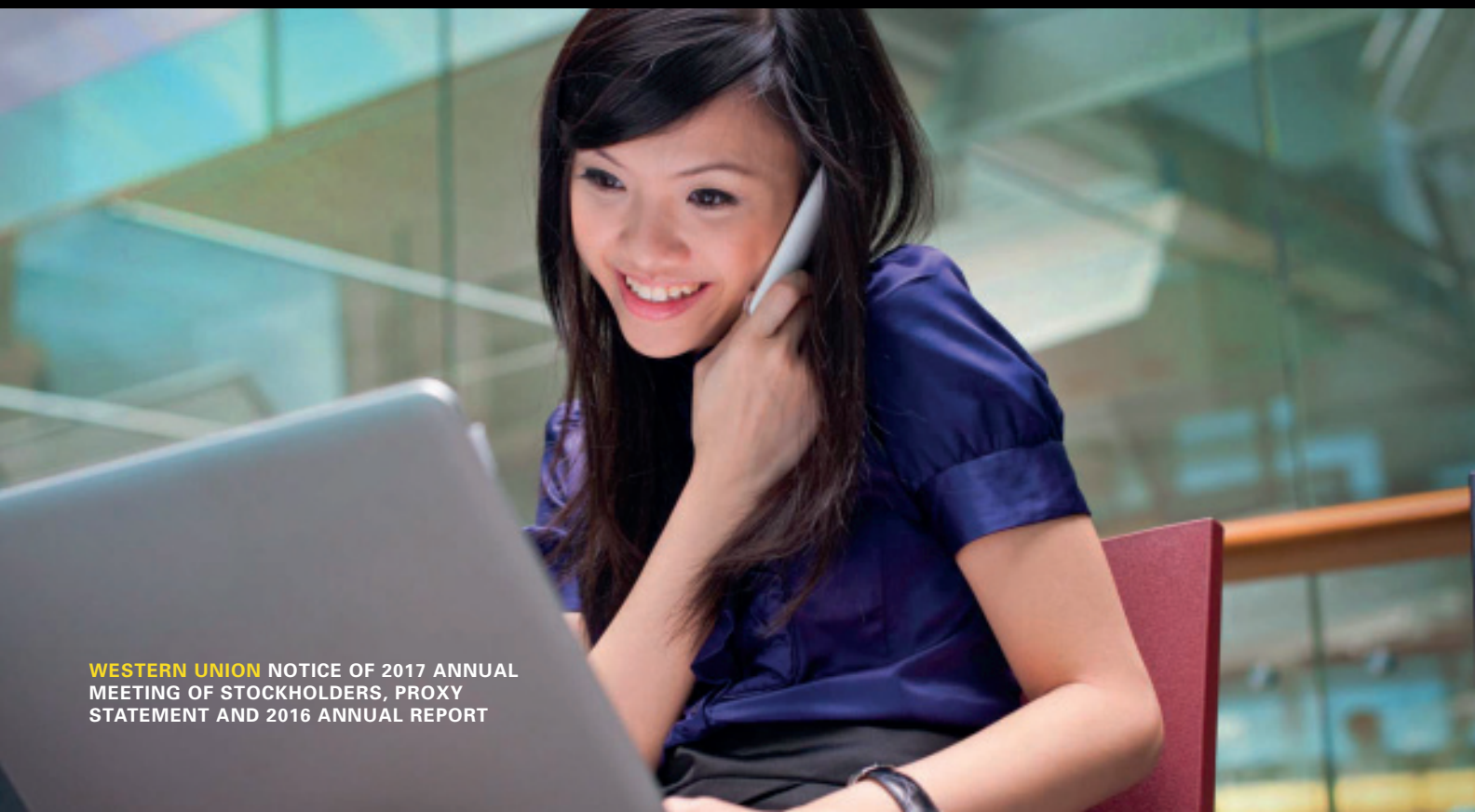




CONNECTING CROSS BORDERS



WESTERN UNION NOTICE OF 2017 ANNUAL
MEETING OF STOCKHOLDERS, PROXY
STATEMENT AND 2016 ANNUAL REPORT



2016 Highlights

Serving Our Customers



- **200+** Countries and Territories
- **550,000+** Agent Locations
- **150M** Customers Served
- **130** Currencies
- More than **100,000** ATMs and Kiosks
- Access to **Billions** of Accounts
- **200+** Regulatory Licenses
- More than **80%** WU Employees Contributing to the Western Union Foundation

Demonstrating Financial Strength



- **\$5.4B** Revenue
- **\$1B** Operating Cash Flow
- **\$80B** Principal Moved Between Customers
- **22%** Increase in westernunion.com Money Transfer Revenue
- **268M** Customer-to-Customer Transactions Completed Worldwide
- **523M** Business Payments
- Nearly **\$800M** in Share Repurchases and Dividends

Digital Innovation



- **37** Send Countries WU.com
- **50+** Countries Direct to Bank Money Transfer
- **18** countries WU Mobile App
- **31** Average Transactions Per Second
- **400,000** Fraudulent Transfers Stopped via WU Compliance Technology



CEO Letter

DEAR FELLOW STOCKHOLDERS,

I'm proud of the progress Western Union made over the course of 2016, operating from a position of strength as a global leader in cross-border money movement.

We continued to strengthen the foundation of our business, generating over \$5.4 billion in revenue and \$1 billion of operating cash flow, while returning nearly \$800 million to stockholders through share repurchases and dividends over the course of the year. And it's notable that we delivered another year of solid, consistent business performance despite global economic challenges, including soft economies in oil-producing countries and an uneven geopolitical environment.

The stability and health of the business allowed us to focus our attention on driving toward our 2020 Vision. And that starts with the opportunity that is uniquely available to us to extend our position as a market leader in cross-border money movement.

DIGITAL GROWTH

Our technology investments over the last several years have continued to pay off, with westernunion.com money transfer transactions increasing 27 percent year over year, making this the fastest growing part of the business.

Online and mobile are critical focus areas for the company. As customers become increasingly digital, and in particular mobile-savvy, Western Union has expanded its mobile offerings to serve their needs. Mobile money transfers now account for nearly 60 percent of WU's digital transactions globally. Whether it be via a smart phone, laptop, or retail agent location, customers can choose where and how they want to send and collect their funds.

WU.com is now in 37 countries and the mobile app is available in 18 countries, allowing customers to easily send and receive money to more than 200 countries and territories around the world. And we are intent on expanding these services to more and more customers in more and more countries.

In Business Solutions, we launched WU Edge, a cloud-based platform providing practical, real-time digital capabilities for global businesses of any size to make payments across borders.

CUSTOMER CHOICE

With more than 550,000 agent locations in more than 200 countries and territories, we are in tune with the evolving needs of our retail and payments customers. In 2016, Western Union managed on average 31 transactions per second serving more than 150 million customers worldwide.

A new feature in our mobile app gives consumers the flexibility to choose multiple ways to send money including from an account, card, at one of more than 100,000 ATMs or kiosks, or cash via an agent location.

We also expanded our business payments platform to enable large enterprises to send high volumes of cross-currency and cross-border payments simultaneously. Our enhanced Mass Payments product leverages our unique access to global banking networks to drive speed and efficiency, which has helped us become one of the largest non-bank providers of international payments in the world.

COMPLIANCE PROGRAMS

Earlier this year, we announced settlement agreements with U.S. federal and state government agencies that resolved investigations focused primarily on the company's oversight of certain agents, and whether its antifraud programs, as well as its anti-money laundering controls, adequately prevented misconduct by those agents and third parties. The conduct at issue mainly occurred from 2004 to 2012. While these settlements had a significant impact on 2016 financial results, we share the government's goal of protecting consumers and the integrity of our global money transfer network, and are committed to continuing to enhance our compliance programs.

Our business is based on trust with our customers, and we place a high priority on compliance—not just because it is the right thing to do, but because we want to create the safest global environment for the people, families and businesses that use our services.

Over the past five years, Western Union increased overall compliance funding by more than 200 percent, and now spends approximately \$200 million per year on compliance, with more than 20 percent of our workforce currently dedicated to compliance functions. We're proud that consumer fraud reports associated with Western Union money transfers continue to be extremely low—fewer than one-tenth of one percent of all consumer-to-consumer (C2C) transactions over the past 10 years.

Other enhancements we continue to make to our compliance programs include: hiring employees with law enforcement and regulatory expertise; strengthening consumer education and agent training; bolstering technology investments; and partnering with various consumer advocacy and law enforcement groups. In 2016 alone, our consumer protection education and outreach efforts touched nearly seven million people.

OUR LEGACY

Since our founding 166 years ago, Western Union has been known as a company that makes a difference in the world. We believe that “when money moves, better things happen”—for individuals, businesses and society. As we deliver our brand's purpose, we realize our potential as an economic enabler for the world's economies, communities and individuals.

We're extremely proud that more than 80 percent of our employees contributed their own funds to support the work of the Western Union Foundation this past year, a remarkably high level of employee participation.

It is a privilege to serve as a founding partner of the White House Call-to-Action for private sector engagement on the global refugee crisis. As part of this long-term commitment,

the Foundation made a three-year commitment to the Whitaker Peace and Development Initiative, an organization that develops programs to foster peace and reconciliation in disadvantaged communities worldwide. We are proud to partner with our flagship Education for Better participants—including Save the Children in Asia, SOS Children's Villages, Junior Achievement, National Academy Foundation, Teach for All and Education for Employment—to provide 50,000 women and youth with the job skills needed to succeed in in-demand 21st century jobs over the next five years.

LOOKING AHEAD

Our business decisions are being driven by the voice of the customer. These choices range from our operating model to our investments, how we work together and how well we serve customers. Western Union has begun a lean management process of looking at every aspect of our organization. Known as “The WU Way,” this multi-year effort is intended to more rapidly identify and capture new long-term growth opportunities, improve the customer experience, drive cost efficiencies and foster innovation.

Some early priorities include: delivering end-to-end improvements in how we serve our customers and how we work with agents; improving the productivity of our network; and building upon our technology success even further by creating a more agile and centralized fintech organization.

While I'm proud of our accomplishments and resilience in 2016, I'm even more excited about 2017, and intensifying our focus on serving our customers well.

We are part of a very dynamic and fast-changing global economy. Western Union's track record of innovation since our founding 166 years ago has helped build a powerful cross-border money movement platform. And we are well-positioned to help our customers navigate the shifting landscape.

Through our distinct combination of agent locations and digital products, Western Union is ready and committed to help our customers move money with ease, simplicity and confidence.

I look forward to sharing our progress with you again next year.



HIKMET ERSEK

President, Chief Executive Officer and Director



Western Union

Notice of 2017 Annual Meeting of Stockholders,
Proxy Statement & 2016 Annual Report





THE WESTERN UNION COMPANY

12500 East Belford Avenue
Englewood, CO 80112

March 29, 2017

DEAR STOCKHOLDER:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders (the "Annual Meeting") of The Western Union Company (the "Company"), to be held at 8:00 a.m., local time, on Thursday, May 11, 2017, at 505 Fifth Avenue, 7th Floor, New York, NY 10017. The registration desk will open at 7:30 a.m.

The attached notice and Proxy Statement contain details of the business to be conducted at the Annual Meeting. In addition, the Company's 2016 Annual Report, which is being made available to you along with the Proxy Statement, contains information about the Company and its performance. Directors and officers of the Company will be present at the Annual Meeting.

Your vote is important! Whether or not you plan to attend the Annual Meeting, **please read the Proxy Statement and then vote**, at your earliest convenience, by telephone, Internet, tablet or smartphone, or request a proxy card to complete, sign, and date and return by mail. Using the telephone, Internet, tablet or smartphone voting systems, or mailing your completed proxy card, will not prevent you from voting in person at the Annual Meeting if you are a stockholder of record and wish to do so.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the Company.



Regards,

A handwritten signature in black ink, appearing to read "Hikmet Ersek".

Hikmet Ersek
President, Chief Executive Officer and Director

YOUR VOTE IS IMPORTANT

PLEASE PROMPTLY VOTE BY TELEPHONE, INTERNET, TABLET OR SMARTPHONE, OR REQUEST A PROXY CARD TO COMPLETE, SIGN, DATE AND RETURN BY MAIL SO THAT YOUR SHARES MAY BE VOTED IN ACCORDANCE WITH YOUR WISHES AND SO THAT THE PRESENCE OF A QUORUM MAY BE ASSURED. YOUR PROMPT ACTION WILL AID THE COMPANY IN REDUCING THE EXPENSE OF PROXY SOLICITATION.



THE WESTERN UNION COMPANY
12500 EAST BELFORD AVENUE
ENGLEWOOD, CO 80112
(866) 405-5012

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS



When:

May 11, 2017
at 8:00 a.m. local time



Where:

505 Fifth Avenue, 7th Floor,
New York, NY 10017



Record Date:

March 13, 2017

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider, and you should read the entire Proxy Statement before voting.

Items of Business	BOARD'S RECOMMENDATION	FURTHER INFORMATION
1 Election of Directors named in this Proxy Statement to serve as members of the Company's Board of Directors until the Company's 2018 Annual Meeting of Stockholders	FOR each director nominee	Page 13
2 Hold an advisory vote to approve executive compensation	FOR	Page 65
3 Hold an advisory vote on the frequency of the vote on executive compensation	FOR One year	Page 67
4 Ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for 2017	FOR	Page 68
5 Vote on the stockholder proposals described in the accompanying Proxy Statement, if properly presented at the Annual Meeting	AGAINST	Pages 70-77
6 Transact any other business as may properly come before the Annual Meeting or any postponement or adjournment of the Annual Meeting		

ATTENDING THIS MEETING

All stockholders will be required to show valid, government-issued, photo identification or an employee badge issued by the Company. If your shares are registered in your name, your name will be compared to the list of registered stockholders to verify your share ownership. If your shares are in the name of your broker or bank, you will need to bring evidence of your share ownership, such as your most recent brokerage account statement or a legal proxy from your broker. If you do not have valid picture identification and proof that you own Company shares, you will not be admitted to the Annual Meeting. All packages and bags are subject to inspection. Please note that the registration desk will open at 7:30 a.m. Please arrive in advance of the start of the Annual Meeting to allow time for identity verification.

WHO CAN ATTEND AND VOTE

Our stockholders of record on March 13, 2017 are entitled to notice of, and to vote at, the Annual Meeting and at any adjournment or postponement that may take place. A list of stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder at the Annual Meeting and for ten days prior to the Annual Meeting at our principal executive offices located at 12500 East Belford Avenue, Englewood, CO 80112.

YOUR VOTE IS EXTREMELY IMPORTANT.



TELEPHONE

Beneficial Owners call toll free at 1-800-454-8683

Registered Holders call toll free at 1-866-883-3382



INTERNET

Beneficial Owners visit www.proxyvote.com

Registered Holders visit www.proxypush.com/wu



BY MAIL

Request a paper proxy card to complete, sign, date and return



**BY TABLET OR
SMARTPHONE**

Beneficial Owners vote your shares online with your tablet or by smartphone by scanning the QR code above.

Registered Holders vote your shares online with the QR code on your Proxy Card.



IN PERSON

Attend the Annual Meeting

The Proxy Statement and Annual Report to Stockholders are also available at www.wuannualmeeting.com.

We appreciate your taking the time to vote promptly. After reading the Proxy Statement, please vote, at your earliest convenience, by telephone, Internet, tablet or smartphone, or request a proxy card to complete, sign, date and return by mail. If you decide to attend the Annual Meeting and would prefer to vote by ballot, your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted.

Please note that all votes cast via telephone, Internet, tablet or smartphone must be cast prior to 11:59 p.m., Eastern Time on Wednesday, May 10, 2017.

By Order of the Board of Directors

John R. Dye
Executive Vice President, General Counsel and Secretary

March 29, 2017

Table of Contents

Proxy Summary	i
Proxy Statement	1
The Proxy Process and Stockholder Voting	2
Board of Directors Information	6
Proposal 1—Election of Directors	13
Corporate Governance	14
Summary of Corporate Governance Practices	14
Independence of Directors	15
Board Leadership Structure and Role in Risk Oversight	16
Committees of the Board of Directors	17
Chief Executive Officer Succession Planning.....	22
Communications With the Board of Directors	22
Board Attendance at Annual Stockholders' Meeting	22
Presiding Director of Non-Management Director Meetings.....	22
Nomination of Directors	22
Submission of Stockholder Proposals.....	23
Code of Ethics.....	23
Compensation of Directors	24
Report of the Audit Committee	27
Compensation and Benefits Committee Report	28
Compensation Discussion and Analysis	29
Executive Summary	29
Establishing and Evaluating Executive Compensation	34
The Western Union 2016 Executive Compensation Program	39
Compensation of Our Named Executive Officers.....	50

Executive Compensation	52
2016 Summary Compensation Table	52
2016 All Other Compensation Table.....	53
2016 Grants of Plan-Based Awards Table.....	53
Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table	55
2016 Outstanding Equity Awards at Fiscal Year-End Table	56
2016 Option Exercises and Stock Vested Table	58
2016 Nonqualified Deferred Compensation Table.....	59
Potential Payments Upon Termination or Change-In-Control	60
Payments Upon Termination or Change-in-Control Tables	61
Risk Management and Compensation	64
Proposal 2—Advisory Vote to Approve Executive Compensation	65
Proposal 3—Advisory Vote on the Frequency of the Vote on Executive Compensation	67
Proposal 4—Ratification of Selection of Auditors	68
Proposal 5—Stockholder Proposal Regarding Political Contributions Disclosure	70
Proposal 6—Stockholder Proposal Regarding Action by Written Consent	73
Proposal 7—Stockholder Proposal Regarding Report Detailing Risks and Costs to Company Caused by State Policies Supporting Discrimination	75
Equity Compensation Plan Information	78
Stock Beneficially Owned by Directors, Executive Officers and Our Largest Stockholders	79
Certain Transactions and Other Matters	81
Section 16(a) Beneficial Ownership Reporting Compliance	82
Appendix A	A-1
Reconciliation of Non-GAAP Measures	A-1

PROXY SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider, and you should read the entire Proxy Statement before voting.

2017 ANNUAL MEETING OF STOCKHOLDERS



When:

May 11, 2017
at 8:00 a.m. local time



Where:

505 Fifth Avenue, 7th Floor,
New York, NY 10017



Record Date:

March 13, 2017

MEETING AGENDA AND VOTING MATTERS

ITEM	MANAGEMENT PROPOSALS	BOARD VOTE RECOMMENDATION	PAGE REFERENCE (FOR MORE DETAIL)
1	Election of Directors named in this Proxy Statement to serve as members of the Company's Board of Directors until the Company's 2018 Annual Meeting of Stockholders	FOR each director nominee	13
2	Advisory Vote to Approve Executive Compensation	FOR	65
3	Advisory Vote on the Frequency of the Vote on Executive Compensation	FOR One year	67
4	Ratify the Selection of Ernst & Young LLP as our independent registered public accounting firm for 2017	FOR	68

ITEM	STOCKHOLDER PROPOSALS	BOARD VOTE RECOMMENDATION	PAGE REFERENCE (FOR MORE DETAIL)
5	Stockholder Proposal Regarding Political Contributions Disclosure	AGAINST	70
6	Stockholder Proposal Regarding Stockholder Action by Written Consent	AGAINST	73
7	Stockholder Proposal Regarding Report Detailing Risks and Costs to Company Caused by State Policies Supporting Discrimination	AGAINST	75

MEMBERS OF OUR BOARD OF DIRECTORS

DIRECTOR	AGE	DIRECTOR SINCE	INDEPENDENT	COMMITTEE MEMBERSHIPS
Martin I. Cole	60	2015	✓	AC, CC
Hikmet Ersek	56	2010		CC+
Richard A. Goodman	68	2012	✓	AC, CBC
Jack M. Greenberg	74	2006	✓	★
Betsy D. Holden	61	2006	✓	CBC, CGC
Jeffrey A. Joerres	57	2015	✓	CBC, CGC
Roberto G. Mendoza	71	2006	✓	AC, CBC
Michael A. Miles, Jr.	55	2006	✓	AC, CC
Robert W. Selander	66	2014	✓	CBC, CGC, C
Frances Fragos Townsend	55	2013	✓	CC, C, CGC
Solomon D. Trujillo	65	2012	✓	CBC, CC

★ - Chairman of the Board

AC - Audit Committee

CBC - Compensation and Benefits Committee

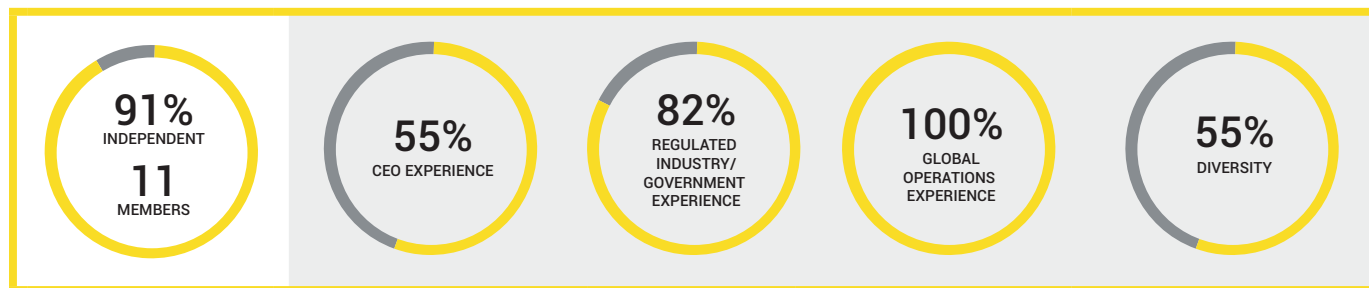
CGC - Corporate Governance and Public Policy Committee

CC - Compliance Committee

C - Committee Chair

+ - Non-voting Member

INFORMATION ABOUT OUR BOARD (PAGE 6)



GOVERNANCE HIGHLIGHTS (PAGE 14)

- ✓ Annual Election of Directors
- ✓ Proxy Access
- ✓ Majority Vote Standard in Uncontested Elections
- ✓ Stockholder Right to Call Special Meetings
- ✓ No Stockholder Rights Plan ("Poison Pill")
- ✓ No Supermajority Voting Provisions in the Company's Organizational Documents
- ✓ Independent Board, except our Chief Executive Officer
- ✓ Independent Non-Executive Chairman
- ✓ Independent Board Committees
- ✓ Confidential Stockholder Voting
- ✓ Committee Authority to Retain Independent Advisors
- ✓ Robust Codes of Conduct
- ✓ Robust Stock Ownership Guidelines for Senior Executives and Directors
- ✓ Prohibition Against Pledging and Hedging of Company Stock by Senior Executives and Directors
- ✓ Stockholder Engagement

CORE COMPONENTS OF 2016 EXECUTIVE COMPENSATION (PAGE 40)

- **Base Salary** - Fixed compensation component payable in cash
- **Annual Incentive Awards** - Variable compensation component payable in cash based on performance against annually established performance objectives
- **Performance-Based Restricted Stock Units ("PSUs")** - Restricted stock units vest based on the Company's achievement of financial performance objectives and the Company's relative total stockholder return ("TSR") versus the Standard & Poor's 500 Index ("S&P 500 Index")
- **Stock Options** - Non-qualified stock options granted with an exercise price at fair market value on the date of grant that expire 10 years after grant and become exercisable in 25% annual increments over a four-year vesting period
- **Restricted Stock Units ("RSUs")** - RSUs cliff vest on the third anniversary of the grant based on continued service during the vesting period

KEY FEATURES OF OUR EXECUTIVE COMPENSATION PROGRAM (PAGE 30)

What We Do:

- ✓ **Pay-for-performance and At-Risk Compensation.** A significant portion of our targeted annual compensation is performance-based and/or subject to forfeiture ("at-risk"), with emphasis on variable pay to reward short-and long-term performance measured against pre-established objectives informed by our Company's strategy. For 2016, performance-based compensation comprised approximately 90% of the targeted annual compensation for the Chief Executive Officer and, on average, 66% of the targeted annual compensation for the other named executive officers. The remaining components of targeted annual compensation consisted of base salary for all of the named executive officers and service-based RSUs for the named executive officers other than the Chief Executive Officer, which are at-risk as their value fluctuates based on our stock price performance.
- ✓ **Align Compensation with Stockholder Interests.** Performance measures for incentive compensation are linked to the overall performance of the Company, including the achievement of financial and strategic objectives, as well as individual performance and contributions, aligned with the creation of long-term stockholder value.
- ✓ **Emphasis on future pay opportunity vs. current pay.** Our long-term incentive awards are delivered to our named executive officers in the form of equity-based compensation, with multi-year vesting provisions to encourage retention. For 2016, long-term equity compensation comprised approximately 74% of the targeted annual compensation for the Chief Executive Officer and, on average, 56% of the targeted annual compensation for the other named executive officers. In addition, in 2016, the Company's Compensation and Benefits Committee (the "Compensation Committee") elected to deliver the entire increase in the Chief Executive Officer's total target direct compensation in the form of long-term equity compensation.
- ✓ **Mix of performance metrics.** The Company utilizes a mix of performance metrics that emphasize both absolute performance goals, which provide the primary links between incentive compensation and the Company's strategic operating plan and financial results, and relative performance goals, which measure Company performance in comparison to the S&P 500 Index.
- ✓ **Three-year Performance Period for PSUs.** In order to link a significant portion of the named executive officers' targeted annual compensation to the longer-term performance of the Company, our PSUs have a three-year performance period.
- ✓ **Stockholder engagement.** As part of the Company's stockholder outreach program, the Compensation Committee chair and members of management seek to engage with stockholders regularly to discuss and understand their perceptions or concerns regarding our executive compensation program.
- ✓ **Outside compensation consultant.** The Compensation Committee retains its own compensation consultant to review the Company's executive compensation program and practices.
- ✓ **"Double trigger" in the event of a change-in-control.** In the event of a change-in-control, severance benefits are payable only upon a "double trigger."
- ✓ **Maximum payout caps for annual cash incentive compensation and PSUs.**
- ✓ **"Clawback" Policy.** The Company may recover incentive compensation paid to an executive officer that was calculated based upon any financial result or performance metric impacted by fraud or misconduct of the executive officer.
- ✓ **Robust stock ownership guidelines.** Our executive compensation program requires meaningful stock ownership by our executive officers to align them with long-term stockholder interests. Our Chief Executive Officer is required to hold stock equal to a multiple of six times his base salary, and each of our other named executive officers is required to hold stock equal to a multiple of three times his or her base salary. Fifty percent of after-tax shares received as equity compensation must be retained until an executive meets the stock ownership guideline.
- ✓ **Consider Compliance in Compensation Program.** Since 2014, the Compensation Committee has included an evaluation of compliance in the Company's annual incentive program in order to reinforce compliance as an objective throughout the organization. Beginning with the Company's 2017 executive compensation program, the Compensation Committee will include additional evaluation criteria related to compliance in its executive review and bonus system so that each Company executive is evaluated on what the executive has done to ensure that the executive's business or department is in compliance with U.S. laws. In addition, the Compensation Committee will also implement a provision that allows the Company to "clawback" bonuses for executives for conduct that is later determined to have contributed to future compliance failures, subject to applicable law.

What We Don't Do:

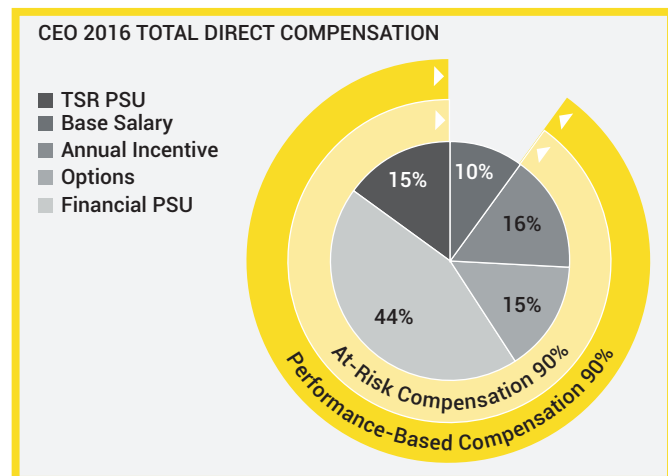
- ✗ **No change-in-control tax gross ups.** We do not provide change-in-control tax gross ups to individuals promoted or hired after April 2009. Mr. Ersek is the only Company employee who remains eligible for excise tax gross-up payments based on Compensation Committee action in 2009.
- ✗ **No repricing or buyout of underwater stock options.** None of our equity plans permit the repricing or buyout of underwater stock options or stock appreciation rights without stockholder approval, except in connection with certain corporate transactions involving the Company.
- ✗ **Prohibition against pledging and hedging of Company securities by senior executives and directors.**
- ✗ **No dividends or dividend equivalents are accrued or paid on PSUs or RSUs.**

CHIEF EXECUTIVE OFFICER COMPENSATION

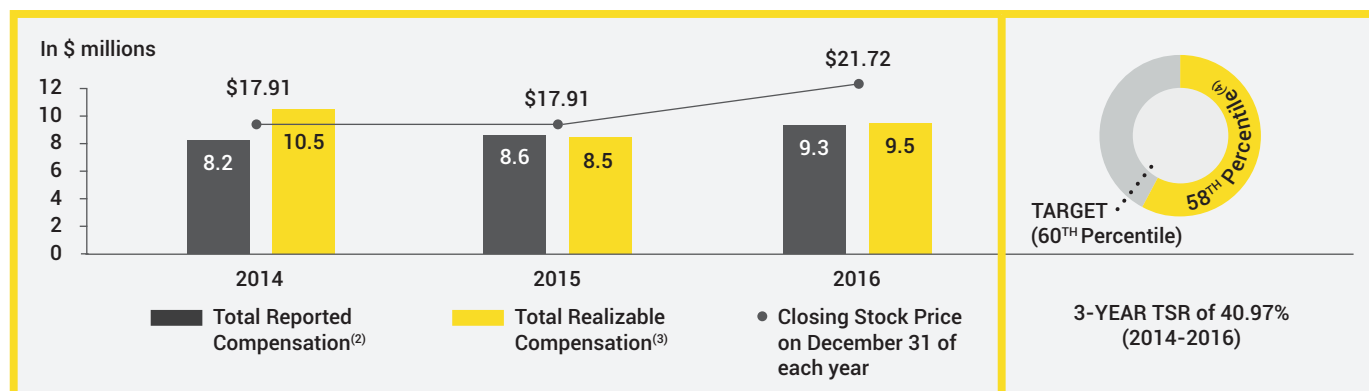
The following chart demonstrates that our Chief Executive Officer's compensation is heavily weighted toward variable, performance-based pay elements, and such elements comprised approximately 90% of the targeted 2016 annual compensation for Mr. Ersek (consisting of target payout opportunity under the Annual Incentive Plan and stock option and PSU components under the Long-Term Incentive Plan). Pay is based on the annual base salary and target incentive opportunities applicable to Mr. Ersek as of December 31, 2016.

Since a significant portion of Mr. Ersek's compensation is both performance-based and "at-risk," we are providing the following supplemental graph to compare the compensation granted to Mr. Ersek, as required to be reported by the U.S. Securities and Exchange Commission (the "SEC") rules in the 2016 Summary Compensation Table, to the compensation "realizable" by him for 2014 to 2016.

We believe the "realizable" compensation shown is reflective of the Compensation Committee's emphasis on "pay-for-performance" in that differences between realizable pay and total reported compensation, as well as fluctuations year-over-year are primarily the result of our stock performance and our varying levels of achievement against pre-established performance goals under our Annual Incentive Plan and Long-Term Incentive Plan.



**CHIEF EXECUTIVE OFFICER TOTAL
REPORTED COMPENSATION
VERSUS TOTAL REALIZABLE COMPENSATION⁽¹⁾**



- (1) This graph and the total realizable compensation reported in this graph provide supplemental information regarding the compensation paid to Mr. Ersek and should not be viewed as a substitute for the 2016 Summary Compensation Table.
- (2) As reported in the Total column of the 2016 Summary Compensation Table.
- (3) Amounts reported in the calculation of total realizable compensation include (a) annualized base salary, (b) actual bonus payments made to Mr. Ersek with respect to each of the years shown under the Annual Incentive Plan, (c) actual amounts paid with respect to discretionary bonuses in the year in which such bonuses are earned, (d) the value realized from the exercise of stock options and for unexercised stock options, the difference between the exercise price and the closing stock price on the last trading day of 2016, each reported in the year granted, (e) the value realized upon vesting of RSUs or PSUs and the value of unvested RSUs or PSUs based on the closing stock price on the last trading day of 2016, each reported in the year granted, and (f) amounts reported in the All Other Compensation Table for the respective years. For purposes of this table, the value of the TSR PSUs is based on target performance since the TSR PSUs vest based on the Company's TSR at the end of the three-year performance period compared to the Company's TSR at the beginning of the performance period. The Financial PSUs are valued for purposes of this table based on estimated performance as of December 31, 2016.
- (4) TSR at the 58th percentile of the S&P 500 Index.

This page intentionally left blank.

PROXY STATEMENT

The Board of Directors (the "Board of Directors" or the "Board") of The Western Union Company ("Western Union" or the "Company") is soliciting your proxy to vote at the 2017 Annual Meeting of Stockholders (the "Annual Meeting") to be held on May 11, 2017 at 8:00 a.m., local time, and any adjournment or postponement of that meeting. The meeting will be held at 505 Fifth Avenue, 7th Floor, New York, NY 10017.

In accordance with rules and regulations of the SEC, instead of mailing a printed copy of our proxy materials to each stockholder of record or beneficial owner, we furnish proxy materials, which include this Proxy Statement and the accompanying Proxy Card, Notice of Meeting, and Annual Report to Stockholders, to our stockholders over the Internet unless otherwise instructed by the stockholder. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice of Internet Availability of Proxy Materials.

The Notice of Internet Availability of Proxy Materials was first mailed on or before March 29, 2017 to all stockholders of record as of March 13, 2017 (the "Record Date"). The only voting securities of the Company are shares of the Company's common stock, \$0.01 par value per share (the

"Common Stock"), of which there were 476,233,701 shares outstanding as of the Record Date. The closing price of the Company's Common Stock on the Record Date was \$19.58 per share.

The Company's Annual Report to Stockholders (the "2016 Annual Report"), which contains consolidated financial statements for the year ended December 31, 2016, accompanies this Proxy Statement. You also may obtain a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2016 that was filed with the SEC, without charge, by writing to Investor Relations, The Western Union Company, 12500 East Belford Avenue, Mailstop M231R, Englewood, CO 80112. **If you would like to receive a copy of any exhibits listed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, please call (866) 405-5012 or submit a request in writing to Investor Relations at the above address, and the Company will provide you with the exhibits upon the payment of a nominal fee (which fee will be limited to the expenses we incur in providing you with the requested exhibits).** The Company's Annual Report on Form 10-K for the year ended December 31, 2016 and these exhibits are also available in the "Investor Relations" section of www.wu.com. This Proxy Statement and Annual Report to Stockholders are also available at www.wuannualmeeting.com.

THE PROXY PROCESS AND STOCKHOLDER VOTING

Q WHY DID I RECEIVE THESE MATERIALS?

A Our Board of Directors has made these materials available to you on the Internet or, upon your request, has delivered printed versions of these materials to you by mail, in connection with the Board's solicitation of proxies for use at our Annual Meeting, which will take place on May 11, 2017, or any adjournment or postponement thereof. Our stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement.

Q WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS OR SET OF PROXY MATERIALS?

A This means you hold shares of the Company in more than one way. For example, you may own some shares directly as a "Registered Holder" and other shares through a broker or you may own shares through more than one broker. In these situations, you may receive multiple Notices of Internet Availability of Proxy Materials or, if you request proxy materials to be delivered to you by mail, Proxy Cards. It is necessary for you to vote, sign, and return all of the Proxy Cards or follow the instructions for any alternative voting procedure on each of the Notices of Internet Availability of Proxy Materials you receive in order to vote all of the shares you own. If you request proxy materials to be delivered to you by mail, each Proxy Card you receive will come with its own prepaid return envelope; if you vote by mail, make sure you return each Proxy Card in the return envelope which accompanied that Proxy Card.

Q WHY DID MY HOUSEHOLD RECEIVE ONLY ONE COPY OF THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS OR PROXY MATERIALS?

A In addition to furnishing proxy materials electronically, we take advantage of the SEC's "householding" rules to reduce the delivery cost of materials. Under such rules, only one Notice of Internet Availability of Proxy Materials or, if you have requested paper copies, only one set of proxy materials is delivered to multiple stockholders sharing an address unless we have received contrary instructions from one or more of the stockholders. If you are a stockholder sharing an address and wish to receive a separate Notice of

Internet Availability of Proxy Materials or copy of the proxy materials, you may so request by contacting the Broadridge Householding Department by phone at 1-800-542-1061 or by mail to Broadridge Householding Department, 51 Mercedes Way, Edgewood, NY 11717. A separate copy will be promptly provided following receipt of your request, and you will receive separate materials in the future. If you currently share an address with another stockholder but are nonetheless receiving separate copies of the materials, you may request delivery of a single copy in the future by contacting the Broadridge Householding Department at the number or address shown above.

Q DOES MY VOTE MATTER?

A YES! We are required to obtain stockholder approval for the election of directors and other important matters. Each share of Common Stock is entitled to one vote and every share voted has the same weight. In order for the Company to obtain the necessary stockholder approval of proposals, a "quorum" of stockholders (a majority of the issued and outstanding shares entitled to vote) must be represented at the Annual Meeting in person or by proxy. If a quorum is not obtained, the Company must adjourn or postpone the meeting and solicit additional proxies; this is an expensive and time-consuming process that is not in the best interest of the Company or its stockholders. Since few stockholders can spend the time or money to attend stockholder meetings in person, voting by proxy is important to obtain a quorum and complete the stockholder vote.

Q HOW DO I VOTE?

A @ By Telephone or Internet—You may vote your shares via telephone as instructed on the Proxy Card, or the Internet as instructed on the Proxy Card or the Notice of Internet Availability of Proxy Materials. The telephone and Internet procedures are designed to authenticate your identity, to allow you to vote your shares, and confirm that your instructions have been properly recorded.

The telephone and Internet voting facilities will close at 11:59 p.m., Eastern Time, on May 10, 2017.



By Mail—If you request paper Proxy Cards by telephone or Internet, you may elect to vote by mail. If you elect to do so, you should complete, sign, and date each Proxy Card you receive, indicating your voting preference on each proposal, and return each Proxy Card in the prepaid envelope that accompanied the Proxy Card. If you return a signed and dated Proxy Card but you do not indicate your voting preferences, your shares will be voted in accordance with the recommendations of the Board of Directors. By returning your signed and dated Proxy Card or providing instructions by the alternative voting procedure in time to be received for the Annual Meeting, you authorize Hikmet Ersek and John R. Dye to act as your proxies (the "Proxies") to vote your shares of Common Stock as specified.



By Tablet or Smartphone—If you are a Beneficial Owner, you may vote your shares online with your tablet or smartphone by scanning the QR code above. If you are a Registered Holder, you may vote your shares online with the QR code on your Proxy Card. The tablet and smartphone voting facilities will close at 11:59 p.m., Eastern Time, on May 10, 2017.



At the Annual Meeting—Shares held in your name as the stockholder of record may be voted by you in person at the Annual Meeting. Shares held beneficially on your behalf by a broker or agent may be voted by you in person at the Annual Meeting only if you obtain a legal proxy from the broker or agent that holds your shares giving you the right to vote the shares, and you bring such proxy to the Annual Meeting.

Shares held in The Western Union Company Incentive Savings Plan—For shares held in The Western Union Company Incentive Savings Plan, that plan's trustee will vote such shares as directed. If no direction is given on how to vote such shares to the trustee by mail on or before May 8, 2017 or by Internet, telephone, tablet or smartphone by 11:59 p.m., Eastern Time, on May 10, 2017, the trustee will vote your shares held in that plan in the same proportion as the shares for which it receives instructions from all other participants in the plan.

Q

HOW MANY VOTES ARE REQUIRED TO APPROVE A PROPOSAL?

A

The Company's Amended and Restated By-Laws (the "By-Laws") require directors to be elected by the majority of votes cast with respect to such director in uncontested elections (the number of shares voted "for" a director must exceed the number of votes cast "against" that director with abstentions and broker non-votes not counted as votes "for" or "against"). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

The advisory vote to approve executive compensation (Proposal 2), the ratification of Ernst & Young LLP's selection as independent registered public accounting firm (Proposal 4), the stockholder proposal regarding political contributions disclosure (Proposal 5), the stockholder proposal regarding stockholder action by written consent (Proposal 6), and the stockholder proposal regarding a report detailing risks and costs to the Company caused by state policies supporting discrimination (Proposal 7) each require the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote thereon. The advisory vote on the frequency of the vote on executive compensation (Proposal 3) also requires the affirmative vote of a majority of the shares of Common Stock represented at the Annual Meeting and entitled to vote thereon. However, if none of the frequency options receive the vote of a majority of the shares of Common Stock represented at the Annual Meeting and entitled to vote thereon, the option receiving the greatest number of votes will be considered the frequency recommended by the Company's stockholders.

Q WHAT IS THE EFFECT OF NOT VOTING?

A It depends on how ownership of your shares is registered and the proposal to be voted upon. If you own shares as a Registered Holder, rather than through a broker, your unvoted shares will not be represented at the Annual Meeting and will not count toward the quorum requirement. Except as described below, and assuming a quorum is obtained, your unvoted shares will not affect whether a proposal is approved or rejected.

If you own shares through a broker and do not vote, your broker may represent your shares at the meeting for purposes of obtaining a quorum. As described in the answer to the following question, in the absence of your voting instruction, your broker may or may not vote your shares.

Q IF I DON'T VOTE, WILL MY BROKER VOTE FOR ME?

A If you own your shares through a broker and you don't vote, your broker may vote your shares in its discretion on some "routine matters." With respect to other proposals, however, your broker may not be able to vote your shares for you. With respect to these proposals, the aggregate number of unvoted shares is reported as the "broker non-vote." A "broker non-vote" share will not affect the determination of whether the matter is approved. The Company believes that the proposal to ratify Ernst & Young LLP's selection as independent registered public accounting firm (Proposal 4) set forth in this Proxy Statement is a routine matter on which brokers will be permitted to vote any unvoted shares.

Other than Proposal 4, the Company believes that all other proposals set forth in this Proxy Statement are not considered routine matters and brokers will not be able to vote on behalf of their clients if no voting instructions have been furnished. Please vote your shares on all proposals.

Q HOW ARE ABSTENTIONS TREATED?

A Whether you own your shares as a Registered Holder or through a broker, abstentions are counted toward the quorum requirement and have the same effect as votes "against" a proposal, other than the proposal for the election of directors, on which they have no effect.

Q IF I OWN MY SHARES THROUGH A BROKER, HOW IS MY VOTE RECORDED?

A Brokers typically own shares of Common Stock for many stockholders. In this situation, the Registered Holder on the Company's stock register is the broker or its nominee. This often is referred to as holding shares in "Street Name." The "Beneficial Owners" do not appear in the Company's stockholder register. If you hold your shares in Street Name, and elect to vote via telephone, Internet, tablet or smartphone, your vote will be submitted to your broker. If you request paper Proxy Cards and elect to vote by mail, the accompanying return envelope is addressed to return your executed Proxy Card to your broker. Shortly before the Annual Meeting, each broker will total the votes submitted by telephone, Internet, tablet or smartphone or mail by the Beneficial Owners for whom it holds shares, and submit a Proxy Card reflecting the aggregate votes of such Beneficial Owners.

Q IS MY VOTE CONFIDENTIAL?

A In accordance with the Company's Corporate Governance Guidelines, the vote of any stockholder will not be revealed to anyone other than a non-employee tabulator of votes or an independent election inspector (the "Inspector of Election"), except (i) as necessary to meet applicable legal and stock exchange listing requirements, (ii) to assert claims for or defend claims against the Company, (iii) to allow the Inspector of Election to certify the results of the stockholder vote, (iv) in the event a proxy, consent, or other solicitation in opposition to the voting recommendation of the Board of Directors takes place, (v) if a stockholder has requested that his or her vote be disclosed, or (vi) to respond to stockholders who have written comments on Proxy Cards.

Q CAN I REVOKE MY PROXY AND CHANGE MY VOTE?

A Yes. You have the right to revoke your proxy at any time prior to the time your shares are voted. If you are a Registered Holder, your proxy can be revoked in several ways: (i) by timely delivery of a written revocation delivered to the Corporate Secretary, (ii) by timely submission of another valid proxy bearing a later date (including through any alternative voting procedure described on the Notice of Internet Availability of Proxy Materials or Proxy Card), or (iii) by attending the Annual Meeting and giving the Inspector of Election notice that you intend to vote your shares in person. If your shares are held by a broker, you must contact your broker in order to revoke your proxy.

Q WILL ANY OTHER BUSINESS BE TRANSACTED AT THE MEETING? IF SO, HOW WILL MY PROXY BE VOTED?

A Management does not know of any business to be transacted at the Annual Meeting other than those matters described in this Proxy Statement. The period specified in the Company's By-Laws for submitting additional proposals to be considered at the Annual Meeting has passed and there are no such proposals to be considered. However, should any other matters properly come before the Annual Meeting, and any adjournments and postponements thereof, shares with respect to which voting authority has been granted to the Proxies will be voted by the Proxies in accordance with their judgment.

Q WHO COUNTS THE VOTES?

A Votes will be counted and certified by the Inspector of Election, who is an employee of Wells Fargo Bank, N.A., the Company's Transfer Agent and Registrar ("Wells Fargo"). If you are a Registered Holder, your telephone, Internet, tablet, or smartphone vote is submitted, or your executed Proxy Card is returned, directly to Wells Fargo for tabulation. As noted above, if you hold your shares through a broker, your broker returns a single Proxy Card to Wells Fargo on behalf of its clients.

Q HOW MUCH DOES THE PROXY SOLICITATION COST?

A The Company has engaged the firm of MacKenzie Partners, Inc., 105 Madison Avenue, New York, NY 10016, to assist in distributing and soliciting proxies for a fee of approximately \$20,000, plus expenses. However, the proxy solicitor fee is only a small fraction of the total cost of the proxy process. A significant expense in the proxy process is printing and mailing the proxy materials. The Company will also reimburse brokers, fiduciaries, and custodians for their costs in forwarding proxy materials to Beneficial Owners of our Common Stock. Proxies also may be solicited on behalf of the Company by directors, officers, or employees of the Company in person or by mail, telephone, email, or facsimile transmission. No additional compensation will be paid to such directors, officers, or employees for soliciting proxies. The Company will bear the entire cost of solicitation of proxies, including the preparation, assembly, printing, and mailing of the Notice of Internet Availability of Proxy Materials, and this Proxy Statement and the accompanying Proxy Card, Notice of Meeting, and Annual Report to Stockholders.

