdings 1 S.á.r.l. | Luxembourg |
| Western Union Luxembourg Holdings 2 S.á.r.l. | Luxembourg |
| Western Union Luxembourg Holdings 3 S.á.r.l. | Luxembourg |
| Western Union Malta Holdings Limited | Malta |
| Western Union Malta Limited | Malta |
| Western Union Morocco SARL | Morocco |
| Western Union MT (Australia) Pty. Ltd. | Australia |
| Western Union MT East | Russian Federation |
| Western Union Network Belgium SPRL | Belgium |
| Western Union Network (Canada) Company | Nova Scotia, Canada |
| Western Union Network (France) SAS | France |
| Western Union Network (Ireland) Limited | Ireland |
| Western Union Northern Europe GmbH | Germany |
| Western Union Online Limited | Ireland |
| Western Union Overseas Limited | Ireland |
| Western Union Payment Services (India) Private Limited | India |
| Western Union Payment Services Ireland Limited | Ireland |

| | |
|---|--------------------------|
| Western Union Payment Services Network (Canada) ULC | British Columbia, Canada |
| Western Union Payment Services Network EU/EEA Limited | Ireland |
| Western Union Payment Services UK Limited | United Kingdom |
| Western Union Payments (Malaysia) SDN. BHD. | Malaysia |
| Western Union Processing Lithuania, UAB | Lithuania |
| Western Union Processing Limited | Ireland |
| Western Union Provision of Advertising and Marketing Services (Hellas) MEPE | Greece |
| Western Union Regional Panama S.A. | Panama |
| Western Union Retail Services Belgium | Belgium |

| | |
|--|----------------|
| Western Union Retail Services GB Limited | United Kingdom |
| Western Union Retail Services Ireland Limited | Ireland |
| Western Union Retail Services Italy S.r.l. | Italy |
| Western Union Retail Services Norway AS | Norway |
| Western Union Retail Services RO SRL | Romania |
| Western Union Retail Services Spain S.A. | Spain |
| Western Union Retail Services Sweden AB | Sweden |
| Western Union Services, Inc. | Maryland, USA |
| Western Union Services India Private Limited | India |
| Western Union Services (Philippines) Inc. | Philippines |
| Western Union Services Singapore Private Limited | Singapore |
| Western Union Services S.L. | Spain |
| Western Union Services (Spain) S.L. | Spain |
| Western Union Singapore Limited | Bermuda |
| Western Union South Africa (PTY) Limited | South Africa |
| Western Union Support Services (Nigeria) Limited | Nigeria |
| Western Union Turkey Odeme Hizmetleri Anonim Sirketi | Turkey |
| WU BP Peru S.R.L. | Peru |
| Western Union Ireland Partnership | Ireland |
| WUBS Financial Services (Singapore) Pte Limited | Singapore |
| WUBS Investments Ltd. | United Kingdom |
| WUBS Payments Limited | United Kingdom |
| WU Technology Engineering Services Private Limited | India |

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-213943) of The Western Union Company, and
- (2) Registration Statement (Form S-8 Nos. 333-137665 and 333-204183) pertaining to The Western Union Company 2006 Long-Term Incentive Plan, The Western Union Company 2006 Non-Employee Director Equity Compensation Plan, The Western Union Company Supplemental Incentive Savings Plan, and The Western Union Company 2015 Long-Term Incentive Plan;

of our reports dated February 22, 2018 , with respect to the consolidated financial statements and schedule of The Western Union Company and the effectiveness of internal control over financial reporting of The Western Union Company included in this Annual Report (Form 10-K) of The Western Union Company for the year ended December 31, 2017 .

/s/ Ernst & Young LLP

Denver, Colorado
February 22, 2018

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Hikmet Ersek, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Western Union Company;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/ s / H I K M E T E R S E K

Hikmet Ersek
President and Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Rajesh K. Agrawal, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Western Union Company;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ RAJESH K. A. GRAWAL

Rajesh K. Agrawal
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The certification set forth below is being submitted in connection with the Annual Report of The Western Union Company on Form 10-K for the period ended December 31, 2017 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Hikmet Ersek and Rajesh K. Agrawal certify that, to the best of each of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of The Western Union Company.

Date: February 22, 2018

/s/ H IKMET E RSEK

Hikmet Ersek
President and Chief Executive Officer

Date: February 22, 2018

/s/ R AJESH K. A GRAWAL

Rajesh K. Agrawal
Executive Vice President and Chief Financial Officer