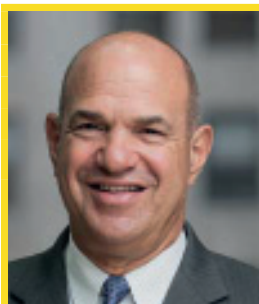
IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

The Company's Proxy Statement and Annual Report to Stockholders are available at www.proxydocs.com/wu for Registered Holders and at www.proxyvote.com for Beneficial Owners. To access such materials, you will need the control/identification numbers provided to you in your Notice of Internet Availability of Proxy Materials or your Proxy Card. You may also access this Proxy Statement and Annual Report to Stockholders at www.wuannualmeeting.com.

BOARD OF DIRECTORS INFORMATION

In accordance with applicable Delaware law, the business of the Company is managed under the direction of its Board of Directors. Pursuant to the Company's Amended and Restated Certificate of Incorporation, the Board of Directors is to consist of not less than one nor more than 15 directors. All directors' terms will expire at the Annual Meeting. Unless otherwise noted below, at the Annual Meeting, director nominees will stand for election for one-year terms, expiring at the 2018 Annual Meeting of Stockholders.

During 2016, the Board of Directors met eight times (not including committee meetings). Each of the directors attended at least 75% of the aggregate number of meetings of the Board and Board committees on which they served during 2016.



MARTIN I. COLE

Former Chief Executive of the Technology Group, Accenture plc

Age	60	Committee(s)	Audit Committee, Compliance Committee
Director Since	2015	Term Expires	2017
Other Public Directorship	Western Digital Corporation		

PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS

Mr. Cole served as Chief Executive of the Technology Group at Accenture plc ("Accenture"), a professional services company, from 2012 to 2014. During his career at Accenture, Mr. Cole also served as the Chief Executive of the Communications, Media & Technology Operating Group from 2006 to 2012, Chief Executive of the Government Operating Group from 2004 to 2006, Managing Partner of the Outsourcing and Infrastructure Delivery Group from 2002 to 2004 and Partner in the Outsourcing and Government Practices Group from 1989 to 2002. Mr. Cole joined Accenture in 1980. Mr. Cole has been a director of Western Digital Corporation since December 2014 and a director (since September 2014) and lead independent director (since December 2016) of privately-held Cloudera Inc.

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Mr. Cole brings to the Board experience as a former executive officer of a multinational management consulting, technology services, and outsourcing company, serving in various practice groups, including outsourcing and infrastructure, governmental practice, and technology. Mr. Cole also brings to the Board his experience as a member of the boards of a large multinational manufacturer of computer storage products and solutions and a market-leading data management software company.

-  Regulated Industry/
Government
-  Financial Literacy
-  Emerging Markets
-  Global Operational
Experience

**HIKMET ERSEK***President and Chief Executive Officer***Age** 56**Committee(s)** Compliance Committee (non-voting member)**Director Since** 2010**Term Expires** 2017**Other Public Directorship** None**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS**

Mr. Ersek has served as the Company's President and Chief Executive Officer since August 2010. From January 2010 to August 2010, Mr. Ersek served as the Company's Chief Operating Officer. From 2008 to 2010, Mr. Ersek served as the Company's Executive Vice President and Managing Director, Europe, Middle East, Africa and Asia Pacific Region. From 2006 to 2008, Mr. Ersek served as the Company's Executive Vice President and Managing Director, Europe/Middle East/Africa/South Asia. Prior to 2006, Mr. Ersek held various positions of increasing responsibility with the Company. Prior to joining Western Union in 1999, Mr. Ersek was with GE Capital and Europay/MasterCard specializing in European payment systems and consumer finance.

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Mr. Ersek is the only Director who is also an executive of the Company. Mr. Ersek provides insight as the Company's leader, and from his prior roles as the Company's Chief Operating Officer and leader in the Company's Europe, Middle East, Africa and Asia Pacific region, a significant area for the Company. Mr. Ersek provides many years of international consumer payment sales, marketing, distribution, and operations insight from his experience with the Company, GE Capital, and Europay/MasterCard.

- CEO Experience
- Regulated Industry/Government
- Financial Literacy
- Emerging Markets
- Global Operational Experience

**RICHARD A. GOODMAN***Former Executive Vice President, Global Operations, PepsiCo Inc.***Age** 68**Committee(s)** Audit Committee Chair, Compensation and Benefits Committee**Director Since** 2012**Term Expires** 2017**Other Public Directorships** Adient plc and Kindred Healthcare Inc.**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS**

From 2010 to 2011, Mr. Goodman served as Executive Vice President, Global Operations of PepsiCo Inc. ("PepsiCo"). Prior to that, Mr. Goodman was PepsiCo's Chief Financial Officer from 2006. From 2003 until 2006, Mr. Goodman was Senior Vice President and Chief Financial Officer of PepsiCo International. Mr. Goodman served as Senior Vice President and Chief Financial Officer of PepsiCo Beverages International from 2001 to 2003, and as Vice President and General Auditor of PepsiCo from 2000 to 2001. Before joining PepsiCo in 1992, Mr. Goodman was with W.R. Grace & Co. in a variety of senior financial positions. Mr. Goodman served as a director of Johnson Controls, Inc. from 2008 to September 2016. He currently serves as a director of Adient plc and Kindred Healthcare Inc., and privately-held Toys 'R' Us, Inc.

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Mr. Goodman brings to the Board experience as the chief financial officer and executive of a large, United States-based global company that manufactures, markets, and distributes a broad range of consumer goods. Mr. Goodman has experience with complex capital structures and brings to the Board a management perspective with regard to consumer products, marketing, and brand management. Mr. Goodman also brings to the Board his experience as a board member of both a global diversified industrial company and a global retailer.

- CFO Experience
- Financial Literacy
- Eligible for Audit Committee Financial Expert
- Emerging Markets
- Global Operational Experience

**JACK M. GREENBERG***Non-Executive Chairman of the Board of Directors*

Age	74	Committee(s)	None
Director Since	2006	Term Expires	2017

Other Public Directorships InnerWorkings, Inc. (Chairman of the Board), and Quintiles IMS Holdings, Inc.

PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS

Mr. Greenberg was Chief Executive Officer (from 1998) and Chairman (from 1999) of McDonald's Corporation until 2002. Mr. Greenberg joined McDonald's Corporation as Executive Vice President and Chief Finance Officer and as a member of its Board of Directors in 1982. He served as a director of First Data from 2003 to 2006, of Abbott Laboratories from 2001 to 2007, of Manpower, Inc. from 2003 to 2014, of The Allstate Corporation from 2002 to 2015, and of Hasbro, Inc. from 2003 to 2015. Mr. Greenberg is a director and Chairman of the Board of InnerWorkings, Inc., and a director of Quintiles IMS Holdings, Inc. Mr. Greenberg will retire from the Board effective at the Annual Meeting because he has reached the Board's mandatory retirement age, as set forth in the Company's Corporate Governance Guidelines.

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Mr. Greenberg's experience as the Chairman and Chief Executive Officer of McDonald's Corporation is supportive of his role as Non-Executive Chairman of the Board. He has experience working with large, global distribution networks, similar to the Company's agent network, and operations, consumer marketing, pricing, and trend analysis. Mr. Greenberg brings to the Board experience as the chief financial officer of a large, United States-based multinational company. He is also a certified public accountant and an attorney. Mr. Greenberg is the only Director who was a director of the Company's former parent company, which provides historical context for the Company's operations.



CEO Experience



CFO Experience

Regulated Industry/
GovernmentEligible for Audit
Committee Financial
Expert

Financial Literacy



Emerging Markets

Global Operational
Experience**BETSY D. HOLDEN***Senior Advisor to McKinsey & Company*

Age	61	Committee(s)	Compensation and Benefits Committee Chair, Corporate Governance and Public Policy Committee
Director Since	2006	Term Expires	2017

Other Public Directorships Diageo plc and Time Inc.

PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS

Ms. Holden has been a Senior Advisor to McKinsey & Company, a global management consulting firm, since 2007. She served as President, Global Marketing and Category Development of Kraft Foods Inc. from 2004 to 2005, Co-Chief Executive Officer of Kraft Foods Inc. from 2001 to 2003, and President and Chief Executive Officer of Kraft Foods North America from 2000 to 2003. Ms. Holden began her career at General Foods in 1982. Ms. Holden served as a director of Catamaran Corporation from December 2012 until August 2015. She currently serves as a director of Diageo plc and Time Inc.

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Ms. Holden brings to the Board experience as a chief executive officer of a large United States-based multinational company and provides the Board with insights into consumer marketing and brand management from her years of experience with Kraft Foods. She is familiar with the challenges of operating in a highly regulated industry. Her current role as Senior Advisor to McKinsey & Company is focused on strategy, marketing, innovation, and board effectiveness initiatives across a variety of industries.



CEO Experience

Regulated Industry/
Government

Financial Literacy



Emerging Markets

Global Operational
Experience

**JEFFREY A. JOERRES***Former Executive Chairman, ManpowerGroup Inc.***Age** 57**Committee(s)** Compensation and Benefits Committee, Corporate Governance and Public Policy Committee**Director Since** 2015**Term Expires** 2017**Other Public Directorships** Johnson Controls International plc and Artisan Partners Asset Management Inc.

CEO Experience



Financial Literacy



Global Operational Experience

Regulated Industry/
Government

Emerging Markets

PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS

Mr. Joerres served as the Executive Chairman of ManpowerGroup Inc. ("ManpowerGroup"), a provider of workforce solutions, from May 2014 to December 2015. From 1999 to 2014, Mr. Joerres served as Chief Executive Officer of ManpowerGroup and from 2001 to 2014, he served as its Chairman of the Board. Mr. Joerres joined ManpowerGroup in 1993, and also served as Vice President of Marketing and Senior Vice President of European Operations and Marketing and Major Account Development. Mr. Joerres served as a director of Artisan Funds, Inc. from 2001 to 2011. Mr. Joerres serves as a director of Johnson Controls International plc, and Artisan Partners Asset Management Inc.

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Mr. Joerres brings to the Board experience as the former chief executive officer and executive chairman of a large, United States-based global company that delivers workforce solutions around the world. Mr. Joerres also brings to the Board his prior experience as a board member of both a global diversified industrial company and the Federal Reserve Bank of Chicago.

**ROBERTO G. MENDOZA***Senior Managing Director, Atlas Advisors LLC***Age** 71**Committee(s)** Audit Committee, Compensation and Benefits Committee**Director Since** 2006**Term Expires** 2017**Other Public Directorships** PartnerRe Ltd., ManpowerGroup Inc., and Quinpario Acquisition Corp. 2

Financial Literacy



Global Operational Experience

Regulated Industry/
Government**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS**

Mr. Mendoza has served as Senior Managing Director of Atlas Advisors LLC, an independent global investment banking firm, since 2010. Previously, he co-founded Deming Mendoza & Co., LLC, a corporate finance advisory firm, and served as one of its partners from 2009 to 2010. Mr. Mendoza served as Non-Executive Chairman of Trinsum Group from 2007 to 2008. In 2007, Trinsum Group was formed as a result of a merger of Marakon Associates and Integrated Finance Limited, a financial advisory company which Mr. Mendoza co-founded and of which he served as Chairman of the Board and Managing Director from 2002 to 2007. He also served as a Managing Director of Goldman Sachs from 2000 to 2001. From 1967 to 2000, Mr. Mendoza held positions at J.P. Morgan & Co. Inc., serving from 1990 to 2000 as a director and Vice Chairman of the Board. He currently serves as a director at PartnerRe Ltd., ManpowerGroup, and Quinpario Acquisition Corp. 2.

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Mr. Mendoza has substantial experience in investment banking and financial services. Mr. Mendoza also provides the Board with diversity in viewpoint and international business experience as he has lived and worked and served on a variety of public company boards, both in the United States and abroad.

**MICHAEL A. MILES, JR.***Advisory Director, Berkshire Partners***Age** 55**Committee(s)** Audit Committee, Compliance Committee**Director Since** 2006**Term Expires** 2017**Other Public Directorships** None**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS**

Since 2013, Mr. Miles has served as an Advisory Director of Berkshire Partners, a private equity firm. Previously, he was President of Staples, Inc., an office products provider, from 2006 until 2013, and Chief Operating Officer from 2003 to 2006. Prior to that, Mr. Miles was Chief Operating Officer, Pizza Hut for Yum! Brands, Inc. from 2000 to 2003. From 1996 to 1999, he served Pizza Hut as Senior Vice President of Concept Development & Franchise.



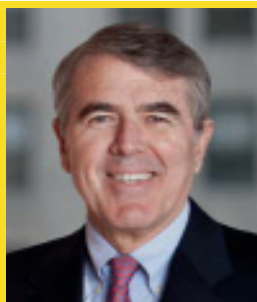
Financial Literacy



Global Operational Experience

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Mr. Miles has experience as an executive of an international consumer goods retailer with large acquisitions outside of the United States and franchise distribution networks, which are similar to the Company's agent network. Mr. Miles also brings U.S. and global operational expertise to the Board discussions.

**ROBERT W. SELANDER***Former Chief Executive Officer and Vice Chairman of MasterCard Incorporated and MasterCard International***Age** 66**Committee(s)** Corporate Governance and Public Policy Committee Chair, Compensation and Benefits Committee**Director Since** 2014**Term Expires** 2017**Other Public Directorship** HealthEquity, Inc. (Chairman of the Board)**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS**

Mr. Selander served as Executive Vice Chairman of MasterCard Incorporated and MasterCard International during 2010. From 1997 until 2010, he served as Chief Executive Officer of MasterCard Incorporated and MasterCard International. In addition, until 2009, Mr. Selander served as President of MasterCard Incorporated and MasterCard International from 2002 and 1997, respectively. Prior to his appointment as President and Chief Executive Officer of MasterCard International in 1997, Mr. Selander was an Executive Vice President and President of the MasterCard International Europe, Middle East/Africa and Canada regions. Before joining MasterCard in 1994, Mr. Selander spent two decades with Citicorp/Citibank, N.A. Mr. Selander served as a director of the Hartford Financial Services Group, Inc. from 1998 to 2008, MasterCard Incorporated from 2002 until 2010, and MasterCard International from 1997 until 2010. Mr. Selander currently serves on the Board of Trustees of the Fidelity Equity and High Income Funds and as Non-Executive Chairman of HealthEquity, Inc.



CEO Experience

Regulated Industry/
Government

Financial Literacy



Emerging Markets



Global Operational Experience

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Mr. Selander has extensive global business, leadership and financial services experience gained in over 13 years as Chief Executive Officer of MasterCard Incorporated and MasterCard International and in senior positions at Citicorp/Citibank N.A. Mr. Selander also has substantial board of director experience having served as a director of MasterCard Incorporated, MasterCard International, the Hartford Financial Services Group, Inc., and HealthEquity, Inc.

**FRANCES FRAGOS TOWNSEND**

Executive Vice President of Worldwide Government, Legal and Business Affairs, MacAndrews & Forbes Holdings Inc.

Age 55

Committee(s) Compliance Committee Chair, Corporate Governance and Public Policy Committee

Director Since 2013

Term Expires 2017

Other Public Directorships Scientific Games Corporation and Freeport-McMoRan Inc.

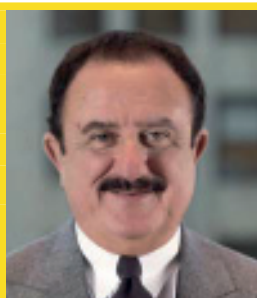
PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS

Ms. Fragos Townsend has served as Executive Vice President of Worldwide Government, Legal and Business Affairs at privately-held MacAndrews & Forbes Holdings Inc., a diversified holding company, since 2013, and she previously served as Senior Vice President of Worldwide Government, Legal and Business Affairs from 2010 to 2012. Ms. Fragos Townsend was a corporate partner at the law firm of Baker Botts L.L.P. from 2009 to 2010. From 2008 to 2009, Ms. Fragos Townsend provided consulting services and advised corporate entities on global strategic risk and contingency planning. Prior to that, Ms. Fragos Townsend served as Assistant to President George W. Bush for Homeland Security and Counterterrorism and chaired the Homeland Security Council from 2004 until 2008. She also served as Deputy Assistant to the President and Deputy National Security Advisor Combating Terrorism from 2003 to 2004. Ms. Fragos Townsend was the first Assistant Commandant for Intelligence for the United States Coast Guard and spent 13 years at the United States Department of Justice in various senior positions. Ms. Fragos Townsend is a director of Scientific Games Corporation and Freeport-McMoRan Inc. and was a director of SIGA Technologies, Inc. from 2011 until 2014.

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Ms. Fragos Townsend has extensive public policy, government, legal, and regulatory experience, and brings to the Board valuable insights regarding the conduct of business in a highly regulated industry. Ms. Fragos Townsend also has substantial leadership experience as former chair of the Homeland Security Council and as a former officer in the United States Coast Guard.

- Regulated Industry/ Government
- Financial Literacy
- Emerging Markets
- Global Operational Experience

**SOLOMON D. TRUJILLO**

Chairman, Trujillo Group, LLC

Age 65

Committee(s) Compensation and Benefits Committee, Compliance Committee

Director Since 2012

Term Expires 2017

Other Public Directorships WPP plc and Fang Holdings Ltd.

PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE, AND DIRECTORSHIPS

Mr. Trujillo founded Trujillo Group, LLC, a business that provides consulting, merchant banking and venture capital services, and has served as its chairman since 2003. Mr. Trujillo also served as the Chief Executive Officer and as director of Telstra Corporation Limited, Australia's largest media-communications enterprise, from 2005 to 2009. From 2003 to 2004, Mr. Trujillo was Orange SA's Chief Executive Officer. Earlier in his career, Mr. Trujillo was President and Chief Executive Officer of US West Communications and President, Chief Executive Officer and Chairman of the Board of US West Inc. Mr. Trujillo previously served as a director of Target Corporation from 1994 to 2014 and ProAmerica Bank until 2016, and currently serves as a director of WPP plc and Fang Holdings Ltd. (formerly SouFun Holdings Limited).

EXPERIENCE, QUALIFICATIONS, ATTRIBUTES, AND SKILLS SUPPORTING DIRECTORSHIP POSITION ON THE COMPANY'S BOARD*

Mr. Trujillo is an international business executive with experience as a chief executive officer of global companies in the telecommunications, media, and cable industries headquartered in the United States, the European Union, and the Asia-Pacific region. He has global operations experience and provides the Board with substantial international experience and expertise in the retail, technology, media, and communications industries.

- CEO Experience
- Regulated Industry/ Government
- Financial Literacy
- Emerging Markets
- Global Operational Experience

BOARD OF DIRECTORS INFORMATION

* The Board selects director nominees on the basis of experience, integrity, skills, diversity, ability to make independent analytical inquiries, understanding of the Company's business environment, and willingness to devote adequate time to Board duties, all in the context of an assessment of the perceived needs of the Board at a given point in time. In addition to the individual attributes of each of the directors described above, the Company highly values the collective business experience and qualifications of the directors. We believe that the experiences, viewpoints, and perspectives of our directors result in a Board with the commitment and energy to advance the interests of our stockholders.

DIRECTOR QUALIFICATIONS MATRIX

The following matrix is provided to illustrate the skills and qualifications of our Board of Directors.

LEADERSHIP		
	CEO Experience	6
	CFO Experience	2
FINANCIAL		
	Financial Literacy	11
	Eligible for Audit Committee Financial Expert	2
RELEVANT EXPERIENCE		
	Global Operational Experience	11
	Regulated Industry/Government	9
	Emerging Markets	9
DIVERSITY		
	Gender	2
	Ethnicity	2
	Geography	4

PROPOSAL 1

ELECTION OF DIRECTORS

At the 2017 Annual Meeting, all directors will be elected for one-year terms.

Except for Mr. Greenberg, who is retiring from the Board and will not stand for re-election, the terms of each director if re-elected or elected will expire at the 2018 Annual Meeting of Stockholders. Mr. Greenberg will serve as Chairman of the Board through the Annual Meeting. Subject to his re-election to the Board at the Annual Meeting, the Board intends to elect Mr. Joerres as Chairman of the Board promptly following the Annual Meeting. (See the "Board of Directors Information" section of this Proxy Statement for information concerning all nominees.)

The Company's By-Laws require directors to be elected by the majority of votes cast with respect to such director in uncontested elections (the number of shares voted "for" a director must exceed the number of votes cast "against" that director, with abstentions and broker non-votes not counted as cast either "for" or "against"). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

Under the Company's By-Laws, if an incumbent director is not elected, the director will promptly tender his or her resignation to the Board of Directors. The Corporate Governance and Public Policy Committee will make a recommendation to the Board of Directors as to whether to accept or reject the resignation of such incumbent director, or whether other action should be taken. The Board of Directors will act on the resignation, taking into account the Corporate Governance and Public Policy Committee's recommendation, and

publicly disclose (by a press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days following certification of the election results. If such incumbent director's resignation is not accepted by the Board of Directors, such director will continue to serve until the next annual meeting and until his or her successor is duly elected or his or her earlier resignation or removal. In the case of a vacancy, the Board of Directors may appoint a new director as a replacement, may leave the vacancy unfilled or may reduce the number of directors on the Board.

Your shares will be voted as you instruct via the voting procedures described on the Proxy Card or the Notice of Internet Availability of Proxy Materials, or as you specify on your Proxy Card(s) if you elect to vote by mail. If unforeseen circumstances (such as death or disability) require the Board of Directors to substitute another person for any of the director nominees, your shares will be voted for that other person.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE TO RE-ELECT MR. COLE, MR. ERSEK, MR. GOODMAN, MS. HOLDEN, MR. JOERRES, MR. MENDOZA, MR. MILES, MR. SELANDER, MS. FRAGOS TOWNSEND AND MR. TRUJILLO TO SERVE UNTIL THE 2018 ANNUAL MEETING OF STOCKHOLDERS OR UNTIL THEIR RESPECTIVE SUCCESSORS ARE ELECTED AND QUALIFIED.

CORPORATE GOVERNANCE

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors believes that strong corporate governance is key to long-term stockholder value creation. Over the years, our Board of Directors has responded to evolving governance standards by enhancing our practices to best serve the interests of the Company's stockholders, including:

- ✓ **Annual election of directors.**
- ✓ **Proxy access.** Our By-Laws permit qualifying stockholders or groups of qualifying stockholders that have each beneficially owned at least 3% of the Company's Common Stock for three years to nominate up to an aggregate of 20% of the members of the Board and have information and supporting statements regarding those nominees included in the Company's proxy statement.
- ✓ **Majority vote standard in uncontested elections.** In an uncontested election, each director must be elected by a majority of votes cast, rather than by a plurality.
- ✓ **Stockholder right to call special meetings.**
- ✓ **No stockholder rights plan ("poison pill").**
- ✓ **No supermajority voting provisions in the Company's organizational documents.**
- ✓ **Independent Board, except our Chief Executive Officer.** Our Board is comprised of all independent directors, except our Chief Executive Officer.
- ✓ **Independent non-executive chairman.** The Chairman of the Board of Directors is a non-executive independent director.
- ✓ **Independent Board committees.** Each of the Audit, Compensation, and Corporate Governance and Public Policy Committees is made up of independent directors, and all voting members of the Compliance Committee are independent. Each standing committee operates under a written charter that has been approved by the Board.
- ✓ **Confidential stockholder voting.** The Company's Corporate Governance Guidelines provide that the vote of any stockholder will not be revealed to anyone other than a non-employee tabulator of votes or an independent election inspector, except under circumstances set forth in the Company's Corporate Governance Guidelines.
- ✓ **Committee authority to retain independent advisors.** Each of the Audit, Compensation, Compliance, and Corporate Governance and Public Policy Committees has the authority to retain independent advisors.
- ✓ **Robust codes of conduct.** The Company is committed to operating its business with honesty and integrity and maintaining the highest level of ethical conduct. These absolute values are embodied in our Code of Conduct and require that every customer, employee, agent and member of the public be treated accordingly. The Company Code of Conduct applies to all employees, but the Company's senior financial officers are also subject to an additional code of ethics, reflecting the Company's commitment to maintaining the highest standards of ethical conduct. In addition, the Board of Directors is subject to a Directors' Code of Conduct.
- ✓ **Robust stock ownership guidelines for senior executives and directors.** Robust stock ownership requirements for our senior executives and directors strongly link the interests of management and the Board with those of stockholders.
- ✓ **Prohibition against pledging and hedging of Company stock by senior executives and directors.** The Company's insider trading policy prohibits the Company's executive officers and directors from pledging the Company's securities or engaging in hedging or short-term speculative trading of the Company's securities, including, without limitation, short sales or put or call options involving the Company's securities. Please see "Compensation of Directors—Prohibition Against Pledging and Hedging of the Company's Securities" and "Compensation Discussion and Analysis—The Western Union Executive Compensation Program—*Prohibition Against Pledging and Hedging of the Company's Securities*," below.
- ✓ **Stockholder engagement.** The Company regularly engages with its stockholders to better understand their perspectives.

You can learn more about our corporate governance by visiting the "Investor Relations, Corporate Governance" portion of the Company's website, www.wu.com, or by writing to the attention of: Investor Relations, The Western Union Company, 12500 East Belford Avenue, Mailstop M231R, Englewood, CO 80112.

INDEPENDENCE OF DIRECTORS

The Board of Directors has adopted Corporate Governance Guidelines, which contain the standards that the Board of Directors use to determine whether a director is independent. A director is not independent under these categorical standards if:

- The director is, or has been within the last three years, an employee of Western Union, or an immediate family member of the director is, or has been within the last three years, an executive officer of Western Union.
- The director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than \$120,000 in direct compensation from Western Union, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
- (i) The director is a current partner or employee of a firm that is Western Union's internal or external auditor; (ii) the director has an immediate family member who is a current partner of such a firm; (iii) the director has an immediate family member who is a current employee of such a firm and personally works on Western Union's audit; or (iv) the director or an immediate family member was within the last three years a partner or employee of such firm and personally worked on Western Union's audit within that time.
- The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of Western Union's present executive officers at the same time serves or served on that company's compensation committee.
- The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, Western Union for property or services in an amount which, in any of the last three fiscal years, exceeded the greater of \$1 million or 2% of such other company's consolidated gross revenues.
- The director is a current employee, or an immediate family member is a current executive officer, of a company which was indebted to Western Union, or to which Western Union was indebted, where the total amount of either company's indebtedness to the other, in any of the last three fiscal years, exceeded 5% or more of such other company's total consolidated assets.
- The director or an immediate family member is a current officer, director, or trustee of a charitable organization where Western Union's (or an affiliated charitable foundation's) annual discretionary charitable contributions to the charitable organization, in any of the last three fiscal years, exceeded the greater of \$1 million or 5% of such charitable organization's consolidated gross revenues.

The Board has reviewed the independence of the current directors under these standards and the rules of the New York Stock Exchange (the "NYSE") and found each of Mr. Cole, Mr. Goodman, Mr. Greenberg, Ms. Holden, Mr. Joerres, Mr. Mendoza, Mr. Miles, Mr. Selander, Ms. Fragos Townsend and Mr. Trujillo to be independent.

BOARD LEADERSHIP STRUCTURE AND ROLE IN RISK OVERSIGHT

The Board has a non-executive Chairman. This position is independent from management. The Chairman sets the agendas for and presides over the Board meetings, as well as meetings of the independent directors. The Chief Executive Officer is a member of the Board and participates in its meetings. The Board believes that this leadership structure is appropriate for the Company at this time because it allows for independent oversight of management, increases management accountability, and encourages an objective evaluation of management's performance relative to compensation.

The Board regularly devotes time during its meetings to review and discuss the most significant risks facing the Company and management's process for identifying, prioritizing, and responding to those risks. During these discussions, the Chief Executive Officer, the General Counsel, the Chief Financial Officer, and the Senior Vice President, Global Business Risk present management's process for assessment of risks, a description of the most significant risks facing the Company, and any mitigating factors, plans, or policies in place to address and monitor those risks. The Board has also delegated risk oversight authority to its committees.

Consistent with the NYSE listing standards, to which the Company is subject, the Audit Committee bears responsibility for oversight of the Company's policies with respect to risk assessment and risk management and must discuss with management the major risk exposures facing the Company and the steps the Company has taken to monitor and control such exposures. The Audit Committee is also responsible for assisting Board oversight of the Company's compliance with

legal and regulatory requirements, which represent many of the most significant risks the Company faces. During the Audit Committee's discussion of risk, the Company's Chief Executive Officer, Chief Financial Officer, General Counsel, Chief Compliance Officer, Senior Vice President, Global Business Risk, and Chief Internal Auditor present information and participate in discussions with the Audit Committee regarding risk and risk management.

While the Board committee with primary oversight of risk is the Audit Committee, the Board has delegated to other committees the oversight of risks within their areas of responsibility and expertise. For example, in light of the breadth and number of responsibilities that the Audit Committee must oversee, and the importance of the evaluation and management of risk related to the Company's compliance programs and policies associated with anti-money laundering laws, including investigations or other matters that may arise in relation to such laws, the Board formed the Compliance Committee in 2013 to assist the Audit Committee and the Board with oversight of those risks. This function was previously performed by the Corporate Governance and Public Policy Committee. The Compliance Committee reports regularly on these matters to the Board and Audit Committee and during the Compliance Committee's meetings, each of the General Counsel and Chief Compliance Officer regularly present and participate in discussions. In addition, the Compensation Committee oversees the risks associated with the Company's compensation practices, including an annual review of the Company's risk assessment of its compensation policies and practices for its employees and the Company's succession planning process.

COMMITTEES OF THE BOARD OF DIRECTORS

The current members of each Board Committee are indicated in the table below.

DIRECTOR	AUDIT	CORPORATE GOVERNANCE & PUBLIC POLICY	COMPENSATION & BENEFITS	COMPLIANCE
Martin I. Cole	✓			✓
Hikmet Ersek				✓†
Richard A. Goodman	✓◆		✓	
Jack M. Greenberg ★ ⁽¹⁾				
Betsy D. Holden		✓	✓◆	
Jeffrey A. Joerres		✓	✓	
Roberto G. Mendoza	✓		✓	
Michael A. Miles, Jr.	✓			✓
Robert W. Selander		✓◆	✓	
Frances Fragos Townsend		✓		✓◆
Solomon D. Trujillo			✓	✓

★—Chairman of the Board

◆—Committee Chair

†—Non-voting member

(1) Mr. Greenberg will retire from the Board effective at the Annual Meeting because he has reached the Board's mandatory retirement age, as set forth in the Company's Corporate Governance Guidelines. Subject to his re-election, the Board intends to elect Mr. Joerres as Chairman of the Board promptly following the Annual Meeting.

BOARD AND COMMITTEE GOVERNING DOCUMENTS

Each committee operates under a charter approved by the Board. The Company's Audit Committee Charter, Compensation and Benefits Committee Charter, Corporate Governance and Public Policy Committee Charter, Compliance Committee Charter, and Corporate Governance Guidelines are available without charge through the "Investor Relations, Corporate Governance" portion of the Company's website, www.wu.com, or by writing to the attention of: Investor Relations, The Western Union Company, 12500 East Belford Avenue, Mailstop M231R, Englewood, CO 80112.

Audit Committee

"With a heavy emphasis on business transformation and regulatory compliance throughout every facet of the business, we're focused on the continued integrity of our financial reporting and ensuring we have the proper controls in place."

Richard A. Goodman, Committee Chair



Additional Committee Members: Martin I. Cole, Roberto G. Mendoza, and Michael A. Miles, Jr.

Meetings Held in 2016: 8

Primary Responsibilities: Pursuant to its charter, the Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to:

- integrity of the Company's consolidated financial statements;
- compliance with legal and regulatory requirements;
- independent registered public accounting firm qualifications, independence and compensation; and
- performance of the Company's internal audit function and independent registered public accounting firm.

Independence: Each member of the Audit Committee meets the independence requirements of our Corporate Governance Guidelines, the NYSE and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as the Board has determined, has no material relationship with the Company. Each member of the Audit Committee is financially literate, knowledgeable, and qualified to review financial statements. The Board has designated Mr. Goodman as a "financial expert" as defined by Item 407(d) of Regulation S-K.

Service on Other Audit Committees: No director may serve as a member of the Audit Committee if such director serves on the audit committees of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Audit Committee. Currently, none of the Audit Committee members serve on more than three public company audit committees (including the Company's Audit Committee).

Compensation and Benefits Committee

"In 2016, the Compensation Committee continued to emphasize pay-for-performance by designing our executive compensation program so that performance-based and/or at-risk pay elements would constitute a significant portion of the compensation awarded. The Committee believes this continued emphasis on variable pay to reward short- and long-term performance measured against pre-established objectives informed by the Company's strategy provides linkage with long-term stockholder value creation."

Betsy D. Holden, Committee Chair



Additional Committee Members: Richard A. Goodman, Jeffrey A. Joerres, Roberto G. Mendoza, Robert W. Selander, and Solomon D. Trujillo

Meetings Held in 2016: 5

Primary Responsibilities: Pursuant to its charter, the Compensation Committee has the authority to administer, interpret, and take any actions it deems appropriate in connection with any incentive compensation or equity-based plans of the Company, any salary or other compensation plans for officers and other key employees of the Company, and any employee benefit or fringe benefit plans, programs or policies of the Company. Among other things, the Compensation Committee is responsible for:

- in consultation with senior management, establishing the Company's general compensation philosophy, and overseeing the development and implementation of compensation and benefits policies;
- reviewing and approving corporate goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers, evaluating the performance of the Chief Executive Officer and other executive officers in light thereof, and setting compensation levels and other benefits for the Chief Executive Officer (with the ratification by the independent directors of the Board) and other executive officers based on this evaluation;
- reviewing and making recommendations to the Board regarding severance or similar termination agreements with the Company's Chief Executive Officer or to any person being considered for promotion or hire into the position of Chief Executive Officer;
- approving grants and/or awards of options, restricted stock, restricted stock units, and other forms of equity-based compensation under the Company's equity-based plans;
- reviewing with management and preparing an annual report regarding the Company's Compensation Discussion and Analysis to be included in the Company's Proxy Statement and Annual Report;
- in consultation with the Chief Executive Officer, reviewing management succession planning;
- reviewing and recommending to the Board of Directors compensation for non-employee directors; and
- periodically reviewing the overall effectiveness of the Company's principal strategies related to human capital management, recruiting, retention, career development, and diversity.

Independence: Each member of the Compensation Committee meets the definitions of "outside director" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and "non-employee director" under Rule 16b-3 of the Exchange Act. Each member of the Compensation Committee meets the independence requirements of our Corporate Governance Guidelines, the NYSE and the Exchange Act, and as the Board has determined, has no material relationship with the Company.

Compliance Committee

"The Compliance Committee continues to demonstrate the Board's commitment to compliance by focusing solely on oversight of the Company's global regulatory compliance program, which includes ongoing significant investment in compliance efforts and collaboration with regulators around the world, including in light of the U.S. government settlement agreements entered into by the Company."

Frances Fragos Townsend, Committee Chair



Additional Committee Members: Hikmet Ersek (non-voting member), Martin I. Cole, Michael A. Miles, Jr., and Solomon D. Trujillo

Meetings Held in 2016: 4

Primary Responsibilities: Pursuant to its charter, the Compliance Committee assists the Audit Committee and the Board in fulfilling the Board's oversight responsibility for the Company's compliance with legal and regulatory requirements. Among other things, the Compliance Committee is responsible for reviewing:

- the Company's compliance programs and policies relating to anti-money laundering laws, including establishing procedures to be apprised of material investigations or other material matters that may arise in relation to such laws; and
- legal, compliance or other regulatory matters that may have a material effect on the Company's business, financial statements or compliance policies, including material notices to or inquiries received from governmental agencies.

Independence: Each voting member of the Compliance Committee meets the independence requirements of our Corporate Governance Guidelines, the NYSE and the Exchange Act, and as the Board has determined, has no material relationship with the Company. The Board may appoint non-voting members to the Compliance Committee that are not independent from the Company. The Company's Chief Executive Officer is currently a non-voting member of the Compliance Committee.

Corporate Governance and Public Policy Committee

"The Committee has recently focused on the Chairman transition process in light of Mr. Greenberg's retirement, and will continue to look for opportunities to enhance the skills, experience, diversity and effectiveness of the Board in 2017."

Robert W. Selander, Committee Chair



Additional Committee Members: Betsy D. Holden, Jeffrey A. Joerres, and Frances Fragos Townsend

Meetings Held in 2016: 4

Primary Responsibilities: Pursuant to its charter, the Corporate Governance and Public Policy Committee is responsible for:

- recommending to the Board of Directors criteria for Board and committee membership;
- considering, in consultation with the Chairman of the Board and the Chief Executive Officer, and recruiting candidates to fill positions on the Board of Directors;
- evaluating current directors for re-nomination to the Board of Directors;
- recommending the director nominees for approval by the Board of Directors and the stockholders;
- recommending to the Board of Directors appointments to committees of the Board of Directors;
- recommending to the Board of Directors corporate governance guidelines, reviewing the corporate governance guidelines at least annually, and recommending modifications to the corporate governance guidelines to the Board of Directors;
- establishing and implementing self-evaluation procedures for the Board of Directors and its committees;
- reviewing stockholder proposals submitted for inclusion in the Company's Proxy Statement;
- reviewing the Company's related persons transaction policy, and as necessary, reviewing specific related person transactions; and
- reviewing and advising the Board of Directors regarding matters of public policy and social responsibility that are relevant to the Company or the industries in which the Company operates.

Independence: Each member of the Corporate Governance and Public Policy Committee meets the independence requirements of our Corporate Governance Guidelines, the NYSE and the Exchange Act, and as the Board has determined, has no material relationship with the Company.

CHIEF EXECUTIVE OFFICER SUCCESSION PLANNING

The Company's Board of Directors has developed a governance framework for Chief Executive Officer succession planning that is intended to provide for a talent-rich leadership organization that can drive the Company's strategic objectives. Under its governance framework, the Board of Directors:

- Reviews succession planning for the Chief Executive Officer on an annual basis. As part of this process, the Chief Executive Officer reviews the annual performance of each member of the management team with the Board and the Board engages in a discussion with the Chief

Executive Officer and the Chief Human Resources Officer regarding each team member and the team member's development;

- Maintains a confidential plan to address any unexpected short-term absence of the Chief Executive Officer and identifies candidates who could act as interim Chief Executive Officer in the event of any such unexpected absence; and
- Ideally three to five years before the retirement of the current Chief Executive Officer, manages the succession process and determines the current Chief Executive Officer's role in that process.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Any stockholder or other interested party who desires to contact the non-management directors either as a group or individually, or Mr. Ersek in his capacity as a director, may do so by writing to: The Western Union Company, Board of Directors, 12500 East Belford Avenue, Mailstop M21A2, Englewood, CO 80112. Communications that are intended specifically for non-management directors should

be addressed to the attention of the Chairperson of the Corporate Governance and Public Policy Committee. All communications will be forwarded to the Chairperson of the Corporate Governance and Public Policy Committee unless the communication is specifically addressed to another member of the Board, in which case, the communication will be forwarded to that director.

BOARD ATTENDANCE AT ANNUAL STOCKHOLDERS' MEETING

Although the Company does not have a formal policy regarding attendance by members of the Board of Directors at the Company's Annual Meeting of Stockholders, it

encourages directors to attend. Eleven of the 12 members of the Board of Directors serving at the time attended the Company's 2016 Annual Meeting of Stockholders.

PRESIDING DIRECTOR OF NON-MANAGEMENT DIRECTOR MEETINGS

The non-management directors meet in regularly scheduled executive sessions without management. The Chairman of the Board of Directors is the presiding director at these meetings.

NOMINATION OF DIRECTORS

The Company's Board of Directors is responsible for nominating directors for election by the stockholders and filling any vacancies on the Board that may occur. The Corporate Governance and Public Policy Committee is responsible for identifying, screening, and recommending candidates to the Board for Board membership. The

Corporate Governance and Public Policy Committee does not have any single method for identifying director candidates but will consider candidates suggested by a wide range of sources, including by any stockholder, director, or officer of the Company.

DIRECTOR QUALIFICATIONS

General criteria for the nomination of director candidates include experience, high ethical standards and integrity, skills, diversity, ability to make independent analytical inquiries, understanding of the Company's business environment, and willingness to devote adequate time to Board duties—all in the context of an assessment of the perceived needs of the Board at that point in time. In exercising its director nomination responsibilities, the Corporate Governance and Public Policy Committee considers diversity in gender, ethnicity, geography, background, and cultural viewpoints when considering director nominees, given the global nature of the Company's business. However, the Board has not adopted a formal policy governing director diversity. The effectiveness of the nomination process is evaluated by the Board each year as part of its annual self-evaluation and by the Corporate Governance and Public Policy Committee as it evaluates and identifies director candidates.

Each director is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a Board or Committee member. The Corporate Governance and Public Policy Committee will consider candidates for election to the Board suggested in writing by a stockholder and will make a recommendation to the Board using the same criteria as it does in evaluating candidates submitted by members of the Board of Directors. If the Company receives such a suggestion, the Company may request additional information from the candidate to assist in its evaluation.

STOCKHOLDER NOMINEES

Stockholders may submit nominations for director candidates by giving notice to the Corporate Secretary, The Western Union Company, 12500 East Belford Avenue, Mailstop M21A2, Englewood, CO 80112. The requirements for the submission

of such stockholder nominations are set forth in Article II of the Company's By-Laws, which are available on the "Investor Relations, Corporate Governance" section of the Company's website, www.wu.com.

SUBMISSION OF STOCKHOLDER PROPOSALS

Stockholder proposals, including stockholder director nominations, requested to be included in the Company's Proxy Statement for its 2018 Annual Meeting of Stockholders must be received by the Company not later than November 30, 2017 and comply with the requirements of Rule 14a-8, if applicable, and the Company's By-laws. Even if a proposal is not submitted in time to be considered for inclusion in the Company's Proxy Statement for its 2018 Annual Meeting of Stockholders, a proper stockholder proposal or director nomination may still be considered

at the Company's 2018 Annual Meeting of Stockholders, but only if the proposal or nomination is received by the Company no sooner than January 11, 2018 and no later than February 10, 2018 and otherwise complies with the Company's By-Laws. All proposals or nominations a stockholder wishes to submit at the meeting should be directed to the Corporate Secretary, The Western Union Company, 12500 East Belford Avenue, Mailstop M21A2, Englewood, CO 80112.

CODE OF ETHICS

The Company's Director's Code of Conduct, Code of Ethics for Senior Financial Officers, Reporting Procedure for Accounting and Auditing Concerns, Professional Conduct Policy for Attorneys, and the Code of Conduct are available without charge through the "Investor Relations, Corporate Governance" section of the Company's website,

www.wu.com, or by writing to the attention of: Investor Relations, The Western Union Company, 12500 East Belford Avenue, Mailstop M23IR, Englewood, CO 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.wu.com.

COMPENSATION OF DIRECTORS

The following table provides information regarding the compensation of our outside directors for 2016. Mr. Ersek, our President and Chief Executive Officer, does not receive additional compensation for his service as a director.

2016 DIRECTOR COMPENSATION

NAME	FEES EARNED OR PAID IN CASH (\$000)	STOCK AWARDS (\$000) ⁽²⁾	OPTION AWARDS (\$000) ⁽³⁾	ALL OTHER COMPENSATION (\$000) ⁽⁴⁾	TOTAL (\$000) ⁽⁵⁾
Martin I. Cole	105.0	140.0	—	25.0	270.0
Richard A. Goodman	120.0	140.0	—	25.0	285.0
Jack M. Greenberg	125.0	180.0	180.0	50.0	535.0
Betsy D. Holden	120.0	140.0	—	20.0	280.0
Jeffrey A. Joerres	105.0 ⁽¹⁾	140.0	—	—	245.0
Linda Fayne Levinson ⁽⁶⁾	38.3	—	140.0	—	178.3
Roberto G. Mendoza	105.0	140.0	—	—	245.0
Michael A. Miles, Jr.	105.0	140.0	—	—	245.0
Robert W. Selander	121.3 ⁽¹⁾	70.0	70.0	50.0	311.3
Frances Fragos Townsend	120.0	140.0	—	—	260.0
Solomon D. Trujillo	105.0	70.0	70.0	—	245.0

Footnotes:

- (1) Messrs. Joerres and Selander elected to receive their annual retainer fees for 2016 in the form of equity compensation as described below under “—Equity Compensation.”
- (2) The amounts in this column represent the value of stock units granted to each director as annual equity grants. Stock awards consist of fully vested stock units that are settled in shares of Common Stock and may be subject to a deferral election consistent with Code Section 409A. The amounts shown in this column are valued based on the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation (“FASB ASC Topic 718”). See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of the relevant assumptions used in calculating these amounts.
- (3) The amounts in this column represent the value of stock options granted to each director as annual equity grants. The amounts shown in this column are valued based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of the relevant assumptions used in calculating these amounts.
- (4) All Other Compensation represents matches under the Company’s gift matching program that the Company made in 2016. Outside directors are eligible to participate in the Company’s gift matching program on the same terms as Western Union’s executive officers and employees. As noted below, contributions made or directed to be made to an eligible organization, up to an aggregate amount of \$25,000 per calendar year, will be matched by the Company. Matching contributions to various charities were made in 2016 on behalf of the following directors: Messrs. Cole, Goodman, Greenberg, and Selander and Ms. Holden. Contributions up to \$100,000 per calendar year that a director makes to The Western Union Foundation without designating a recipient organization will be matched by the Company \$2 for every \$1 contributed. The charitable contributions made by Messrs. Greenberg and Selander represent matches made by the Company in 2016 with respect to charitable contributions made by Messrs. Greenberg and Selander in 2015 and 2016.

- (5) As of December 31, 2016, each individual who served as an outside director during 2016 had outstanding the following number of stock units and options:

NAME	STOCK UNITS	OPTIONS
Martin I. Cole	1,682	9,208
Richard A. Goodman	30,896	36,814
Jack M. Greenberg	53,617	336,144
Betsy D. Holden	67,545	32,699
Jeffrey A. Joerres	18,554	11,448
Linda Fayne Levinson	53,059	138,388
Roberto G. Mendoza	45,915	140,608
Michael A. Miles, Jr.	105,538	32,699
Robert W. Selander	17,636	77,439
Frances Fragos Townsend	23,059	39,833
Solomon D. Trujillo	19,675	74,671

- (6) Ms. Fayne Levinson ceased serving as a director at the 2016 Annual Meeting of Stockholders on May 12, 2016.

CASH COMPENSATION

In 2016, each outside director (other than our Non-Executive Chairman) received the following cash compensation for service on our Board and committees of our Board (prorated for partial years of service):

- an annual Board retainer fee of \$85,000; and
- an annual committee chair retainer fee of \$25,000 for the chairperson of each committee of the Board, and a \$10,000 committee member retainer fee for each other member of each committee of our Board.

In February 2017, the Board approved an increase in Ms. Fragos Townsend's Compliance Committee Chair retainer fee to \$100,000 for each of 2017 and 2018 to reflect anticipated additional time and responsibilities in leading the Compliance Committee's oversight of the Company's compliance with the previously disclosed settlement agreements with 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").

EQUITY COMPENSATION

The 2016 outside director equity awards were granted pursuant to our Long-Term Incentive Plan. All director equity awards will be settled in shares of Common Stock. The purpose of these awards is to advance the interests of the Company and its stockholders by encouraging increased stock ownership by our outside directors and by helping the Company attract, motivate, and retain highly qualified outside directors.

Each outside director has the option of electing to receive such director's annual retainer fees described above in the form of (a) all cash, (b) a combination of cash, fully vested stock options, and fully vested stock units, (c) all fully vested stock options, (d) all fully vested stock units, (e) a combination

of 75% fully vested stock options and 25% fully vested stock units, (f) a combination of 50% fully vested stock options and 50% fully vested stock units, or (g) a combination of 75% fully vested stock units and 25% fully vested stock options. Each outside director may also elect to receive such director's annual equity grant in the form of any of the above alternatives, other than alternatives that include cash.

Each outside director (other than our Non-Executive Chairman) is eligible to receive an annual equity grant with a value of \$140,000 for service on our Board and committees of our Board (prorated for incoming directors joining during the year).

COMPENSATION OF OUR NON-EXECUTIVE CHAIRMAN

In 2016, our Non-Executive Chairman received the following compensation in lieu of the compensation described above for our other outside directors:

- an annual retainer fee of \$125,000; and

- an annual equity grant with a value of \$360,000.

Our Non-Executive Chairman has the option to receive his annual retainer fee in the forms discussed above under "—Equity Compensation."

CHARITABLE CONTRIBUTIONS

Outside directors may participate in the Company's gift matching program on the same terms as the Company's executive officers and employees. Under this program, contributions up to \$100,000 per calendar year that the director makes to the Western Union Foundation (the "Foundation") without designating a recipient organization

will be matched by the Company \$2 for every \$1 contributed. Contributions made or directed to be made to an eligible organization, as defined in the program, up to an aggregate amount of \$25,000 per calendar year will be equally matched by the Company through the Foundation.

REIMBURSEMENTS

Directors are reimbursed for their expenses incurred by attending Board, committee, and stockholder meetings, including those for travel, meals, and lodging. Occasionally, a spouse or other guest may accompany directors on corporate aircraft when the aircraft is already scheduled for business

purposes and can accommodate additional passengers. In those cases, there is no aggregate incremental cost to the Company, and as a result, no amount is reflected in the 2016 Director Compensation table.

INDEMNIFICATION AGREEMENTS

Each outside director has entered into a Director Indemnification Agreement with the Company to clarify indemnification procedures. Consistent with the indemnification rights already provided to directors of the Company in the Company's Amended and Restated Certificate of Incorporation, each agreement provides that

the Company will indemnify and hold harmless each outside director to the fullest extent permitted or authorized by the General Corporation Law of the State of Delaware in effect on the date of the agreement or as such laws may be amended or replaced to increase the extent to which a corporation may indemnify its directors.

EQUITY OWNERSHIP GUIDELINES

Each outside director is expected to maintain an equity investment in Western Union equal to five times his or her annual cash retainer, which must be achieved within five years of the director's initial election to the Board. The holdings that generally may be counted toward achieving the equity investment guidelines include outstanding stock awards or units, shares obtained through stock option

exercises, shares owned jointly with or separately by the director's spouse, shares purchased on the open market, and outstanding stock options received in lieu of cash retainer fees. As of March 13, 2017, all outside directors have met or, within the applicable period, are expected to meet, these equity ownership guidelines.

PROHIBITION AGAINST PLEDGING AND HEDGING OF THE COMPANY'S SECURITIES

The Company's Insider Trading Policy prohibits the Company's directors from pledging the Company's securities or engaging in hedging or short-term speculative trading of the Company's securities, including, without limitation, short sales or put or call options involving the Company's securities.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is currently comprised of four independent directors and operates under a written charter adopted by the Board. The Audit Committee reviews the charter at least annually, reviewing it last in December 2016. The charter is available through the "Investor Relations, Corporate Governance" portion of the Company's website, www.wu.com.

The Board has the ultimate authority for effective corporate governance, including the role of oversight of the management of the Company. The Audit Committee's purpose is to assist the Board in fulfilling its oversight responsibilities with respect to the Company's consolidated financial statements, independent registered public accounting firm qualifications and independence, performance of the Company's internal audit function and independent registered public accounting firm, and other matters identified in the Audit Committee Charter. The Audit Committee relies on the expertise and knowledge of management, the internal auditors and the independent registered public accounting firm in carrying out its responsibilities. Management is responsible for the preparation, presentation, and integrity of the Company's consolidated financial statements, accounting and financial reporting principles, internal control over financial reporting and disclosure controls, and procedures designed to ensure compliance with accounting standards, applicable laws, and regulations. In addition, management is responsible for objectively reviewing and evaluating the adequacy, effectiveness, and quality of the Company's system of internal control. The Company's independent registered public accounting firm, Ernst & Young LLP, is responsible for performing an independent audit of the consolidated financial statements and for expressing an opinion on the conformity of those financial statements with United States generally accepted accounting principles. The Company's independent registered public accounting firm is also responsible for expressing an opinion on the effectiveness of the Company's internal control over financial reporting.

During fiscal year 2016, the Audit Committee fulfilled its duties and responsibilities as outlined in its charter. Specifically, the Audit Committee, among other actions:

- reviewed and discussed with management and the independent registered public accounting firm the Company's quarterly earnings press releases, consolidated financial statements, and related periodic reports filed with the SEC;
- reviewed with management, the independent registered public accounting firm and the internal auditor, management's assessment of the effectiveness of the Company's internal control over financial reporting, and the effectiveness of the Company's internal control over financial reporting;

Audit Committee

Richard A. Goodman (Chairperson)
Martin I. Cole
Roberto G. Mendoza
Michael A. Miles, Jr.

- reviewed with the independent registered public accounting firm, management, and the internal auditor, as appropriate, the audit scope and plans of both the independent registered public accounting firm and internal auditor;
- met in periodic executive sessions with each of the independent registered public accounting firm, management, and the internal auditor;
- received the written disclosures and the annual letter from Ernst & Young LLP provided to us pursuant to Public Company Accounting Oversight Board Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, concerning their independence and discussed with Ernst & Young LLP their independence; and
- reviewed and pre-approved all fees paid to Ernst & Young LLP, as described in Proposal 4—Ratification of Selection of Auditors, and considered whether Ernst & Young LLP's provision of non-audit services to the Company was compatible with the independence of the independent registered public accounting firm.

The Audit Committee has reviewed and discussed with the Company's management and independent registered public accounting firm the Company's audited consolidated financial statements and related footnotes for the fiscal year ended December 31, 2016, and the independent registered public accounting firm's report on those financial statements. Management represented to the Audit Committee that the Company's financial statements were prepared in accordance with United States generally accepted accounting principles.

We have discussed with Ernst & Young LLP the matters required to be discussed with the Audit Committee by Auditing Standard No. 16, *Communications with Audit Committees*, issued by the Public Company Accounting Oversight Board. The Auditing Standard No. 16 communications include, among other items, matters relating to the conduct of an audit of the Company's consolidated financial statements under the standards of the Public Company Accounting Oversight Board. This review included a discussion with management and the independent registered public accounting firm about the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the disclosures in the Company's financial statements, including the disclosures relating to critical accounting policies.

In reliance on the review and discussions described above, we recommended to the Board of Directors, and the Board approved, that the audited consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the SEC.

COMPENSATION AND BENEFITS COMMITTEE REPORT

The Compensation and Benefits Committee has reviewed and discussed the Company's Compensation Discussion and Analysis with management and, based on such review and discussion, the Compensation and Benefits

Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement and its Annual Report on Form 10-K.

Compensation and Benefits Committee

Betsy D. Holden (Chairperson)
Richard A. Goodman
Jeffrey A. Joerres
Roberto G. Mendoza
Robert W. Selander
Solomon D. Trujillo

COMPENSATION DISCUSSION AND ANALYSIS

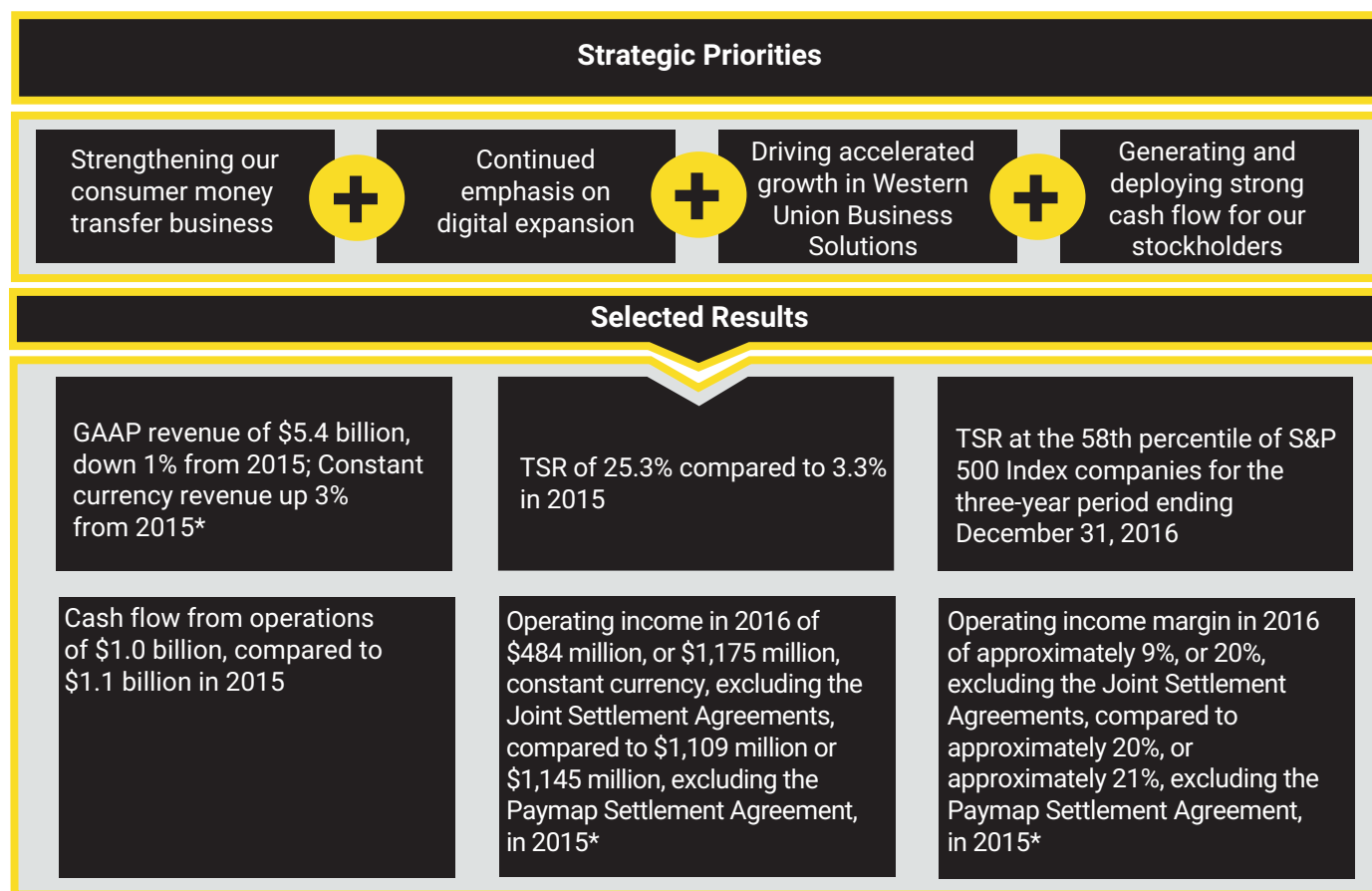
EXECUTIVE SUMMARY

BUSINESS OVERVIEW

The Western Union Company provides people and businesses with fast, reliable, and convenient ways to send money and make payments around the world. Western Union offers its services in more than 200 countries and territories. Our business is complex: our regulatory environment is disparate and developing; our consumers are different from those addressed by traditional financial services firms; and our agent and client relationships are numerous and varied.

Managing these complexities is at the center of Western Union's success, and our leadership must be capable of supporting our Company's goals amid this complexity.

The Company's key strategic priorities for 2016 were the same as 2015 and are set forth in the chart below. The performance goals and objectives under our annual incentive and long-term incentive programs were designed to support these strategies.



Please see our 2016 Annual Report on Form 10-K for more information regarding our performance.

* See Appendix A for a reconciliation of measures that are not based on accounting principles generally accepted in the United States ("GAAP") to the comparable GAAP measure.

EXECUTIVE COMPENSATION FRAMEWORK

The Company's executive compensation framework includes the following, each of which the Company's Compensation and Benefits Committee (the "Compensation Committee" or the "committee") believes reinforces our executive compensation philosophy and objectives:

What We Do:

- ✓ **Pay-for-performance and At-Risk Compensation.** A significant portion of our targeted annual compensation is performance-based and/or subject to forfeiture ("at-risk"), with emphasis on variable pay to reward short- and long-term performance measured against pre-established objectives informed by our Company's strategy. For 2016, performance-based compensation comprised approximately 90% of the targeted annual compensation for the Chief Executive Officer and, on average, 66% of the targeted annual compensation for the other named executive officers. The remaining components of targeted annual compensation consisted of base salary for all of the named executive officers and service-based RSUs for the named executive officers other than the Chief Executive Officer, which are at-risk as their value fluctuates based on our stock price performance.
- ✓ **Align Compensation with Stockholder Interests.** Performance measures for incentive compensation are linked to the overall performance of the Company, including the achievement of financial and strategic objectives, as well as individual performance and contributions, aligned with the creation of long-term stockholder value.
- ✓ **Emphasis on future pay opportunity vs. current pay.** Our long-term incentive awards are delivered to our named executive officers in the form of equity-based compensation, with multi-year vesting provisions to encourage retention. For 2016, long-term equity compensation comprised approximately 74% of the targeted annual compensation for the Chief Executive Officer and, on average, 56% of the targeted annual compensation for the other named executive officers. In addition, in 2016, the committee elected to deliver the entire increase in the Chief Executive Officer's total target direct compensation in the form of long-term equity compensation.
- ✓ **Mix of performance metrics.** The Company utilizes a mix of performance metrics that emphasize both absolute performance goals, which provide the primary links between incentive compensation and the Company's strategic operating plan and financial results, and relative performance goals, which measure Company performance in comparison to the S&P 500 Index.
- ✓ **Three-year Performance Period for PSUs.** In order to link a significant portion of the named executive officers' targeted annual compensation to the longer-term performance of the Company, our PSUs have a three-year performance period.
- ✓ **Stockholder engagement.** As part of the Company's stockholder outreach program, the Compensation Committee chair and members of management seek to engage with stockholders regularly to discuss and understand their perceptions or concerns regarding our executive compensation program.
- ✓ **Outside compensation consultant.** The Compensation Committee retains its own compensation consultant to review the Company's executive compensation program and practices.
- ✓ **"Double trigger" in the event of a change-in-control.** In the event of a change-in-control, severance benefits are payable only upon a "double trigger."
- ✓ **Maximum payout caps for annual cash incentive compensation and PSUs.**
- ✓ **"Clawback" Policy.** The Company may recover incentive compensation paid to an executive officer that was calculated based upon any financial result or performance metric impacted by fraud or misconduct of the executive officer.
- ✓ **Robust stock ownership guidelines.** Our executive compensation program requires meaningful stock ownership by our executive officers to align them with long-term stockholder interests. Our Chief Executive Officer is required to hold stock equal to a multiple of six times his base salary, and each of our other named executive officers is required to hold stock equal to a multiple of three times his or her base salary. Fifty percent of after-tax shares received as equity compensation must be retained until an executive meets the stock ownership guideline.
- ✓ **Consider Compliance in Compensation Program.** Since 2014, the Compensation Committee has included an evaluation of compliance in the Company's annual incentive program in order to reinforce compliance as an objective throughout the organization. Beginning with the Company's 2017 executive compensation program, the Compensation Committee will include additional evaluation criteria related to compliance in its executive review and bonus system so that each Company executive is evaluated on what the executive has done to ensure that the executive's business or department is in compliance with U.S. laws. In addition, the Compensation Committee will also implement a provision that allows the Company to "clawback" bonuses for executives for conduct that is later determined to have contributed to future compliance failures, subject to applicable law.

What We Don't Do:

- ✗ **No change-in-control tax gross ups.** We do not provide change-in-control tax gross ups to individuals promoted or hired after April 2009. Mr. Ersek is the only Company employee who remains eligible for excise tax gross-up payments based on Compensation Committee action in 2009.
- ✗ **No repricing or buyout of underwater stock options.** None of our equity plans permit the repricing or buyout of underwater stock options or stock appreciation rights without stockholder approval, except in connection with certain corporate transactions involving the Company.
- ✗ **Prohibition against pledging and hedging of Company securities by senior executives and directors.**
- ✗ **No dividends or dividend equivalents are accrued or paid on PSUs or RSUs.**

2017 MODIFICATIONS TO EXECUTIVE COMPENSATION PROGRAM

Since 2014, the Compensation Committee has included an evaluation of compliance in the Company's annual incentive program in order to reinforce compliance as an objective throughout the organization. As previously disclosed, in January 2017, the Company entered into the Joint Settlement Agreements, pursuant to which the Company agreed to make certain enhancements to the Company's executive compensation program. Specifically, the Company agreed to implement evaluation criteria related to compliance in its executive review and bonus system so that each Company executive is evaluated on what the executive has done to

ensure that the executive's business or department is in compliance with U.S. laws. A failing score in compliance, including anti-money laundering and anti-fraud programs, will make the executive ineligible for any bonus for that year. Furthermore, the Company agreed to include in its new executive review and bonus system a provision that allows the Company to "clawback" bonuses for executives for conduct that is later determined to have contributed to future compliance failures, subject to applicable law. These changes will be effective beginning with the Company's 2017 executive compensation program.

CHIEF EXECUTIVE OFFICER COMPENSATION

In order to more closely align Mr. Ersek's total direct compensation with the median level of compensation for chief executive officers, as reported by the Compensation Committee's compensation consultant, the Compensation Committee increased Mr. Ersek's total target direct compensation. Consistent with the Company's long-standing practice of emphasizing future pay versus current pay and aligning compensation with the interests of the Company's stockholders, the committee allocated the entire increase in total target direct compensation to the equity grant level for Mr. Ersek. Mr. Ersek's base salary and annual incentive award targets remained unchanged. As a result of the 2016 long-term incentive award increase, Mr. Ersek's 2016 compensation approximates the median compensation for chief executive officers in the 2016 peer group, based on the most recent publicly available information, as compiled by the Compensation Committee's compensation consultant.

In structuring Mr. Ersek's 2016 long-term incentive awards, the Compensation Committee elected to retain the same mix of awards for Mr. Ersek as it provided in 2015 - TSR PSUs, Financial PSUs and stock options. PSUs vest based on the achievement of pre-established performance goals over a three-year performance period. The Compensation Committee believes that providing a portion of Mr. Ersek's long-term incentive awards in the form of stock options emphasizes the achievement of long-term objectives and encourages long-term value creation as the stock options will only have value to Mr. Ersek if the Company's stock price appreciates from the date of grant.

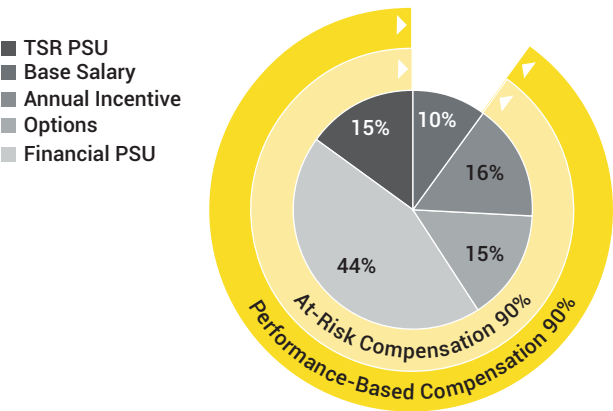
COMPENSATION DISCUSSION AND ANALYSIS

For 2016 performance, Mr. Ersek received a cash payout under the 2016 Annual Incentive Plan of \$1,392,000, reflecting a blended payout of 93% of target, as compared to an 118% of target payout for 2015 performance and an 88% of target payout for 2014 performance. The Compensation Committee based Mr. Ersek's award opportunity under the Annual Incentive Plan entirely on the achievement of corporate and strategic performance goals.

In determining Mr. Ersek's 2016 annual incentive payout under the Annual Incentive Plan, the committee excluded from the payout calculations charges incurred pursuant to the Joint Settlement Agreements, for the reasons discussed under "– Establishing and Evaluating Executive Compensation – Elements of 2016 Executive Compensation Program – *Annual Incentive Compensation*" below. The committee also reviewed the Company's existing clawback policy and determined that the clawback policy did not require a clawback of Mr. Ersek's annual incentive payout as a result of the Joint Settlement Agreements based on the same reasons discussed below.

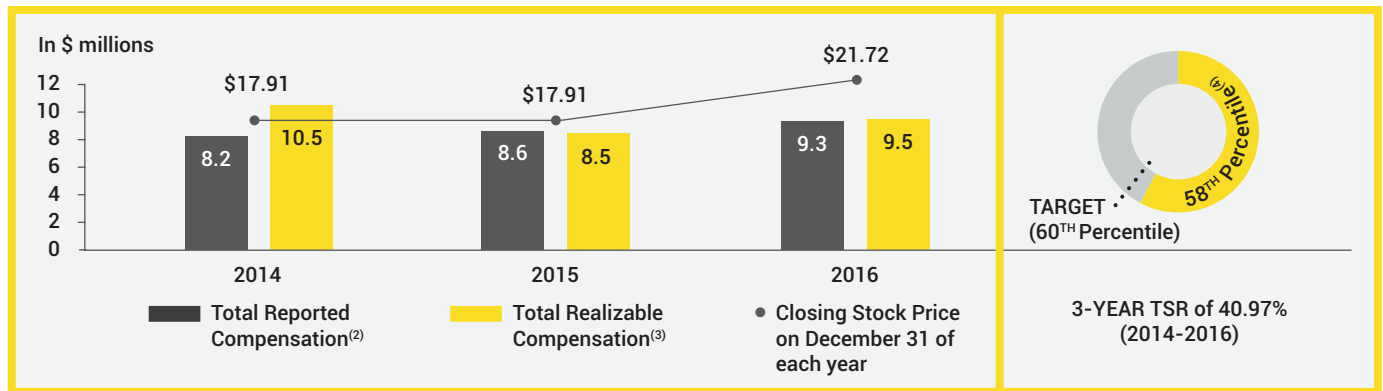
The following chart demonstrates that our Chief Executive Officer's compensation is heavily weighted toward variable, performance-based pay elements, and such elements comprised approximately 90% of the targeted 2016 annual compensation for Mr. Ersek (consisting of target payout opportunity under the Annual Incentive Plan and stock option and PSU components under the Long-Term Incentive Plan). Pay is based on the annual base salary and target incentive opportunities applicable to Mr. Ersek as of December 31, 2016.

CEO 2016 TOTAL DIRECT COMPENSATION



Since a significant portion of Mr. Ersek's compensation is both performance-based and at-risk, we are providing the following supplemental graph to compare the compensation granted to Mr. Ersek, as required to be reported by the SEC rules in the 2016 Summary Compensation Table, to the compensation "realizable" by him for 2014 to 2016. We believe the "realizable" compensation shown is reflective of the Compensation Committee's emphasis on "pay-for-performance" in that differences between realizable pay and total reported compensation, as well as fluctuations year-over-year, are primarily the result of our stock performance and our varying levels of achievement against pre-established performance goals under our Annual Incentive Plan and Long-Term Incentive Plan.

CHIEF EXECUTIVE OFFICER TOTAL REPORTED COMPENSATION VERSUS TOTAL REALIZABLE COMPENSATION⁽¹⁾



- (1) This graph and the total realizable compensation reported in this graph provide supplemental information regarding the compensation paid to Mr. Ersek and should not be viewed as a substitute for the 2016 Summary Compensation Table.
- (2) As reported in the Total column of the 2016 Summary Compensation Table.
- (3) Amounts reported in the calculation of total realizable compensation include (a) annualized base salary, (b) actual bonus payments made to Mr. Ersek with respect to each of the years shown under the Annual Incentive Plan, (c) actual amounts paid with respect to discretionary bonuses in the year in which such bonuses are earned, (d) the value realized from the exercise of stock options and for unexercised stock options, the difference between the exercise price and the closing stock price on the last trading day of 2016, each reported in the year granted, (e) the value realized upon vesting of RSUs or PSUs and the value of unvested RSUs or PSUs based on the closing stock price on the last trading day of 2016, each reported in the year granted, and (f) amounts reported in the All Other Compensation Table for the respective years. For purposes of this table, the value of the TSR PSUs is based on target performance since the TSR PSUs vest based on the Company's TSR at the end of the three-year performance period compared to the Company's TSR at the beginning of the performance period. The Financial PSUs are valued for purposes of this table based on estimated performance as of December 31, 2016.
- (4) TSR at the 58th percentile of the S&P 500 index.

2016 SAY ON PAY VOTE

As noted above, in its compensation review process, the Compensation Committee considers whether the Company's executive compensation and benefits program serves the interests of the Company's stockholders. In that respect, as part of its ongoing review of the Company's executive compensation program, the Compensation Committee considered the approval by approximately 97% of the votes cast for the Company's "say on pay" vote at the Company's

2016 Annual Meeting of Stockholders. After considering the 2016 "say on pay" results, the committee determined that the Company's executive compensation philosophy, compensation objectives, and compensation elements continued to be appropriate and did not make any specific changes to the Company's executive compensation program in response to the 2016 "say on pay" vote.

STOCKHOLDER ENGAGEMENT

In early 2017, management and the Compensation Committee Chair reached out to stockholders who the Company believes collectively held over 55% of the Company's outstanding Common Stock as of the Record Date to better understand their views on the Company's executive compensation program, the "say on pay" vote and

our executive compensation disclosure. Over the past few years, the committee and management have found these discussions to be very helpful in their ongoing evaluation of the Company's executive compensation program, and intend to continue to obtain this feedback in the future.

OTHER CORPORATE GOVERNANCE PRACTICES

The Board of Directors believes that strong corporate governance is key to long-term stockholder value creation. Please see "Corporate Governance—Summary of Corporate Governance Practices" above for a summary of the Company's corporate governance practices. Highlights include:

Governance Highlights

- ✓ Annual Election of Directors
- ✓ Proxy Access
- ✓ Majority Vote Standard in Uncontested Elections
- ✓ Stockholder Right to Call Special Meetings
- ✓ No Stockholder Rights Plan ("Poison Pill")
- ✓ No Supermajority Voting Provisions in the Company's Organizational Documents
- ✓ Independent Board, except our Chief Executive Officer
- ✓ Independent Non-Executive Chairman
- ✓ Independent Board Committees
- ✓ Confidential Stockholder Voting
- ✓ Committee Authority to Retain Independent Advisors
- ✓ Robust Codes of Conduct
- ✓ Robust Stock Ownership Guidelines for Senior Executives and Directors
- ✓ Prohibition Against Pledging and Hedging of Company Stock by Senior Executives and Directors
- ✓ Clawback Policy
- ✓ Stockholder Engagement

ESTABLISHING AND EVALUATING EXECUTIVE COMPENSATION

INTRODUCTION

This Compensation Discussion and Analysis describes how the Compensation Committee determined 2016 executive compensation, the elements of our executive compensation program and the compensation of each of our named

executive officers. The information provided should be read together with the information presented in the "Executive Compensation" section of this Proxy Statement. For 2016, the named executive officers were:

Hikmet Ersek – President and Chief Executive Officer (September 2010 to present)

Rajesh K. Agrawal – Executive Vice President and Chief Financial Officer (July 2014 to present)

Odilon Almeida – Executive Vice President, President – Global Money Transfer (February 2017 to present); Executive Vice President and President, Americas and European Union (January 2014 to February 2017)

Elizabeth G. Chambers – Executive Vice President, Chief Strategy, Product and Marketing Officer (November 2015 to present)

J. David Thompson – Executive Vice President, Global Operations (November 2012 to present) and Chief Information Officer (April 2012 to present)

OUR 2016 EXECUTIVE COMPENSATION PHILOSOPHY AND OBJECTIVES

To align the Company's incentive compensation program with the Company's overall executive compensation philosophy, in May 2016, the Compensation Committee adopted the following compensation objectives and guiding principles:

Our Executive Compensation Philosophy

The Compensation Committee believes the Company's executive compensation program should reward actions and behaviors that build a foundation for the long-term strength and performance of the Company, while also rewarding the achievement of short-term performance goals informed by the Company's strategy.



Objectives

- Align executive goals and compensation with stockholder interests
- Attract, retain and motivate outstanding executive talent
- Pay-for-performance – Hold executives accountable and reward them for achieving financial, strategic and operating goals



Guiding Principles

- Pay-for-Performance: Pay is significantly performance-based and at-risk, with emphasis on variable pay to reward short- and long-term performance measured against pre-established objectives informed by the Company's strategy.
- Align Compensation with Stockholder Interests: Link incentive payouts with the overall performance of the Company, including achievement of financial and strategic objectives, as well as individual performance and contributions, to create long-term stockholder value.
- Stock Ownership Guidelines: Our program requires meaningful stock ownership by our executives to align them with long-term stockholder interests.
- Emphasis on Future Pay Opportunity vs. Current Pay: Our long-term incentive awards are delivered in the form of equity-based compensation with multi-year vesting provisions to encourage retention.
- Hire, Retain and Motivate Top Talent: Offer market-competitive compensation which clearly links payouts to actual performance, including rewarding appropriately for superior results, facilitating the hire and retention of high-caliber individuals with the skills, experience and demonstrated performance required for our Company.
- Principled Programs: Structure our compensation programs considering corporate governance best practices and in a manner that is understandable by our participants and stockholders.

THE BOARD OF DIRECTORS AND THE COMPENSATION COMMITTEE

The Board of Directors oversees the goals and objectives of the Company and of the Chief Executive Officer, evaluates succession planning with respect to the Chief Executive Officer and evaluates the Chief Executive Officer's performance. The Compensation Committee supports the Board by establishing the Company's general compensation philosophy and overseeing the development and implementation of the Company's compensation and benefits policies. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers, sets the compensation levels of each of the Executive Vice Presidents and approves the compensation of the Chief Executive Officer, with ratification

by the independent directors of the Board. The Compensation Committee's responsibilities under its charter are further described in the "Corporate Governance—Committees of the Board of Directors" section of this Proxy Statement. While not members of the Compensation Committee, the Chairman of the Board and the Chief Executive Officer attended all of the meetings of the Compensation Committee in 2016 to contribute to and understand the committee's oversight of, and decisions relating to, executive compensation. The Chief Executive Officer did not attend portions of the meetings relating to his compensation. The Compensation Committee regularly conducts executive sessions without management present.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee also engages in an ongoing dialog with the Chief Executive Officer and the committee's compensation consultant in the evaluation and establishment of the elements of our executive

compensation program. The committee also received input from the Chief Human Resources Officer in making executive compensation decisions.

COMPENSATION CONSULTANTS

Frederic W. Cook & Co., Inc. (the "Compensation Consultant") provides executive and director compensation consulting services to the Compensation Committee. The Compensation Consultant is retained by and reports to the Compensation Committee and participates in committee meetings. The Compensation Consultant informs the committee on market trends, as well as regulatory issues and developments and how they may impact the Company's executive compensation program. The Compensation Consultant also:

- Participates in the design of executive compensation program to help the committee evaluate the linkage between pay and performance;
- Reviews market data and advises the committee regarding the compensation of the Company's executive officers;
- Reviews and advises the committee regarding director compensation; and

- Performs an annual risk assessment of the Company's compensation program, as described in the "Executive Compensation—Risk Management and Compensation" section of this Proxy Statement.

The Compensation Consultant does not provide any other services to the Company. The Compensation Committee has assessed the independence of the Compensation Consultant pursuant to the NYSE rules and the Company concluded that the Compensation Consultant's work for the Compensation Committee did not raise any conflict of interest.

During 2016, the Company also retained the services of Willis Towers Watson to assist the Company in evaluating the Company's annual and long-term incentive programs. The Compensation Committee evaluated the findings of Willis Towers Watson in its review of the 2016 incentive program design. The Compensation Committee has assessed the independence of Willis Towers Watson pursuant to the NYSE rules and the Company concluded that Willis Towers Watson's work did not raise any conflict of interest.

SETTING 2016 COMPENSATION

In late 2015, the Compensation Committee, working with the Compensation Consultant and the Chief Executive Officer, engaged in a detailed review of the Company's executive compensation programs to evaluate whether the design and levels of each compensation element were:

- Appropriate to support the Company's strategic performance objectives;
- Consistent with the philosophy and objectives described under "*Our 2016 Executive Compensation Philosophy and Objectives*" above; and
- Reasonable when compared to market pay practices (see "*Market Comparison*" below).

Design Changes to 2016 Executive Compensation Program

In 2016, after considering market pay practices and the input of the Compensation Consultant, the Compensation Committee made two design changes to the Company's

executive compensation program. First, the committee changed the Annual Incentive Plan design to include an individual performance modifier of 25% for participants other than the Chief Executive Officer. Based on an assessment of individual performance relating to personalized objectives, the committee may increase or decrease the award payout resulting from the achievement of the financial and strategic performance objectives by up to 25%, for a maximum annual incentive opportunity of 175% of target. Mr. Ersek's Annual Incentive Plan award was based entirely on the achievement of corporate and strategic performance goals, with a maximum payout opportunity equal to 150% of target. Second, the committee replaced the stock option component of the long-term incentive design for participants other than the Chief Executive Officer with RSUs that cliff vest on the third anniversary of the grant date based on continued service. The committee maintained the overall percentage of annual equity grants that have vesting provisions that are performance-based and/or at-risk. Accordingly, for 2016, the annual equity awards under the Long-Term Incentive Plan for participants other than the Chief Executive Officer consisted

of 80% PSUs (60% Financial PSUs, incorporating both revenue and operating income growth, and 20% TSR PSUs, with Company performance under the PSUs measured over a three-year period) and 20% RSUs. This design change was made in order to strengthen the Company's ability to retain executive talent, while still maintaining a variable compensation element as the value of the RSUs will fluctuate based on our stock price performance. Mr. Ersek's long-term incentive award continued to be weighted 60% Financial PSUs, 20% TSR PSUs and 20% stock options. The Compensation Committee maintained Mr. Ersek's long-term incentive weightings as the committee believes that stock options emphasize the achievement of long-term objectives and encourage long-term value creation as the stock options will only have value to Mr. Ersek if the Company's stock price appreciates from the date of grant.

Setting 2016 Compensation Levels

With respect to setting compensation levels, in early 2016, Mr. Ersek presented to the Compensation Committee his evaluation of each of the Executive Vice Presidents and the level of his or her salary, annual bonus targets under the Annual Incentive Plan, and long-term incentive award targets under the Long-Term Incentive Plan. Mr. Ersek based his assessments on each executive's performance and relative contributions to the Company's success, the

performance of the executive's respective business unit or functional area, employee retention considerations, market data, compensation history and internal equity. Mr. Ersek also reviewed with the committee tally sheets that presented comprehensive historical and current compensation data for each of the Company's executive officers. Please see "*Use of Tally Sheets*" below for a description of this tool. The Compensation Consultant participated in the committee meetings to provide peer group and market data regarding executive compensation. Please see "*Market Comparison*" for a discussion of the use of peer group and market data.

Also in early 2016, Mr. Ersek submitted a self-evaluation to the Compensation Committee. The committee shared Mr. Ersek's goals for the year and his self-evaluation with the independent members of the Board of Directors, who then evaluated Mr. Ersek's performance in 2015 based on his actual performance versus such goals. In setting Mr. Ersek's 2016 compensation, the committee considered this evaluation, market data regarding chief executive officer compensation levels provided by the Compensation Consultant, and a tally sheet of Mr. Ersek's historical and current compensation data. No member of management, including Mr. Ersek, made any recommendations regarding Mr. Ersek's compensation or participated in the portions of the Compensation Committee meeting or in the meeting of the independent directors of the Board during which Mr. Ersek's compensation was determined or ratified.

MARKET COMPARISON

For 2016, the Compensation Committee considered market pay practices when setting executive compensation, but did not target the specific compensation elements or total compensation against the market data. Instead, the committee used market data to assess the overall competitiveness and reasonableness of the Company's executive compensation program. In evaluating 2016 market data, the committee considered both peer group proxy data and compensation survey data, but did not assign a specific weight to either data source. While the Compensation Committee considers relevant market pay practices when setting executive compensation, it does not believe it appropriate to establish compensation levels based only on market practices. The Compensation Committee believes that compensation decisions are complex and require a deliberate review of Company performance and peer compensation levels. The factors that influence the amount of compensation awarded include market competition for a particular position, an individual's experience and past

performance inside or outside the Company, compensation history, role and responsibilities within the Company, tenure with the Company and associated institutional knowledge, long-term potential with the Company, contributions derived from creative and innovative thinking and leadership, money transfer or financial services industry expertise, past and future performance objectives and the value of the position within the Company.

The Compensation Committee believes that the Company's peer group should reflect the markets in which the Company competes for business, executive talent and capital. Accordingly, the Company's peer group includes companies meeting either of the following criteria:

- Global brands providing virtual products or services; or
- Companies involved with payment and processing services.

The peer group used for evaluating 2016 compensation decisions consisted of the companies below, which is the same peer group that was used for evaluating 2015 compensation decisions. The Compensation Consultant compiled compensation information from the peer group based on the publicly filed documents of each member of the peer group.

PEER GROUP	2015 REVENUES (IN MILLIONS)*	2015 OP INCOME (IN MILLIONS)*	EMPLOYEES (AS OF 12/31/15)	MARKET CAP (IN MILLIONS) (AS OF 12/31/15)
ADP	\$10,939	\$2,003	55,000	\$39,073
Ameriprise Financial	\$12,184	\$3,331	12,209	\$18,529
Charles Schwab	\$6,212	\$2,160	14,600	\$43,353
CME Group	\$3,354	\$2,014	2,680	\$30,644
Comerica	\$2,580	\$846	9,115	\$7,393
Discover	\$7,263	\$3,839	14,676	\$22,922
eBay	\$8,593	\$2,328	36,500	\$32,994
Fidelity National Info	\$6,436	\$1,266	40,000	\$19,779
Fiserv	\$5,202	\$1,299	21,000	\$20,902
Global Payments	\$2,818	\$470	4,438	\$8,340
Intuit	\$4,192	\$886	7,700	\$25,476
MoneyGram	\$1,408	\$44	2,727	\$334
NASDAQ OMX	\$3,458	\$916	3,687	\$9,554
Northern Trust	\$4,698	\$1,466	15,400	\$16,669
State Street	\$10,421	\$3,122	29,970	\$26,775
Total Systems Services	\$2,698	\$523	9,900	\$9,163
75th Percentile	\$7,596	\$2,202	23,243	\$27,743
Median	\$4,950	\$1,382	13,405	\$20,341
25th Percentile	\$3,220	\$876	6,885	\$9,456
Western Union	\$5,484	\$1,109	10,000	\$8,998

* All data was compiled by the Compensation Consultant who obtained peer company financial market intelligence from Capital IQ Compustat. The data generally represents revenue and operating income for the most recent four quarters available to the Compensation Consultant at the time the Compensation Consultant compiled the data in January 2016. Other than for the Company, operating income may reflect measures not in conformity with GAAP.

The Compensation Committee also uses general industry compensation survey data in evaluating executive pay. Survey data relies upon responses from participating companies to survey questions, which are compiled and sorted by the surveyor based on various factors, such as the period covered, the location of the company, and the positions under review. Survey data provides insight into positions that may not generally be reported in proxy statements and information about the compensation of executives of non-public companies.

In some instances, survey data is a useful complement to the peer group proxy data. To assist the committee in its review of the general industry compensation survey data, the Compensation Consultant extracts compensation information from the surveys with respect to companies with annual revenues generally ranging from \$3 billion to \$10 billion. For the 2016 compensation review, the Compensation Consultant compiled compensation data from general industry compensation surveys provided by Mercer and AonHewitt (which included data from companies with annual revenues between \$5 billion and \$10 billion), Willis Towers Watson (which included data from companies with annual revenues between \$3 billion and \$6 billion), and Peer group data taken directly from peer group proxy statements

or from the Equilar Top 25 database. Executive positions were matched to the peer group proxy data and third-party survey data based on job title, functional matches, and pay rank.

In 2016, in connection with its ongoing review of the Company's peer group, the Compensation Committee replaced eBay with PayPal Holdings, Inc. and added Vantiv, Inc. in order to more closely align the peer group with the types of services provided by the Company. These changes will be effective with respect to evaluating 2017 executive compensation decisions.

Use of Tally Sheets

The Compensation Committee reviews tally sheets that present compensation data for each of the Company's executives. These tally sheets generally include historical and current compensation data, valuations of future equity vesting, value of option exercises in the past five years, as well as analyses for hypothetical terminations and retirements to allow the Compensation Committee to consider the Company's obligations under such circumstances. The tally sheets provide context for the committee in determining the elements and amounts of compensation paid.

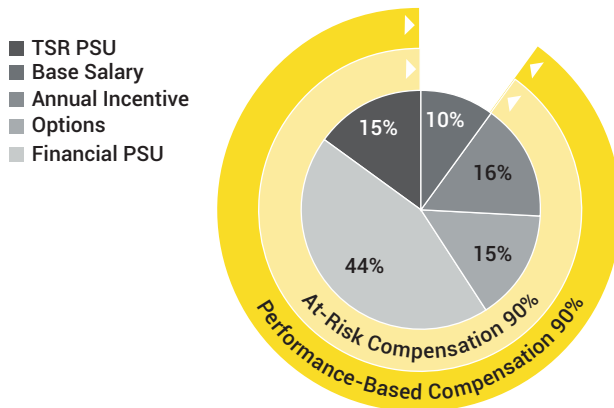
THE WESTERN UNION 2016 EXECUTIVE COMPENSATION PROGRAM

Pay-For-Performance and At-Risk Compensation

The principal components of the Company's 2016 annual executive compensation program were annual base salary, annual incentive awards, and long-term incentive awards in the form of PSUs, stock options (for the Chief Executive Officer) and RSUs (for participants other than the Chief Executive Officer). The Compensation Committee designed the 2016 executive compensation program so that performance-based pay elements (Annual Incentive Plan awards, PSUs and, if applicable, stock options) will

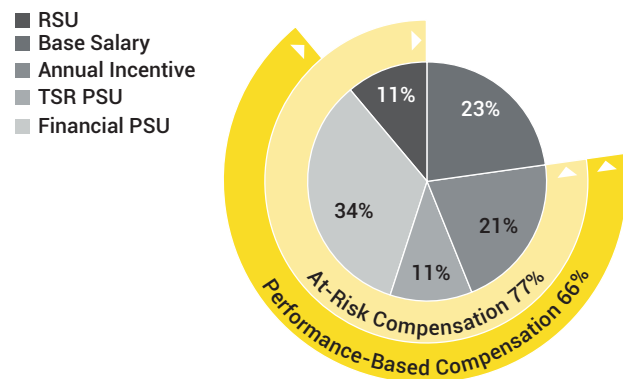
continue to constitute a significant portion of the executive compensation awarded, determined at target levels. The following charts illustrate the mix of the targeted annual compensation for the Chief Executive Officer and the average targeted annual compensation for the other named executive officers, and the portion of that compensation that is performance-based and/or at-risk. For purposes of these charts, the percentage of targeted annual compensation was determined based on the annual base salary and target incentive opportunities applicable to the named executive officer as of December 31, 2016.

CEO 2016 TOTAL DIRECT COMPENSATION



Since a significant portion of the compensation of our named executive officers is performance-based and/or at-risk, we are providing the following supplemental table to compare the compensation granted to our named executive officers, as required to be reported by SEC rules in the 2016 Summary Compensation Table, to the compensation "realizable" by such named executive officers for the 2014 to 2016 fiscal years. While the manner for reporting equity compensation as "realizable" compensation differs from the SEC rules relating to the reporting of compensation in the 2016 Summary Compensation Table, we believe this table serves as a useful supplement to the 2016 Summary Compensation Table. The 2016 Realizable Compensation Table and the total

NAMED EXECUTIVE OFFICER 2016 TOTAL DIRECT COMPENSATION



"realizable" compensation reported in the table provides supplemental information regarding the compensation paid to the named executive officers and should not be viewed as a substitute for the 2016 Summary Compensation Table.

We believe the "realizable" compensation shown is reflective of the Compensation Committee's emphasis on "pay-for-performance" in that differences between "realizable" pay and total reported compensation, as well as fluctuations year-over-year are primarily the result of our stock performance and our varying levels of achievement against pre-established performance goals under our Annual Incentive Plan and Long-Term Incentive Plan.

2016 REALIZABLE COMPENSATION TABLE

NAME	YEAR	PROXY REPORTED COMPENSATION (\$000) ⁽¹⁾	TOTAL REALIZABLE COMPENSATION (\$000) ⁽²⁾	REALIZABLE AS A % OF REPORTED
Hikmet Ersek	2016	9,285.5	9,496.5	102%
	2015	8,569.8	8,465.8	99%
	2014	8,241.8	10,458.0	127%
Rajesh K. Agrawal	2016	3,163.3	3,285.6	104%
	2015	2,634.5	2,608.5	99%
	2014	3,378.2	3,990.1	118%
Odilon Almeida	2016	2,474.1	2,574.2	104%
	2015	2,450.3	2,429.6	99%
	2014	3,038.9	3,634.2	120%
Elizabeth G. Chambers	2016	2,344.0	2,433.0	104%
	2015	N/A	N/A	N/A
	2014	N/A	N/A	N/A
J. David Thompson	2016	2,188.6	2,281.2	104%
	2015	2,532.0	2,543.3	100%
	2014	2,376.4	2,899.4	122%

Footnotes:

- (1) As reported in the Total column of the 2016 Summary Compensation Table.
- (2) Amounts reported in the calculation of total realizable compensation include (a) annualized base salary, (b) actual bonus payments made to each eligible executive with respect to each of the years shown under the Company's Annual Incentive Plan, (c) actual amounts paid with respect to discretionary bonuses in the year in which such bonuses are earned, (d) the value realized from the exercise of stock options and for unexercised stock options, the difference between the exercise price and the closing stock price on the last trading day of 2016, each reported in the year granted, (e) the value realized upon vesting of RSUs or PSUs and the value of unvested RSUs or PSUs based on the closing stock price on the last trading day of 2016, each reported in the year granted, and (f) amounts reported in the All Other Compensation Table for the respective years. For purposes of this table, the value of the TSR PSUs is based on target performance since the TSR PSUs vest based on the Company's TSR at the end of the three-year performance period compared to the Company's TSR at the beginning of the performance period. The Financial PSUs are valued for purposes of this table based on estimated performance as of December 31, 2016.

ELEMENTS OF 2016 EXECUTIVE COMPENSATION PROGRAM

The following table lists the material elements of the Company's 2016 executive compensation program for the Company's named executive officers. The committee believes that the design of the Company's executive compensation program balances fixed and variable compensation elements,

provides alignment with the Company's short and long-term financial and strategic priorities through the annual and long-term incentive programs, and provides alignment with stockholder interests.

ELEMENT	KEY CHARACTERISTICS	WHY WE PAY THIS ELEMENT	HOW WE DETERMINE AMOUNT	2016 DECISIONS
Base salary	Fixed compensation component payable in cash. Reviewed annually and adjusted when appropriate.	Establish a pay foundation at competitive levels to attract and retain talented executives.	Experience, job scope, responsibilities, market data, and individual performance.	No base salary increases. See pages 42 and 50-51.

ELEMENT	KEY CHARACTERISTICS	WHY WE PAY THIS ELEMENT	HOW WE DETERMINE AMOUNT	2016 DECISIONS
Annual incentive awards	Variable compensation component payable in cash based on performance against annually established performance objectives.	<p>Motivate and reward executives for performance on key financial, strategic and/or individual performance goals over the year.</p> <p>Hold our executives accountable, with payouts varying from target based on actual performance against pre-established and communicated performance goals.</p>	<p>Internal pay equity, market practice and individual performance.</p> <p>Participants are eligible to receive a cash payout ranging from 0% to 150% of target based on the achievement of corporate financial and strategic goals.</p> <p>Payouts for participants other than the Chief Executive Officer are subject to a +/- 25% modifier based on individual performance with respect to personalized objectives, including business unit goals.</p>	<p>Based on the achievement of corporate financial, strategic and individual goals, the committee certified payouts ranging from 93% to 103% of target for the named executive officers.</p> <p>See pages 42-45 and 50-51.</p>
PSUs	PSUs vest based on the Company's achievement of financial performance objectives ("Financial PSUs") and the Company's relative TSR performance ("TSR PSUs").	<p>Align the interests of executives with those of our stockholders by focusing the executives on the Company's financial and TSR performance over a multi-year period.</p> <p>Hold our executives accountable, with payouts varying from target based on actual performance against pre-established and communicated performance goals.</p>	<p>Internal pay equity, market practice and individual performance.</p> <p>Financial PSUs: Payout based on revenue and operating income growth over 2016-2018 performance period.</p> <p>TSR PSUs: Payout based on the Company's TSR performance relative to the TSR of the S&P 500 Index over 2016-2018 performance period.</p>	<p>PSUs represent 80% of the long-term grant value, with 60% of the long-term grant value delivered as Financial PSUs and 20% delivered as TSR PSUs.</p> <p>See pages 45-47 and 50-51.</p>
Stock options	Non-qualified stock options granted with an exercise price at fair market value on the date of grant that expire 10 years after grant and become exercisable in 25% annual increments over a four-year vesting period.	Align interests of the Chief Executive Officer with those of our stockholders by focusing the executive on long-term objectives over a multi-year period, including stock price appreciation.	Internal pay equity, market practice and individual performance.	<p>Stock options represent 20% of the long-term grant value for the Chief Executive Officer.</p> <p>See pages 45-47 and 50.</p>

ELEMENT	KEY CHARACTERISTICS	WHY WE PAY THIS ELEMENT	HOW WE DETERMINE AMOUNT	2016 DECISIONS
RSUs	RSUs cliff vest on the third anniversary of the grant based on continued service during vesting period.	Competitive with market practices in order to attract and retain top executive talent. Align the interests of executives with those of our stockholders by focusing the executives on long-term objectives over a multi-year vesting period, with the value of the award fluctuating based on stock price performance.	Internal pay equity, market practice and individual performance.	RSUs represent 20% of the long-term grant value for participants other than the Chief Executive Officer. See pages 45-47 and 50-51.

Each of Western Union's 2016 executive compensation program elements is described in further detail below and individual compensation decisions are discussed in "—Compensation of Our Named Executive Officers."

Base Salary

Our philosophy is that base salaries should meet the objectives of attracting and retaining the executives needed to lead the business. Base salary is a fixed compensation component payable in cash. In setting base salary levels, the committee considered peer group and survey data, as well as the performance of the individual executive. In February 2016, the committee approved salary amounts for the named executive officers, which did not increase from the base salary levels set in 2015. Please see "—Compensation of Our Named Executive Officers" for further information regarding the 2016 base salary levels.

Annual Incentive Compensation

Our Annual Incentive Plan is designed to motivate and reward executive officers for achieving short-term performance objectives. The Annual Incentive Plan design is intended to provide annual incentive awards that qualify as "performance-based compensation" under Section 162(m) of the Code. Participants in the Annual Incentive Plan in 2016 were Mr. Ersek and the Company's Executive Vice Presidents, which included all of the named executive officers.

Compensation under the Annual Incentive Plan is intended to be a significant component of an executive's total compensation opportunity in a given year, helping create a "pay-for-performance" culture. Annual Incentive Plan compensation holds executives accountable and rewards them based on the Company's performance against pre-established objectives informed by the Company's strategy.

Target payout opportunities under the Annual Incentive Plan are expressed as a percentage of a participant's annual base salary, with potential payouts ranging from 0% to 150% of target based on the achievement of pre-established corporate financial and strategic goals. Because the committee believes that individual objectives are indicators of the executive's success in fulfilling the executive's responsibilities, the total payout under the Annual Incentive Plan for the named executive officers other than the Chief Executive Officer is subject to a +/- 25% modifier based on the committee's assessment of individual performance, including with respect to business unit goals. For 2016, the Compensation Committee did not change the target bonus opportunities for the named executive officers, other than Mr. Agrawal. Based on a review of market data and the input of the Compensation Consultant, Mr. Agrawal's target opportunity increased from 90% of base salary to 100% of base salary to further align his compensation levels with the median of the market data.

The following table sets forth each named executive officer's 2016 target award opportunity, with the initial payout levels based on the achievement of corporate and strategic goals weighted 70% and 30%, respectively. As discussed further below, the weighting of the performance measures reflects the desire of the Compensation Committee to tie a significant

portion of annual incentive compensation to corporate performance measures that the committee believes are meaningful to and readily accessible by our investors while at the same time emphasizing strategic performance objectives that focus on the Company's growth imperatives.

EXECUTIVE	TARGET AWARD OPPORTUNITY (\$000)
Hikmet Ersek	\$1,500.0
Rajesh K. Agrawal	\$566.5
Odilon Almeida	\$550.8
Elizabeth G. Chambers	\$481.5
J. David Thompson	\$486.0

When the corporate and strategic performance measures were established, and consistent with prior years, the committee determined, subject to Section 162(m) of the Code, that the effect of currency fluctuations, acquisitions and divestitures, restructuring, and other significant charges not included in the Company's internal 2016 financial plan should be excluded from the payout calculations. Consistent with the Company's historical practices, under this plan design, bonus targets and results are calculated using the prior year's actual exchange rates to exclude the impact of currency fluctuations. Specifically, the 2016 Annual Incentive Plan targets were to be measured assuming no changes in the currency exchange rates from 2015 currency exchange rates. The committee also excluded from the payout calculations charges incurred pursuant to the Joint Settlement Agreements after considering (i) the Department of Justice's statement of facts which noted that, since at least September 2012, the Company took remedial measures and implemented compliance enhancements to improve its anti-fraud and anti-money laundering programs and that these remedial measures and compliance enhancements were taken at the direction of the Chief Executive Officer, among others, and reflect their ongoing commitment to enhancing compliance policies and procedures, (ii) over the past five years, the Company increased overall compliance funding by more than 200 percent, and now spends approximately \$200 million per year on compliance, with more than 20 percent of its workforce currently dedicated to compliance functions, (iii) that the comprehensive improvements by the Company have added more employees with law enforcement and regulatory expertise, strengthened its consumer education and agent training, bolstered its technology-driven controls and changed its governance structure so that its Chief Compliance Officer is a direct report to the Compliance Committee of the Board, (iv) the incidence of consumer fraud reports associated with the Company's money transfers has been low – less than one-tenth of 1 percent of all consumer-to-consumer money transfer transactions during the past 10 years, (v) over the last five years, the dollar value of reported fraud in consumer-to-consumer transactions, compared with the total value of all

transactions, has dropped more than 60 percent, and (vi) the conduct at issue mainly occurred from 2004 to 2012. Further, the committee reviewed the Company's existing clawback policy and considered whether any reductions in the annual incentive payouts were warranted under the clawback policy in light of the Joint Settlement Agreements. The committee determined that the clawback policy did not require a clawback of the 2016 annual incentive payouts based on the factors discussed immediately above. In addition, the committee excluded from the payout calculations costs incurred in 2016 related to the start of the Company's "WU Way" program, which is designed to transform the Company's operating model to better enable accelerated innovation, improve customer experience, and drive cost efficiencies. The committee viewed the WU Way costs as significant transformation expenses not included in the Company's internal 2016 financial plan.

Financial Performance Metrics. As it had in previous years, the Compensation Committee set the executives' 2016 annual incentive compensation award targets for financial performance by establishing a grid based on the Company's revenue and operating income. These performance measures were used in order to tie annual incentive compensation to measures of the Company's financial performance that the committee deemed meaningful to and readily accessible by our investors.

The Compensation Committee established the grid metrics and corresponding payout percentages based upon input from management regarding the Company's expected performance in the upcoming year. The committee designed the grid to encourage strong, focused performance by our executives. The 2016 grid provided a payout of 100% of target if the Company achieved its internal operating plan for operating income and revenue (revenue of approximately \$5.7 billion and operating income of approximately \$1.2 billion, each measured on a constant currency basis), with a maximum initial payout level of 150% of target if revenue and operating income grew by 5.6% and 6.1%, respectively, as compared to 2015 (with such payout further subject to the +/- 25% performance modifier for participants other than Mr. Ersek). Within the grid, a higher rate of increase for one

metric could counterbalance a lower rate of increase for the other metric. For 2016, the grid range for the revenue and operating income performance goals as well as a comparison to 2015 actual results and the 2016 achievement are set forth in the following table, which illustrates that in order to receive

target payouts for both revenue and operating income, the Company had to achieve constant currency revenue and operating income growth of 3.6% and 4.6%, respectively, as compared to 2015 actual performance.

	2015 ACTUAL RESULTS*	2016 TARGET*	TARGET RANGE*	2016 ACTUAL RESULTS*	ACHIEVEMENT (%)
Total Revenue	\$5,484M	\$5,680M	\$5,539M - \$5,791M	\$5,640M	87%
Operating Income	\$1,145M	\$1,197M	\$1,173M - \$1,215M	\$1,195M	96%
Overall Achievement					91%

* 2016 target, target range and actual results shown at constant currency - calculated assuming no changes in the currency exchange rates from 2015 currency exchange rates. 2015 actual results exclude the Paymap Settlement Agreement. 2016 actual results exclude the Joint Settlement Agreements and WU Way program costs. Absent the exclusion of \$621 million in combined costs associated with the Joint Settlement Agreements and the WU Way program, overall achievement would have been 59% of target.

Strategic Performance Objectives. Participants in the 2016 Annual Incentive Plan had 30% of their award opportunity tied to the achievement of strategic performance objectives based upon the Company's strategic operating plan, with a focus on the Company's growth imperatives. Performance levels of the objectives were designed to be achievable, but required the coordinated, cross-functional focus and

effort of the executives. Based on the achievement of the strategic performance objectives, the committee certified a payout equal to 97% of each named executive officer's target allocated to the strategic performance objectives. The strategic performance objectives, their respective weightings, as well as the performance assessment for the 2016 Annual Incentive Plan awards are as follows:

2016 ANNUAL INCENTIVE PLAN STRATEGIC PERFORMANCE GOALS	2016 ACTUAL PERFORMANCE
Consumer-to-consumer money transfer revenue growth initiated from wu.com (aggregate weighting 20%)*	Between threshold & target performance
Principal from money transfer transactions paid out to a bank account (aggregate weighting 10%)	Between threshold & target performance
Performance Level Achievement	97%

* At constant currency - calculated assuming no changes in the currency exchange rates from 2015 currency exchange rates.

Individual Performance-Based Modifier. Other than for Mr. Ersek, a participant's payout under the 2016 Annual Incentive Plan was subject to a +/- 25% modifier based on the committee's assessment of individual and business unit performance. In making its assessment, the committee considered the recommendations of the Chief Executive Officer based on his review of the performance of each of the named executive officers against the individual

objectives established by the committee. The following table summarizes key performance indicators for each named executive officer under the 2016 Annual Incentive Plan, as approved by the Compensation Committee. In addition to the performance goals described below, each of these named executive officers was also assessed based on compliance, employee engagement, customer experience and leadership.

Executive	Individual Performance Objectives
Rajesh K. Agrawal	Earnings per share and operating cash flow
Odilon Almeida	Revenue growth, profit, profit margin, and consumer-to-consumer wu.com revenue, each as measured based on the Americas and Europe region
Elizabeth G. Chambers	Execution of marketing initiatives, mobile strategy, optimization of marketing and communications investments, and expense management
J. David Thompson	Information technology projects, digital consumer-to-consumer achievements, call center customer satisfaction and expense management (including information technology compliance)

The committee believes the performance objectives established for each of the named executive officers are indicators of the executive's success in fulfilling the executive's responsibilities to the Company and support the Company's strategic operating plan. The committee also believes that including compliance, employee engagement

and customer satisfaction in each of the named executive officer's individual and business unit objectives reinforces these objectives as priorities throughout the organization. The performance levels of the individual and business unit objectives were designed to be achievable, but required strong and consistent performance by the executive.

The following table summarizes the annual incentive payouts received by each named executive officer. For additional discussion, please see “—Compensation of Our Named Executive Officers” below.

EXECUTIVE	TARGET BONUS AS A % OF BASE SALARY	TARGET AWARD OPPORTUNITY (\$000)	CORPORATE OBJECTIVES PAYOUT AT 91% OF TARGET (\$000)	STRATEGIC OBJECTIVES PAYOUT AT 97% OF TARGET (\$000)	+/- INDIVIDUAL PERFORMANCE MODIFIER	FINAL BONUS (\$000)	FINAL BONUS AS A % OF TARGET
Hikmet Ersek	150%	\$1,500.0	\$955.5	\$436.5	N/A	\$1,392.0	93%
Rajesh K. Agrawal	100%	\$566.5	\$360.9	\$164.9	5% modifier	\$554.0	98%
Odilon Almeida	90%	\$550.8	\$350.9	\$160.3	10% modifier	\$566.2	103%
Elizabeth G. Chambers	90%	\$481.5	\$306.7	\$140.1	0% modifier	\$446.8	93%
J. David Thompson	90%	\$486.0	\$309.6	\$141.4	0% modifier	\$451.0	93%

Long-Term Incentive Compensation

The Company's long-term incentive program allows the Compensation Committee to award various forms of long-term incentive grants, including stock options, restricted stock units, performance-based equity and performance-based cash awards. The Compensation Committee has sole discretion in selecting participants for long-term incentive grants and the Compensation Committee approves all equity grants made to our senior executives, with the equity grants made to the Chief Executive Officer ratified by the independent directors of the Board. When making regular annual equity grants, the Compensation Committee's practice is to approve them during the first quarter of each year as part of the annual compensation review. Among other factors, the Compensation Committee considers dilution of the Company's outstanding shares when making such grants.

Similar to the Annual Incentive Plan and subject to Section 162(m) of the Code, when the financial performance objectives were established for the annual long-term incentive awards described below, the committee determined that the effect of currency fluctuations, acquisitions and divestitures, restructuring, and other significant charges not included in the Company's internal financial plans should be excluded from the payout calculations. Consistent with the Company's historical practices, under this plan design, the performance results for the Financial PSUs will be calculated using the 2015 currency exchange rates.

2016 Annual Long-Term Incentive Awards. The Compensation Committee's objectives for the 2016 long-term incentive awards were to:

- Align the interests of our executives with the interests of our stockholders by focusing on objectives that result in stock price appreciation;
- Increase cross-functional executive focus in the coming years on key performance metrics through Financial PSUs;

- Amplify executive focus on stockholder returns through TSR PSUs; and
- Retain the services of executives through multi-year vesting provisions.

Since 2014, the Company's long-term incentive awards have been delivered to the named executive officers in the form of 80% PSUs (60% Financial PSUs, incorporating both revenue and operating income growth, and 20% TSR PSUs) and 20% stock options. As part of its ongoing review of the executive compensation program and based on input from the Compensation Consultant, in 2016, the committee replaced the stock option component of the long-term incentive grant with RSUs for the named executive officers other than Mr. Ersek. The committee approved this change based on market practices and in order to strengthen the Company's ability to retain executive talent, while still maintaining a variable compensation element as the value of the RSUs will fluctuate based on our stock price performance. The RSUs vest 100% on the third anniversary of the grant date. For Mr. Ersek, the committee maintained the prior long-term incentive award allocation as the committee believes that providing a portion of Mr. Ersek's long-term incentive award in the form of stock options emphasizes the achievement of long-term objectives and encourages long-term value creation as the stock options will only have value to Mr. Ersek if the Company's stock price appreciates from the date of grant. The stock options vest in 25% annual increments over four years and have a 10-year term. The committee believes that the long-term incentive design supports retention and represents a balanced reflection of stockholder returns and financial performance. In approving the 2016 long-term incentive awards, the committee approved increases to the target award values as compared to 2015, primarily to more closely align the named executive officers' compensation with the median of the market data.

Financial PSUs. The 2016 Financial PSU awards will vest if and only to the extent that specific performance goals for revenue and operating income are met during the performance period. The Compensation Committee utilized revenue and operating income as elements in both the Company's

COMPENSATION DISCUSSION AND ANALYSIS

Annual Incentive Plan and long-term incentive program in recognition that both of these measures are viewed as core drivers of the Company's performance and stockholder value creation. In designing the Company's executive compensation program, the Compensation Committee supplemented these measures with additional performance measures in order to strike an appropriate balance with respect to incentivizing top-line growth, profitability, non-financial business imperatives and stockholder returns over both the short-term and long-term horizons.

To motivate constant improvement over prior year results, the performance objectives under the 2016 Financial PSUs are based on targeted constant currency compound annual growth rates ("CAGR") for revenue and operating income. At the beginning of the performance period, the committee established revenue and operating income CAGR goals for each year of the performance period, with each year weighted equally in the determination of the award payout. Under the terms of the awards, as much as 150% of the targeted Financial PSUs may be earned based on the Company's performance with respect to the revenue and operating income performance objectives. In order to receive a threshold payout under the award, the three-year CAGR for both revenue and operating income must be positive.

The performance objectives for payment of the 2016 Financial PSU awards and their respective weightings are:

- Targeted CAGR for revenue and operating income (each weighted 50%), comparing 2016 actual performance against 2015 actual performance (weighting 33-1/3%);

- Targeted CAGR for revenue and operating income (each weighted 50%), comparing 2017 actual performance against 2016 actual performance (weighting 33-1/3%); and
- Targeted CAGR for revenue and operating income (each weighted 50%), comparing 2018 actual performance against 2017 actual performance (weighting 33-1/3%).

In order to achieve target performance for the first year of the three-year performance period, the Company had to achieve constant currency revenue and operating income growth of 3.6% and 4.6%, respectively, as compared to 2015 actual performance. Based on 2016 performance, the Company achieved revenue and operating income of approximately \$5.6 billion and \$1.2 billion, respectively, resulting in blended achievement with respect to the first year of the three-year performance period of 91% of target. Similar to the 2016 annual incentive payout calculations and pursuant to the underlying award agreements, the Compensation Committee excluded from this calculation charges incurred in connection with the Joint Settlement Agreements and costs incurred in 2016 related to the Company's WU Way program for the reasons described under "—Annual Incentive Compensation" above. This portion of the award remains subject to the requirement for a three-year positive CAGR in both revenue and operating income, as well as the participant's continued service through February 18, 2019 (or, in the case of Mr. Ersek, February 19, 2019).

The following table sets forth each named executive officer's threshold, target and maximum award opportunity with respect to the 2016 Financial PSUs:

EXECUTIVE	2016 FINANCIAL PSU AWARD OPPORTUNITY		
	THRESHOLD	TARGET	MAXIMUM
Hikmet Ersek	115,449	230,897	346,346
Rajesh K. Agrawal	27,183	54,366	81,549
Odilon Almeida	22,241	44,482	66,723
Elizabeth G. Chambers	19,770	39,539	59,309
J. David Thompson	20,594	41,187	61,781

TSR PSUs. In 2016, the Company continued to use a standalone TSR PSU award in order to enhance focus on stockholder returns. These TSR PSUs require the Company to achieve 60th percentile relative TSR performance versus the S&P 500 Index over a three-year performance period in order to earn target payout, with 30th percentile relative TSR performance resulting in threshold payout and 90th percentile relative TSR performance resulting in maximum payout.

This portion of the award is also subject to the participant's continued service through February 18, 2019 (or, in the case of Mr. Ersek, February 19, 2019).

The following table sets forth each named executive officer's threshold, target and maximum award opportunities with respect to the 2016 TSR PSUs:

EXECUTIVE	2016 TSR PSU AWARD OPPORTUNITY		
	THRESHOLD	TARGET	MAXIMUM
Hikmet Ersek	42,297	84,593	126,890
Rajesh K. Agrawal	9,946	19,892	29,838
Odilon Almeida	8,138	16,275	24,413
Elizabeth G. Chambers	7,234	14,467	21,701
J. David Thompson	7,535	15,070	22,605

2014 PSU Awards. Under the terms of the 2014 PSUs, 2016 represented the final year of the three-year performance periods for the 2014 Financial PSUs and the 2014 TSR PSUs. The 2014 Financial PSUs vested based on the extent to which the Company's CAGR for revenue and operating income (each weighted 50%), met certain performance goals based on each performance year's actual performance as compared to the prior year, as well as a three-year positive CAGR in both revenue and operating income. The 2014 TSR PSUs vested based on the Company's achievement of relative TSR performance versus the S&P 500 Index over a three-year performance period.

The 2014 Financial PSU and 2014 TSR PSU performance objectives and the achievement levels are set forth in the tables below. While the performance periods for the 2014

PSUs concluded as of December 31, 2016, these awards remained subject to service-based vesting conditions until February 20, 2017. Similar to the 2016 annual incentive payout calculations and pursuant to the terms of the underlying award agreements, the Compensation Committee excluded from the 2014 Financial PSU payout calculations charges incurred in connection with the Joint Settlement Agreements and costs incurred in 2016 related to the Company's WU Way program for the reasons described under "—Annual Incentive Compensation" above. Also, similar to its review with respect to 2016 annual incentive payouts, the committee reviewed the Company's existing clawback policy and determined that the clawback policy did not require a clawback of the 2014 PSUs as a result of the Joint Settlement Agreements.

**2014 FINANCIAL PSUs
(PERFORMANCE PERIOD 2014-2016)**

PERFORMANCE OBJECTIVES	2014 FINANCIAL PSU PERFORMANCE GOALS	ACTUAL PERFORMANCE*
Targeted annual constant currency growth rate for revenue and operating income (each weighted 50%), comparing 2014 actual performance against 2013 actual performance (weighting 33-1/3%)	Revenue growth rate: 3.8% Operating income growth rate: 5.5%	Revenue growth rate = 4.0% achievement Operating income growth rate = 6.7% achievement
Targeted annual constant currency growth rate for revenue and operating income (each weighted 50%), comparing 2015 actual performance against 2014 actual performance (weighting 33-1/3%)	Revenue growth rate: 4.6% Operating income growth rate: 5.6%	Revenue growth rate = 3.5% achievement Operating income growth rate = 4.4% achievement
Targeted annual constant currency growth rate for revenue and operating income (each weighted 50%), comparing 2016 actual performance against 2015 actual performance (weighting 33-1/3%)	Revenue growth rate: 5.3% Operating income growth rate: 7.0%	Revenue growth rate = 2.8% achievement Operating income growth rate = 4.4% achievement
Overall Attainment Level 85%		

* At constant currency - calculated assuming no changes in the currency exchange rates from 2013 currency exchange rates. Absent the exclusion of \$621 million in combined costs associated with the Joint Settlement Agreements and the WU Way program, the overall attainment level would have been 73% of target.

**2014 TSR PSUs
(PERFORMANCE PERIOD 2014-2016)**

PERFORMANCE GOALS				
PERFORMANCE OBJECTIVE	THRESHOLD	TARGET	MAXIMUM	ACTUAL PERFORMANCE
TSR relative to S&P 500 Index*	30 th percentile	60 th percentile	90 th percentile	58 th percentile
Overall Attainment Level 96%				

* Relative TSR performance for purposes of the 2014 TSR PSUs was calculated based on the terms of the 2014 PSU award agreement, which requires using a beginning stock price calculated as the average company closing stock price for all trading days during December 2013 and an ending stock price calculated as the average company closing stock price for all trading days during December 2016. In determining the TSR for the companies in the S&P 500 Index, the companies comprising the Index on December 31, 2016 were used.

Other Elements of Compensation

To remain competitive with other employers and to attract, retain, and motivate highly talented executives and other employees, we provide the benefits listed in the following table to our United States-based employees:

BENEFIT OR PERQUISITE	NAMED EXECUTIVE OFFICERS	OTHER OFFICERS AND KEY EMPLOYEES	ALL FULL-TIME AND REGULAR PART-TIME EMPLOYEES
401(k) Plan	✓	✓	✓
Supplemental Incentive Savings Plan (a nonqualified defined contribution plan)	✓	✓	
Severance and Change-in-Control Benefits (Double-Trigger)	✓	✓	
Health and Welfare Benefits	✓	✓	✓
Limited Perquisites	✓	✓	

Severance and Change-in-Control Benefits. The Company has an executive severance policy for our executive officers. The policy helps accomplish the Company's compensation philosophy of attracting and retaining exemplary talent. The committee believes it appropriate to provide executives with the rewards and protections afforded by the Executive Severance Policy. The policy reduces the need to negotiate individual severance arrangements with departing executives and protects our executives from termination for circumstances not of their doing. The committee also believes the policy promotes management independence and helps retain, stabilize, and focus the executive officers in the event of a change-in-control. In the event of a change-in-control, the policy's severance benefits are payable only upon a "double trigger." This means that severance benefits are triggered only when an eligible executive is involuntarily terminated (other than for cause, death, or disability), or terminates his or her own employment voluntarily for "good reason" (including a material reduction in title or position, reduction in base salary or bonus opportunity or an increase in the executive's commute to his or her current principal working location of more than 50 miles without consent) within 24 months after the date of a change-in-control. Severance benefits under the policy are conditioned upon the executive executing an agreement and release which includes, among other things, non-competition and non-solicitation restrictive covenants and a release of claims against the Company. In addition, the Executive Severance Policy prohibits excise tax gross-up payments on change-in-control benefits for those individuals who became executives of the Company after April 2009. Mr. Ersek is the only Company employee who remains eligible for excise tax gross-up payments.

Please see the "Executive Compensation—Potential Payments Upon Termination or Change-in-Control" section of this Proxy Statement for further information regarding the Executive Severance Policy and the treatment of awards upon qualifying termination events or a change-in-control.

Retirement Savings Plans. The Company executives on United States payroll are eligible for retirement benefits through a qualified defined contribution 401(k) plan, the Incentive Savings Plan, and a nonqualified defined contribution plan, the Supplemental Incentive Savings Plan ("SISP"). The SISP provides a vehicle for additional deferred compensation with matching contributions from the Company. We maintain the Incentive Savings Plan and the SISP to encourage our employees to save some percentage of their cash compensation for their eventual retirement. Mr. Ersek participates in the qualified defined contribution retirement plan made available to eligible employees in Austria. The committee believes that these types of savings plans are consistent with competitive pay practices, and are an important element in attracting and retaining talent in a competitive market. Please see the 2016 Nonqualified Deferred Compensation Table in the "Executive Compensation" section of this Proxy Statement for further information regarding Western Union's retirement savings plans.

Benefits and Perquisites. The Company's global benefit philosophy for employees, including executives, is to provide a package of benefits consistent with local practices and competitive within individual markets. Each of our named executive officers participates in the health and welfare benefit plans and fringe benefit programs generally available to all other Company employees in the individual market in which they are located. In addition, in 2016 the Company provided the benefits and perquisites as described in the 2016 All Other Compensation Table in the "Executive Compensation" section of this Proxy Statement.

The Company provided its named executive officers with limited, yet competitive perquisites and other personal benefits that the Compensation Committee believes are consistent with the Company's philosophy of attracting and retaining exemplary executive talent and, in some cases, such as the annual physical examination, the Company provides such personal benefits because the committee believes they

are in the interests of the Company and its stockholders. The committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers.

Employment Arrangements. The Company generally executes an offer of employment before an executive joins the Company. This offer describes the basic terms of the executive's employment, including his or her start date, starting salary, bonus target and long-term incentive award target. The terms of the executive's employment are based thereafter on sustained good performance rather than contractual terms, and the Company's policies, such as the Executive Severance Policy, will apply as warranted.

Under certain circumstances, the Compensation Committee recognizes that special arrangements with respect to an executive's employment may be necessary or desirable. For example, Mr. Ersek, the Company, and a subsidiary of the Company entered into agreements in November 2009 relating to his 2009 promotion to Chief Operating Officer, which were amended effective September 2010 to reflect his 2010 promotion to President and Chief Executive Officer. Employment contracts are a competitive market practice in Austria where Mr. Ersek resided at the time he assumed his position as Chief Operating Officer and the Compensation Committee believes the terms of his agreements are

consistent with those for similarly situated executives in Austria. Please see the "Executive Compensation—Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table—*Employment Arrangements*" section of this Proxy Statement for a description of the material terms of Mr. Ersek's employment agreement.

Stock Ownership Guidelines

To align our executives' interests with those of our stockholders and to assure that our executives own meaningful levels of Company stock throughout their tenures with the Company, the Compensation Committee established stock ownership guidelines that require each of the named executive officers to own Company Common Stock worth a multiple of base salary. Under the stock ownership guidelines, the executives must retain, until the required ownership guideline levels have been achieved and thereafter if required to maintain the required ownership levels, at least 50% of after-tax shares resulting from the vesting of restricted stock and restricted stock units, including PSUs. The chart below shows the salary multiple guidelines and the equity holdings that count towards the requirement as of March 13, 2017. Each continuing named executive officer has met, or is progressing towards meeting, his or her respective ownership guideline.

EXECUTIVE	GUIDELINE	STATUS
Hikmet Ersek	6x salary	Meets guideline
Rajesh K. Agrawal	3x salary	Meets guideline
Odilon Almeida	3x salary	Must hold 50% of after-tax shares until guideline is met
Elizabeth G. Chambers	3x salary	Must hold 50% of after-tax shares until guideline is met
J. David Thompson	3x salary	Meets guideline

WHAT COUNTS TOWARD THE GUIDELINE

- ✓ Company securities owned personally
- ✓ Shares held in any Company benefit plan
- ✓ After-tax value of time-based restricted stock awards and RSUs

WHAT DOES NOT COUNT TOWARD THE GUIDELINE

- ✗ Unexercised stock options
- ✗ PSUs

Prohibition Against Pledging and Hedging of the Company's Securities

The Company's insider trading policy prohibits the Company's executive officers and directors from pledging the Company's securities or engaging in hedging or short-term speculative trading of the Company's securities, including, without limitation, short sales or put or call options involving the Company's securities.

Clawback Policies

The Board of Directors adopted a clawback policy in 2009. Under the policy, the Company may, in the Board's discretion and subject to applicable law, recover incentive compensation paid to an executive officer of the Company (defined as an individual subject to Section 16 of the Exchange Act, at the time the incentive compensation was received by or paid to the officer) if the compensation resulted from any

financial result or performance metric impacted by the executive officer's misconduct or fraud. The Board is monitoring this policy to ensure that it is consistent with applicable laws, including any requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). In addition, pursuant to the Joint Settlement Agreements discussed above, the Compensation Committee will implement a provision that allows the Company to "clawback" bonuses for executives for conduct that is later determined to have contributed to future compliance failures, subject to applicable law. This clawback provision will be effective with respect to the Company's 2017 executive compensation program.

Tax Implications of Executive Compensation Program

Under Section 162(m) of the Code, named executive officer (other than the Chief Financial Officer) compensation over \$1 million for any year is generally not deductible for

United States income tax purposes. Performance-based compensation is exempt from the deduction limit, however, if certain requirements are met. The Compensation Committee structures compensation to take advantage of this exemption under Section 162(m) to the extent practicable, while satisfying the Company's compensation policies and objectives. Because the Compensation Committee also recognizes the need to retain flexibility to make compensation decisions that may not meet the standards of Section 162(m) when necessary to enable the Company to continue to attract, retain, and motivate highly-qualified executives, it reserves the authority to approve potentially non-deductible compensation in appropriate circumstances.

COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Hikmet Ersek *President and Chief Executive Officer*

Mr. Ersek's 2016 compensation was weighted significantly toward variable and performance-based incentive pay over fixed pay, and long-term, equity-based pay over annual cash compensation, because the Compensation Committee desired to tie a significant level of Mr. Ersek's compensation to the performance of the Company. The percentage of compensation delivered in the form of performance-based compensation is higher for Mr. Ersek than compared to the other named executive officers because the Compensation Committee believes that the Chief Executive Officer's leadership is one of the key drivers of the Company's success, and that a greater percentage of the Chief Executive Officer's total compensation should be variable as a reflection of the Company's level of performance. Market data provided by the Compensation Consultant supported this practice as well. Accordingly, at target-level performance for 2016, Mr. Ersek's annual compensation was weighted 10% base salary, 16% annual incentive award, and 74% long-term incentive award. Approximately 90% of Mr. Ersek's 2016 targeted total annual compensation varies based on the Company's performance.

In early 2016, the Compensation Committee set Mr. Ersek's 2016 compensation levels, including his annual and long-term incentive award targets, as discussed below. Mr. Ersek's total target direct compensation was increased for the first time since 2012 and the committee elected to deliver the entire increase in the form of long-term incentive awards. Mr. Ersek's compensation as Chief Executive Officer is set higher relative to the other named executive officers. The Compensation Committee considers this to be appropriate,

based on market data provided by the Compensation Consultant, and because his level of pay reflects his ultimate responsibility to oversee the performance of the Company.

- **Base Salary.** For 2016, no changes were made to Mr. Ersek's annual base salary. Accordingly, Mr. Ersek's annual base salary remained at \$1,000,000.
- **Annual Incentive Plan Target and Payout Level.** For 2016, no changes were made to Mr. Ersek's Annual Incentive Plan target of \$1,500,000. The maximum Annual Incentive Plan award that Mr. Ersek could have earned during 2016 was 150% of Mr. Ersek's target, or \$2,250,000. The Compensation Committee determined that it was appropriate to base Mr. Ersek's award opportunity under the Annual Incentive Plan entirely on Company financial and strategic performance objectives. Mr. Ersek's 2016 Annual Incentive Plan award payout was \$1,392,000, reflecting a blended payout of 93% of target based on the Company's level of achievement of the corporate and strategic performance goals.
- **Long-Term Incentive Award.** For 2016, the committee increased Mr. Ersek's long-term incentive award target from \$6,000,000 to \$7,000,000 in order to more closely align his target total direct compensation with the median of the market data.

Rajesh K. Agrawal *Executive Vice President and Chief Financial Officer*

In February 2016, the Compensation Committee set Mr. Agrawal's 2016 compensation levels after considering the input of the Compensation Consultant and market data.

- **Base Salary.** For 2016, no changes were made to Mr. Agrawal's annual base salary. Accordingly, Mr. Agrawal's annual base salary remained at \$566,500.
- **Annual Incentive Plan Target and Payout Level.** For 2016, the committee increased Mr. Agrawal's 2016 annual incentive plan target from 90% of base salary to 100% of base salary, or \$566,500, to more closely align his compensation with the median of the market data. The maximum Annual Incentive Plan award that Mr. Agrawal could have earned during 2016 was 175% of Mr. Agrawal's target, or \$991,375. Mr. Agrawal's 2016 Annual Incentive Plan award payout was \$554,037, reflecting a total payout of 98% of target based on the Company's achievement of corporate and strategic performance goals of 93% of target plus a 5% individual performance modifier based on Mr. Agrawal's achievement of individual performance goals.
- **Long-Term Incentive Award.** For 2016, the committee increased Mr. Agrawal's long-term incentive award target from \$1,500,000 to \$1,650,000 to more closely align his compensation with the median of the market data.

Odilon Almeida

Executive Vice President, President – Global Money Transfer (from February 2017), and Executive Vice President and President, Americas and European Union (from January 2014 to February 2017)

In February 2016, the Compensation Committee set Mr. Almeida's 2016 compensation levels after considering the input of the Compensation Consultant and market data.

- **Base Salary.** For 2016, no changes were made to Mr. Almeida's base salary. Accordingly, Mr. Almeida's base salary remained at \$612,000.
- **Annual Incentive Plan Target and Payout Level.** For 2016, no changes were made to Mr. Almeida's Annual Incentive Plan Target of \$550,800. The maximum Annual Incentive Plan award that Mr. Almeida could have earned during 2016 was 175% of Mr. Almeida's target, or \$963,900. Mr. Almeida's 2016 Annual Incentive Plan award payout was \$566,222, reflecting a total payout of 103% of target based on the Company's achievement of corporate and strategic performance goals of 93% of target plus a 10% individual performance modifier based on Mr. Almeida's achievement of individual performance goals.
- **Long-Term Incentive Award.** For 2016, the committee increased Mr. Almeida's long-term incentive award target from \$1,200,000 to \$1,350,000 to more closely align his compensation with the median of the market data.

Elizabeth G. Chambers

Executive Vice President, Chief Strategy, Product and Marketing Officer

In February 2016, the Compensation Committee set Ms. Chambers' 2016 compensation levels after considering the input of the Compensation Consultant and market data. In light of Ms. Chambers' recent hire by the Company, for 2016, the Committee did not adjust her compensation levels from those established in connection with her November 2015 hire date.

- **Base Salary.** For 2016, Ms. Chambers' base salary was \$535,000.
- **Annual Incentive Plan Target and Payout Level.** For 2016, Ms. Chambers' Annual Incentive Plan target equaled \$481,500. The maximum Annual Incentive Plan award that Ms. Chambers could have earned during 2016 was 175% of Ms. Chambers' target, or \$842,625. Ms. Chambers' 2016 Annual Incentive Plan award payout was \$446,832, reflecting a total payout of 93% of target based on the Company's achievement of corporate and strategic performance goals of 93% of target and no modification based on Ms. Chambers' achievement of individual performance goals.
- **Long-Term Incentive Award.** For 2016, Ms. Chambers' long-term incentive award target equaled \$1,200,000.

J. David Thompson

Executive Vice President, Global Operations and Chief Information Officer

In February 2016, the Compensation Committee set Mr. Thompson's 2016 compensation levels after considering the input of the Compensation Consultant and market data.

- **Base Salary.** For 2016, no changes were made to Mr. Thompson's base salary. Accordingly, Mr. Thompson's base salary remained at \$540,000.
- **Annual Incentive Plan Target and Payout Level.** For 2016, no changes were made to Mr. Thompson's Annual Incentive Plan target of \$486,000. The maximum Annual Incentive Plan award that Mr. Thompson could have earned during 2016 was 175% of Mr. Thompson's target, or \$850,500. Mr. Thompson's 2016 Annual Incentive Plan award payout was \$451,008, reflecting a total payout of 93% of target based on the Company's achievement of corporate and strategic performance goals of 93% of target and no modification based on Mr. Thompson's achievement of individual performance goals.
- **Long-Term Incentive Award.** For 2016, the committee increased Mr. Thompson's long-term incentive award target from \$1,200,000 to \$1,250,000.

EXECUTIVE COMPENSATION

The following table contains compensation information for our named executive officers for the fiscal year ended December 31, 2016 and, to the extent required under the SEC executive compensation disclosure rules, the fiscal years ended December 31, 2015 and December 31, 2014.

2016 SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$000) ⁽¹⁾	BONUS (\$000)	STOCK AWARDS (\$000) ⁽²⁾	OPTION AWARDS (\$000) ⁽²⁾	NON-EQUITY INCENTIVE PLAN COMPENSATION (\$000) ⁽³⁾	CHANGE IN PENSION VALUE AND NON-QUALIFIED DEFERRED COMPENSATION EARNINGS (\$000)	ALL OTHER COMPENSATION (\$000) ⁽⁴⁾	TOTAL (\$000)
Hikmet Ersek⁽⁵⁾ President and Chief Executive Officer	2016	1,000.0	—	5,179.8	1,400.0	1,392.0	—	313.7	9,285.5
	2015	1,000.0	—	4,480.6	1,200.0	1,767.0	—	122.2	8,569.8
	2014	1,000.0	115.0	4,478.1	1,200.0	1,314.8	—	133.9	8,241.8
Rajesh K. Agrawal EVP and Chief Financial Officer	2016	566.5	—	1,518.1	—	554.0	—	524.7	3,163.3
	2015	563.8	—	1,120.1	300.0	603.7	—	46.9	2,634.5
	2014	472.0	93.4	1,435.6	260.0	442.4	—	674.8	3,378.2
Odilon Almeida EVP, President — Global Money Transfer	2016	612.0	—	1,242.1	—	566.2	—	53.8	2,474.1
	2015	610.0	—	896.1	240.0	652.1	—	52.1	2,450.3
	2014	600.0	193.2	1,312.6	240.0	507.6	—	185.5	3,038.9
Elizabeth G. Chambers EVP, Chief Strategy, Product and Marketing Officer	2016	535.0	—	1,104.1	—	446.8	—	258.1	2,344.0
	2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
J. David Thompson EVP, Global Operations and Chief Information Officer	2016	540.0	—	1,150.1	—	451.0	—	47.5	2,188.6
	2015	533.3	—	1,178.4	240.0	524.4	—	55.9	2,532.0
	2014	500.0	9.0	1,118.0	240.0	459.0	—	50.4	2,376.4

Footnotes:

- (1) Except with respect to salary adjustments in connection with promotions, salary adjustments are effective as of March of each reporting year.
- (2) The amounts reported in these columns for 2016 represent the annual equity grants to the named executive officers under the Long-Term Incentive Plan. The amounts reported in these columns are valued based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The amounts included in the Stock Awards column for the PSUs granted during 2016 are calculated based on the probable satisfaction of the performance conditions for such awards as of the date of grant. Assuming the highest level of performance is achieved for the Financial PSUs, the maximum value of the 2016 Financial PSUs would be as follows: Mr. Ersek—\$5,669,676; Mr. Agrawal—\$1,336,588; Mr. Almeida—\$1,093,590; Ms. Chambers—\$972,066; and Mr. Thompson—\$1,012,582. Under FASB ASC Topic 718, the vesting condition related to the TSR PSUs is considered a market condition and not a performance condition. Accordingly, there is no grant date fair value below or in excess of the amount reflected in the table above for the named executive officers that could be calculated and disclosed based on achievement of the underlying market condition. See Note 16 to the Consolidated Financial Statements included in our Annual Reports on Form 10-K for the years ended December 31, 2016, 2015, and 2014, respectively, for a discussion of the relevant assumptions used in calculating the amounts reported for the applicable year.
- (3) For 2016, the amounts reflect the actual cash bonus received under the Annual Incentive Plan.
- (4) Amounts included in this column for 2016 are set forth by category in the 2016 All Other Compensation Table below.

- (5) For 2016, Mr. Ersek's salary is denominated in United States dollars but is paid to or on behalf of Mr. Ersek in euros, based on a conversion rate that was determined each calendar quarter. Contributions made to the Austrian retirement plan on behalf of Mr. Ersek are denominated in euros and converted to United States dollars for disclosure in the proxy. The conversion rates 0.91533, 0.901388, 0.889759, and 0.890948 were applied for quarters one, two, three and four, respectively.

2016 ALL OTHER COMPENSATION TABLE

NAME	PERQUISITES & OTHER PERSONAL BENEFITS (\$000) ⁽¹⁾	TAX REIMBURSEMENTS (\$000)	COMPANY CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS (\$000) ⁽²⁾	INSURANCE PREMIUMS (\$000)	TOTAL (\$000)
Hikmet Ersek	219.5	—	75.4	18.8	313.7
Rajesh K. Agrawal	159.1	317.4 ⁽³⁾	46.8	1.4	524.7
Odilon Almeida	0.2	0.1	50.6	2.9	53.8
Elizabeth G. Chambers	177.6	57.4 ⁽⁴⁾	21.8	1.3	258.1
J. David Thompson	0.8	—	42.6	4.1	47.5

Footnotes:

- (1) Amounts shown in this column for Mr. Ersek include the incremental cost or valuation of personal jet usage (\$200,492), car service/allowances, sporting event tickets and executive security costs. Following a comprehensive security assessment conducted by an independent security firm, the Board of Directors advised Mr. Ersek to utilize the Company's leased aircraft for personal travel at the Company's expense. Those personal travel expenses reported in this column were valued on the basis of the aggregate incremental cost to the Company and represent the amount accrued for payment or paid directly to the third-party vendor from which the Company leases corporate aircraft. For Mr. Agrawal and Ms. Chambers, the amounts in this column include relocation expenses of \$154,700 and \$176,964, respectively. These relocation expenses were valued on the basis of the aggregate incremental cost to the Company and represent the amount accrued for payment or paid to the service provider or the named executive officer, as applicable.
- (2) Amounts shown in this column represent contributions made by the Company on behalf of each of the named executive officers, except for Mr. Ersek, to the Company's Incentive Savings Plan and/or the Supplemental Incentive Savings Plan, and contributions made by the Company on behalf of Mr. Ersek to the Company's defined contribution plan in Austria, the Victoria Volksbanken Pensionskassen AG.
- (3) This amount includes \$316,985 paid to or on behalf of Mr. Agrawal in connection with his relocation from the United Kingdom to Colorado, which includes both a 2015 and 2016 United Kingdom tax payment paid in calendar year 2016 on United Kingdom sourced income associated with his former United Kingdom expatriate assignment. These expenses were valued on the basis of the aggregate incremental cost to the Company and represent the amount accrued for payment or paid to Her Majesty's Revenue and Customs (HMRC) for Mr. Agrawal, as applicable. These benefits are generally available to all employees asked to relocate as part of the Company's relocation program.
- (4) This amount includes a tax gross-up for Ms. Chambers for relocation expenses. This benefit is generally available to employees asked to relocate as part of the Company's relocation and immigration programs.

The following table summarizes awards made to our named executive officers in 2016.

2016 GRANTS OF PLAN-BASED AWARDS TABLE

NAME	GRANT DATE	APPROVAL DATE	ESTIMATED POSSIBLE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS ⁽¹⁾		ESTIMATED FUTURE PAYOUTS UNDER EQUITY INCENTIVE PLAN AWARDS		ALL OTHER STOCK AWARDS: NUMBER OF SHARES OF STOCK OR UNITS (#) ⁽²⁾	ALL OTHER OPTION AWARDS: NUMBER OF SECURITIES UNDERLYING OPTIONS (#) ⁽³⁾	EXERCISE OR BASE PRICE OF OPTION AWARDS (\$/Sh)	GRANT DATE FAIR VALUE OF STOCK AND OPTION AWARDS (\$000) ⁽⁴⁾
Hikmet Ersek			1,500.0	2,250.0						
	2/19/16	2/18/16			115,449 ⁽⁵⁾	230,897 ⁽⁵⁾	346,346 ⁽⁵⁾			3,779.8
	2/19/16	2/18/16			42,297 ⁽⁶⁾	84,593 ⁽⁶⁾	126,890 ⁽⁶⁾			1,400.0
	2/19/16	2/18/16						422,961	\$18.19	1,400.0
Rajesh K. Agrawal			566.5	991.4						
	2/18/16	2/18/16			27,183 ⁽⁵⁾	54,366 ⁽⁵⁾	81,549 ⁽⁵⁾			891.1
	2/18/16	2/18/16			9,946 ⁽⁶⁾	19,892 ⁽⁶⁾	29,838 ⁽⁶⁾			330.0
	2/18/16	2/18/16					18,122			297.0

NAME	GRANT DATE	APPROVAL DATE	ESTIMATED POSSIBLE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS ⁽¹⁾		THRESHOLD (#)	ESTIMATED FUTURE PAYOUTS UNDER EQUITY INCENTIVE PLAN AWARDS		ALL OTHER STOCK AWARDS: NUMBER OF SHARES OF STOCK OR UNITS (#) ⁽²⁾	ALL OTHER OPTION AWARDS: NUMBER OF SECURITIES UNDERLYING OPTIONS (#) ⁽³⁾	EXERCISE OR BASE PRICE OF OPTION AWARDS (\$/Sh)	GRANT DATE FAIR VALUE OF STOCK AND OPTION AWARDS
			TARGET (\$000)	MAXIMUM (\$000)		TARGET (#)	MAXIMUM (#)				(\$000) ⁽⁴⁾
Odilon Almeida			550.8	963.9							
	2/18/16	2/18/16			22,241 ⁽⁵⁾	44,482 ⁽⁵⁾	66,723 ⁽⁵⁾				729.1
	2/18/16	2/18/16			8,138 ⁽⁶⁾	16,275 ⁽⁶⁾	24,413 ⁽⁶⁾				270.0
	2/18/16	2/18/16						14,828			243.0
Elizabeth G. Chambers			481.5	842.6							
	2/18/16	2/18/16			19,770 ⁽⁵⁾	39,539 ⁽⁵⁾	59,309 ⁽⁵⁾				648.1
	2/18/16	2/18/16			7,234 ⁽⁶⁾	14,467 ⁽⁶⁾	21,701 ⁽⁶⁾				240.0
	2/18/16	2/18/16						13,180			216.0
J. David Thompson			486.0	850.5							
	2/18/16	2/18/16			20,594 ⁽⁵⁾	41,187 ⁽⁵⁾	61,781 ⁽⁵⁾				675.1
	2/18/16	2/18/16			7,535 ⁽⁶⁾	15,070 ⁽⁶⁾	22,605 ⁽⁶⁾				250.0
	2/18/16	2/18/16						13,729			225.0

Footnotes:

- (1) These amounts consist of the target and maximum cash award levels set in 2016 under the Annual Incentive Plan. The amount actually paid to each named executive officer is included in the Non-Equity Incentive Plan Compensation column in the 2016 Summary Compensation Table. Please see "Compensation Discussion and Analysis" for further information regarding the Annual Incentive Plan.
- (2) This amount represents RSUs granted under the Long-Term Incentive Plan to the named executive officers other than Mr. Ersek. The RSUs vest 100% on February 18, 2019, provided that the executive is still employed by the Company on the vesting date or as otherwise provided for pursuant to the Executive Severance Policy. Please see "Compensation Discussion and Analysis" for further information regarding these restricted stock unit grants.
- (3) These amounts represent stock options granted under the Long-Term Incentive Plan to Mr. Ersek. These options vest in 25% increments on each of the first through fourth year anniversaries of the date of grant; provided that Mr. Ersek is still employed by the Company on the applicable vesting date or as otherwise provided for pursuant to the Executive Severance Policy. Please see "Compensation Discussion and Analysis" for further information regarding this award.
- (4) The amounts shown in this column are valued based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 and, in the case of the PSUs, are based upon the probable outcome of the applicable performance conditions. See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of the relevant assumptions used in calculating the amounts.
- (5) These amounts represent the threshold, target and maximum Financial PSUs granted under the Long-Term Incentive Plan. For actively employed executives, these Financial PSUs are scheduled to vest on February 18, 2019 (or, in the case of Mr. Ersek, February 19, 2019), subject to the achievement of threshold revenue and operating income performance goals. Please see "Compensation Discussion and Analysis" for further information regarding this award.
- (6) These amounts represent the threshold, target and maximum TSR PSUs granted under the Long-Term Incentive Plan. The TSR PSUs are scheduled to vest on February 18, 2019 (or, in the case of Mr. Ersek, February 19, 2019) based on the Company's relative TSR performance versus the S&P 500 Index over a three-year performance period. See "Compensation Discussion and Analysis" for further information regarding this award.

NARRATIVE TO SUMMARY COMPENSATION TABLE AND GRANTS OF PLAN-BASED AWARDS TABLE

EMPLOYMENT ARRANGEMENTS

As noted in the Compensation Discussion and Analysis, the Company generally executes an offer of employment prior to the time an executive joins the Company which describes the basic terms of the executive's employment, including his or her start date, starting salary, bonus target, and long-term incentive award target. The terms of the executive's employment are based thereafter on sustained good performance rather than contractual terms, and the Company's policies, such as the Executive Severance Policy, will determine the benefits to be received by senior executives, including our named executive officers, upon termination of employment from the Company. Please see the "—Potential Payments Upon Termination or Change-in-Control" section for a description of the policy.

As noted in the Compensation Discussion and Analysis, under certain circumstances, the Compensation Committee recognizes that special arrangements with respect to an executive's employment may be necessary or desirable. Accordingly, during 2016, Mr. Ersek was party to an employment agreement pursuant to which Mr. Ersek agreed to serve as the Company's President and Chief Executive Officer. The terms of Mr. Ersek's employment agreement provide for (i) eligibility to participate in the Annual Incentive Plan and Long-Term Incentive Plan and (ii) eligibility to participate in retirement, health, and welfare benefit programs on the same basis as similarly situated employees in Austria. Mr. Ersek's employment agreement also includes non-competition, non-solicitation, and confidentiality provisions.

AWARDS

In 2016, the Compensation Committee granted the Chief Executive Officer and the Executive Vice Presidents long-term incentive awards under the Long-Term Incentive Plan consisting of 60% Financial PSUs (incorporating both revenue and operating income growth), 20% TSR PSUs, for Mr. Ersek, 20% stock option awards and, for named executive officers other than Mr. Ersek, 20% service-based RSUs. Please see the "Compensation Discussion and Analysis" section of this Proxy Statement for further information regarding the 2016 long-term incentive awards, including the performance metrics applicable to the 2016 PSUs.

At its February 2016 meeting, the Compensation Committee established performance objectives to be considered under the Annual Incentive Plan for the 2016 plan year. As discussed

in the "Compensation Discussion and Analysis" section of this Proxy Statement, participants are eligible to receive a cash payout ranging from 0% to 150% of target based on the achievement of pre-established corporate financial and strategic goals. The total payout under the Annual Incentive Plan for the named executive officers other than Mr. Ersek is subject to a +/- 25% modifier based on the committee's assessment of individual performance with respect to personalized objectives, including business unit goals. Please see the "Compensation Discussion and Analysis" section of this Proxy Statement for more information regarding the annual incentive awards, including the performance metrics applicable to such awards.

SALARY AND BONUS IN PROPORTION TO TOTAL COMPENSATION

As noted in the "Compensation Discussion and Analysis" section of this Proxy Statement, the Compensation Committee heavily weighted total direct compensation toward the performance-based elements, which include annual incentive compensation and long-term incentive compensation, in order to hold executives accountable and reward them for the results of the Company. Our Compensation Committee structured the compensation program to give our named

executive officers substantial alignment with stockholders, while also permitting the committee to incentivize the named executive officers to pursue performance that it believes increases stockholder value. Please see the "Compensation Discussion and Analysis" section of this Proxy Statement for a description of the objectives of our compensation program and overall compensation philosophy.

The following table provides information regarding outstanding option awards and unvested stock awards held by each of the named executive officers on December 31, 2016.

2016 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

NAME	OPTION AWARDS				STOCK AWARDS			
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) EXERCISABLE	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) UNEXERCISABLE	OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (#)	MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (\$000) ⁽¹⁾	EQUITY INCENTIVE PLAN AWARDS: NUMBER OF UNEARNED SHARES, UNITS OR OTHER RIGHTS THAT HAVE NOT VESTED (#)	EQUITY INCENTIVE PLAN AWARDS: MARKET OR PAYOUT VALUE OF UNEARNED SHARES, UNITS OR OTHER RIGHTS THAT HAVE NOT VESTED (\$000) ⁽¹⁾
Hikmet Ersek	—	422,961 ⁽²⁾	18.19	2/19/2026	191,370 ⁽⁶⁾	4,156.6	230,897 ⁽¹³⁾	5,015.1
	84,033	252,102 ⁽³⁾	19.27	2/19/2025	91,941 ⁽⁶⁾	1,997.0	84,593 ⁽¹⁴⁾	1,837.4
	151,899	151,899 ⁽⁴⁾	15.99	2/20/2024			183,580 ⁽¹⁵⁾	3,987.4
	468,750	156,250 ⁽⁵⁾	14.00	2/20/2023			70,135 ⁽¹⁶⁾	1,523.3
	400,810		17.86	2/23/2022				
	233,859		21.00	2/24/2021				
	230,628		17.45	9/1/2020				
	212,508		16.00	2/24/2020				
	10,000		22.14	2/21/2017				
Rajesh K. Agrawal	21,008	63,026 ⁽³⁾	19.27	2/19/2025	41,464 ⁽⁶⁾	900.6	54,366 ⁽¹³⁾	1,180.8
	32,911	32,912 ⁽⁴⁾	15.99	2/20/2024	19,921 ⁽⁶⁾	432.7	19,892 ⁽¹⁴⁾	432.1
	100,547	33,516 ⁽⁵⁾	14.00	2/20/2023	18,122 ⁽⁷⁾	393.6	45,895 ⁽¹⁵⁾	996.8
	86,843		17.86	2/23/2022	14,468 ⁽⁸⁾	314.2	17,534 ⁽¹⁶⁾	380.8
	24,796		16.49	9/15/2021				
	16,895		21.00	2/24/2021				
	24,553		16.00	2/24/2020				
	21,950		11.86	2/17/2019				
	32,925		20.99	2/21/2018				
	21,612		22.55	2/7/2017				

NAME	OPTION AWARDS				STOCK AWARDS			
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) EXERCISABLE	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) UNEXERCISABLE	OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (#)	MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (\$000) ⁽¹⁾	EQUITY INCENTIVE PLAN AWARDS: NUMBER OF UNEARNED SHARES, UNITS OR OTHER RIGHTS THAT HAVE NOT VESTED (#)	EQUITY INCENTIVE PLAN AWARDS: MARKET OR PAYOUT VALUE OF UNEARNED SHARES, UNITS OR OTHER RIGHTS THAT HAVE NOT VESTED (\$000) ⁽¹⁾
Odilon Almeida	16,806	50,421 ⁽³⁾	19.27	2/19/2025	38,275 ⁽⁶⁾	831.3	44,482 ⁽¹³⁾	966.1
	30,380	30,380 ⁽⁴⁾	15.99	2/20/2024	18,389 ⁽⁶⁾	399.4	16,275 ⁽¹⁴⁾	353.5
	38,672	19,336 ⁽⁵⁾	14.00	2/20/2023	14,828 ⁽⁷⁾	322.1	36,716 ⁽¹⁵⁾	797.5
	16,701		17.86	2/23/2022	13,881 ⁽⁹⁾	301.5	14,027 ⁽¹⁶⁾	304.7
	10,560		21.00	2/24/2021				
	15,000		16.00	2/24/2020				
	31,500		20.99	2/21/2018				
Elizabeth G. Chambers					13,180 ⁽⁷⁾	286.3	39,539 ⁽¹³⁾	858.8
					11,334 ⁽¹⁰⁾	246.2	14,467 ⁽¹⁴⁾	314.2
J. David Thompson	16,806	50,421 ⁽³⁾	19.27	2/19/2025	38,275 ⁽⁶⁾	831.3	41,187 ⁽¹³⁾	894.6
	30,380	30,380 ⁽⁴⁾	15.99	2/20/2024	18,389 ⁽⁶⁾	399.4	15,070 ⁽¹⁴⁾	327.3
	68,097	30,938 ⁽⁵⁾	14.00	2/20/2023	13,729 ⁽⁷⁾	298.2	36,716 ⁽¹⁵⁾	797.5
	16,976		18.29	4/26/2022	10,199 ⁽¹¹⁾	221.5	14,027 ⁽¹⁶⁾	304.7
					7,394 ⁽¹²⁾	160.6		

Footnotes:

- (1) The market value of shares or units of stock that have not vested reflects the closing stock price of \$21.72 per share, on December 30, 2016.
- (2) These options were awarded on February 19, 2016, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant; provided that the executive is still employed by the Company on the applicable vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan.
- (3) These options were awarded on February 19, 2015, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant; provided that the executive is still employed by the Company on the applicable vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan.
- (4) These options were awarded on February 20, 2014, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant; provided that the executive is still employed by the Company on the applicable vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan.
- (5) These options vested on February 20, 2017.
- (6) Represents PSUs that vested on February 20, 2017 based on the Company's revenue and operating income performance during the 2014-2016 performance period and the Company's TSR performance relative to the S&P 500 Index over the 2014-2016 performance period.
- (7) Represents RSUs that are scheduled to vest on February 18, 2019; provided that the executive is still employed by the Company on the vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan.
- (8) Represents RSUs that were awarded on July 15, 2014, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant; provided that the executive is still employed by the Company on the applicable vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan.

- (9) Represents RSUs that were awarded on March 28, 2014, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant; provided that the executive is still employed by the Company on the applicable vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan.
- (10) Represents RSUs that were awarded on November 10, 2015 under the Long-Term Incentive Plan. This award vests in three equal installments. The first installment of these RSUs vested on November 10, 2016, and the remaining two installment will vest on November 10, 2017 and 2018; provided that the executive is still employed by the Company on the applicable vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan.
- (11) Represents RSUs that were awarded on March 16, 2015 under the Long-Term Incentive Plan. This award vests in three equal installments. The first and second installment of these RSUs vested on February 20, 2016 and 2017, respectively, and the remaining installment will vest on February 20, 2018; provided that the executive is still employed by the Company on the remaining vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan.
- (12) Represents RSUs that were awarded on March 17, 2014, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant; provided that the executive is still employed by the Company on the applicable vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan.
- (13) Represents PSUs that are scheduled to vest on February 18, 2019 (or, in the case of Mr. Ersek, February 19, 2019) based on the Company's revenue and operating income performance during 2016, 2017 and 2018; provided that the executive is still employed by the Company on the vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan. In accordance with the SEC executive compensation disclosure rules, the amounts reported in this column are based on achieving the target performance goals.
- (14) Represents PSUs that are scheduled to vest on February 18, 2019 (or, in the case of Mr. Ersek, February 19, 2019) based on the Company's TSR performance relative to the S&P 500 Index over the 2016-2018 performance period; provided that the executive is still employed by the Company on the vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan. In accordance with the SEC executive compensation disclosure rules, the amounts reported in this column are based on achieving target vesting levels.
- (15) Represents PSUs that are scheduled to vest on February 19, 2018 based on the Company's revenue and operating income performance during 2015, 2016 and 2017; provided that the executive is still employed by the Company on the vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan. In accordance with the SEC executive compensation disclosure rules, the amounts reported in this column are based on achieving the target performance goals.
- (16) Represents PSUs that are scheduled to vest on February 19, 2018 based on the Company's TSR performance relative to the S&P 500 Index over the 2015-2017 performance period; provided that the executive is still employed by the Company on the vesting date or as otherwise provided for pursuant to the Executive Severance Policy or Long-term Incentive Plan. In accordance with the SEC executive compensation disclosure rules, the amounts reported in this column are based on achieving target vesting levels.

The following table provides information concerning the exercise of stock options and vesting of stock during 2016 for each of the named executive officers.

2016 OPTION EXERCISES AND STOCK VESTED TABLE

NAME	OPTION AWARDS		STOCK AWARDS	
	NUMBER OF SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ON EXERCISE (\$)	NUMBER OF SHARES ACQUIRED ON VESTING (#)	VALUE REALIZED ON VESTING (\$)
Hikmet Ersek	276,127	660,464	214,021	3,893,042
Rajesh K. Agrawal	9,263	21,918	54,421	1,003,952
Odilon Almeida	18,525	45,164	53,400	965,138
Elizabeth G. Chambers	—	—	5,668	113,020
J. David Thompson	—	—	52,921	965,628

The following table provides information regarding compensation that has been deferred by our named executive officers pursuant to the terms of our Supplemental Incentive Savings Plan.

2016 NONQUALIFIED DEFERRED COMPENSATION TABLE

NAME	EXECUTIVE CONTRIBUTIONS IN LAST FY (\$000) ⁽¹⁾	REGISTRANT CONTRIBUTIONS IN LAST FY (\$000) ⁽²⁾	AGGREGATE EARNINGS IN LAST FY (\$000)	AGGREGATE WITHDRAWALS/ DISTRIBUTIONS (\$000)	AGGREGATE BALANCE AT LAST FYE (\$000) ⁽³⁾
Hikmet Ersek	—	—	—	—	—
Rajesh K. Agrawal	58.5	36.2	69.0	—	660.6
Odilon Almeida	63.2	40.0	26.7	—	385.8
Elizabeth G. Chambers	26.7	10.8	5.9	—	84.0
J. David Thompson	85.2	32.0	64.1	—	517.2

Footnotes:

- (1) These amounts represent deferrals of the named executive officer's salary and compensation received under the Annual Incentive Plan and are included in the "Salary" and "Non-Equity Incentive Plan Compensation" columns in the 2016 Summary Compensation Table.
- (2) These amounts are included in the "All Other Compensation" column in the 2016 Summary Compensation Table.
- (3) Amounts in this column include the following amounts that were previously reported in the Summary Compensation Table as compensation for 2015 and 2014 (in \$000s): Mr. Agrawal—\$149.6, Mr. Almeida—\$191.1 and Mr. Thompson—\$202.4.

INCENTIVE SAVINGS PLAN

We maintain a defined contribution retirement plan (the "Incentive Savings Plan" or "ISP") for our employees on United States payroll, including each of our named executive officers other than Mr. Ersek. The ISP is structured with the intention of qualifying under Section 401(a) of the Internal Revenue Code. Under the ISP, participants are permitted to make contributions up to the maximum allowable amount under the Internal Revenue Code. In addition, we make

matching contributions equal to 100% of the first 3% of eligible compensation contributed by participants and 50% of the next 2% of eligible compensation contributed by participants. For 2016, each participating named executive officer was eligible to receive a Company contribution equal to 4% of his eligible compensation. During 2016, Mr. Ersek participated in the qualified retirement savings plan made available to eligible employees in Austria.

SUPPLEMENTAL INCENTIVE SAVINGS PLAN

We maintain a nonqualified supplemental incentive savings plan (the "SISP") for certain of our employees on United States payroll, including each of our named executive officers other than Mr. Ersek. Under the SISP, participants may defer up to 80% of their salaries, including commissions and incentive compensation (other than annual bonuses), and may make a separate election to defer up to 80% of any annual bonuses and up to 100% of any performance-based cash awards they may earn. The SISP also provides participants the opportunity to receive credits for matching contributions equal to the difference between the matching contributions that a participant could receive under the ISP but for the contribution and compensation limitations imposed by the

Internal Revenue Code, and the matching contributions allowable to the participant under the ISP. Participants are generally permitted to choose from among the mutual funds available for investment under the ISP for purposes of determining the imputed earnings, gains, and losses applicable to their SISP accounts. The SISP is unfunded. Participants may specify the timing of the payment of their accounts by choosing either a specified payment date or electing payment upon separation from service (or a date up to five years following separation from service), and in either case may elect to receive their accounts in a lump sum or in annual or quarterly installments over a period of up to ten years. With respect to each year's contributions and imputed

earnings, the participant may make a separate distribution election. Subject to the requirements of Section 409A of the Internal Revenue Code, applicable Internal Revenue Service guidance, and the terms of the SISF, participants may receive

an early payment in the event of a severe financial hardship and may make an election to delay the timing of their scheduled payment by a minimum of five years.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

EXECUTIVE SEVERANCE POLICY

We maintain the Executive Severance Policy for the payment of certain benefits to senior executives, including our named executive officers, upon termination of employment from the Company and upon a change-in-control of the Company. Under the Executive Severance Policy, an eligible executive will become eligible for benefits if (i) prior to a change-in-control, he or she is involuntarily terminated by the Company other than on account of death, disability or for cause, or (ii) after a change-in-control, he or she is involuntarily terminated by the Company other than on account of death, disability or for cause or terminates his or her own employment voluntarily for "good reason" (including a material reduction in title or position, reduction in base salary or bonus opportunity or an increase in the executive's commute to his or her current principal working location of more than 50 miles without consent) within 24 months after the date of the change-in-control. Under the Executive Severance Policy, a change-in-control is generally defined to include:

- Acquisition by a person or entity of 35% or more of either the outstanding shares of the Company or the combined voting power of such shares, with certain exceptions;
- An unapproved change in a majority of the Board members within a 24-month period; and
- Certain corporate restructurings, including certain mergers, dissolution and liquidation.

The Executive Severance Policy provided for the following severance and change-in-control benefits as of December 31, 2016:

- Effective for senior executives hired before February 24, 2011, a severance payment equal to the senior executive's base pay plus target bonus for the year in which the termination occurs (the "base severance pay"), multiplied by 1.5 (multiplied by two in the case of the Chief Executive Officer and in the case of all senior executives who terminate for an eligible reason within 24 months following a change-in-control). Effective for senior executives hired on and after February 24, 2011,

a senior executive employed by the Company for 12 months or less was entitled to receive a severance payment equal to the base severance pay and, for every month employed in excess of 12 months, an additional severance payment equal to a pro rata portion of the base severance pay, up to a maximum severance payment equal to the senior executive's base severance pay, multiplied by 1.5 (multiplied by two in the case of all senior executives who terminate for an eligible reason within 24 months following a change-in-control).

- A cash payment equal to the lesser of the senior executive's prorated target bonus under the Annual Incentive Plan for the year in which the termination occurs or the maximum bonus which could have been paid to the senior executive under the Annual Incentive Plan for the year in which the termination occurs, based on actual Company performance during such year. No bonus will be payable unless the Compensation Committee certifies that the performance goals under the Annual Incentive Plan have been achieved for the year in which the termination occurs (except for eligible terminations following a change-in-control).
- A lump sum payment equal to the difference between active employee health care premiums and continuation coverage premiums for 18 months of coverage.
- At the discretion of the Compensation Committee, outplacement benefits may be provided to the executive.
- All awards made pursuant to our Long-Term Incentive Plan, including those that are performance-based, generally will become fully vested and exercisable if a senior executive is involuntarily terminated without cause, or terminates for good reason, within 24 months following a change-in-control. In such event, the right to exercise stock options will continue for 24 months (36 months in the case of the Chief Executive Officer) after the senior executive's termination (but not beyond their original terms).

- If a senior executive is involuntarily terminated without cause and no change-in-control has occurred, awards granted pursuant to our Long-Term Incentive Plan generally will vest on a prorated basis based on the period from the grant date to the termination date and stock options will remain exercisable until the end of severance period under the Executive Severance Policy, but not beyond the stock options' original terms.
- With respect to all executives other than the Chief Executive Officer, any benefits triggered by a change-in-control are subject to an automatic reduction to avoid the imposition of excise taxes under Section 4999 of the Internal Revenue Code in the event such reduction would result in a better after-tax result for the executive.
- For individuals who were senior executives on or before April 30, 2009 (including our Chief Executive Officer), if benefits payable after a change-in-control exceed 110% of the maximum amount of such benefits that would not be subject to the excise tax imposed by Section

4999 of the Internal Revenue Code, an additional cash payment in an amount that, after payment of all taxes on such benefits (and on such amount), provides the senior executive with the amount necessary to pay such tax. (If the benefits so payable do not exceed such 110% threshold, the amount thereof will be reduced to the maximum amount not subject to such excise tax.) Mr. Ersek is the only Company employee who remains eligible for excise tax gross-up payments.

The provision of severance benefits under the Executive Severance Policy is conditioned upon the executive executing an agreement and release which includes, among other things, non-competition and non-solicitation restrictive covenants, as well as a release of claims against the Company. These restrictive covenants vary in duration, but generally do not exceed two years.

For the named executive officers, we have quantified the potential payments upon termination under various termination circumstances in the tables set forth below. These tables assume that the covered termination took place on December 31, 2016.

PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL TABLES

TERMINATION FOLLOWING A CHANGE-IN-CONTROL⁽¹⁾

NAME	SEVERANCE (\$000) ⁽²⁾	WELFARE BENEFITS (\$000) ⁽³⁾	LONG-TERM INCENTIVES ⁽⁶⁾				TOTAL (\$000)
			STOCK OPTIONS (\$000)	PSUs (\$000)	RSUs (\$000)	GROSS-UP (\$000) ⁽⁴⁾	
Hikmet Ersek	6,500.0	28.7	4,187.3	16,204.4	—	11,381.0	38,301.4
Rajesh K. Agrawal	2,832.5	22.9	601.7	3,768.4	707.9	—	7,933.4
Odilon Almeida	2,876.4	22.9	446.8	3,201.5	623.6	—	7,171.2
Elizabeth G. Chambers	2,514.6	14.6	—	906.8	532.4	—	3,968.4
J. David Thompson	2,538.0	21.1	536.5	3,125.9	680.3	—	6,901.8

INVOLUNTARY TERMINATION OTHER THAN FOR DEATH, DISABILITY, OR CAUSE

NAME	SEVERANCE (\$000) ⁽²⁾	WELFARE BENEFITS (\$000) ⁽³⁾	LONG-TERM INCENTIVES ⁽⁶⁾				TOTAL (\$000)
			STOCK OPTIONS (\$000)	PSUs (\$000)	RSUs (\$000)		
Hikmet Ersek	6,500.0	28.7	2,397.5	10,347.9	—		19,274.1
Rajesh K. Agrawal	2,266.0	22.9	456.6	2,002.4	339.7		5,087.6
Odilon Almeida	2,295.0	22.9	326.2	2,053.5	301.4		4,999.0
Elizabeth G. Chambers	1,582.7 ⁽⁵⁾	14.6	—	—	199.8		1,797.1
J. David Thompson	2,025.0	21.1	412.6	1,758.4	387.6		4,604.7

DEATH OR DISABILITY

NAME	SEVERANCE (\$000)	WELFARE BENEFITS (\$000)	LONG-TERM INCENTIVES ⁽⁶⁾			TOTAL (\$000)
			STOCK OPTIONS (\$000)	PSUs (\$000)	RSUs (\$000)	
Hikmet Ersek	—	—	4,187.3	16,204.4	—	20,391.7
Rajesh K. Agrawal	—	—	601.7	3,768.4	707.9	5,078.0
Odilon Almeida	—	—	446.8	3,201.5	623.6	4,271.9
Elizabeth G. Chambers	—	—	—	906.8	532.4	1,439.2
J. David Thompson	—	—	536.5	3,125.9	680.3	4,342.7

RETIREMENT⁽⁷⁾

NAME	SEVERANCE (\$000)	WELFARE BENEFITS (\$000)	LONG-TERM INCENTIVES ⁽⁶⁾			TOTAL (\$000)
			STOCK OPTIONS (\$000)	PSUs (\$000)	RSUs (\$000)	
Hikmet Ersek	—	—	2,397.5	10,347.9	—	12,745.4
Odilon Almeida	—	—	326.2	2,053.5	301.4	2,681.1

Footnotes:

- (1) Under the Executive Severance Policy, following a change-in-control, an eligible executive will become entitled to severance benefits if he or she is involuntarily terminated by the Company other than on account of death, disability or for cause or terminates his or her own employment voluntarily for good reason within 24 months after the date of the change-in-control.
- (2) In accordance with the Executive Severance Policy, amounts in this column represent severance payments equal to the named executive officer's target bonus for 2016 plus 1.5 times (two times in the case of the Chief Executive Officer and in the case of all senior executives who terminate for an eligible reason within 24 months following a change-in-control) the sum of the named executive officer's base salary and target bonus.
- (3) Amounts in this column represent a lump sum cash payment equal to the product of (i) the difference in cost between the named executive officer's actual health premiums and COBRA health premiums (if applicable) as of December 31, 2016 and (ii) 18, the number of months of continuing COBRA coverage.
- (4) Amounts in this column reflect tax gross-up calculations assuming a blended effective tax rate of approximately 47% and a 20% excise tax incurred on excess parachute payments, as calculated in accordance with Internal Revenue Code Sections 280G and 4999. The equity is valued using a closing stock price of \$21.72 per share on December 30, 2016. As noted above, the Executive Severance Policy prohibits the Company from providing change-in-control tax gross-ups to individuals promoted or hired after April 2009. Accordingly, Mr. Ersek is the only Company employee who remains eligible for excise tax gross-up payments.
- (5) In accordance with the Executive Severance Policy, the amount for Ms. Chambers represents a reduced severance payment, reflecting her service with the Company of less than 24-months.

- (6) Amounts in these columns reflect the long-term incentive awards to be received upon a termination or a change-in-control calculated in accordance with the Executive Severance Policy and the Long-Term Incentive Plan. In the case of stock grants, the equity value represents the value of the shares (determined by multiplying the closing stock price of \$21.72 per share on December 30, 2016 by the number of unvested RSUs or, in the case of PSUs, by the number of shares to be awarded based on the projected achievement of the applicable performance objectives as of December 31, 2016, that would vest upon a qualifying termination, death or disability). In the case of option awards, the equity value was determined by multiplying (i) the spread between the exercise price and the closing stock price of \$21.72 per share on December 30, 2016 and (ii) the number of unvested option shares that would vest following a qualifying termination, death or disability. The calculation with respect to unvested long-term incentive awards reflects the following additional assumptions under the Executive Severance Policy and the Long-Term Incentive Plan:

EVENT	STOCK OPTIONS	RSUs	PSUs
Change-in-Control and Termination for Eligible Reason within 24-month Period	Accelerate	Accelerate	Accelerated vesting and award is payable to the extent earned based on actual performance results.
Change-in-Control (No Termination)	Vesting continues under normal terms.	Vesting continues under normal terms.	Vesting continues under normal terms.
Involuntary Termination (Not for Cause prior to a Change-in-Control or after the 24-month Period following a Change-in-Control)	Prorated vesting by grant based on ratio of days since grant to total days in vesting period.	Prorated vesting by grant based on ratio of days since grant to total days in vesting period.	Prorated vesting by grant based on actual performance results and ratio of days since grant to total days in vesting period; if termination occurs prior to the one year anniversary of the grant date, the awards are forfeited.
Death or Disability	Accelerate	Accelerate	Accelerated vesting and award is payable to the extent earned based on actual performance results.
Retirement	Effective for grants on January 31, 2011 and later, prorated vesting by grant based on ratio of days since grant to total days in vesting period, with an exercise period equal to the earlier of (i) two years post-termination (three years, in the case of the CEO if termination is a severance-eligible event) and (ii) the expiration date. Grants made prior to January 31, 2011 may be exercised until four years after the termination date or, if earlier until the expiration date.	Prorated vesting by grant based on ratio of days since grant to total days in vesting period.	Prorated vesting by grant based on actual performance results and ratio of days since grant to total days in vesting period.

- (7) Messrs. Ersek and Almeida are the only named executive officers eligible for retirement as of December 31, 2016, as defined under the Long-Term Incentive Plan.

RISK MANAGEMENT AND COMPENSATION

Appropriately incentivizing behaviors which foster the best interests of the Company and its stockholders is an essential part of the compensation-setting process. The Company believes that risk-taking is necessary for continued innovation and growth, but that risks should be encouraged within parameters that are appropriate for the long-term health and sustainability of the business. As part of its compensation setting process, the Company evaluates the merits of its compensation programs through a comprehensive review of its compensation policies and programs to determine whether they encourage unnecessary or inappropriate risk-taking by the Company's executives and employees below the executive level. Based on this review, the Company has concluded that the risks arising from its compensation programs are not reasonably likely to have a material adverse effect on the Company.

Management and the Compensation Consultant review the Company's compensation programs, including the broad-based employee programs and the programs tied to the performance of individual business units. The team maps the level of "enterprise" risk for each business area, as established through the Company's enterprise risk management oversight process, with the level of compensation risk for the associated incentive programs. In developing the risk assessment, the team reviews the compensation programs within each business area for:

- The mix of fixed versus variable pay;
- The performance metrics to which pay is tied;
- Whether the pay opportunity is capped;

- The timing of payout;
- Whether "clawback" adjustments are permitted;
- The use of equity awards; and
- Whether stock ownership guidelines apply.

Annual incentive awards and long-term incentive awards granted to executives are tied primarily to corporate performance goals, including revenue and operating income growth, and strategic performance objectives. The Compensation Committee believes that these metrics encourage performance that supports the business as a whole. The executive annual incentive awards include a maximum payout opportunity equal to 150% of target, subject to a +/-25% individual performance-based modifier for named executive officers other than Mr. Ersek. Our executives are also expected to meet share ownership guidelines in order to align the executives' interests with those of our stockholders. Further, the Company's clawback policy permits the Company to recover incentive compensation paid to an executive officer if the compensation resulted from any financial result or metric impacted by the executive officer's misconduct or fraud. This policy helps to discourage inappropriate risks, as executives will be held accountable for misconduct which is harmful to the Company's financial and reputational health. In addition, in 2017 as part of the Joint Settlement Agreements, the Company will add to its incentive programs specific clawback provisions allowing the Company to "clawback" executive bonuses for conduct that is later determined to have contributed to future compliance failures, subject to applicable law.

PROPOSAL 2

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

The Company is providing stockholders an advisory vote to approve executive compensation as required by Section 14A of the Exchange Act. Section 14A was added to the Exchange Act by Section 951 of the Dodd-Frank Act. The advisory vote to approve executive compensation is a non-binding vote on the compensation of the Company's named executive officers, as described in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure, set forth in this Proxy Statement. The advisory vote to approve executive compensation is not a vote on the Company's general compensation policies or the compensation of the Company's Board of Directors. The Dodd-Frank Act requires the Company to hold the advisory vote to approve executive compensation at least once every three years. At the 2011 Annual Meeting of Stockholders, the Company asked stockholders to indicate if it should hold an advisory vote to approve the compensation of named executive officers every one, two or three years, with the Board recommending an annual advisory vote. Our stockholders approved this recommendation. Accordingly, the Company is again asking stockholders to approve the compensation of named executive officers as disclosed in this Proxy Statement.

At the 2016 Annual Meeting of Stockholders, the Company provided stockholders with the opportunity to cast an advisory vote to approve the compensation of the Company's named

executive officers as disclosed in the Proxy Statement for the 2016 Annual Meeting of Stockholders, and the Company's stockholders overwhelmingly approved the proposal, with approval by approximately 97% of the votes cast for the proposal at the 2016 Annual Meeting of Stockholders.

The Company believes that its compensation policies and procedures, which are outlined in the Compensation Discussion and Analysis section of this Proxy Statement, support the goals of:

- Aligning our executives' goals with our stockholders' interests;
- Attracting, retaining, and motivating outstanding executive talent; and
- "Pay-for-performance" - Holding our executives accountable and rewarding their achievement of financial, strategic and operating goals.

The Compensation Committee of the Board continually reviews the Company's executive compensation and benefits program to evaluate whether it supports these goals, and serves the interests of the Company's stockholders. The Company's executive compensation practices include the following, as discussed in more detail in the Compensation Discussion and Analysis section of this Proxy Statement:

What We Do:

- ✓ Pay-for-performance and "at-risk" compensation.
- ✓ Align compensation with stockholder interests.
- ✓ Emphasis on future pay opportunity vs. current pay.
- ✓ Mix of performance metrics.
- ✓ Three-year performance period for PSUs.
- ✓ Stockholder engagement.
- ✓ Outside compensation consultant.
- ✓ "Double trigger" in the event of a change-in-control.
- ✓ Maximum payout caps for annual cash incentive compensation and PSUs.
- ✓ "Clawback" Policy.
- ✓ Robust stock ownership guidelines.
- ✓ Consider compliance in compensation program.

PROPOSAL 2 ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

What We Don't Do:

- ✗ No change-in-control tax gross ups for individuals promoted or hired after April 2009. Mr. Ersek is the only Company employee who remains eligible for excise tax gross-up payments based on Compensation Committee action in 2009.
- ✗ No repricing or buyout of underwater stock options.
- ✗ Prohibition against pledging and hedging of Company securities by senior executives and directors.
- ✗ No dividends or dividend equivalents accrued or paid on PSUs or RSUs.

We believe that our executive compensation practices, in combination with a competitive market review, limited executive perquisites, and reasonable severance pay multiples contribute to an executive compensation program that is competitive yet strongly aligned with stockholder interests.

The Board recommends that you vote in favor of the following “say-on-pay” resolution:

RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure, each as set forth in the Company's Proxy Statement for its 2017 Annual Meeting of Stockholders.

REQUIRED VOTE

The affirmative vote of the holders of a majority of shares of the Company's Common Stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter is required to approve this Proposal 2.

Because your vote is advisory, it will not be binding upon the Board of Directors. However, the Compensation Committee may take into account the outcome of the vote when considering future executive compensation arrangements.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR PROPOSAL 2.

PROPOSAL 3

ADVISORY VOTE ON THE FREQUENCY OF THE VOTE ON EXECUTIVE COMPENSATION

In accordance with the requirements of Section 14A of the Exchange Act and the related rules of the SEC, we are providing the Company's stockholders with the opportunity to cast a non-binding vote on whether a non-binding stockholder vote to approve the compensation of our named executive officers (such as a vote similar to Proposal 2) should occur every one, two or three years. As noted above, Section 14A was added to the Exchange Act by Section 951 of the Dodd-Frank Act.

The Board has determined that an advisory vote on executive compensation every one year continues to be the best approach for the Company based on a number of considerations, including the vote frequency which the Board believes the majority of our investors prefer.

Stockholders are not voting to approve or disapprove of the Board's recommendation. Instead, the proxy card provides stockholders with four choices with respect to

this proposal: (1) one year; (2) two years; (3) three years or (4) abstaining from voting on the proposal. We are asking our stockholders to indicate their support for the non-binding advisory vote on executive compensation to be held every one year.

Generally, approval of any matter presented to stockholders requires the vote of a majority of the shares of Common Stock represented at the annual meeting and entitled to vote thereon. However, because this vote is advisory and non-binding, if none of the frequency options receive the vote of a majority of the shares of Common Stock represented at the Annual Meeting and entitled to vote thereon, the option receiving the greatest number of votes will be considered the frequency recommended by the Company's stockholders. Even though this vote will neither be binding on the Company or the Board, the Board of Directors will take into account the result of the vote when determining the frequency of future say-on-pay votes.

REQUIRED VOTE

The affirmative vote of the holders of a majority of shares on the Company's Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the subject matter is required to approve one year, two years, or three years as the stockholders' recommended frequency on this Proposal 3. However, if none of the options receives the vote of a majority, the option receiving the greatest number of votes will be considered the frequency recommended by the Company's stockholders.

Because your vote is advisory, it will not be binding on the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "ONE YEAR" WITH RESPECT TO PROPOSAL 3.

PROPOSAL 4

RATIFICATION OF SELECTION OF AUDITORS

The Board of Directors and the Audit Committee believe it is in the best interest of the Company and its stockholders to recommend to the stockholders the ratification of the selection of Ernst & Young LLP, independent registered public accounting firm, to audit the accounts of the Company and its subsidiaries for 2017. Ernst & Young LLP has served as the Company's independent registered public accounting firm since the Company became a public company in 2006. Consistent with the regulations adopted pursuant to the

Sarbanes-Oxley Act of 2002, the lead audit partner having primary responsibility for the audit and the concurring audit partner are rotated every five years.

A representative of Ernst & Young LLP will be present at the Annual Meeting, will have the opportunity to make a statement, and will be available to respond to appropriate questions.

SUMMARY OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S FEES FOR 2016 AND 2015

Fees for professional services provided by our independent auditors, Ernst & Young LLP, for fiscal years 2016 and 2015, respectively, included the following (in millions):

	2016	2015
Audit Fees ⁽¹⁾	\$5.8	\$5.7
Audit-Related Fees ⁽²⁾	\$1.4	\$0.5
Tax Fees ⁽³⁾	\$0.9	\$0.6

- (1) "Audit Fees" primarily include fees related to (i) the integrated audit of the Company's annual consolidated financial statements and internal controls over financial reporting; (ii) the review of its quarterly consolidated financial statements; (iii) statutory audits required domestically and internationally; (iv) comfort letters, consents and assistance with and review of documents filed with the SEC; and (v) other accounting and financial reporting consultation and research work billed as audit fees or necessary to comply with the standards of the Public Company Accounting Oversight Board (United States).
- (2) "Audit-Related Fees" primarily include fees, not included in "Audit Fees" above, related to (i) service auditor examinations; (ii) due diligence related to mergers and acquisitions; (iii) attest services that are not required by statute or regulation; and (iv) consultation concerning financial accounting and reporting standards that are not classified as "Audit Fees."
- (3) "Tax Fees," which incorporate both tax advice and tax planning services, primarily include fees related to (i) consultations, analysis and assistance with domestic and foreign tax matters, including value-added and goods and services taxes; (ii) local tax authority audits; and (iii) other miscellaneous tax consultations, including tax services requested as part of the Company's procedures for commercial agreements, the acquisition of new entities, and other potential business transactions.

During 2016 and 2015, all audit and non-audit services provided by the independent registered public accounting firm were pre-approved, consistent with the pre-approval policy of the Audit Committee. The pre-approval policy requires that all services provided by the independent registered public

accounting firm be pre-approved by the Audit Committee or one or more members of the Audit Committee designated by the Audit Committee.

REQUIRED VOTE

The affirmative vote of the holders of a majority of shares of the Company's Common Stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter is required to approve this Proposal 4. In the event the stockholders fail to ratify the selection of Ernst & Young LLP, the Audit Committee of the Board of Directors will consider it a direction to select another independent registered public accounting firm for the subsequent year. Even if the selection is ratified, the Audit Committee, in its discretion, may select a new independent registered public accounting firm at any time during the year, if it feels that such a change would be in the best interest of the Company and its stockholders.

THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE RECOMMEND THAT YOU VOTE FOR PROPOSAL 4.

PROPOSAL 5

STOCKHOLDER PROPOSAL REGARDING POLITICAL CONTRIBUTIONS DISCLOSURE

The New York State Common Retirement Fund, 59 Maiden Lane — 30th Floor, New York, NY 10038, owner of more than \$2,000 worth of shares of the Company's Common Stock, has notified the Company that it intends to present a proposal for consideration at the Annual Meeting. As required by the Exchange Act, the text of the stockholder proposal and supporting statement appear as submitted to the Company by the proponent. The Board and the Company accept no responsibility for the contents of the proposal or the supporting statement.

Resolved, that the shareholders of The Western Union Co. ("Western Union" or "Company") hereby request that the Company provide a report, updated semiannually, disclosing the Company's:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.
2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:
 - a. The identity of the recipient as well as the amount paid to each; and
 - b. The title(s) of the person(s) in the Company responsible for decision-making.

The report shall be presented to the board of directors or relevant board committee and posted on the Company's website within 12 months from the date of the annual meeting.

Supporting Statement

As long-term shareholders of Western Union, we support transparency and accountability in corporate spending on political activities. These include any activities considered intervention in any political campaign under the Internal Revenue Code, such as direct and indirect contributions to political candidates, parties, organizations, or ballot measures; direct independent expenditures; or electioneering communications on behalf of federal, state or local candidates.

Disclosure is in the best interest of the company and its shareholder. The Supreme Court affirmed this its *Citizens United* decision: "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages." Gaps in transparency and accountability may expose the company to reputational and business risks that could threaten long-term shareholder value.

Publicly available records show that Western Union contributed at least \$669,000 in corporate funds since the 2004 election cycle (CQ: <http://moneyline.cq.com> and National Institute on Money in State Politics: <http://www.followthemoney.org>)

However, publicly available data does not provide a complete picture of the Company's political spending. For example, The Company's payments to trade associations and "social welfare organizations" — organized under section 501(c)(4) of the IRS Code — used for political activities are undisclosed and unknown. This proposal asks the Company to disclose all of its political expenditures, including payments to trade associations and other tax-exempt organizations.

This would bring our Company in line with a growing number of leading companies, including **Accenture**, **ADP** and **Qualcomm**, that support political disclosure and accountability and present this information on their websites.

The Company's Board and its shareholders need comprehensive disclosure to be able to fully evaluate the political use of corporate assets. We urge your support for this critical governance reform.

BOARD'S STATEMENT OPPOSING THE PROPOSAL

After careful consideration, and for the following reasons, the Board believes that the proposal is not in the best interests of the Company or its stockholders, and the Board recommends voting **"AGAINST"** this proposal.

The Company has historically made an extremely limited number of political contributions, where such contributions are permitted by law. The Company's political contributions are not financially material to the Company. In 2016, 2015 and 2014, these contributions totaled approximately \$2,500, \$10,000, and \$8,500, respectively. In 2016, the Company's total expenses relating to political contributions were *de minimis* when compared to the Company's total operating costs of approximately \$4.9 billion.

The Company is both transparent and accountable regarding its political contributions. On a limited basis, we have pursued and will continue to pursue efforts to help inform public policy decisions that have the potential to affect our customers, employees, and the communities in which we operate. To the extent this is done through a small number of corporate political contributions, such contributions are already strictly controlled. Consider our current standards, policies and practices regarding corporate political contributions:

- The Company maintains a formal policy regarding political activities, political contributions, and lobbying activities, which is contained in the Company's Code of Conduct and which is publicly available in the "Corporate Governance" section of our Investor Relations website.
- Our policy contains standards for participating in the political process for both the Company and its employees.
- With respect to political contributions, the Company's Code of Conduct provides that the permission of the Company's General Counsel's office is needed before any political contributions are made on behalf of the Company.
- The Company's Code of Conduct also provides that a senior executive officer of the Company's Government Relations department and the General Counsel's office be consulted prior to contacting a government official or retaining a lobbyist.

The Company is also transparent and accountable regarding its membership in trade associations. Participation as a trade association member comes with the understanding that we may not always agree with all of the positions of the organizations or other members but that we believe that the associations we belong to take many positions and address many issues in a meaningful and influential manner and in a way that will be to the Company's benefit. Consider the following:

- Although we must pay regular membership dues, we do not normally make additional non-dues contributions to support a group's targeted political contributions.
- We closely monitor the appropriateness and effectiveness of the political activities undertaken by the most significant trade associations of which we are a member.
- Disclosure of political contributions made indirectly through trade associations could place the Company at a competitive disadvantage by revealing its strategies and priorities.
- Requiring such disclosure may risk misrepresenting our political activities, as trade associations operate on an independent basis, and we do not agree with all positions taken by trade associations on issues.

Significant disclosure regarding the Company's political activities and related policies is already publicly available. Consider the following:

- Under federal law, all contributions by the Western Union Political Action Committee, the sole political action committee affiliated with the Company, are required to be reported, and a list of such contributions is publicly available at the website of the United States Federal Election Commission.
- Contributions made directly by the Company are most frequently made to state-level candidates and representatives who are required by state law to disclose such contributions.
- Federal law prohibits corporations from contributing corporate treasury funds to federal candidates or federal campaign committees. Accordingly, we make none.

Given all of the above, we believe that this proposal is unnecessary, costly and largely duplicative of current reporting systems and accountability measures. We believe that participating in the political process in a transparent manner is key to good governance and an important way to enhance stockholder value and promote healthy corporate citizenship. We do not believe, however, that implementing a semiannual report on our political activity would increase stockholder value or provide stockholders with any more meaningful information than is already available. If adopted, the proposal would apply only to Western Union and to no other company and would cause Western Union to incur undue costs and administrative burdens without commensurate benefit to our stockholders.

Required Vote; Recommendation Only

The affirmative vote of the holders of a majority of shares of the Company's Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the subject matter is required to approve this Proposal 5. Stockholders should be aware that this stockholder proposal is simply a request that the Board take the action stated in the proposal. Approval of this proposal may not result in the requested action being taken by the Board, and therefore, its approval would not effectuate the actions requested by the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST PROPOSAL 5.

PROPOSAL 6

STOCKHOLDER PROPOSAL REGARDING STOCKHOLDER ACTION BY WRITTEN CONSENT

John Chevedden, 2215 Nelson Ave., No. 205, Redondo Beach, CA 90278, owner of more than \$2,000 worth of shares of the Company's Common Stock, has notified the Company that he intends to present a proposal for consideration at the Annual Meeting. As required by the Exchange Act, the text of the stockholder proposal and supporting statement appear as submitted to the Company by the proponent. The Board and the Company accept no responsibility for the contents of the proposal or the supporting statement.

Proposal 6 – Right to Act by Written Consent

Resolved, Shareholders request that our board of directors undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This written consent is to be consistent with applicable law and consistent with giving shareholders the fullest power to act by written consent consistent with applicable law. This includes shareholder ability to initiate any topic for written consent consistent with applicable law.

This proposal won majority shareholder support at 13 major companies in a single year. This includes 67%-support at both Allstate and Sprint. Hundreds of major companies enable shareholder action by written consent.

Taking action by written consent in lieu of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle. A shareholder right to act by written consent and to call a special meeting are 2 complimentary ways to bring an important matter to the attention of both management and shareholders outside of the annual meeting cycle. Taking action by written expense saves the expense of holding a special shareholder meeting.

Also our company requires 20% of shares (net long – to make it still more difficult) to aggregate their holdings to call a special meeting – a much higher hill to climb than the 10% of shares permitted by Delaware law. Hundreds or dozens of Fortune 500 companies provide for both shareholder rights – to act by written consent and to call a special meeting.

Please vote to enhance shareholder value:
Right to Act by Written Consent – Proposal 6

BOARD'S STATEMENT OPPOSING THE PROPOSAL

After careful consideration, and for the following reasons, the Board believes that the proposal is not in the best interests of the Company or its stockholders, and the Board recommends voting "**AGAINST**" this proposal.

The Company believes that permitting stockholder action by written consent could lead to substantial confusion and disruption for stockholders. The board believes that permitting stockholder action by written consent is not an appropriate corporate governance model for a widely-held public company like Western Union. Consider the following:

- Currently, any matter that Western Union or its stockholders wish to present for a stockholder vote must be presented at a meeting of the stockholders, thus allowing all stockholders to consider, discuss and vote on the pending matter.
- In contrast, the written consent proposal at issue would permit a group of stockholders with no fiduciary duties to other stockholders to initiate action without prior notice, either to the other stockholders or to the Company, and without giving all stockholders an opportunity to participate and consider arguments, including those of the Company, for and against the action.
- Stockholder action by written consent would allow for the solicitation of multiple, even conflicting, written consents by multiple stockholder groups, potentially creating substantial confusion and disruption for stockholders.

The Board of Directors is already highly accountable to stockholders. The proposal suggests that the written consent right is necessary to keep the Board accountable to stockholders. Our current policies, however, implement the goal of accountability without the governance risk to stockholders and the Company associated with action by written consent as contemplated by the proposal. The Company has implemented a comprehensive package of corporate governance practices and policies that enable stockholders to hold the Board accountable and, where necessary, take quick action to support their interests. Elements of this comprehensive package include:

- The Board of Directors is declassified, with majority voting for uncontested Director elections.
- The Company was among the first U.S. companies to adopt the "proxy access" right for its stockholders.
- A stockholder or group of stockholders holding 20% or more of our outstanding shares may call a special meeting.
- Our Amended and Restated Certificate of Incorporation and By-Laws have no supermajority provisions.

The Board of Directors has a demonstrated history of commitment to high standards of corporate governance. In recent years, the Board has taken the following actions:

- Adopted majority voting for uncontested Director elections (2007).
- Declassified its Board of Directors, ensuring that directors would be elected annually (process initiated in 2012).
- Added the right for stockholders to call special meetings to the By-Laws (2013).
- Adopted a "proxy access" right for its stockholders (2013).

The Board has repeatedly responded to stockholder concerns. There is, accordingly, no need for stockholders to be given the right to act by written consent.

Required Vote; Recommendation Only

The affirmative vote of the holders of a majority of shares of the Company's Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the subject matter is required to approve this Proposal 6. Stockholders should be aware that this stockholder proposal is simply a request that the Board take the action stated in the proposal. Approval of this proposal may not result in the requested action being taken by the Board, and therefore, its approval would not effectuate the actions requested by the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST PROPOSAL 6.

PROPOSAL 7 STOCKHOLDER PROPOSAL REGARDING REPORT DETAILING RISKS AND COSTS TO COMPANY CAUSED BY STATE POLICIES SUPPORTING DISCRIMINATION

NorthStar Asset Management Funded Pension Plan, P.O. Box 301840, Boston, MA 02130, owner of more than \$2,000 worth of shares of the Company's Common Stock, has notified the Company that it intends to present a proposal for consideration at the 2017 Annual Meeting of Stockholders. As required by the Exchange Act, the text of the stockholder proposal and supporting statement appear as submitted to the Company by the proponent of the proposal. The Board of Directors and the Company accept no responsibility for the contents of the proposal or the supporting statement.

Application of Company Non-discrimination Policies in States with Pro-discrimination Laws

WHEREAS: Western Union has numerous documents and policies regarding nondiscrimination, such as: "We commit to treating each other with dignity and respect at all times"; "We do not discriminate in hiring, promotion, compensation of employees, and employment practices on grounds of race, pregnancy, color, sexual orientation, sex/gender, gender identity"; and that "We have zero tolerance for any discrimination or harassment that is based on these categories";

Our Company employs people in much of the United States, including states like Colorado, Florida and Nebraska that have recently established or proposed policies that are attacks on LGBT rights and equality:

- Two religious freedom bills introduced this year in Colorado HB1123 would have exempted clergy members, ministers and religiously affiliated organizations from participating in any ceremony, including a marriage, that conflicted with their beliefs. HB1180 was an attempt to create a state-level Religious Freedom Restoration Act;
- In Florida last year, one bill introduced would have allowed adoption agencies to refuse service to same-sex couples, while another would have allowed individuals, businesses with five or fewer owners, religious institutions and businesses operated by faith groups to refuse to produce, create or deliver a product or service to a customer if they had a religious or moral objection;
- Nebraska policymakers are considering a bill that opponents say would enable adoption agencies to refuse service to LGBT families;

Many businesses such as PayPal and The Walt Disney Company have spoken out against the new pro-discrimination policies. Executives from companies such as Apple, Intel, Google, Microsoft, EMC, PayPal, and Whole Foods Markets are calling for repeal of certain state pro-discrimination policies.

RESOLVED: Shareholders request that the Company issue a public report to shareholders, employees, customers, and public policy leaders, omitting confidential information and at a reasonable expense, by October 1, 2017, detailing the known and potential risks and costs to the Company caused by any enactment or proposed state policies supporting discrimination against LGBT people, and detailing strategies above and beyond litigation or legal compliance that the Company may deploy to defend the Company's LGBT employees and their families against discrimination and harassment that is encouraged and enabled by the policies.

SUPPORTING STATEMENT: Shareholders recommend that the report evaluate risks and costs including, but not limited to, negative effects on employee hiring and retention, challenges in securing safe housing for employees, risks to employees' LGBT children and risks to LGBT employees who need to use public facilities, and litigation risks to the Company from conflicting state and company anti-discrimination policies. Strategies evaluated should include public policy advocacy, human resources and educational strategies, and the potential to relocate operations or employees out of states with discriminatory policies (evaluating the costs to the Company and resulting economic losses to pro-discriminatory states).

BOARD'S STATEMENT OPPOSING THE PROPOSAL

After careful consideration, and for the following reasons, the Board believes that the proposal is not in the best interests of the Company or its stockholders, and the Board recommends voting **"AGAINST"** this proposal.

The Company is strongly committed to diversity and inclusion. Our over 10,000 employees in approximately 50 countries reflect the diverse collection of consumers and markets that Western Union serves, and we recognize the important role we play in engendering respect and tolerance for all people in the communities in which we operate. Our employees are the Company's greatest asset, and ensuring that each employee is afforded an inclusive work environment is critical to a productive workforce and the delivery of financial results. As a global company, we also recognize that a strong commitment to inclusion and diversity is essential to both retaining current talent and attracting future talent from all backgrounds. Simply put, the Company believes that an inclusive work environment and commitment to supporting diversity is not only consistent with our spirit of promoting human rights, but also smart business practice.

The Company's existing policies and practices promote tolerance and respect for all, including the lesbian, gay, bisexual and transgender ("LGBT") community. Our employment and management policies currently in place expressly promote tolerance and the respectful treatment of others and aptly demonstrate our unwavering commitment to inclusion, diversity and the practice of nondiscrimination. As noted by the proponent, we have numerous documents and policies regarding our commitment to nondiscrimination. For example, consider the following policies and practices emphasized in our Code of Conduct:

- The Company's commitment to "treating each other with dignity and respect at all times" and prohibition against any intimidating or abusive behavior in the workplace.
- We recruit, develop and advance our employees exclusively based on their qualifications, talents and achievements and reward employees for merit-based performance.
- We prohibit discrimination in hiring, promotion and compensation on the basis of "race, pregnancy, color, sexual orientation, sex/gender, gender identity, religion, national origin, age, disability, marital or military service status, citizenship" and any other area protected by applicable law.
- We take a zero-tolerance approach to any discrimination or harassment on the above grounds. We also encourage our employees to report any discrimination or harassment experienced or observed, and we employ a strict prohibition against any retaliation toward reporters.

Additionally, the Company's Corporate Governance and Public Policy Committee Charter indicates that one of this Committee's purposes is to review and advise the Board on matters of public policy and social responsibility as they relate to the Company and the industries in which we operate. This committee is composed of independent board members with no material relationship to the Company and has the power to form sub-committees to focus on particular issues of concern. We believe that the established duties and responsibilities of the Corporate Governance and Public Policy Committee and our existing policies and practices that encourage the reporting of discrimination and harassment allow us to monitor and appropriately address any discriminatory or disrespectful conduct at Western Union.

The report contemplated by this proposal would impose an unnecessary burden and expense on the Company with limited, if any, benefit to our stockholders or employees.

As discussed above, the Company's policies and practices already promote diversity and inclusion and protect against discrimination and harassment. And while we continually evaluate the employment of these efforts, and expand on them as needed, the proponent's proposed report would impose unnecessary administrative burdens and expenses on the Company. For example, the request for a report on "enacted and proposed state policies" could include not only state law, but also proposed legislation and state agency administrative policies in all fifty states. Such a diversion of Company resources to evaluate the statutory rights of third parties that may in turn effect LGBT persons, whether employees of the Company or not, does not relate to the Company's core business of global money movement and payment services in any meaningful way, and would be of limited, if any, benefit to our stockholders or employees.

The Board believes that the Company's current antidiscrimination framework and vigilant monitoring of social issues relevant to this proposal makes such reporting an unnecessary application of resources that could be used to better serve our stockholders and employees.

Required Vote; Recommendation Only

The affirmative vote of the holders of a majority of shares of the Company's Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the subject matter is required to approve this Proposal 7. Stockholders should be aware that this stockholder proposal is simply a request that the Board take the action stated in the proposal. Approval of this proposal may not result in the requested action being taken by the Board, and therefore, its approval would not effectuate the actions requested by the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST PROPOSAL 7.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives information, as of December 31, 2016, about our Common Stock that may be issued upon the exercise of options and settlement of other equity awards under all compensation plans under which equity securities are reserved for issuance. The Western Union Company 2015 Long-Term Incentive Plan is our only equity compensation plan pursuant to which our equity securities are authorized for issuance.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	15,504,579 ⁽¹⁾	\$17.46 ⁽²⁾	30,501,708 ⁽³⁾
Equity compensation plans not approved by security holders	—	N/A	—
Total	15,504,579 ⁽¹⁾	\$17.46 ⁽²⁾	30,501,708 ⁽³⁾

Footnotes:

- (1) Includes 7,448,443 restricted stock units, PSUs, deferred stock units, and bonus stock units that were outstanding on December 31, 2016 under The Western Union Company 2015 Long-Term Incentive Plan. Restricted stock unit awards, deferred stock unit awards and bonus stock units may be settled only for shares of Common Stock on a one-for-one basis. The number included for PSUs reflects grant date units awarded. Assuming maximum payout for PSU grants that have not completed the required performance period, the number of securities to be issued would increase by 683,847. Please see the "Compensation Discussion and Analysis" section of this Proxy Statement for further information regarding the 2015 PSUs, including the performance metrics applicable to such awards.
- (2) Only option awards were used in computing the weighted-average exercise price.
- (3) This amount represents shares of Common Stock available for issuance under The Western Union Company 2015 Long-Term Incentive Plan. Awards available for grant under The Western Union Company 2015 Long-Term Incentive Plan include stock options, stock appreciation rights, restricted stock, restricted stock units, bonus stock, bonus stock units, performance grants, and any combination of the foregoing awards.

STOCK BENEFICIALLY OWNED BY DIRECTORS, EXECUTIVE OFFICERS AND OUR LARGEST STOCKHOLDERS

The following table sets forth the beneficial ownership of Common Stock by each person or group that is known by us to be the beneficial owner of more than five percent (5%) of our Common Stock, all directors and nominees, each of the executive officers named in the 2016 Summary Compensation Table contained in this Proxy Statement, and all directors and executive officers as a group. Except as otherwise noted, (i) the information is as of March 13, 2017, (ii) each person has sole voting and investment power of the shares, and (iii) the business address of each person shown below is 12500 East Belford Avenue, Englewood, CO 80112.

NAME OF BENEFICIAL OWNER	ADDRESS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENTAGE OF OUTSTANDING SHARES
5% Owners			
Capital Research Global Investors, a division of Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071	65,346,913 ⁽¹⁾	13.4% ⁽¹⁾
The Vanguard Group	100 Vanguard Blvd., Malvern, PA 19355	50,085,149 ⁽²⁾	10.32% ⁽²⁾
FMR LLC	245 Summer Street, Boston, MA 02210	40,585,663 ⁽³⁾	8.37% ⁽³⁾
The Bank of New York Mellon Corporation	225 Liberty Street New York, NY 10286	40,031,694 ⁽⁴⁾	8.26% ⁽⁴⁾
BlackRock, Inc.	55 East 52nd Street, New York, NY 10055	31,388,036 ⁽⁵⁾	6.5% ⁽⁵⁾
DIRECTORS AND NAMED EXECUTIVE OFFICERS⁽⁶⁾			
Martin I. Cole		16,905	*
Hikmet Ersek		2,766,763	*
Richard A. Goodman		36,814	*
Jack M. Greenberg		408,856	*
Betsy D. Holden		37,699	*
Jeffrey A. Joerres		15,998	*
Roberto G. Mendoza		140,608	*
Michael A. Miles, Jr.		32,699	*
Robert W. Selander		77,439	*
Frances Fragos Townsend		39,833	*
Solomon D. Trujillo		106,134 ⁽⁷⁾	*
Rajesh K. Agrawal		558,467	*
Odilon Almeida		283,438	*
Elizabeth G. Chambers		3,855	*
J. David Thompson		314,935	*
All directors and executive officers as a group (19 persons)		5,592,953	1.1%

* Less than 1%

STOCK BENEFICIALLY OWNED BY DIRECTORS, EXECUTIVE OFFICERS AND OUR LARGEST STOCKHOLDERS

- (1) The number of shares held and percentage of outstanding shares were obtained from the holder's Amendment No. 4 to Schedule 13G filing with the Securities and Exchange Commission filed February 13, 2017, which reports ownership as of December 30, 2016. The Schedule 13G filing indicates that the holder had sole voting and sole dispositive power over 65,346,913 shares, and shared voting power over, and shared dispositive power over, no shares.
- (2) The number of shares held and percentage of outstanding shares were obtained from the holder's Amendment No. 4 to Schedule 13G filing with the Securities and Exchange Commission filed February 10, 2017, which reports ownership as of December 31, 2016. The Schedule 13G filing indicates that the holder had sole voting power over 757,042 shares, sole dispositive power over 49,234,924 shares, shared voting power over 88,195 shares, and shared dispositive power over 850,225 shares.
- (3) The number of shares held and percentage of outstanding shares were obtained from the holder's Amendment No. 3 to Schedule 13G filing with the Securities and Exchange Commission filed February 14, 2017, which reports ownership as of December 30, 2016. The Schedule 13G filing indicates that the holder had sole power to vote or direct the vote of 2,861,315 shares, sole power to dispose of or to direct the disposition of 40,585,663 shares, and shared power to vote or direct the vote, and shared power to dispose of or direct the disposition of, no shares.
- (4) The number of shares held and percentage of outstanding shares were obtained from the Schedule 13G filed by The Bank of New York Mellon Corporation, a parent holding company, on behalf of the subsidiaries listed in Exhibit I therein (collectively, "BNYM") with the Securities and Exchange Commission on February 3, 2017, which reports ownership as of December 31, 2016. The Schedule 13G filing indicates that BNYM had sole voting power over 35,492,349 shares, sole dispositive power over 39,894,078 shares, shared voting power over 25,246 shares, and shared dispositive power over 68,369 shares.
- (5) The number of shares held and percentage of outstanding shares were obtained from the holder's Amendment No. 6 to Schedule 13G filing with the Securities and Exchange Commission filed January 27, 2017, which reports ownership as of December 31, 2016. The Schedule 13G filing indicates that the holder had sole voting power over 26,988,112 shares, sole dispositive power over 31,388,036 shares, and shared voting power over, and shared dispositive power over, no shares.
- (6) The number of shares reported includes shares covered by options that are exercisable within 60 days of March 13, 2017 as follows: Mr. Cole, 9,208; Mr. Ersek, 2,204,460; Mr. Goodman, 36,814; Mr. Greenberg, 336,144; Ms. Holden, 32,699; Mr. Joerres, 11,448; Mr. Mendoza, 140,608; Mr. Miles, 32,699; Mr. Selander, 77,439; Ms. Fragos Townsend, 39,833; Mr. Trujillo, 94,334; Mr. Agrawal, 433,409; Mr. Almeida, 210,952; Ms. Chambers, 0; Mr. Dye, 219,212; Mr. Farah, 150,779; Mr. Schenkel, 15,600; Mr. Thompson, 195,194; Mr. Williams, 88,021; all directors and executive officers as a group, 4,328,853. The number of shares reported includes RSUs that will vest within 60 days of March 13, 2017 as follows: Mr. Almeida, 6,940; Mr. Farah, 4,627; Mr. Thompson, 3,697.
- (7) Mr. Trujillo shares with his spouse through a family trust the power to vote or direct the vote of, and the power to dispose or direct the disposition of, 11,800 shares.

CERTAIN TRANSACTIONS AND OTHER MATTERS

We or one of our subsidiaries may occasionally enter into transactions with certain “related persons.” Related persons include our executive officers, directors, nominees for directors, 5% or more beneficial owners of our Common Stock, and immediate family members of these persons. We refer to transactions involving amounts in excess of \$120,000 and in which the related person has a direct or indirect material interest as “related person transactions.” Each related person transaction must be approved or ratified in accordance with the Company’s written Related Person Transactions Policy by the Corporate Governance and Public Policy Committee of the Board of Directors or, if the Corporate Governance and Public Policy Committee of the Board of Directors determines that the approval or ratification of such related person transaction should be considered by all disinterested members of the Board of Directors, by the vote of a majority of such disinterested members.

The Corporate Governance and Public Policy Committee considers all relevant factors when determining whether to approve or ratify a related person transaction, including, without limitation, the following:

- the size of the transaction and the amount payable to a related person;
- the nature of the interest of the related person in the transaction;
- whether the transaction may involve a conflict of interest; and
- whether the transaction involves the provision of goods or services to the Company that are available from unaffiliated third parties and, if so, whether the transaction is on terms and made under circumstances that are at least as favorable to the Company as would be available in comparable transactions with or involving unaffiliated third parties.

The Company’s Related Person Transactions Policy is available through the “Investor Relations, Corporate Governance” portion of the Company’s website, www.wu.com.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who own more than 10% of the Company's Common Stock, as well as certain affiliates of such persons, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of the Company's Common Stock. Based solely on the Company's review of the reports that have been filed by or on behalf of such persons in this regard and written representations from our executive officers and directors that no other reports were required, during and for the fiscal year ended December 31, 2016, the Company believes that all Section 16(a) filing requirements applicable to the Company's directors, executive officers, and greater than 10% stockholders were met, except that one Form 4 for Amintore Schenkel, the Company's Controller, was inadvertently filed late due to an administrative error.

* * *

This Proxy Statement is provided to you at the direction of the Board of Directors.

John R. Dye
Executive Vice President,
General Counsel and
Secretary

APPENDIX A

RECONCILIATION OF NON-GAAP MEASURES

Western Union's management believes the non-GAAP financial measure presented provides meaningful supplemental information regarding our operating results to assist management, investors, analysts, and others in understanding our financial results and to better analyze trends in our underlying business, because it provides consistency and comparability to prior periods.

A non-GAAP financial measure should not be considered in isolation or as a substitute for the most comparable GAAP financial measure. A non-GAAP financial measure reflects an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the reconciliation to the corresponding GAAP financial measure, provides a more complete understanding of our business. Users of the financial statements are encouraged to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. A reconciliation of a non-GAAP financial measure to the most directly comparable GAAP financial measure is included below. All adjusted year-over-year changes were calculated using prior year reported amounts.

CONSOLIDATED METRICS	FY2015	FY2016
Revenues, as reported (GAAP)		\$5,422.9
Foreign currency translation impact ^(a)		\$217.1
Revenues, constant currency adjusted		\$5,640.0
Prior year revenues, as reported (GAAP)		\$5,483.7
Revenue change, as reported (GAAP)		(1%)
Revenue change, constant currency adjusted		3%
Operating income/(loss), as reported (GAAP)		\$483.7
Foreign currency translation impact ^(a)		90.2
Joint Settlement Agreements ^(c)		601.0
Operating income, constant currency adjusted, excluding Joint Settlement Agreements		\$1,174.9
2015 operating income, excluding Paymap Settlement Agreement ^(b)		\$1,144.7
Operating income change, as reported (GAAP)		(56%)
Operating income change, constant currency adjusted, excluding Paymap Settlement Agreement and Joint Settlement Agreements		3%
Operating income/(loss), as reported (GAAP)	\$1,109.4	\$483.7
Paymap Settlement Agreement ^(b)	35.3	N/A
Joint Settlement Agreements ^(c)	N/A	601.0
Operating income, excluding Paymap Settlement Agreement and Joint Settlement Agreements	\$1,144.7	\$1,084.7
Operating margin, as reported (GAAP)	20.2%	8.9%
Operating margin, excluding Paymap Settlement Agreement and Joint Settlement Agreements	20.9%	20.0%

Non-GAAP related notes:

- (a) Represents the impact from the fluctuation in exchange rates between all foreign currency denominated amounts and the United States dollar. Constant currency results exclude any benefit or loss caused by foreign exchange fluctuations between foreign currencies and the United States dollar, net of foreign currency hedges, which would not have occurred if there had been a constant exchange rate. We believe that this measure provides management and investors with information about operating results and trends that eliminates currency volatility and provides greater clarity regarding, and increases the comparability of, our underlying results and trends.

APPENDIX A

- (b) Represents the impact from a settlement agreement reached with the Consumer Financial Protection Bureau regarding the Equity Accelerator service of Paymap, Inc., a subsidiary of the Company (the "Paymap Settlement Agreement"), included in full year 2015 results. We believe that, by excluding the effects of significant charges associated with the settlement of litigation that can impact operating trends, management and investors are provided with a measure that increases the comparability of our underlying operating results.
- (c) Represents the impact from the Joint Settlement Agreements. We believe that, by excluding the effects of significant charges associated with the settlement of litigation that can impact operating trends, management and investors are provided with a measure that increases the comparability of our underlying operating results.



Western Union

Notice of 2017 Annual Meeting of Stockholders,
Proxy Statement & 2016 Annual Report



This page intentionally left blank.

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, 2016

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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 ☐

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, 2016, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$9.3 billion based on the closing sale price of \$19.18 of the common stock as reported on the New York Stock Exchange.

As of February 15, 2017, 480,903,608 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the 2017 annual meeting of stockholders are incorporated into Part III of this Annual Report on Form 10-K.

INDEX

	<u>PAGE NUMBER</u>
PART I	
Item 1. Business	6
Item 1A. Risk Factors	22
Item 1B. Unresolved Staff Comments	46
Item 2. Properties	46
Item 3. Legal Proceedings	47
Item 4. Mine Safety Disclosures	51
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	52
Item 6. Selected Financial Data	54
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	56
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	83
Item 8. Financial Statements and Supplementary Data	86
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	152
Item 9A. Controls and Procedures	152
Item 9B. Other Information	152
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	153
Item 11. Executive Compensation	153
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	153
Item 13. Certain Relationships and Related Transactions, and Director Independence	153
Item 14. Principal Accounting Fees and Services	153
PART IV	
Item 15. Exhibits, Financial Statement Schedules	154

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, 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 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 compliance with or failure to comply with the settlement agreement with the State of Arizona, as amended, or 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");
- the 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 and similar legislation and regulations enacted by other governmental authorities related to consumer protection;
- 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;
- effects of unclaimed property laws;

- 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, 2016, 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, 2016, more than 70% of our locations had experienced money transfer activity in the previous 12 months.

We also provide consumers with flexible and convenient options for making one-time or recurring payments in our Consumer-to-Business segment. This segment primarily consists of United States bill payments and Pago Fácil-branded bill payments in Argentina.

The Business Solutions 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.

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, we are also working to enhance our services, with a continued focus on regulatory compliance, and 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 three segments addresses a different combination of customer groups, distribution networks and services offered. Our segments are Consumer-to-Consumer, Consumer-to-Business and Business Solutions. Businesses not considered part of these segments are categorized as "Other" and include 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:

	Year Ended December 31,		
	2016	2015	2014
Consumer-to-Consumer	79%	79%	80%
Consumer-to-Business	12%	12%	11%
Business Solutions	7%	7%	7%
Other	2%	2%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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, 2016, 2015 and 2014.

For additional details regarding our Consumer-to-Consumer, Consumer-to-Business 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 2016. 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 limited 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 revenue in this segment is derived primarily from transaction fees and foreign exchange revenues paid by consumers to transfer money. These revenues vary by transaction based upon send and receive locations, the principal amount sent, speed of service, whether the money transfer involves different send and receive currencies, and the difference between the exchange rate set by us to the consumer and the rate available in the wholesale foreign exchange market, as applicable.

In a typical money transfer transaction, a consumer goes to one of our agent locations and provides information specifying, among other things, the name and other identifying information regarding the recipient, and delivers it, along with the principal amount of the money transfer and the fee, to the agent. 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 of high quality.

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 7% 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 substantial 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. Additionally, in a few select markets, we offer consumers a lower-priced next day delivery service option for money transfers that do not need to be received within minutes.
- *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, 2016, we were providing online money transfer services through Western Union branded websites in 37 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 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.

We offer our Consumer-to-Consumer service to consumers around the world primarily through our global network of third-party 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 2016, 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 agent partners, leveraging promotional activities, grassroots and digital advertising, and loyalty programs. Our marketing strategy includes our consumer programs such as "My WUSM" 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 or cash back; 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 others 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 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.

Consumer-to-Business Segment

In our Consumer-to-Business segment, which represented 12% of our total consolidated revenues for 2016, we 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.

Operations

Our revenue in this segment is derived primarily from transaction fees paid by consumers and billers. The transaction fees are typically less than the fees charged in our Consumer-to-Consumer segment. Consumers may make a cash payment at an agent or Company-owned location or 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 in partnership with other websites for which we act as the service provider. The significant majority of the segment's revenue was generated in the United States during all periods presented, with the remainder primarily generated in Argentina.

Services

Our Consumer-to-Business payments services are available through a variety of options that give consumers choices as to the payment channel and method of payment, and include the following:

Speedpay[®]. Our Speedpay service allows consumers to make payments to a variety of United States-based businesses using credit cards, debit cards, ACH and in limited situations, checks. Payments are initiated through the Internet or over the phone.

Pago Fácil[®]. In South America, we offer walk-in, cash bill payment services which allow consumers to make payments for services such as phone, utilities and other recurring bills. In Argentina, we provide this service under the Pago Fácil brand, which constitutes the vast majority of our Consumer-to-Business services in South America. We offer this service under the Western Union brand in Peru and Panama.

Western Union Payments. The Western Union Payments service, which includes our Quick Collect[®] service, allows consumers to send funds to businesses and government agencies, primarily across the United States and Canada, using cash and, in certain locations, a debit card. This service is offered primarily at Western Union agent locations, but is provided via our westernunion.com website in limited situations. This service is also offered in select international locations under the service mark Quick PaySM. We also offer Quick Cash[®], a cash disbursement service used by businesses, government agencies, and financial institutions primarily to send money to employees or individuals with whom they have accounts or other business relationships. Consumers also use our Western Union Convenience Pay[®] ("Convenience Pay") service to send payments by cash or check from a smaller number of Convenience Pay agent locations in the United States primarily to utilities and telecommunication providers.

Distribution and Marketing Channels

Our electronic consumer payment services are available primarily through the phone and via the Internet, including through certain mobile devices, while our cash-based consumer services are available through our agent networks and at select Company-owned locations that are primarily in South America.

Businesses market our services to consumers in a number of ways. We market our services directly to consumers and billers using a variety of means, including advertising materials, promotional activities, call campaigns and attendance at trade shows and seminars. Our Internet services are marketed to consumers on our websites, on the websites of our partners who offer our payment solutions, or through co-branding arrangements with these partners.

Our relationships with consumers and businesses are a core component of our Consumer-to-Business payments services. No individual consumer or business accounted for greater than 10% of this segment's revenue during all periods presented.

Industry Trends

The payments industry has evolved with technological innovations that have created new methods of processing payments from consumers to businesses. The various services within the payments industry are in varying stages of development outside the United States. We believe that the United States is moving toward electronic payment methods through the use of multiple technologies, and away from cash and paper checks for bill payments.

Competition

Western Union competes with a diverse set of service providers offering both cash and electronic-based payment solutions. Competition in electronic payment services includes financial institutions (which may offer consumer bill payment in their own name, or may "host" payment services operated under the names of their clients) and other non-bank competitors. Competition for electronic payments also includes businesses offering their own or third-party services to their own customers and third-party providers of all sizes offering services directly to consumers. Competitors for cash payments include businesses that allow consumers to pay a bill at one of their locations, or at the location of a partner business, as well as mail and courier services. The ongoing trend away from cash-based bill payments in the United States and competitive pressures, which result in lower cash-based bill payment volumes and also result in a shift to lower revenue per transaction services, continues to impact this business.

We believe the most significant competitive factors in this segment relate to customer service, trust and reliability, convenience, speed, price, variety of payment methods, biller relationships and service offerings, innovation, technology, and brand recognition.

Business Solutions Segment

In our Business Solutions segment, which represented 7% of our total consolidated revenues for 2016, 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 substantial 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 significant 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. Additionally, in 2016, we implemented our digital platform, WU[®] EDGE, which facilitates cross-border payments between businesses. 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 primarily offered over the phone, through partner 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 website partners.

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 with technological innovations that have created new 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 and will likely continue to result in increased costs in this segment.

Competition

Western Union 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, including our money order services, are grouped in the "Other" category, which also includes costs for the review and closing of acquisitions.

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.

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 Payments, Quick Collect, Convenience Pay, Quick Pay, Quick Cash, Speedpay, Pago Fácil (registered in Argentina), and Western Union Business Solutions.

Our operating results over the past several years have allowed us to invest significantly each year to support our brands. In 2016, we invested approximately \$195 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 each agent signing, and conducts periodic analyses of agents and certain other parties which 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 or euros, 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.

International Investment

No provision has been made for United States federal and state income taxes on certain of our outside tax basis differences, which primarily relate to accumulated foreign earnings of approximately \$6.7 billion as of December 31, 2016, as we have reinvested and expect to continue to reinvest these earnings outside the United States indefinitely. Over the last several years, such earnings have been used to pay for our international acquisitions and operations and provide initial Company funding of global principal payouts for Consumer-to-Consumer and Business Solutions transactions. However, if we are unable to utilize accumulated earnings outside the United States, and we repatriate these earnings to the United States in the form of actual or constructive dividends, we would be subject to significant United States federal income taxes (subject to an adjustment for foreign tax credits), state income taxes and possible withholding taxes payable to various foreign countries.

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 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, the seizure of our assets, and/or the imposition of civil and criminal penalties, including fines and restrictions on our ability to offer services. For example, we recently entered into the Joint Settlement Agreements, as further discussed in Part I, Item 3, *Legal Proceedings*, and 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, 2016, these programs included approximately 2,300 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 2016, 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, we recently entered into the Joint Settlement Agreements, as further discussed in Part I, Item 3, *Legal Proceedings*, and 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, their governments, and in certain circumstances, their 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 individuals in Cuba, Syria and Sudan 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 European Union ("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 one of our payments institution subsidiaries. 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, including our money transfer business in the United Kingdom, 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 and may lead to increased competition in our areas of service. 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, known as PSD2. PSD2 became EU law in January 2016 and requires EU member states to transpose it into their national laws by January 2018. Among other changes, PSD2 will increase the supervisory powers granted to member states with respect to activities performed by Western Union and its agent network within their jurisdictions.

Regulators worldwide are exercising heightened supervision of money transfer providers and requiring increasing efforts to ensure compliance. As a result, we are experiencing increasing 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 the 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; 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. It is likely that this effort will lead to additional regulatory scrutiny.

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 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 recently 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 are currently evaluating 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."*

Unclaimed Property Regulations

Our Company is subject to unclaimed property laws in the United States and in certain other countries. These laws require us 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 standards, data privacy, 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, data privacy and data breach laws such as the federal Gramm-Leach-Bliley Act and various state laws apply directly to a broad range of financial institutions including money transfer providers like Western Union, and indirectly to companies that provide services to or on behalf of those institutions. The United States Federal Trade Commission ("FTC") has an on-going program of investigating the privacy practices of companies and has commenced enforcement actions against many, resulting in multimillion dollar settlements and multi-year agreements concerning companies' privacy practices. The FTC, CFPB, and several states have expanded their areas of concern to include privacy practices related to online and mobile applications. Many 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, subject to varying requirements concerning compromise and potential harm. In addition, the Company is also subject to United States federal reporting requirements in connection with some such incidents.

Increasingly, the data privacy laws and regulations of countries outside the United States are having a more 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 and storage of personal information, and the EU's approach is frequently followed by other jurisdictions. Laws adopted pursuant to the EU's data privacy 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 the country of collection), processing, storage, use and disclosure of personal information, require notice to individuals of privacy practices, and give individuals certain access and correction rights with respect to their personal information and prevent 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 approved a comprehensive new General Data Privacy Regulation ("GDPR") that will replace the EU's 1995 data privacy 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 also expect to incur significant expenses to meet the new obligations of the GDPR, which may require us to make significant changes to our business operations not only in the EU but also in the United States and other countries in which we provide services.

Data privacy regulations, laws and industry standards also impose requirements for safeguarding personal information through the issuance of internal data security standards, controls or guidelines. 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 and other breaches. For further discussion of these risks, see Part I, Item 1A, *Risk Factors* - *"Breaches of our information security policies or 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. While we believe that Western Union is compliant with its regulatory responsibilities in all material respects, 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 (the "Financial Services Department"), which has regulatory authority over our entity that holds all interests in these subsidiaries. Further, an Agreement of Supervision with the Financial Services Department 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, 2016, our businesses employed approximately 10,700 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, 2017, our executive officers consist of the individuals listed below:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Hikmet Ersek	56	President, Chief Executive Officer and Director
Rajesh K. Agrawal	51	Executive Vice President, Chief Financial Officer
Odilon Almeida	55	Executive Vice President, President - Global Money Transfer
Elizabeth G. Chambers	54	Executive Vice President, Chief Strategy, Product, and Marketing Officer
John R. Dye	57	Executive Vice President, General Counsel and Secretary
Jean Claude Farah	46	Executive Vice President, President - Global Payments
J. David Thompson	50	Executive Vice President, Global Operations and Chief Information Officer
Richard L. Williams	51	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 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 (from February 2017). From January 2014 to February 2017, Mr. Almeida served as Executive Vice President and President, Americas and European Union, and from January 2013 through December 2013, Mr. Almeida served as 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 November 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 is a non-executive director of Millicom International Cellular S.A.

Elizabeth G. Chambers is our Executive Vice President and Chief Strategy, Product and Marketing Officer. Prior to taking this position in November 2015, Ms. Chambers was Chief Marketing and Business Development Officer at the international law firm Freshfields Bruckhaus Deringer from March 2011 to June 2015. Ms. Chambers served as Chief Marketing Officer of retail and commercial banking and Barclaycard at Barclays from June 2006 to November 2010, where she also led Barclaycard's co-branded credit card issuing business in the United Kingdom for three years. Prior to joining Barclays, Ms. Chambers held a variety of strategy, marketing and new business development roles at Bingham McCutchen LLP from 2004 to 2006, Bank of America from 2002 to 2004 and the Reader's Digest Association from 1998 to 2002. Earlier in her career, Ms. Chambers was a Partner in the Financial Institutions and Organization practices at McKinsey & Company. Ms. Chambers started her career as a financial analyst with Morgan Stanley & Co. Ms. Chambers is a non-executive director of Smith & Williamson Holdings Limited.

John R. Dye is our Executive Vice President, General Counsel and Secretary. Prior to taking this position in November 2011, Mr. Dye was Senior Vice President, Interim General Counsel and Corporate Secretary of the Federal Home Loan Mortgage Corporation ("FHLMC") from July 2011. From July 2007 to July 2011, Mr. Dye served as Senior Vice President, Principal Deputy General Counsel Corporate Affairs, of FHLMC. Prior to joining FHLMC, Mr. Dye served as Associate General Counsel at Citigroup Inc. from August 1999 to July 2007, and as Senior Vice President and Senior Counsel at Salomon Smith Barney from 1994 to 1999. Prior to that time, Mr. Dye was an attorney at the law firm of Brown & Wood. Mr. Dye is a member of the Colorado State Banking Board. Mr. Dye is also Chairman of the Board of the Western Union Foundation.

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.

J. David Thompson is our Executive Vice President, Global Operations (from November 2012) and Chief Information Officer (from April 2012). Prior to April 2012, Mr. Thompson was Group President, Services & Support and Global CIO of Symantec Corporation since January 2008. From February 2006 to January 2008, Mr. Thompson served as Symantec's Executive Vice President, Chief Information Officer. Prior to joining Symantec, Mr. Thompson was Senior Vice President and Chief Information Officer for Oracle Corporation from January 2005 to January 2006. From August 1995 to January 2005, he was Vice President of Services and Chief Information Officer at PeopleSoft, Inc. Mr. Thompson is a non-executive director of CoreSite Realty Corporation.

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, 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, 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, cash flows, and our cash management strategies, including the amounts, timing, and manner by which cash is repatriated or otherwise made available from our international subsidiaries ("Cash Management Strategies").
- Many of our consumers work in industries that may be impacted by deteriorating economic conditions more quickly or significantly than other industries. Reduced job opportunities, especially in retail, technology, healthcare, hospitality, energy, and construction, or overall weakness in the world's 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, cash flows, and our Cash Management Strategies 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, cash flows, and our Cash Management Strategies. 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 as it becomes 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, 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 and 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, credit unions, 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. 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.

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, cash flows, and our Cash Management Strategies.

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 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 pursuant to our settlement agreement with the State of Arizona and requirements under the Joint Settlement Agreements, and other requirements or to a greater extent than is currently required;
- any significant interruption in our systems, including by fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses or disruptions in our workforce; and
- any breach of our computer systems or other data storage facilities resulting in a compromise of personal 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. If we are unable to or elect not to hedge our foreign exchange exposure to the euro against a significant devaluation, the value of our euro-denominated revenue, operating income and net monetary assets and liabilities would be correspondingly reduced when translated into United States dollars for inclusion in our financial statements. Moreover, if we engage in foreign currency hedging activities related to our revenues, such transactions may help to mitigate the adverse financial effects of an appreciation in the United States dollar relative to other currencies. In an environment of a declining United States dollar relative to other currencies, such hedging transactions could have the effect of limiting the translation benefits on our reported financial results. In addition, our Business Solutions business provides currency conversion and, in certain countries, foreign exchange hedging services to its customers, further exposing us to foreign currency exchange risk. In order to help mitigate these risks, we enter into derivative contracts. However, these contracts do not eliminate all of the risks related to fluctuating foreign currency rates.

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. 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. Repatriating foreign earnings to the United States would, in many cases, result in significant tax obligations because most of these earnings have been taxed at relatively low foreign tax rates compared to our combined federal and state tax rate in 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 policies or 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, employee and agent data 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 practices both inside and outside the jurisdiction that imposed the regulation, are designed to protect the privacy of personal information and prevent that information from being inappropriately used or disclosed. We have developed and maintain technical and operational measures 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 the systems of our business partners and service providers and improperly obtain or disclose data about our consumers, business customers, agents, subagents, and/or employees, or that a third-party service provider could intentionally or inadvertently disclose personal data 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. Hackers 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. Data breaches such as these have the potential to impose material costs on the Company and there can be no assurance that additional breaches 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. Also, in some jurisdictions we transfer data related to our employees, business customers, consumers, subagents, agents and potential employees to third-party vendors in order to perform due diligence and for other reasons. It is possible that a vendor could intentionally or inadvertently disclose such data. Additionally, transactions undertaken through our mobile services may create different risks of fraud, hacking, and other deceptive practices. Any data breach resulting in a compromise of consumer, business, employee or agent data could require us to notify impacted individuals, and in some cases regulators, of a possible or actual breach, 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 fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses 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 have taken steps and made investments to prevent security breaches and systems disruptions, our measures may not be successful and we may experience material breaches, 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, 2016, we had \$3,162.0 million of goodwill comprising approximately 34% of our total assets, including \$1,950.1 million of goodwill in our Consumer-to-Consumer reporting unit and \$996.0 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 the Business Solutions reporting unit, a decline in estimated fair value of approximately 15% as of the October 1, 2016 testing date could occur before triggering an impairment of goodwill. The fair value of the Business Solutions reporting unit is sensitive to changes in projections for revenue growth rates and EBITDA margins, as well as changes in United States and foreign income tax rates, which impact the value of our cash flow management and liquidity strategies facilitated through the Business Solutions reporting unit. The value derived from these 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 would also be available to certain market participants. If tax reform is enacted that would reduce the cost of or restrictions on repatriating funds back to the United States, the fair value of these strategies could be reduced, which could contribute, along with a reduction in other anticipated future operating cash flows, to a 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 Operation*, 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 much of our Consumer-to-Business 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 the Internet and phone. 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.

We believe we have adequate liquidity to meet our business needs, service our debt obligations, pay dividends, and repurchase shares through our existing cash balances, our ability to generate cash flows through operations, our \$1.65 billion revolving credit facility and our \$1.5 billion 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 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 be impacted by existing regulations and new proposed regulations that, if fully implemented, would require us to post collateral in connection with our derivative financial instruments used to hedge our exposures arising in connection with changes to foreign currency exchange rates and interest rates. We are still assessing the liquidity impact of these new regulations.

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. For example, changes to our compliance-related practices as a result of our settlement agreement with the State of Arizona and changes to our business model, primarily related to our Vigo and Orlandi Valuta brands, resulted in the loss of over 7,000 agent locations in Mexico in 2012. Also, under the Joint Settlement Agreements, we are subject to heightened requirements relating to agent oversight which may result in agent attrition. 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 their subagent loses information, if there is a significant disruption to the information systems of an agent or their subagent, or if an agent or their subagent does not maintain the appropriate controls over their systems, we may experience reputational and other harm which could result in losses to the Company.

In our Consumer-to-Business segment, 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 Consumer-to-Business revenue through these relationships. 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. 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, 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. In addition to BEPS, efforts for tax reform in the United States are intensifying, though the nature and scope of such reform, if enacted, and the potential effect on our tax position, is still unclear. Among many possibilities, United States reform could include items such as a one-time tax on undistributed foreign profits of United States-based multinational companies, a lower overall United States corporate tax rate, implementation of a more territorial-style approach to taxation of non-United States profits, changes in the tax treatment of interest expense, and other significant items. As of December 31, 2016, we had outside tax basis differences, which primarily relate to accumulated foreign earnings, of approximately \$6.7 billion. Any material change in tax laws or policies, or their interpretation, resulting from BEPS, United States tax reform 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, 2016, the total amount of unrecognized tax benefits was a liability of \$365.1 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, 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, 2016. 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 unagreed. We filed our protest on November 28, 2012 related to the unagreed proposed adjustments with the IRS Appeals Division. Discussions with the IRS concerning these adjustments are ongoing. 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, and are engaging 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 them 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 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 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 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 or business methods infringe intellectual property rights of others, both inside and outside the United States. Unfavorable resolution of these claims could require us to change how we deliver 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, 2016, we held \$1.2 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 \$280.0 million as of December 31, 2016. The fair value of these assets held in the trust are compared to the plan's projected benefit obligation of \$306.4 million to determine the pension liability of \$26.4 million recorded within "Other liabilities" in our Consolidated Balance Sheet as of December 31, 2016. 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 obligations that could restrict our operations.

As of December 31, 2016, we had approximately \$2.8 billion in consolidated indebtedness, and we may also incur additional indebtedness in the future.

Our indebtedness 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, thereby reducing funds available for working capital, capital expenditures, acquisitions and other purposes.

There would be adverse tax consequences associated with using certain earnings generated outside the United States to pay the interest and principal on our indebtedness. Accordingly, this portion of our cash flow will be unavailable under normal circumstances to service our debt obligations.

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 will 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 New York Department of Financial Services. Under the Payment Services Directive ("PSD"), as amended by a revised Payment Services Directive known as PSD2, in the European Union ("EU"), and under similar legislation enacted or proposed in other jurisdictions, we have and will 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.

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 I, Item 3, *Legal Proceedings*, and Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies," we recently entered into agreements with the United States Department of Justice ("DOJ"), certain United States Attorney's Offices, the United States Federal Trade Commission ("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 (the "Joint Settlement Agreements"). 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 to some extent for 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 with the PSD 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 its 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.

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

As further described under Part I, Item 3, *Legal Proceedings*, the Company recently 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 is 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. 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. In addition, if the Company fails to comply with these 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.

On February 11, 2010, Western Union Financial Services, Inc. ("WUFSI"), a subsidiary of the Company, signed a settlement agreement ("Southwest Border Agreement"), which resolved all outstanding legal issues and claims with the State of Arizona (the "State") and required the Company to fund a multi-state not-for-profit organization promoting safety and security along the United States and Mexico border, in which California, Texas and New Mexico are participating with the State. As part of the Southwest Border Agreement, the Company has made and expects to make certain investments in its anti-money laundering ("AML") compliance programs along the United States and Mexico border and a monitor (the "Monitor") has been engaged for those programs. The Company has incurred, and expects to continue to incur, significant costs in connection with the Southwest Border Agreement. The Monitor has made a number of primary and secondary recommendations related to WUFSI's compliance programs, which WUFSI has implemented or is implementing, including programs related to the Company's Business Solutions segment.

On January 31, 2014, the Southwest Border Agreement was amended to extend its term until December 31, 2017 (the "Amendment"). The Amendment imposes additional obligations on the Company and WUFSI in connection with WUFSI's AML compliance programs and cooperation with law enforcement. In particular, the Amendment requires WUFSI to continue implementing the primary and secondary recommendations made by the Monitor, and includes, among other things, timeframes for implementing such primary and secondary recommendations. Under the Amendment, the Monitor could make additional primary recommendations until January 1, 2015 and may make additional secondary recommendations until January 31, 2017. After these dates, the Monitor may only make additional primary or secondary recommendations, as applicable, that meet certain requirements as set forth in the Amendment.

WUFSI implemented all of the primary recommendations prior to October 31, 2015. On June 29, 2016, the Monitor notified WUFSI and the State that the Monitor had determined that (i) WUFSI had successfully implemented all of the primary recommendations, and (ii) WUFSI has implemented an effective AML compliance program along the United States and Mexico border. On July 27, 2016, the Monitor delivered its final report for the primary recommendations period and the Superior Court of Arizona in and for Maricopa County accepted the report. Accordingly, the State cannot pursue any remedies under the Southwest Border Agreement with respect to the primary recommendations.

The Amendment also provides until June 30, 2017 for implementation of the secondary recommendations, and provides a deadline of December 31, 2017 for the Monitor to issue a report evaluating implementation of the secondary recommendations. If the Monitor concludes in that report that WUFSI has not implemented an effective AML compliance program along the United States and Mexico border, the State cannot assert a willful and material breach of the Southwest Border Agreement but may require WUFSI to pay \$25 million (the "Secondary Period Remedy"). There is no monetary penalty associated with secondary recommendations that were classified as such on the date of the Amendment or any new secondary recommendations that the Monitor makes after the date of the Amendment. There are currently 15 such secondary recommendations and groups of secondary recommendations.

The Amendment requires WUFSI to continue funding the Monitor's reasonable expenses in \$500,000 increments as requested by the Monitor. The Amendment also requires WUFSI to make a one-time payment of \$250,000, which was paid in March 2014, and thereafter \$150,000 per month for five years to fund the activities and expenses of a money transfer transaction data analysis center formed by WUFSI and a Financial Crimes Task Force comprised of federal, state and local law enforcement representatives, including those from the State. In addition, California, Texas, and New Mexico are participating in the money transfer transaction data analysis center.

The changes in WUFSI's AML compliance program required by the Southwest Border Agreement, including the Amendment, and the Monitor's recommendations have had, and will continue to have, adverse effects on the Company's business, including additional costs. The Company is unable at this stage to predict whether the Monitor will conclude at the end of the timeframe for implementing the secondary recommendations that WUFSI has successfully implemented the secondary recommendations and has an effective AML compliance program, and, accordingly, whether the State will pursue the Secondary Period Remedy. For additional information, see Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies."

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, we recently entered into the Joint Settlement Agreements, as further discussed in Part I, Item 3, *Legal Proceedings*, and Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies."

Further, our business has been affected and is currently being affected by on-going changes to our compliance procedures related to our settlement agreement with the State of Arizona. See risk factor *"Western Union is the subject of consent agreements with or enforcement actions by regulators."* Due to regulatory initiatives, we have changed our compliance related practices and business model along the United States and Mexico border, including in the southwestern region of the United States. Such changes have had, and will likely continue to have an adverse effect on our revenue, profit margins, and business operations related to our United States to Mexico and United States to Latin America and the Caribbean corridors.

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. Similar circumstances in foreign countries 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 have to 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 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 could affect our and their ability to offer our services. For example, we and our agents 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 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 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 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 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 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 (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. 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 while they are providing the Western Union money transfer service increase our risk of regulatory liability and our costs to monitor our agents' 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 new 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. Our litigation exposure may also be increased by the CFPB's authority to limit or ban pre-dispute arbitration clauses. The Dodd-Frank Act authorized the CFPB to conduct a study on pre-dispute arbitration clauses and, based on the study, potentially limit or ban arbitration clauses. In 2015, the CFPB released its report to Congress on pre-dispute arbitration as required by the Dodd-Frank Act and also published a potential rulemaking on arbitration agreements. In May 2016, the CFPB issued its proposed arbitration rule that would (i) effectively ban consumer financial companies from using arbitration clauses to prevent class action cases and (ii) require records of all other arbitrations to be provided to the CFPB for potential publication on its website. The timing and provision of any final rule are uncertain at this time.

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.

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 recently 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 are currently evaluating the impact the proposed rule, if adopted, would have on our hedging activities and operations. 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. 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.

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, securities laws and other laws, both foreign and domestic. We also are subject to claims asserted by consumers based on individual transactions. We may not 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, 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 I, Item 3, *Legal Proceedings* and 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 privacy and data use and security under federal, state and foreign laws. For example, the FTC has an on-going program of investigating the privacy practices of companies and has commenced enforcement actions against many, resulting in multi-million dollar settlements and 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 approved a comprehensive new General Data Privacy Regulation ("GDPR") that will replace the EU's 1995 data privacy 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 analyzing the GDPR to determine its potential effects on our business practices, but we expect to incur significant expenses to meet the new obligations of the GDPR, which may require us to make significant changes to our business operations not only within the EU, but also in the United States and other countries. Failure to comply with existing or future privacy and data use 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 which require us 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. In addition, we are subject to audits with regard to our escheatment practices. Any difference 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.

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 as of December 31, 2016 and expect to incur additional indebtedness in 2017, which could make it more difficult to meet these requirements if such requirements are increased. 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, 2016, we had offices in approximately 50 countries, which included four owned facilities and approximately 20 United States and approximately 400 international leased properties. Our owned facilities included our corporate headquarters located in Englewood, Colorado.

Our owned and leased facilities are used for operational, sales and administrative purposes in support of our Consumer-to-Consumer, Consumer-to-Business, and Business Solutions segments and are all currently being utilized. 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

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”); 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. The DOJ and FTC investigations are described further in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, “Commitments and Contingencies.” FinCEN provided notice to the Company dated December 16, 2016 of its investigation regarding possible violations of the United States Bank Secrecy Act. On January 31, 2017, the Company entered into an assurance of discontinuance/assurance of voluntary compliance (the “State AG Agreement”) with the attorneys general of 49 U.S. states and the District of Columbia named therein (the “State Attorneys General”) to resolve the State Attorneys General investigations described further in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, “Commitments and Contingencies.” The DPA, Consent Order, FinCEN Agreement, and State AG Agreement are collectively referred to herein as the “Joint Settlement Agreements.”

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 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 is required, among other things, 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 sets forth a civil penalty of \$184 million, the full amount of which is deemed satisfied by the Compensation Payment, without any additional payment or non-monetary obligations. No separate payment to the FTC is required under the Joint Settlement Agreements.

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 the Joint Settlement 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. In addition, 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.

Shareholder 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, two of its former executive officers and all but two of its current 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 anti-money laundering compliance system after receiving numerous red flags indicating prolonged willful illegality, obstructed the Southwest Border Monitor's efforts 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 anti-money laundering 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 Bank Secrecy Act and parallel anti-money laundering laws and regulations for a prolonged period of time, authorized and implemented anti-money laundering 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 may file an amended complaint that cures 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, eight of its current directors (including the Company's President and Chief Executive Officer, who also serves as a director) and one 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 January 20, 2017, Plaintiffs filed a notice of new case developments with the Court, attaching 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.

All of the actions described above under "Shareholder Actions" are in a preliminary stage and 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. 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. As this action is in a preliminary stage, 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.

On January 26, 2017, Martin Herman filed a purported class action complaint in the United States District Court for the Central District of California against the Company, its President and Chief Executive Officer, its Chief Financial Officer, and a former executive officer of the Company, asserting claims under sections 10(b) of the Exchange Act and Securities and Exchange Commission rule 10b-5 against all defendants and a claim under section 20(a) of the Exchange Act against the individual defendants. The complaint alleges that, during the purported class period, February 24, 2012 through January 19, 2017, defendants made false or misleading statements or failed to disclose adverse material facts known to them, including those regarding: (1) the effectiveness of the Company's fraud prevention program and the program's compliance with applicable law and best practices; (2) the development and enhancement of the Company's global compliance policies and anti-money laundering program; and (3) the Company's compliance with regulatory requirements. This 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 this action. The Company and the named individuals intend to vigorously defend themselves in this matter.

On February 22, 2017, Lawrence Henry Smallen and Laura Anne Smallen Revocable Living Trust filed a purported class action complaint in the United States District Court for the District of Colorado. The defendants, class period, claims and bases are the same as those in the purported class action complaint filed by Martin Herman described above. This 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 this action. The Company and the named individuals 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 €17.5 million (\$18.4 million based on the December 31, 2016 exchange rate) in victim losses that cannot be repaid by any of the criminal defendants who are convicted. The Company expects that WUPSIL will be required to guarantee or provide security for up to approximately €23.5 million (\$24.7 million) to cover the alleged victim losses plus potential interest and other costs. 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. However, based on the amounts alleged, the range of loss could be up to approximately €23.5 million (\$24.7 million).

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 3,688 stockholders of record as of February 15, 2017. 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	
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
2015			
First Quarter	\$ 20.87	\$ 16.73	\$ 0.155
Second Quarter	\$ 22.84	\$ 20.02	\$ 0.155
Third Quarter	\$ 20.62	\$ 16.91	\$ 0.155
Fourth Quarter	\$ 19.90	\$ 17.75	\$ 0.155

The following table sets forth stock repurchases for each of the three months of the quarter ended December 31, 2016:

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	437,972	\$ 20.13	427,644	\$ 301.1
November 1 - 30	3,376,358	\$ 20.52	3,369,670	\$ 231.9
December 1 - 31	70,863	\$ 20.79	68,027	\$ 230.5
Total.	3,885,193	\$ 20.48	3,865,341	

* 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 10, 2015, the Board of Directors authorized \$1.2 billion of common stock repurchases through December 31, 2017, of which \$230.5 million remained available as of December 31, 2016. On February 9, 2017, the Board of Directors authorized \$1.2 billion of common stock repurchases through December 31, 2019. 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 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. During 2015, the Board of Directors declared quarterly cash dividends of \$0.155 per common share payable on December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015. 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, cash generated or made available in the United States, capital requirements, regulatory constraints, 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.

On February 9, 2017, the Board of Directors declared a quarterly cash dividend of \$0.175 per common share payable on March 31, 2017.

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,				
	2016	2015	2014	2013	2012
Statements of Income Data:					
Revenues	\$ 5,422.9	\$ 5,483.7	\$ 5,607.2	\$ 5,542.0	\$ 5,664.8
Operating expenses (a)	4,939.2	4,374.3	4,466.7	4,434.6	4,334.8
Operating income (a)	483.7	1,109.4	1,140.5	1,107.4	1,330.0
Interest income (b)	3.5	10.9	11.5	9.4	5.5
Interest expense (c)	(152.5)	(167.9)	(176.6)	(195.6)	(179.6)
Other income/(expense), net, excluding interest income and interest expense	7.0	(10.6)	(7.2)	5.7	12.9
Income before income taxes (a) (b) (c)	341.7	941.8	968.2	926.9	1,168.8
Net income (a) (b) (c)	253.2	837.8	852.4	798.4	1,025.9
Depreciation and amortization	263.2	270.2	271.9	262.8	246.1
Cash Flow Data:					
Net cash provided by operating activities (d)	\$ 1,041.9	\$ 1,071.1	\$ 1,045.9	\$ 1,088.6	\$ 1,185.3
Capital expenditures (e)	(229.8)	(266.5)	(179.0)	(241.3)	(268.2)
Common stock repurchased (f)	(501.6)	(511.3)	(495.4)	(399.7)	(766.5)
Earnings Per Share Data:					
Basic (a) (b) (c) (f)	\$ 0.52	\$ 1.63	\$ 1.60	\$ 1.43	\$ 1.70
Diluted (a) (b) (c) (f)	\$ 0.51	\$ 1.62	\$ 1.59	\$ 1.43	\$ 1.69
Cash dividends declared per common share (g)	\$ 0.64	\$ 0.62	\$ 0.50	\$ 0.50	\$ 0.425
Key Indicators (unaudited):					
Consumer-to-Consumer transactions	268.33	261.53	254.93	242.34	230.98

<u>(in millions)</u>	As of December 31,				
	2016	2015	2014	2013	2012
Balance Sheet Data:					
Settlement assets	\$ 3,749.1	\$ 3,308.7	\$ 3,313.7	\$ 3,270.4	\$ 3,114.6
Total assets (h)	9,419.6	9,449.2	9,877.5	10,105.4	9,450.4
Settlement obligations	3,749.1	3,308.7	3,313.7	3,270.4	3,114.6
Total borrowings (h)	2,786.1	3,215.9	3,707.5	4,197.1	4,013.9
Total liabilities (h)	8,517.4	8,044.3	8,577.1	9,000.7	8,509.8
Total stockholders' equity	902.2	1,404.9	1,300.4	1,104.7	940.6

- (a) During 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 I, Item 3, *Legal Proceedings*, and Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies." During 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) Net cash provided by operating activities during the year ended December 31, 2012 was impacted by tax payments of \$92.4 million made as a result of an agreement with the United States Internal Revenue Service ("IRS Agreement") resolving substantially all of the issues related to the restructuring of our international operations in 2003.
- (e) Capital expenditures include capitalization of contract costs, capitalization of purchased and developed software and purchases of property and equipment.
- (f) On February 10, 2015, the Board of Directors authorized \$1.2 billion of common stock repurchases through December 31, 2017, of which \$230.5 million remained available as of December 31, 2016. On February 9, 2017, the Board of Directors authorized \$1.2 billion of common stock repurchases through December 31, 2019. During the years ended December 31, 2016, 2015, 2014, 2013, and 2012, we repurchased 24.8 million, 25.1 million, 29.3 million, 25.7 million, and 51.0 million shares, respectively.
- (g) Cash dividends per share declared quarterly by the Company's Board of Directors were as follows:

Year	Q1	Q2	Q3	Q4
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
2012.....	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.125

- (h) On January 1, 2016, the Company adopted an accounting pronouncement that requires capitalized debt issuance costs to be presented as a reduction to the carrying value of debt, with adoption retrospective for periods previously presented. The adoption of this standard resulted in a reduction to the carrying value of Total assets, Total borrowings, and Total liabilities for equivalent amounts in each applicable year. Reductions in these balances were \$9.7 million, \$12.9 million, \$15.9 million, and \$15.3 million as of December 31, 2015, 2014, 2013, and 2012, respectively.

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 three 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, real-time 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. Our money transfer services are available for international cross-border transfers - that is, the transfer of funds from one country to another - and, in certain countries, intra-country transfers - that is, money transfers from one location to another in the same country. This segment also includes money transfer transactions that can be initiated through websites and mobile devices.
- *Consumer-to-Business* - The Consumer-to-Business operating segment facilitates bill payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers and government agencies. The significant majority of the segment's revenue was generated in the United States during all periods presented, with the remainder primarily generated in Argentina.
- *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 that have not been classified in the above segments are reported as "Other" and include our money order and other services, in addition to costs for the review and closing of acquisitions.

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.

Results of Operations

The following discussion of our consolidated results of operations and segment results refers to the year ended December 31, 2016 compared to the same period in 2015 and the year ended December 31, 2015 compared to the same period in 2014. 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. 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.

Our revenues and operating income for the years ended December 31, 2016 and 2015 were negatively impacted by the strengthening of the United States dollar compared to foreign currencies. Please see the "Revenues overview" and "Operating income" sections below for further discussion. Additionally, 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 I, Item 3, *Legal Proceedings*. 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. Both the Joint Settlement Agreements and the Paymap Settlement Agreement have been reflected within "Selling, general and administrative" expenses in our Consolidated Statements of Income.

The following table sets forth our consolidated results of operations for the years ended December 31, 2016, 2015 and 2014.

(in millions, except per share amounts)	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Revenues:					
Transaction fees	\$ 3,795.1	\$ 3,915.6	\$ 4,083.6	(3)%	(4)%
Foreign exchange revenues	1,490.2	1,436.2	1,386.3	4 %	4 %
Other revenues	137.6	131.9	137.3	4 %	(4)%
Total revenues	5,422.9	5,483.7	5,607.2	(1)%	(2)%
Expenses:					
Cost of services	3,270.0	3,199.4	3,297.4	2 %	(3)%
Selling, general and administrative	1,669.2	1,174.9	1,169.3	42 %	0 %
Total expenses	4,939.2	4,374.3	4,466.7	13 %	(2)%
Operating income	483.7	1,109.4	1,140.5	(56)%	(3)%
Other income/(expense):					
Interest income	3.5	10.9	11.5	(68)%	(5)%
Interest expense	(152.5)	(167.9)	(176.6)	(9)%	(5)%
Derivative gains/(losses), net	4.5	1.2	(2.2)	(a)	(a)
Other income/(expense), net	2.5	(11.8)	(5.0)	(a)	(a)
Total other expense, net	(142.0)	(167.6)	(172.3)	(15)%	(3)%
Income before income taxes	341.7	941.8	968.2	(64)%	(3)%
Provision for income taxes	88.5	104.0	115.8	(15)%	(10)%
Net income	\$ 253.2	\$ 837.8	\$ 852.4	(70)%	(2)%
Earnings per share:					
Basic	\$ 0.52	\$ 1.63	\$ 1.60	(68)%	2 %
Diluted	\$ 0.51	\$ 1.62	\$ 1.59	(69)%	2 %
Weighted-average shares outstanding:					
Basic	490.2	512.6	533.4		
Diluted	493.5	516.7	536.8		

(a) Calculation not meaningful.

Revenues overview

Transaction volume is the primary generator of revenue in our businesses. Revenue on transactions is derived primarily from transaction fees and foreign exchange revenues paid by consumers to transfer money or make payments. Consumer-to-Consumer revenues vary by transaction based upon send and receive locations and the principal amount sent and in certain consumer money transfer, bill payment and Business Solutions transactions involving different send and receive currencies, we generate foreign exchange revenues 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.

Due to the significance of the effect that foreign exchange fluctuations against the United States dollar can have on our reported revenues and operating income, constant currency results have been provided in tables below for consolidated revenues and operating income. 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 revenue results. Constant currency results assume foreign revenues and expenses 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 and operating income can be viewed without the effect of fluctuations in foreign currency exchange rates, which is consistent with how management evaluates our revenue and operating income results and trends. We believe that these measures provide management and investors with information about operating results and trends that eliminates currency volatility and provides greater clarity regarding, and increases the comparability of, our underlying results and trends. These constant currency disclosures are provided in addition to, and not as a substitute for, the percentage change in revenue and operating income on a GAAP basis for the years ended December 31, 2016 and 2015 compared to 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, 2016, 2015, and 2014.

	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
(dollars in millions)					
Revenues, as reported - (GAAP)	\$ 5,422.9	\$ 5,483.7	\$ 5,607.2	(1)%	(2)%
Foreign currency impact (a)				4 %	6 %
Revenue change, constant currency adjusted - (Non-GAAP)				3 %	4 %

- (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 \$217.1 million and \$322.6 million for the years ended December 31, 2016 and 2015, 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 \$48.0 million, \$77.8 million, and \$1.6 million for the years ended December 31, 2016, 2015, and 2014, respectively.

2016 compared to 2015

During the year ended December 31, 2016 compared to 2015, consolidated 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 revenue on a constant currency basis of 3% was primarily due to Consumer-to-Consumer transaction growth and increases in our Consumer-to-Business revenue, as further described in "Segment Discussion" below.

During the year ended December 31, 2015 compared to 2014, consolidated revenues decreased 2% primarily due to the strengthening of the United States dollar compared to foreign currencies, which negatively impacted revenue by 6%, 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, 2015. The increase in revenue on a constant currency basis of 4% was primarily due to Consumer-to-Consumer transaction growth and increases in our Consumer-to-Business revenue, as further described in "Segment Discussion" below.

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 our settlement agreement with the State of Arizona, the Joint Settlement Agreements, described further in Part I, Item 3, *Legal Proceedings*, 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, 2016. 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.

Cost of services decreased for the year ended December 31, 2015 compared to the prior year due to variable costs that generally fluctuate with revenues, including agent commissions, and benefits from and lower costs related to productivity and cost-savings initiatives, partially offset by increased technology expenses. For further discussion of our productivity and cost-savings initiatives, see Note 3 to Part II, Item 8, *Financial Statements and Supplementary Data*.

Selling, general and administrative

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 in the amount of \$601 million, as described earlier, and consulting expenses related to a business transformation initiative. This increase was partially offset by expenses related to the Paymap Settlement Agreement in the amount of \$35.3 million that was recorded in the second quarter of 2015 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.

Selling, general and administrative expenses were flat for the year ended December 31, 2015 compared to the prior year and were impacted by the Paymap Settlement Agreement, increased incentive compensation expenses, and increased compliance program costs (see "Enhanced regulatory compliance"), partially offset by benefits from and lower costs related to productivity and cost-savings initiatives. Additionally, the strengthening of the United States dollar compared to foreign currencies resulted in a positive impact on the translation of our expenses.

Operating income

The following table sets forth our consolidated operating income results for the years ended December 31, 2016, 2015, and 2014. As further discussed in "Revenues overview" above, non-GAAP constant currency results have been provided in the tables below for operating income change. In addition, to assist in evaluating the comparable periods' results, we are including additional line items in the table below reflecting operating income and operating income change excluding the effect of the \$601.0 million of expenses as a result of the Joint Settlement Agreements in the year ended December 31, 2016, and the \$35.3 million of expenses related to the Paymap Settlement Agreement that were recorded in the second quarter of 2015. Operating income, excluding Joint Settlement Agreements and Paymap Settlement Agreement, and operating income change, constant currency adjusted, excluding Joint Settlement Agreements and Paymap Settlement Agreement, are non-GAAP financial measures and are used by management in evaluating the operating income results and trends. We believe that, by adjusting operating income and operating income change to exclude the effects of the Joint Settlement Agreements and Paymap Settlement Agreement, which impacted operating trends, management and investors are provided with measures that increase the comparability of our underlying operating results. This disclosure is provided in addition to, and not as a substitute for, operating income and operating income change on a GAAP basis.

	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
(dollars in millions)					
Operating income, as reported - (GAAP)	\$ 483.7	\$ 1,109.4	\$ 1,140.5	(56)%	(3)%
Joint Settlement Agreements and Paymap Settlement Agreement	601.0	35.3	—		
Operating income, excluding Joint Settlement Agreements and Paymap Settlement Agreement - (Non-GAAP)	<u>\$ 1,084.7</u>	<u>\$ 1,144.7</u>	<u>\$ 1,140.5</u>	(5)%	— %
Foreign currency impact (a)				8 %	4 %
Operating income change, constant currency adjusted, excluding Joint Settlement Agreements and Paymap Settlement Agreement - (Non-GAAP)				<u>3 %</u>	<u>4 %</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 operating income of \$90.2 million and \$45.8 million for the years ended December 31, 2016 and 2015, respectively, when compared to foreign currency rates in the prior year.

Consolidated operating income decreased 56% during the year ended December 31, 2016 compared to the prior year as a result of the changes in revenue and operating expenses described above, primarily due to the Joint Settlement Agreements. In addition to the Joint Settlement Agreements, the strengthening of the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, negatively impacted operating income by approximately 8% for the year ended December 31, 2016 compared to the prior year. The increase in operating income on a constant currency basis of 3%, excluding the Joint Settlement Agreements and the Paymap Settlement Agreement, was primarily due to the increase in constant currency revenue discussed above. We expect to incur significant additional expenses during the year ending December 31, 2017 related to a business transformation initiative that will negatively impact operating income.

Consolidated operating income decreased 3% during the year ended December 31, 2015 compared to the prior year as a result of the changes in revenue and operating expenses described above, including the impact from the Paymap Settlement Agreement. The strengthening of the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, negatively impacted operating income by approximately 4% for the year ended December 31, 2015 compared to the prior year. The increase in operating income on a constant currency basis of 4%, excluding the Paymap Settlement Agreement, was primarily due to the increase in constant currency revenue discussed above.

Total other expense, net

Total other expense, net decreased by 15% for the year ended December 31, 2016 compared to the prior year primarily due to lower interest expense related to lower average debt balances outstanding. Average debt balances outstanding were \$3,127.5 million and \$3,636.0 million for the years ended December 31, 2016 and 2015, respectively. The decrease in average debt balances outstanding during the year ended December 31, 2016 compared to the prior year was primarily due to the repayment of \$250 million of our notes in August 2015, \$250 million of our notes in December 2015 and \$1 billion of our notes in October 2016, of which \$575 million was refinanced through borrowings from our term loan facility.

Total other expense, net during the year ended December 31, 2015 compared to the prior year decreased by 3% due to lower interest expense primarily related to lower average debt balances outstanding. Average debt balances outstanding were \$3,636.0 million and \$3,843.2 million for the years ended December 31, 2015 and 2014, respectively. The decrease in average debt balances outstanding during the year ended December 31, 2015 compared to the prior year was primarily due to the repayment of \$500 million of our notes in February 2014, \$250 million of our notes in August 2015, and \$250 million of our notes in December 2015.

Income taxes

Our effective tax rates on pre-tax income were 25.9%, 11.0% and 12.0% for the years ended December 31, 2016, 2015 and 2014, respectively. The increase in our effective tax rate for the year ended December 31, 2016 compared to 2015 was primarily due to the tax-related effects of the Joint Settlement Agreements (impact of 15.9%), 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 decrease in our effective tax rate for the year ended December 31, 2015 compared to 2014 was primarily due to various tax planning benefits, some of which are non-recurring, partially offset by changes in the composition of foreign earnings between higher taxed and lower taxed and the combined effects of various discrete items.

We continue to benefit from a significant proportion of profits being foreign-derived and generally taxed at lower rates than our combined federal and state tax rates in the United States. For the years ended December 31, 2016, 2015 and 2014, 260%, 103% and 96%, respectively, of our pre-tax income was derived from foreign sources. Our foreign pre-tax income is subject to tax in multiple foreign jurisdictions, virtually all of which have statutory income tax rates lower than the United States. 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 tax laws, both foreign and domestic. Certain portions of our 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 our foreign source income are generally subject to United States federal and state income tax.

We have established contingency reserves for a variety of material, known tax exposures. As of December 31, 2016, the total amount of tax contingency reserves was \$365.1 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.

Earnings per share

During the years ended December 31, 2016, 2015 and 2014, basic earnings per share were \$0.52, \$1.63 and \$1.60, respectively, and diluted earnings per share were \$0.51, \$1.62 and \$1.59, respectively. Outstanding options to purchase Western Union stock and unvested shares of restricted stock are excluded from basic shares outstanding. Diluted earnings 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, 2016, 2015 and 2014, there were 3.4 million, 6.0 million and 15.5 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation under the treasury stock method as their effect was anti-dilutive.

Earnings per share for the years ended December 31, 2016 and 2015 compared to the prior year were impacted by the previously described factors impacting net income, including the Joint Settlement Agreements, which negatively impacted net income for the year ended December 31, 2016 by \$1.21 per share, and the Paymap Settlement Agreement, which negatively impacted net income for the year ended December 31, 2015 by \$0.05 per share. Earnings per share for the years ended December 31, 2016 and 2015 were also impacted by lower weighted-average shares outstanding. For both the years ended December 31, 2016 and 2015 compared to the prior year, the lower number of shares outstanding was due to stock repurchases exceeding stock issuances related to the Company's 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 three segments addresses a different combination of consumer groups, distribution networks and services offered. Our segments are Consumer-to-Consumer, Consumer-to-Business and Business Solutions. Businesses and services not considered part of these segments are categorized as "Other."

The business segment measurements provided to, and evaluated by, our chief operating decision maker ("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 and other overhead is allocated to the segments primarily based on a percentage of the segments' revenue compared to total revenue.
- The charges associated with the Joint Settlement Agreements were not allocated to our segments. While these items are identifiable to our Consumer-to-Consumer segment, they are 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 of \$20.3 million related to a business transformation initiative, referred to as the WU Way, during the year ended December 31, 2016. A significant majority of these expenses related to consulting service fees. In 2017, we expect to incur further consulting service fees, severance, other implementation costs, such as training, relocation, travel, and other costs related to the initiative. 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. As the initiative began in 2016, no expenses related to this business transformation initiative were recognized in the years ended December 31, 2015 and 2014. For additional information on this business transformation initiative, see Note 3 to Part II, Item 8, *Financial Statements and Supplementary Data*.
- 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, 2016, 2015 and 2014.

	Year Ended December 31,		
	2016	2015	2014
Consumer-to-Consumer	79%	79%	80%
Consumer-to-Business	12%	12%	11%
Business Solutions	7%	7%	7%
Other	2%	2%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Consumer-to-Consumer Segment

The following table sets forth our Consumer-to-Consumer segment results of operations for the years ended December 31, 2016, 2015 and 2014.

(dollars and transactions in millions)	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Revenues:					
Transaction fees	\$ 3,123.8	\$ 3,221.0	\$ 3,421.8	(3)%	(6)%
Foreign exchange revenues	1,116.0	1,057.1	998.9	6 %	6 %
Other revenues	64.8	65.8	65.1	(2)%	1 %
Total revenues	<u>\$ 4,304.6</u>	<u>\$ 4,343.9</u>	<u>\$ 4,485.8</u>	(1)%	(3)%
Operating income	<u>\$ 1,008.7</u>	<u>\$ 1,042.0</u>	<u>\$ 1,050.4</u>	(3)%	(1)%
Operating income margin	23%	24%	23%		
Key indicator:					
Consumer-to-Consumer transactions	268.33	261.53	254.93	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 limited 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.

Significant allocations are made in determining the transaction and revenue changes under the regional view in the table that follows. The geographic split for transactions and revenue, including transactions initiated through westernunion.com, is determined based upon the region where the money transfer is initiated and the region where the money transfer is paid. For transactions originated and paid in different regions, we split the transaction count and revenue between the two regions, with each region receiving 50%. For money transfers initiated and paid in the same region, 100% of the transactions and revenue are attributed to that region. Included in each region's transaction and revenue percentages in the tables below are transactions initiated through westernunion.com for the year ended December 31, 2016. Regional results for the years ended December 31, 2015 and 2014 have also been adjusted to include transactions initiated through westernunion.com. Prior to January 1, 2016, we reported westernunion.com initiated transactions as a separate region with 100% of the corresponding transactions and revenue attributed to that region. Where reported separately in the discussion below, westernunion.com consists of 100% of the transactions and revenue that are initiated through westernunion.com, regardless of where the transactions are paid out.

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, 2016				Year Ended December 31, 2015			
	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 (a) - (Non-GAAP)	Transaction Growth/(Decline)
Consumer-to-Consumer regional growth/(decline):								
North America	6 %	(1)%	7 %	7 %	2 %	(1)%	3%	6 %
Europe and CIS	(2)%	(3)%	1 %	3 %	(8)%	(10)%	2%	2 %
Middle East and Africa	(7)%	(3)%	(4)%	(6)%	(4)%	(5)%	1%	(1)%
Asia Pacific ("APAC")	(5)%	(3)%	(2)%	(5)%	(5)%	(5)%	0%	(3)%
Latin America and the Caribbean ("LACA")	2 %	(6)%	8 %	12 %	3 %	(7)%	10%	8 %
Total Consumer-to-Consumer growth/(decline):	(1)%	(3)%	2 %	3 %	(3)%	(6)%	3%	3 %
westernunion.com (b).	22 %	(2)%	24 %	27 %	21 %	(5)%	26%	26 %

- (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, 2016, 2015, and 2014.

	Year Ended December 31,		
	2016	2015	2014
Consumer-to-Consumer revenue as a percentage of segment revenue:			
North America	29%	27%	26%
Europe and CIS	26%	26%	28%
Middle East and Africa	19%	21%	21%
APAC	15%	15%	15%
LACA	11%	11%	10%

Westernunion.com, which is included in the regional percentages above, represented approximately 8%, 6%, and 5% of our Consumer-to-Consumer revenue for the years ended December 31, 2016, 2015, and 2014, respectively.

Our consumers transferred \$80.0 billion, \$81.6 billion, and \$85.4 billion in Consumer-to-Consumer principal for the years ended December 31, 2016, 2015, and 2014, respectively, of which \$72.5 billion, \$73.6 billion, and \$77.2 billion related to cross-border principal, for the same corresponding periods described above.

Revenues

2016 compared to 2015

Consumer-to-Consumer money transfer revenue decreased 1% 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. This decline was partially offset by transaction growth of 3%.

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.

Our North America 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 our United States to Mexico and Latin America corridors.

Our Europe and CIS region experienced decreased revenue of 2% for the year ended December 31, 2016 compared to the prior year, and transaction growth of 3%. 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 Middle East and Africa region experienced decreased revenue of 7% 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 negatively impacted revenue by 3% for the year ended December 31, 2016. Declines in oil-producing countries also negatively impacted revenue growth.

Our APAC region experienced decreased revenue of 5% for the year ended December 31, 2016 compared to the prior year, and transaction decline of 5%. 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 3% for the year ended December 31, 2016. Revenue was negatively impacted by actions by the government of India that temporarily reduced its supply of banknotes and declines in transactions originated in oil-producing countries as mentioned in the prior paragraph.

Our LACA region experienced increased revenue of 2% for the year ended December 31, 2016 compared to the prior year, and transaction growth of 12%. Fluctuations in the exchange rate between the United States dollar and other currencies, primarily the Argentine peso, negatively impacted revenue by 6% for the year ended December 31, 2016. Price reductions implemented in Argentina also negatively impacted revenue, partially offset by growth from transactions originated in the United States, as discussed above.

Foreign exchange revenues in our Consumer-to-Consumer segment increased 6% for the year ended December 31, 2016 compared to the prior year, primarily due to increases in foreign exchange spreads, which were largely offset by corresponding reductions in transaction fees.

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

2015 compared to 2014

Consumer-to-Consumer money transfer revenue decreased 3% for the year ended December 31, 2015 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 6% for the year ended December 31, 2015. This decline was partially offset by transaction growth of 3%.

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, 2015 of \$256.0 million over the previous year. Foreign currency hedges benefited revenues by \$77.8 million for the year ended December 31, 2015.

Our North America region experienced revenue growth of 2% for the year ended December 31, 2015 compared to the prior year and transaction growth 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 1% for the year ended December 31, 2015. The increase in revenue was primarily due to transaction growth in our United States outbound services, including our United States to Mexico and Latin America corridors.

Our Europe and CIS region experienced decreased revenue of 8% for the year ended December 31, 2015 compared to the prior year and transaction growth of 2%. Fluctuations in the exchange rate between the United States dollar and the euro and other currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 10% for the year ended December 31, 2015. Transaction declines in Russia also contributed to the decrease in revenue.

Our Middle East and Africa region experienced decreased revenue of 4% for the year ended December 31, 2015 compared to the prior year, on decreased transactions of 1%. Fluctuations in the exchange rate between the United States dollar and other currencies negatively impacted revenue by 5% for the year ended December 31, 2015. Transaction declines in several African countries also contributed to the decrease in revenue, partially offset by strength in Saudi Arabia and the United Arab Emirates.

Our APAC region experienced decreased revenue of 5% for the year ended December 31, 2015 compared to the prior year, on decreased transactions of 3%. 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 5% for the year ended December 31, 2015. Transaction declines in the Philippines and other Asian inbound markets also contributed to the decrease in revenue, partially offset by growth in Japan.

Our LACA region experienced revenue growth of 3% for the year ended December 31, 2015 compared to the prior year, on transaction growth of 8%. The region experienced growth from transactions originated in the United States, as discussed above. The region was also positively impacted by geographic and product mix for the year ended December 31, 2015. Fluctuations in the exchange rate between the United States dollar and other currencies negatively impacted revenue by 7% for the year ended December 31, 2015.

Foreign exchange revenues increased 6% for the year ended December 31, 2015 compared to the prior year, primarily due to increases in foreign exchange spreads, which were largely offset by corresponding reductions in transaction fees in certain corridors.

Consumer-to-Consumer net pricing changes had a minimal effect on segment revenue for the year ended December 31, 2015.

Operating income

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.

2015 compared to 2014

Consumer-to-Consumer operating income declined 1% during the year ended December 31, 2015 compared to the prior year. Results for the year ended December 31, 2015 were impacted by increased technology expenses, increased compliance program costs, and increased incentive compensation expenses, partially offset by benefits from and lower costs related to productivity and cost-savings initiatives. Results were also impacted by foreign currency translation, as the strengthening of the United States dollar compared to foreign currencies resulted in lower reported revenues and expenses. Revenue declines are described above. The change in operating margins in the segment was primarily due to benefits from foreign currency hedges, as well as the other factors mentioned above.

Consumer-to-Business Segment

The following table sets forth our Consumer-to-Business segment results of operations for the years ended December 31, 2016, 2015 and 2014. As further discussed in "Operating income" above, to assist in evaluating the comparable periods' results, we are including additional line items in the table below reflecting operating income, operating income change and operating income margin excluding the effect of the \$35.3 million of expenses as a result of the Paymap Settlement Agreement in the year ended December 31, 2015. This disclosure is provided in addition to, and not as a substitute for, operating income and operating income change on a GAAP basis.

<u>(dollars in millions)</u>	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Revenues:					
Transaction fees	\$ 596.7	\$ 612.7	\$ 572.7	(3)%	7 %
Foreign exchange and other revenues.	24.5	25.0	26.1	(2)%	(4)%
Total revenues	<u>\$ 621.2</u>	<u>\$ 637.7</u>	<u>\$ 598.8</u>	(3)%	6 %
Operating income - (GAAP)	<u>\$ 64.4</u>	<u>\$ 68.6</u>	<u>\$ 98.7</u>	(6)%	(30)%
Paymap Settlement Agreement	—	35.3	—		
Operating income, excluding Paymap Settlement Agreement - (Non-GAAP)	<u>\$ 64.4</u>	<u>\$ 103.9</u>	<u>\$ 98.7</u>	(38)%	5 %
Operating income margin - (GAAP)	10%	11%	16%		
Operating income margin, excluding Paymap Settlement Agreement - (Non-GAAP)	10%	16%	16%		

Revenues

2016 compared to 2015

For the year ended December 31, 2016 compared to the prior year, Consumer-to-Business revenue decreased 3%, primarily due to declines related to foreign currency translation in our bill payments in Argentina 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 Consumer-to-Business revenue growth by 14% for the year ended December 31, 2016.

2015 compared to 2014

For the year ended December 31, 2015 compared to the prior year, Consumer-to-Business revenue increased 6%, primarily due to increases in our bill payments in Argentina and United States electronic bill payments, partially offset by continued declines in our United States cash-based bill payments. The strengthening of the United States dollar against the Argentine peso negatively impacted our Consumer-to-Business revenue growth by 5% for the year ended December 31, 2015.

Operating income

2016 compared to 2015

For the year ended December 31, 2016 compared to the prior year, operating income was negatively impacted by changes in customer mix and increased bank fees in our United States electronic bill payments, and increased technology expenses. Operating income was also impacted by the Paymap Settlement Agreement that was recorded in the second quarter of 2015. The changes in operating margins in the segment were also due to these factors.

2015 compared to 2014

For the year ended December 31, 2015 compared to the prior year, operating income decreased, primarily due to the Paymap Settlement Agreement and increased technology expenses, partially offset by revenue increases previously described and lower costs related to productivity and cost-savings initiatives as well as benefits from those initiatives. The change in operating margins in the segment was primarily due to the Paymap Settlement Agreement.

Business Solutions

The following table sets forth our Business Solutions segment results of operations for the years ended December 31, 2016, 2015 and 2014.

(dollars in millions)	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Revenues:					
Foreign exchange revenues	\$ 352.6	\$ 357.2	\$ 363.1	(1)%	(2)%
Transaction fees and other revenues.	43.4	41.5	41.5	5 %	0 %
Total revenues	<u>\$ 396.0</u>	<u>\$ 398.7</u>	<u>\$ 404.6</u>	(1)%	(1)%
Operating income/(loss)	<u>\$ 21.1</u>	<u>\$ 2.8</u>	<u>\$ (12.1)</u>	(a)	(a)
Operating income/(loss) margin	5%	1%	(3)%		

(a) Calculation not meaningful.

Revenues

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.

2015 compared to 2014

For the year ended December 31, 2015 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 8% for the year ended December 31, 2015. Revenue from sales of our hedging products increased, primarily in Europe.

Operating income/(loss)

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.

2015 compared to 2014

For the year ended December 31, 2015, operating income was generated compared to an operating loss in the prior year primarily due to benefits from and lower costs related to productivity and cost-savings initiatives. 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, 2016, 2015 and 2014.

(dollars in millions)	Year Ended December 31,			% Change	
				2016	2015
	2016	2015	2014	vs. 2015	vs. 2014
Revenues	\$ 101.1	\$ 103.4	\$ 118.0	(2)%	(12)%
Operating income/(loss)	\$ 10.8	\$ (4.0)	\$ 3.5	(a)	(a)

(a) Calculation not meaningful.

Revenues

2016 compared to 2015

For the year ended December 31, 2016 compared to the prior year, Other revenue decreased primarily due to declines in prepaid services, partially offset by increases in our money order business.

2015 compared to 2014

For the year ended December 31, 2015 compared to the prior year, Other revenue decreased primarily due to declines in prepaid services and decreased investment income in our money order business.

Operating income/(loss)

2016 compared to 2015

For the year ended December 31, 2016, operating income was generated as compared to an operating loss in the prior year, due to increased investment income and other revenues in our money order business and a reduction of expenses in our prepaid services.

2015 compared to 2014

For the year ended December 31, 2015, an operating loss was generated compared to operating income in the prior year due to decreased investment income in our money order business, as noted above.

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 significant 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 believe we have adequate liquidity to meet our business needs, service our debt obligations, pay dividends, and repurchase shares through our existing cash balances, our ability to generate cash flows through operations, our \$1.65 billion revolving credit facility ("Revolving Credit Facility") and our \$1.5 billion commercial paper program. We expect to issue additional debt in 2017 for general corporate purposes and working capital needs, including amounts to be paid pursuant to the Joint Settlement Agreements. 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. Additionally, our overall liquidity may be impacted by existing regulations and new proposed regulations that, if fully implemented, would require us to post collateral in connection with our derivative financial instruments used to hedge our exposures arising in connection with changes to foreign currency exchange rates and interest rates. We are still assessing the liquidity impact of these potential regulations.

We have the capacity to borrow up to \$1.65 billion in the aggregate under our Revolving Credit Facility, which supports borrowings under our \$1.5 billion commercial paper program and expires in September 2020. As of December 31, 2016, we had no outstanding borrowings under our Revolving Credit Facility or commercial paper program.

Cash and Investment Securities

As of December 31, 2016 and 2015, we had cash and cash equivalents of \$0.9 billion and \$1.3 billion, respectively. Approximately \$700 million and \$950 million was held by our foreign entities as of December 31, 2016 and 2015, respectively. Our ongoing cash management strategies to fund our business needs could cause United States and foreign cash balances to fluctuate.

Repatriating foreign earnings to the United States would, in many cases, result in significant tax obligations because most of these earnings have been taxed at relatively low foreign tax rates compared to our combined federal and state tax rate in the United States. Over the last several years, such earnings have been used to pay for our international acquisitions and operations and provide initial Company funding of global principal payouts for Consumer-to-Consumer and Business Solutions transactions. 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 \$1.2 billion as of December 31, 2016 and 2015, 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, 2016, 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, 2016, 2015 and 2014, cash provided by operating activities was \$1,041.9 million, \$1,071.1 million and \$1,045.9 million, respectively. Cash provided by operating activities is impacted by changes to our consolidated net income, in addition to fluctuations in our working capital balances, among other factors. For the year ended December 31, 2017, we expect that cash provided by operating activities will be negatively impacted by approximately \$600 million of payments related to the Joint Settlement Agreements and could be negatively impacted by \$100 million of anticipated tax payments relating to the IRS Agreement. Additionally, we expect to incur significant additional costs during the year ending December 31, 2017 related to a business transformation initiative that will negatively impact cash provided by operating activities.

Financing Resources

As of December 31, 2016, we had the following outstanding borrowings (in millions):

Notes:	
2.875% notes due 2017 (a)	\$ 500.0
3.650% notes (effective rate of 4.4%) due 2018	400.0
3.350% notes due 2019 (a)	250.0
5.253% notes due 2020 (a)	324.9
6.200% notes due 2036 (a)	500.0
6.200% notes due 2040 (a)	250.0
Term Loan Facility borrowings (effective rate of 2.2%) (b)	575.0
Total borrowings at par value	2,799.9
Fair value hedge accounting adjustments, net (c)	4.4
Unamortized discount and debt issuance costs	(18.2)
Total borrowings at carrying value (d)	<u>\$ 2,786.1</u>

- (a) The difference between the stated interest rate and the effective interest rate is not significant.
- (b) Proceeds from our delayed draw term loan facility, cash, including cash generated from operations, and proceeds from commercial paper borrowings were used to fund the October 2016 maturity of \$1 billion of aggregate principal amount unsecured notes as discussed further below.
- (c) 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 over the life of the related notes, and cause the effective rate of interest to differ from the notes' stated rate.
- (d) As of December 31, 2016, our weighted-average effective rate on total borrowings was approximately 4.2%.

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. As of December 31, 2016 and 2015, we had no commercial paper borrowings outstanding. During the years ended December 31, 2016, 2015, and 2014, the average commercial paper balance outstanding was \$14.6 million, \$27.0 million, and \$13.3 million, respectively, and the maximum balance outstanding was \$440.0 million, \$440.0 million, and \$200.0 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, 2016 and 2015, 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 loans commencing after the second anniversary of the closing of the Term Loan Facility. The final maturity date of the Term Loan Facility is April 11, 2021.

Notes

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"). Interest with respect to the 2015 Floating Rate Notes was payable quarterly in arrears on each February 21, May 21, August 21, and November 21, beginning November 21, 2013, at a per annum rate equal to the three-month LIBOR plus 1.0% (reset quarterly). The 2015 Floating Rate Notes matured and were repaid from our cash balances 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 from our cash balances in December 2015. Interest with respect to the 2017 Notes is payable semi-annually in arrears on June 10 and December 10 of each year, currently based on the per annum rate of 2.875%. The interest rate payable on the 2017 Notes will be increased if the debt rating assigned to such notes 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 2017 Notes be increased by more than 2.00% above 2.875% per annum. The interest rate on the 2017 Notes may also be adjusted downward for debt rating upgrades subsequent to any debt rating downgrades but may not be adjusted below 2.875% per annum. We may redeem the 2017 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 40 basis points.

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"). Interest on the 2016 Notes was payable semi-annually on April 1 and October 1 each year based on the fixed per annum rate of 5.930%. In October 2016, these notes were repaid using proceeds from our Term Loan Facility, cash, including cash generated from operations, and proceeds from commercial paper borrowings.

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 2017 Notes and 2019 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. 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 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 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 6:1 for the year ended December 31, 2016.

For the year ended December 31, 2016, 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.

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 \$229.8 million, \$266.5 million and \$179.0 million in 2016, 2015 and 2014, 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, 2016, 2015 and 2014, 24.8 million, 25.1 million and 29.3 million shares, respectively, were repurchased for \$481.3 million, \$500.0 million and \$488.1 million, respectively, excluding commissions, at an average cost of \$19.41, \$19.96 and \$16.63 per share, respectively. As of December 31, 2016, \$230.5 million remained available under a share repurchase authorization approved by our Board of Directors through December 31, 2017.

On February 9, 2017, the Board of Directors authorized \$1.2 billion of common stock repurchases through December 31, 2019.

Our Board of Directors declared quarterly cash dividends of \$0.16 per common share in all four quarters of 2016, representing \$312.2 million in total dividends. Our Board of Directors declared quarterly cash dividends of \$0.155 per common share in all four quarters of 2015 and \$0.125 per common share in all four quarters of 2014, representing \$316.5 million and \$265.2 million, respectively, in total dividends. These amounts were paid to shareholders of record in the respective quarter the dividend was declared.

On February 9, 2017, the Board of Directors declared a quarterly cash dividend of \$0.175 per common share payable on March 31, 2017.

Debt Service Requirements

Our 2017 and future debt service requirements will include payments on all outstanding indebtedness including any borrowings under our commercial paper program. In December 2017, our 2017 Notes of \$500.0 million will mature. We plan to fund this maturity by refinancing this debt before the notes come due. We expect to issue additional debt in 2017 for general corporate purposes and working capital needs, including amounts to be paid pursuant to the Joint Settlement Agreements.

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 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 \$26.4 million and \$69.3 million as of December 31, 2016 and 2015, respectively. During the years ended December 31, 2016 and 2015, we made contributions of \$38.1 million and \$6.7 million, respectively, to the Plan. We are not required to make any contributions to the Plan in 2017.

Our most recent measurement date for our pension plan was December 31, 2016. 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 6.75% for 2017. As of our December 31, 2016 measurement date, pension plan target allocations were approximately 60% in debt securities, 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 3.40% and 3.52% as of December 31, 2016 and 2015, 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, 2016 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)	\$ 3,967.6	\$ 613.0	\$ 878.6	\$ 978.4	\$ 1,497.6
Joint Settlement Agreements (b).	591.0	591.0	—	—	—
IRS Agreement and related state tax payments (c).	100.0	100.0	—	—	—
Unrecognized tax benefits (d).	374.5	—	—	—	—
Foreign currency and interest rate derivative contracts (e)	262.3	241.4	20.9	—	—
Other (f)	20.2	10.0	9.7	0.5	—
Other Contractual Obligations:					
Purchase obligations (g)	110.8	61.6	41.1	7.0	1.1
Operating leases	120.3	40.8	50.3	16.7	12.5
Total	<u>\$ 5,546.7</u>	<u>\$ 1,657.8</u>	<u>\$ 1,000.6</u>	<u>\$ 1,002.6</u>	<u>\$ 1,511.2</u>

- (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 our notes maturing in 2017.
- (b) As a result of the Joint Settlement Agreements, as described in Part I, Item 3, *Legal Proceedings*, we will 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 our money transfer services and pay an aggregate amount of \$5 million to the State Attorneys General to reimburse investigative costs.
- (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, 2016. We have estimated that we will make payments of approximately \$100 million in 2017 (plus interest) to cover the remaining portion.
- (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, 2016, which will fluctuate based on market conditions.
- (f) This line item includes accrued and unpaid initial payments for new and renewed agent contracts as of December 31, 2016 and \$10 million for the three-year estimated payments for a required independent compliance auditor in connection with our Deferred Prosecution Agreement with the DOJ, as described in Part I, Item 3, *Legal Proceedings*.
- (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.

Other Commercial Commitments

We had approximately \$165 million in outstanding letters of credit and bank guarantees as of December 31, 2016 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

Reinvestment of foreign earnings

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.

However, no provision has been made for United States federal and state income taxes on certain of our outside tax basis differences, which primarily relate to accumulated foreign earnings of approximately \$6.7 billion as of December 31, 2016, which we have reinvested and expect to continue to reinvest outside the United States indefinitely. Over the last several years, such earnings have been used to pay for our international acquisitions and operations and provide initial Company funding of global principal payouts for Consumer-to-Consumer and Business Solutions transactions. Upon distribution of those earnings to the United States in the form of actual or constructive dividends, we would be subject to United States federal income taxes (subject to an adjustment for foreign tax credits), state income taxes and possible withholding taxes payable to various foreign countries which could result in a material impact to our financial condition, results of operations and cash flows in the period such distribution occurred. Determination of the amount of unrecognized United States deferred tax liability is not practicable because of the complexities associated with its hypothetical calculation.

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, 2016 were \$365.1 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, 2016, the cumulative pre-tax unrealized gains 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 \$28.9 million. As of December 31, 2016, 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 \$4.4 million gain.

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, 2016 was \$664.2 million. During the years ended December 31, 2016, 2015 and 2014 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 as of October 1 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 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 it is determined 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 the standard two-step quantitative impairment test is performed. First, the fair value of the reporting unit is calculated or determined using discounted cash flows and is compared to its carrying value. If the first step indicates the carrying value exceeds the fair value of the reporting unit, then the second step is required. The second step is to determine the implied fair value of a reporting unit's goodwill by allocating the determined fair value to all the reporting unit's assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination. The remaining fair value of the reporting unit, if any, is deemed to be the implied fair value of the goodwill and an impairment is recognized in an amount equal to the excess of the carrying amount of goodwill above its implied fair value.

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, 2016 was \$3,162.0 million which represented approximately 34% of our consolidated assets. As of December 31, 2016, goodwill of \$1,950.1 million and \$996.0 million resides in our Consumer-to-Consumer and Business Solutions reporting units, respectively. The remaining \$215.9 million resides in multiple reporting units which are included in either our Consumer-to-Business segment or Other. For the reporting units that comprise Consumer-to-Consumer, Consumer-to-Business, and Other, the fair value of the businesses greatly exceed their carrying amounts.

The fair value of the Business Solutions reporting unit is sensitive to changes in projections for revenue growth rates and EBITDA margins, as well as changes in United States and foreign income tax rates, which impact the value of our cash flow management and liquidity strategies facilitated through the Business Solutions reporting unit. A decline in estimated fair value of our Business Solutions reporting unit of approximately 15% could occur before triggering an impairment of goodwill.

The estimated fair value of the Business Solutions reporting unit includes 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 also be available to certain market participants. These Cash Management Strategies represent approximately 10% of the total fair value of the Business Solutions reporting unit as of the testing date. The estimated fair value of the Business Solutions reporting unit decreased compared to the prior year primarily due to a decrease in the valuation of the Cash Management Strategies. This decrease is primarily related to expectations of an increased likelihood of United States tax reform that could reduce corporate income tax rates and change how earnings generated outside of the United States are taxed. Depending on the nature and scope of such potential tax reform, the Cash Management Strategies could lose some or all of their value in a future period.

Our current expectation is for Business Solutions to average mid single digit annual revenue growth over the 10-year forecast period, driven by continued growth in global trade and increases in market share. EBITDA margins are highly dependent on revenue growth. Our ability to achieve the projected revenue growth 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; and (h) foreign currency volatility impacts on customer activity. Based on assumptions used within the Business Solutions reporting unit valuation and assuming there is no further reduction in the valuation of the Cash Management Strategies, we believe a decrease of 60 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 reduction in the fair value of the Business Solutions reporting unit of approximately \$275 million. Such a reduction would result in the fair value approximating the carrying value of the reporting unit.

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

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 disclose an estimate of possible loss or range of loss or 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.

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 majority of our agents in United States dollars or euros, 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 both December 31, 2016 and 2015, 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 is generated would have resulted in a decrease/increase to pre-tax annual income of approximately \$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.

Interest Rates

We invest in several types of interest bearing assets, with a total value as of December 31, 2016 of \$2.4 billion. Approximately \$1.6 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" on our Consolidated Balance Sheets.

As of December 31, 2016, a total of \$975.0 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 200 basis points above LIBOR. Additionally, interest on \$575 million borrowed under our Term Loan Facility is calculated using a selected LIBOR rate plus an interest rate margin of 150 basis points, and borrowings under our commercial paper program mature in such a short period that the financing is 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, 2016, our weighted-average effective rate on total borrowings was approximately 4.2%.

A hypothetical 100 basis point increase/decrease in interest rates would result in a decrease/increase to pre-tax income of approximately \$16 million and \$10 million annually based on borrowings, net of the impact of hedges, on December 31, 2016 and 2015, 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, 2016 and 2015 that are sensitive to interest rate fluctuations, would result in an offsetting increase/decrease to annual pre-tax income of approximately \$16 million and \$19 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. We will also be further impacted by changes to future interest rates as we refinance our debt or by reinvesting proceeds from the sale or maturity of our investments.

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 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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Report on Internal Control Over Financial Reporting	87
Reports of Independent Registered Public Accounting Firm	88
Consolidated Statements of Income for each of the three years in the period ended December 31, 2016	90
Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 2016	91
Consolidated Balance Sheets as of December 31, 2016 and 2015	92
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2016	93
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2016	94
Notes to Consolidated Financial Statements	95
Schedule I - Condensed Financial Information of the Registrant (Parent Company Only)	147

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, 2016, 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, 2016, the Company's internal control over financial reporting is effective. Western Union's internal control over financial reporting as of December 31, 2016 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

The Board of Directors and Stockholders of The Western Union Company

We have audited The Western Union Company's internal control over financial reporting as of December 31, 2016, 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). The Western Union 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, The Western Union Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Western Union Company as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2016 and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado

February 22, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of The Western Union Company

We have audited the accompanying consolidated balance sheets of The Western Union Company as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Western Union Company at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Western Union Company's internal control over financial reporting as of December 31, 2016, 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, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado

February 22, 2017

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

	Year Ended December 31,		
	2016	2015	2014
Revenues:			
Transaction fees	\$ 3,795.1	\$ 3,915.6	\$ 4,083.6
Foreign exchange revenues	1,490.2	1,436.2	1,386.3
Other revenues	137.6	131.9	137.3
Total revenues	5,422.9	5,483.7	5,607.2
Expenses:			
Cost of services	3,270.0	3,199.4	3,297.4
Selling, general and administrative	1,669.2	1,174.9	1,169.3
Total expenses*	4,939.2	4,374.3	4,466.7
Operating income	483.7	1,109.4	1,140.5
Other income/(expense):			
Interest income	3.5	10.9	11.5
Interest expense	(152.5)	(167.9)	(176.6)
Derivative gains/(losses), net	4.5	1.2	(2.2)
Other income/(expense), net	2.5	(11.8)	(5.0)
Total other expense, net	(142.0)	(167.6)	(172.3)
Income before income taxes	341.7	941.8	968.2
Provision for income taxes	88.5	104.0	115.8
Net income	\$ 253.2	\$ 837.8	\$ 852.4
Earnings per share:			
Basic	\$ 0.52	\$ 1.63	\$ 1.60
Diluted	\$ 0.51	\$ 1.62	\$ 1.59
Weighted-average shares outstanding:			
Basic	490.2	512.6	533.4
Diluted	493.5	516.7	536.8
Cash dividends declared per common share	\$ 0.64	\$ 0.62	\$ 0.50

* As further described in Note 6, total expenses include amounts for related parties of \$68.0 million, \$65.5 million and \$70.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Year Ended December 31,		
	2016	2015	2014
Net income	\$ 253.2	\$ 837.8	\$ 852.4
Other comprehensive income/(loss), net of tax (Note 13):			
Unrealized gains/(losses) on investment securities.	(11.6)	(1.1)	4.8
Unrealized gains/(losses) on hedging activities	(7.6)	(7.2)	81.6
Foreign currency translation adjustments	(4.7)	(16.8)	(27.6)
Defined benefit pension plan adjustments	5.0	0.1	(8.7)
Total other comprehensive income/(loss).	(18.9)	(25.0)	50.1
Comprehensive income	\$ 234.3	\$ 812.8	\$ 902.5

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY

CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)

	December 31,	
	2016	2015
Assets		
Cash and cash equivalents	\$ 877.5	\$ 1,315.9
Settlement assets	3,749.1	3,308.7
Property and equipment, net of accumulated depreciation of \$600.0 and \$538.2, respectively.	220.5	231.8
Goodwill	3,162.0	3,163.8
Other intangible assets, net of accumulated amortization of \$958.2 and \$884.4, respectively.	664.2	705.0
Other assets (Note 2)	746.3	724.0
Total assets.	<u>\$ 9,419.6</u>	<u>\$ 9,449.2</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities (Note 5)	\$ 1,129.6	\$ 606.6
Settlement obligations	3,749.1	3,308.7
Income taxes payable	407.3	211.5
Deferred tax liability, net.	85.9	272.6
Borrowings (Note 2)	2,786.1	3,215.9
Other liabilities	359.4	429.0
Total liabilities	<u>8,517.4</u>	<u>8,044.3</u>
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued.	—	—
Common stock, \$0.01 par value; 2,000 shares authorized; 481.5 shares and 502.4 shares issued and outstanding as of December 31, 2016 and 2015, respectively.	4.8	5.0
Capital surplus	640.9	566.5
Retained earnings	419.3	977.3
Accumulated other comprehensive loss	(162.8)	(143.9)
Total stockholders' equity	<u>902.2</u>	<u>1,404.9</u>
Total liabilities and stockholders' equity	<u>\$ 9,419.6</u>	<u>\$ 9,449.2</u>

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities			
Net income	\$ 253.2	\$ 837.8	\$ 852.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	74.2	67.7	66.6
Amortization	189.0	202.5	205.3
Deferred income tax benefit (Note 10)	(174.2)	(39.9)	(26.8)
Other non-cash items, net	98.3	63.7	49.5
Increase/(decrease) in cash, excluding the effects of acquisitions, resulting from changes in:			
Other assets	(71.4)	(107.4)	(31.1)
Accounts payable and accrued liabilities (Note 5)	522.8	14.2	(29.4)
Income taxes payable (Note 10)	190.9	47.1	(39.3)
Other liabilities	(40.9)	(14.6)	(1.3)
Net cash provided by operating activities	1,041.9	1,071.1	1,045.9
Cash flows from investing activities			
Capitalization of contract costs	(107.3)	(122.8)	(73.1)
Capitalization of purchased and developed software	(53.7)	(49.3)	(38.1)
Purchases of property and equipment	(68.8)	(94.4)	(67.8)
Proceeds from sale of available-for-sale non-settlement related investments	—	—	100.2
Purchases of non-settlement related investments and other	(64.7)	(110.9)	—
Proceeds from maturity of non-settlement related investments and other	53.2	100.3	—
Purchases of held-to-maturity non-settlement related investments	(39.7)	(9.3)	—
Proceeds from held-to-maturity non-settlement related investments	9.9	—	—
Acquisition of businesses, net (Note 4)	—	—	(10.6)
Net cash used in investing activities	(271.1)	(286.4)	(89.4)
Cash flows from financing activities			
Cash dividends paid	(312.2)	(316.5)	(265.2)
Common stock repurchased (Note 13)	(501.6)	(511.3)	(495.4)
Proceeds from issuance of borrowings	575.0	—	—
Principal payments on borrowings	(1,005.4)	(500.0)	(500.0)
Proceeds from exercise of options and other	35.0	75.8	14.2
Net cash used in financing activities	(1,209.2)	(1,252.0)	(1,246.4)
Net change in cash and cash equivalents	(438.4)	(467.3)	(289.9)
Cash and cash equivalents at beginning of year	1,315.9	1,783.2	2,073.1
Cash and cash equivalents at end of year	\$ 877.5	\$ 1,315.9	\$ 1,783.2
Supplemental cash flow information:			
Interest paid	\$ 159.0	\$ 161.8	\$ 170.8
Income taxes paid	\$ 68.4	\$ 92.8	\$ 179.4

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2013	548.8	\$ 5.5	\$ 390.9	\$ 877.3	\$ (169.0)	\$ 1,104.7
Net income	—	—	—	852.4	—	852.4
Stock-based compensation	—	—	39.7	—	—	39.7
Common stock dividends	—	—	—	(265.2)	—	(265.2)
Repurchase and retirement of common shares	(29.8)	(0.3)	—	(495.8)	—	(496.1)
Shares issued under stock-based compensation plans	2.5	—	14.8	—	—	14.8
Unrealized gains on investment securities, net of tax	—	—	—	—	4.8	4.8
Unrealized gains on hedging activities, net of tax	—	—	—	—	81.6	81.6
Foreign currency translation adjustments, net of tax	—	—	—	—	(27.6)	(27.6)
Defined benefit pension plan adjustments, net of tax	—	—	—	—	(8.7)	(8.7)
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

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.

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, real-time 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 - that is, the transfer of funds from one country to another - and, in certain countries, intra-country transfers - that is, money transfers from one location to another in the same country. This segment also includes money transfer transactions that can be initiated through websites and mobile devices.
- *Consumer-to-Business* - The Consumer-to-Business operating segment facilitates bill payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers and government agencies. The significant majority of the segment's revenue was generated in the United States during all periods presented, with the remainder primarily generated in Argentina.
- *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 that have not been classified in the above segments are reported as "Other" and include the Company's money order and other services, in addition to costs for the review and closing of acquisitions.

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, 2016, the amount of these net asset limitations totaled approximately \$320 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.

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.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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 Per Share

The calculation of basic earnings per share is computed by dividing net income 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 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, the unamortized compensation expense and assumed tax benefits 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, 2016, 2015 and 2014, there were 3.4 million, 6.0 million and 15.5 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation, as their effect was anti-dilutive.

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

	For the Year Ended December 31,		
	2016	2015	2014
Basic weighted-average shares outstanding	490.2	512.6	533.4
Common stock equivalents	3.3	4.1	3.4
Diluted weighted-average shares outstanding	493.5	516.7	536.8

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. In addition, the Trust has other investments that fall within Level 2 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. The individual redemption restrictions of Trust investments measured at net asset value are also considered when determining whether Level 2 classification is appropriate.
- **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.

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.

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 WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 \$55.4 million and \$41.1 million as of December 31, 2016 and 2015, respectively, and is recorded in the same Consolidated Balance Sheet caption as the related receivable. During the years ended December 31, 2016, 2015, and 2014, the provision for doubtful accounts (bad debt expense) reflected in the Consolidated Statements of Income was \$63.9 million, \$60.3 million and \$50.7 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,	
	2016	2015
Settlement assets:		
Cash and cash equivalents	\$ 1,190.0	\$ 1,075.7
Receivables from selling agents and Business Solutions customers	1,327.3	1,070.4
Investment securities	1,231.8	1,162.6
	<u>\$ 3,749.1</u>	<u>\$ 3,308.7</u>
Settlement obligations:		
Money transfer, money order and payment service payables	\$ 2,598.2	\$ 2,428.5
Payables to agents	1,150.9	880.2
	<u>\$ 3,749.1</u>	<u>\$ 3,308.7</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,	
	2016	2015
Equipment	\$ 585.5	\$ 529.8
Buildings	88.3	87.3
Leasehold improvements	84.3	83.3
Furniture and fixtures	40.4	39.6
Land and improvements	17.0	17.0
Projects in process	5.0	13.0
Total property and equipment, gross	<u>820.5</u>	<u>770.0</u>
Less accumulated depreciation	(600.0)	(538.2)
Property and equipment, net	<u>\$ 220.5</u>	<u>\$ 231.8</u>

Amounts charged to expense for depreciation of property and equipment were \$74.2 million, \$67.7 million and \$66.6 million during the years ended December 31, 2016, 2015 and 2014, 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. The Company's annual impairment assessment did not identify any goodwill impairment during the years ended December 31, 2016, 2015 and 2014.

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 is amortization expense of \$189.0 million, \$202.5 million and \$205.3 million for the years ended December 31, 2016, 2015 and 2014, 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, 2016			December 31, 2015	
	Weighted-Average Amortization Period (in years)	Initial Cost	Net of Accumulated Amortization	Initial Cost	Net of Accumulated Amortization
Acquired contracts	11.5	\$ 599.6	\$ 264.4	\$ 624.4	\$ 316.6
Capitalized contract costs	6.2	559.2	294.0	541.2	290.4
Internal use software	3.2	371.3	56.4	338.1	53.8
Acquired trademarks	24.5	34.2	18.5	34.7	20.2
Projects in process	3.0	30.6	30.6	23.5	23.5
Other intangibles	4.1	27.5	0.3	27.5	0.5
Total other intangible assets	7.8	<u>\$ 1,622.4</u>	<u>\$ 664.2</u>	<u>\$ 1,589.4</u>	<u>\$ 705.0</u>

The estimated future aggregate amortization expense for existing other intangible assets as of December 31, 2016 is expected to be \$182.4 million in 2017, \$148.3 million in 2018, \$110.6 million in 2019, \$79.4 million in 2020, \$63.0 million in 2021 and \$80.5 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, 2016, 2015 and 2014.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue Recognition

The Company's revenues are primarily derived from transaction fees and foreign exchange revenues paid by consumers to transfer money. These revenues vary by transaction based upon send and receive locations, the principal amount sent, speed of service, whether the transaction involves different send and receive currencies and the difference between the exchange rate set by the Company to the consumer and the rate available in the wholesale foreign exchange market, as applicable. Transaction fees and foreign exchange revenues are recorded as revenue at the time a transaction is initiated. The Company also offers several other payments services, including payments from consumers or businesses to other businesses for which revenue is impacted by these same factors.

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, 2016, 2015 and 2014 were \$151.1 million, \$166.3 million and \$162.7 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. 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/(losses), 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 "Foreign exchange 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 WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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.

New Accounting Pronouncements

On January 1, 2016, the Company adopted an accounting pronouncement that requires capitalized debt issuance costs to be presented as a reduction to the carrying value of debt, with adoption retrospective for periods previously presented. The adoption of this standard resulted in a reduction of \$9.7 million to the "Other assets" and "Borrowings" lines within the Consolidated Balance Sheet as of December 31, 2015.

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. Management believes that the adoption of this standard will not have a material impact on the Company's financial position and results of operations and expects to adopt the standard using the modified retrospective approach, with the cumulative effect of adoption included in retained earnings as of January 1, 2018. Management continues to assess the new disclosure requirements of the standard and is enhancing its systems and processes to comply with the new disclosure requirements, but does not expect significant reporting system changes to be required.

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 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 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 March 2016, the Financial Accounting Standards Board issued a new accounting pronouncement regarding share-based payments to employees. This new standard requires that all excess tax benefits and tax deficiencies be recognized as income tax expense (benefit) in the income statement and that excess tax benefits be included as an operating activity for the cash flow statement. While this new standard also allows entities to either estimate share-based awards that are expected to vest or account for forfeitures as they occur, the Company intends to continue its current practice of estimating forfeitures when calculating compensation expense. Furthermore, the new standard also changes the tax withholding threshold for awards to qualify for accounting in equity. However, as all of the Company's awards have qualified for equity accounting, such change is not expected to impact the Company's current practices related to the accounting for share-based payments. The Company is required to adopt the new standard on January 1, 2017. Management believes that the adoption of this standard will not have a material impact on the Company's financial position, results of operations, cash flows, 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 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. While management cannot predict if or when such an impairment charge may occur, or the amount of any potential impairment, management believes that this standard could result in lower impairment charges for the Company. The Company is required to adopt the new standard on January 1, 2020, with early adoption permitted. Management is currently evaluating the potential impact that the adoption of this standard will have on the Company's financial position and results of operations.

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

During the year ended December 31, 2016, the Company incurred \$20.3 million of expenses related to a business transformation initiative, referred to as the WU Way. The significant majority of these expenses relate to consulting service fees. During the year ended December 31, 2016, the Company made cash payments of \$7.4 million related to the business transformation initiative.

During the years ended December 31, 2015 and 2014, the Company implemented initiatives to improve productivity and reduce costs. A significant majority of the productivity and cost-savings initiatives costs relate to severance and related expenses, including termination benefits received by certain of the Company's former executives. During the years ended December 31, 2015 and 2014, the Company incurred \$11.1 million, and \$30.3 million, respectively, of expenses related to productivity and cost-savings initiatives. During the years ended December 31, 2016, 2015 and 2014, the Company made cash payments of \$12.7 million, \$30.0 million and \$42.9 million, respectively, related to productivity and cost-savings initiatives.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 (in millions):

	Year Ended December 31,		
	2016	2015	2014
	Business Transformation	Productivity and Cost-Savings Initiatives	
Cost of services	\$ 2.5	\$ 1.0	\$ 11.6
Selling, general and administrative	17.8	10.1	18.7
Total expenses, pre-tax	\$ 20.3	\$ 11.1	\$ 30.3
Total expenses, net of tax	\$ 12.9	\$ 7.2	\$ 20.2

Business transformation expenses have not been allocated to the Company's segments disclosed in Note 17. While certain of these items are identifiable to the Company's segments, these expenses have been excluded from the measurement of segment operating income provided to the chief operating decision maker ("CODM") for purposes of assessing segment performance and decision making with respect to resource allocation.

The following table summarizes the productivity and cost-savings expenses incurred by reportable segment (in millions):

	Consumer-to-Consumer	Consumer-to-Business	Business Solutions	Other	Total
2015 expenses	\$ 7.6	\$ 1.5	\$ 1.8	\$ 0.2	\$ 11.1
2014 expenses	15.7	6.7	7.3	0.6	30.3

As of December 31, 2016, amounts remaining to be paid related to the business transformation initiative were \$12.9 million. As of December 31, 2016 and 2015, amounts remaining to be paid related to productivity and cost-savings initiatives were \$2.0 million and \$14.7 million, respectively.

4. Acquisitions

During the first quarter of 2014, the Company acquired the Brazilian retail, walk-in foreign exchange operations of Fitta DTVM S.A. and Fitta Turismo Ltda. for total consideration of \$18.5 million. Of the total consideration, \$15.6 million was allocated to identifiable intangible assets, the majority of which relates to contractual relationships. The identifiable intangible assets are being amortized over a period of two to twelve years with a weighted average life of ten years. The Company recognized \$2.4 million of goodwill related to this acquisition. The valuation of assets acquired was derived primarily using unobservable Level 3 inputs, which require significant management judgment and estimation.

The following table presents changes to goodwill for the years ended December 31, 2016 and 2015 (in millions):

	Consumer-to-Consumer	Consumer-to-Business	Business Solutions	Other	Total
January 1, 2015 balance	\$ 1,950.1	\$ 209.7	\$ 996.0	\$ 13.4	\$ 3,169.2
Currency translation	—	(5.2)	—	(0.2)	(5.4)
December 31, 2015 balance	\$ 1,950.1	\$ 204.5	\$ 996.0	\$ 13.2	\$ 3,163.8
Currency translation	—	(1.7)	—	(0.1)	(1.8)
December 31, 2016 balance	\$ 1,950.1	\$ 202.8	\$ 996.0	\$ 13.1	\$ 3,162.0

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Commitments and Contingencies

Letters of Credit and Bank Guarantees

The Company had approximately \$165 million in outstanding letters of credit and bank guarantees as of December 31, 2016 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 certain of these 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.

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"); 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. The DOJ and FTC investigations are described below. FinCEN provided notice to the Company dated December 16, 2016 of its investigation regarding possible violations of the United States Bank Secrecy Act. On January 31, 2017, the Company entered into an assurance of discontinuance/assurance of voluntary compliance (the "State AG Agreement") with the attorneys general of 49 U.S. states and the District of Columbia named therein (the "State Attorneys General") to resolve the State Attorneys General investigations described below. The DPA, Consent Order, FinCEN Agreement, and State AG Agreement are collectively referred to herein as the "Joint Settlement Agreements."

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 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.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under the Joint Settlement Agreements, the Company is required, among other things, 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 sets forth a civil penalty of \$184 million, the full amount of which is deemed satisfied by the Compensation Payment, without any additional payment or non-monetary obligations. No separate payment to the FTC is required under the Joint Settlement Agreements. The Compensation Payment has been included in "Accounts payable and accrued liabilities" in the Company's Consolidated Balance Sheet as of December 31, 2016 and will be paid within 90 business days following the date of the DPA.

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 the Joint Settlement 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. In addition, 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.

United States Department of Justice Investigations

As described above, the following USAO Investigations were resolved pursuant to the Joint Settlement Agreements.

On March 20, 2012, the Company was served with a federal grand jury subpoena issued by the USAO-CDCA seeking documents relating to Shen Zhou International ("US Shen Zhou"), a former Western Union agent located in Monterey Park, California. The principal of US Shen Zhou was indicted in 2010 and in December 2013, pled guilty to one count of structuring international money transfers in violation of United States federal law in U.S. v. Zhi He Wang (SACR 10-196, C.D. Cal.). Concurrent with the government's service of the subpoena, the government notified the Company that it was a target of an ongoing investigation into structuring and money laundering. After March 20, 2012, the Company received additional subpoenas from the USAO-CDCA seeking additional documents relating to US Shen Zhou, materials relating to certain other former and current agents and other materials relating to the Company's anti-money laundering ("AML") compliance policies and procedures. The government interviewed several current and former Western Union employees and served grand jury subpoenas seeking testimony from several current and former employees.

In March 2012, the Company was served with a federal grand jury subpoena issued by the USAO-EDPA seeking documents relating to Hong Fai General Contractor Corp. (formerly known as Yong General Construction) ("Hong Fai"), a former Western Union agent located in Philadelphia, Pennsylvania. After March 2012, the Company received additional subpoenas from the USAO-EDPA seeking additional documents relating to Hong Fai. The government also interviewed several current and former Western Union employees. In March 2016, the government filed a criminal complaint against the principal of Hong Fai General Contractor Corp. and in June 2016, he pled guilty to one count of mail fraud, two counts of transporting illegal aliens and one count of tax evasion in violation of United States federal law in U.S. v. Yong Quan Zheng (2:16-cr-00212-AB E. D. Pa.).

On November 25, 2013, the Company was served with a federal grand jury subpoena issued by the USAO-MDPA seeking documents relating to complaints made to the Company by consumers anywhere in the world relating to fraud-induced money transfers since January 1, 2008. Concurrent with the government's service of the subpoena, the government notified the Company that it was the subject of the investigation. After November 25, 2013, the Company received additional subpoenas from the USAO-MDPA seeking documents relating to certain Western Union agents and Western Union's agent suspension and termination policies. The government also interviewed several current and former employees and served grand jury subpoenas seeking testimony from several current and former employees. The government indicated that it believed Western Union failed to timely terminate or suspend certain Western Union agents who allegedly paid or forwarded thousands of fraud-induced transactions sent from the United States to various countries from at least 2008 to 2012.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On March 6, 2014, the Company was served with a federal grand jury subpoena issued by the USAO-SDFL seeking a variety of AML compliance materials, including documents relating to the Company's AML, Bank Secrecy Act ("BSA"), Suspicious Activity Report ("SAR") and Currency Transaction Report procedures, transaction monitoring protocols, BSA and AML training programs and publications, AML compliance investigation reports, compliance-related agent termination files, SARs, BSA audits, BSA and AML-related management reports and AML compliance staffing levels. The subpoena also called for Board meeting minutes and organization charts. The period covered by the subpoena was January 1, 2007 to November 27, 2013. After March 6, 2014, the Company received seizure warrants and additional subpoenas from the USAO-SDFL seeking documents relating to certain Western Union agents in, and certain transactions to, specified countries. The government advised the Company that it was investigating concerns the Company was aware there were gaming transactions being sent to Panama, Nicaragua, Haiti, Philippines, Vietnam, the Dominican Republic, Peru, Antigua, the Bahamas, and Costa Rica and that the Company failed to take proper steps to stop the activity. The government also notified the Company that it was a target of the investigation. Further, the government interviewed several current and former Western Union employees.

Federal Trade Commission Investigation

As described above, the following FTC investigation was resolved pursuant to the Joint Settlement Agreements.

On December 12, 2012, the Company received a civil investigative demand from the FTC requesting that the Company produce (i) all documents relating to communications with the monitor (the "Monitor") appointed pursuant to the agreement and settlement (the "Southwest Border Agreement") WUFSI entered into with the State of Arizona on February 11, 2010, as amended, including information the Company provided to the Monitor and any reports prepared by the Monitor; and (ii) all documents relating to complaints made to the Company by consumers anywhere in the world relating to fraud-induced money transfers since January 1, 2011. From 2013 to 2015, the Company received additional civil investigative demands related to consumer fraud and the Company's anti-fraud programs. In the second quarter of 2016, the FTC advised the Company of its view that the Company violated Section 5 of the Federal Trade Commission Act and the Telemarketing Sales rule by failing to take timely, appropriate, and effective measures to mitigate fraud in the processing of money transfers sent by consumers. The Company engaged in discussions with the FTC seeking to reach an appropriate resolution of this matter. During these discussions, the FTC staff advised the Company that it believed that the Company was responsible for principal amounts of what it alleged to be hundreds of millions of dollars in fraud-induced money transfers, or a multiple thereof based on the FTC's belief that fraud-induced money transfers are underreported by consumers, dating back to 2004. On January 19, 2017, the FTC filed a Complaint for Permanent Injunctive and Other Equitable Relief, alleging claims for unfair acts and practices under the Federal Trade Commission Act and for violations of the FTC Telemarketing Sales Rule. The Consent Order, filed simultaneously and entered by the court on January 20, 2017, resolves those claims.

State Attorneys General Investigations

As described above, the following investigation by the State Attorneys General was resolved pursuant to the Joint Settlement Agreements.

Beginning in 2011, Western Union received several civil investigative demands from the State Attorneys General in connection with an investigation into the adequacy of the Company's consumer protection efforts. The civil investigative demands sought information and documents relating to money transfers sent from the United States to certain countries, consumer fraud complaints that the Company has received and the Company's procedures to help identify and prevent fraudulent transfers. The Company provided information and documents to the State Attorneys General. On January 31, 2017, the attorneys general for 49 U.S. states and the District of Columbia filed the State AG Agreement, in various forms, resolving any claims arising out of the investigation.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

State of Arizona Settlement Agreement

On February 11, 2010, Western Union Financial Services, Inc. ("WUFSI"), a subsidiary of the Company, signed the Southwest Border Agreement, which resolved all outstanding legal issues and claims with the State of Arizona (the "State") and required the Company to fund a multi-state not-for-profit organization promoting safety and security along the United States and Mexico border, in which California, Texas and New Mexico are participating with the State. As part of the Southwest Border Agreement, the Company has made and expects to make certain investments in its anti-money laundering ("AML") compliance programs along the United States and Mexico border and a Monitor has been engaged for those programs. The Company has incurred, and expects to continue to incur, significant costs in connection with the Southwest Border Agreement. The Monitor has made a number of primary and secondary recommendations related to WUFSI's AML compliance programs, which WUFSI has implemented or is implementing, including programs related to the Company's Business Solutions segment.

On January 31, 2014, the Southwest Border Agreement was amended to extend its term until December 31, 2017 (the "Amendment"). The Amendment imposes additional obligations on the Company and WUFSI in connection with WUFSI's AML compliance programs and cooperation with law enforcement. In particular, the Amendment requires WUFSI to continue implementing the primary and secondary recommendations made by the Monitor, and includes, among other things, timeframes for implementing such primary and secondary recommendations. Under the Amendment, the Monitor could make additional primary recommendations until January 1, 2015 and may make additional secondary recommendations until January 31, 2017. After these dates, the Monitor may only make additional primary or secondary recommendations, as applicable, that meet certain requirements as set forth in the Amendment.

WUFSI implemented all of the primary recommendations prior to October 31, 2015. On June 29, 2016, the Monitor notified WUFSI and the State that the Monitor had determined that (i) WUFSI had successfully implemented all of the primary recommendations, and (ii) WUFSI has implemented an effective AML compliance program along the United States and Mexico border. On July 27, 2016, the Monitor delivered its final report for the primary recommendations period and the Superior Court of Arizona in and for Maricopa County accepted the report. Accordingly, the State cannot pursue any remedies under the Southwest Border Agreement with respect to the primary recommendations.

The Amendment also provides until June 30, 2017 for implementation of the secondary recommendations, and provides a deadline of December 31, 2017 for the Monitor to issue a report evaluating implementation of the secondary recommendations. If the Monitor concludes in that report that WUFSI has not implemented an effective AML compliance program along the United States and Mexico border, the State cannot assert a willful and material breach of the Southwest Border Agreement but may require WUFSI to pay \$25 million (the "Secondary Period Remedy"). There is no monetary penalty associated with secondary recommendations that were classified as such on the date of the Amendment or any new secondary recommendations that the Monitor makes after the date of the Amendment. There are currently 15 such secondary recommendations and groups of secondary recommendations.

The Amendment requires WUFSI to continue funding the Monitor's reasonable expenses in \$500,000 increments as requested by the Monitor. The Amendment also requires WUFSI to make a one-time payment of \$250,000, which was paid in March 2014, and thereafter \$150,000 per month for five years from the date of the Amendment to fund the activities and expenses of a money transfer transaction data analysis center formed by WUFSI and a Financial Crimes Task Force comprised of federal, state and local law enforcement representatives, including those from the State. In addition, California, Texas, and New Mexico are participating in the money transfer transaction data analysis center.

The changes in WUFSI's AML compliance program required by the Southwest Border Agreement, including the Amendment, and the Monitor's recommendations have had, and will continue to have, adverse effects on the Company's business, including additional costs. The Company is unable at this stage to predict whether the Monitor will conclude at the end of the timeframe for implementing the secondary recommendations that WUFSI has successfully implemented the secondary recommendations and has an effective AML compliance program, and, accordingly, whether the State will pursue the Secondary Period Remedy.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Shareholder 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.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, two of its former executive officers and all but two of its current 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 anti-money laundering compliance system after receiving numerous red flags indicating prolonged willful illegality, obstructed the Southwest Border Monitor's efforts 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 anti-money laundering 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 Bank Secrecy Act and parallel anti-money laundering laws and regulations for a prolonged period of time, authorized and implemented anti-money laundering 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 may file an amended complaint that cures 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, eight of its current directors (including the Company's President and Chief Executive Officer, who also serves as a director) and one of its former

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 January 20, 2017, Plaintiffs filed a notice of new case developments with the Court, attaching 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.

All of the actions described above under "Shareholder Actions" are in a preliminary stage and 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

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. The Tennille complaint was served on the Company on April 27, 2009. The Smet complaint was served on the Company on April 6, 2010. On September 21, 2009, the Court granted the Company's motion to dismiss the Tennille complaint and gave the plaintiff leave to file an amended complaint. On October 21, 2009, Tennille filed an amended complaint. The Company moved to dismiss the Tennille amended complaint and the Smet complaint. On November 8, 2010, the Court denied the motion to dismiss as to the plaintiffs' unjust enrichment and conversion claims. On February 4, 2011, the Court dismissed the plaintiffs' consumer protection claims. On March 11, 2011, the plaintiffs filed an amended complaint that adds a claim for breach of fiduciary duty, various elements to its declaratory relief claim and WUFSI as a defendant. On April 25, 2011, the Company and WUFSI filed a motion to dismiss the breach of fiduciary duty and declaratory relief claims. WUFSI also moved to compel arbitration of the plaintiffs' claims and to stay the action pending arbitration. On November 21, 2011, the Court denied the motion to compel arbitration and the stay request. Both companies appealed the decision. On January 24, 2012, the United States Court of Appeals for the Tenth Circuit granted the companies' request to stay the District Court proceedings pending their appeal. 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, which are included within "Settlement obligations" in the Company's Consolidated Balance Sheets. These fees and other expenses are currently estimated to be approximately \$50 million. 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 will be paid. On November 6, 2013, the Attorney General of California notified Western Union of the California Controller's position that Western Union's deposit of the unclaimed money transfer funds into the class settlement fund pursuant to the settlement "will not satisfy Western Union's obligations to report and remit funds" under California's unclaimed property law, and that "Western Union will remain liable to the State of California" for the funds that would have escheated to California in the absence of the settlement. The State of Pennsylvania and District of Columbia have previously expressed similar views. Other states have also recently expressed concerns about the settlement and many have not yet expressed an opinion. Since some states and jurisdictions believe that the Company must escheat its full share of the settlement fund and that the deductions for class counsel's fees, administrative costs, and other expenses that are required under the settlement agreement are not permitted, there is a reasonable possibility a loss could result up to approximately the amount of those fees and other expenses. However, given the number of jurisdictions involved and the fact that no actions have been brought, the Company is unable to provide a more precise estimate of the range of possible loss.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. 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. As this action is in a preliminary stage, 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.

On January 26, 2017, Martin Herman filed a purported class action complaint in the United States District Court for the Central District of California against the Company, its President and Chief Executive Officer, its Chief Financial Officer, and a former executive officer of the Company, asserting claims under sections 10(b) of the Exchange Act and Securities and Exchange Commission rule 10b-5 against all defendants and a claim under section 20(a) of the Exchange Act against the individual defendants. The complaint alleges that, during the purported class period, February 24, 2012 through January 19, 2017, defendants made false or misleading statements or failed to disclose adverse material facts known to them, including those regarding: (1) the effectiveness of the Company's fraud prevention program and the program's compliance with applicable law and best practices; (2) the development and enhancement of the Company's global compliance policies and anti-money laundering program; and (3) the Company's compliance with regulatory requirements. This 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 this action. The Company and the named individuals intend to vigorously defend themselves in this matter.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On February 22, 2017, Lawrence Henry Smallen and Laura Anne Smallen Revocable Living Trust filed a purported class action complaint in the United States District Court for the District of Colorado. The defendants, class period, claims and bases are the same as those in the purported class action complaint filed by Martin Herman described above. This 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 this action. The Company and the named individuals 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 €17.5 million (\$18.4 million based on the December 31, 2016 exchange rate) in victim losses that cannot be repaid by any of the criminal defendants who are convicted. The Company expects that WUPSIL will be required to guarantee or provide security for up to approximately €23.5 million (\$24.7 million) to cover the alleged victim losses plus potential interest and other costs. 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. However, based on the amounts alleged, the range of loss could be up to approximately €23.5 million (\$24.7 million).

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.

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, 2016, 2015 and 2014 totaled \$68.0 million, \$65.5 million and \$70.2 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, 2016, 2015 and 2014 were \$4.4 billion, \$8.7 billion and \$17.7 billion, respectively. The decline in proceeds from the sale and maturity of available-for-sale securities for the year ended December 31, 2016 compared to the prior periods 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, 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>
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains/ (Losses)
December 31, 2015					
Settlement assets:					
Available-for-sale securities:					
State and municipal debt securities (a)	\$ 1,040.3	\$ 1,052.5	\$ 14.2	\$ (2.0)	\$ 12.2
State and municipal variable rate demand notes.	42.9	42.9	—	—	—
Corporate and other debt securities	67.3	67.2	—	(0.1)	(0.1)
	<u>1,150.5</u>	<u>1,162.6</u>	<u>14.2</u>	<u>(2.1)</u>	<u>12.1</u>
Other assets:					
Held-to-maturity securities:					
Foreign corporate debt securities	9.3	9.3	—	—	—
	<u>\$ 1,159.8</u>	<u>\$ 1,171.9</u>	<u>\$ 14.2</u>	<u>\$ (2.1)</u>	<u>\$ 12.1</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, 2016 and 2015.

The following summarizes the contractual maturities of settlement-related debt securities as of December 31, 2016 (in millions):

	Amortized Cost	Fair Value
Due within 1 year	\$ 118.9	\$ 119.1
Due after 1 year through 5 years.	502.6	502.0
Due after 5 years through 10 years.	286.7	285.8
Due after 10 years.	329.7	324.9
	<u>\$ 1,237.9</u>	<u>\$ 1,231.8</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 \$203.4 million are included in the "Due after 10 years" category, in the table above. The significant majority of the held-to-maturity foreign corporate debt securities are due within 1 year.

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, 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
	Fair Value Measurement Using			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
December 31, 2015				
Assets:				
Settlement assets:				
State and municipal debt securities	\$ —	\$ 1,052.5	\$ —	\$ 1,052.5
State and municipal variable rate demand notes	—	42.9	—	42.9
Corporate and other debt securities	—	67.2	—	67.2
Other assets:				
Derivatives	—	396.3	—	396.3
Total assets	\$ —	\$ 1,558.9	\$ —	\$ 1,558.9
Liabilities:				
Derivatives	\$ —	\$ 283.7	\$ —	\$ 283.7
Total liabilities	\$ —	\$ 283.7	\$ —	\$ 283.7

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

No non-recurring fair value adjustments were recorded during the years ended December 31, 2016 and 2015.

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, 2016, the carrying value and fair value of the Company's borrowings was \$2,786.1 million and \$2,888.7 million, respectively (see Note 15). As of December 31, 2015, the carrying value and fair value of the Company's borrowings was \$3,215.9 million and \$3,279.6 million, respectively.

The Company's investments in foreign corporate debt securities 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, 2016, the carrying value and fair value of the Company's foreign corporate debt securities was \$36.2 million. As of December 31, 2015, the carrying value and fair value of the Company's foreign corporate debt securities was \$9.3 million.

9. Other Assets and Other Liabilities

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

	December 31,	
	2016	2015
Other assets:		
Derivatives	\$ 365.6	\$ 396.3
Prepaid expenses	126.9	83.4
Amounts advanced to agents, net of discounts	58.0	57.1
Equity method investments	40.1	43.3
Other	155.7	143.9
Total other assets	<u>\$ 746.3</u>	<u>\$ 724.0</u>
Other liabilities:		
Derivatives	\$ 262.3	\$ 283.7
Pension obligations	26.4	69.3
Other	70.7	76.0
Total other liabilities	<u>\$ 359.4</u>	<u>\$ 429.0</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,		
	2016	2015	2014
Domestic	\$ (546.4)	\$ (27.0)	\$ 34.7
Foreign	888.1	968.8	933.5
	<u>\$ 341.7</u>	<u>\$ 941.8</u>	<u>\$ 968.2</u>

For the years ended December 31, 2016, 2015 and 2014, 260%, 103% and 96% of the Company's pre-tax income was derived from foreign sources, respectively. The decrease in domestic pre-tax income for the year ended December 31, 2016 compared to 2015 was primarily due to \$601 million of expenses as a result of the Joint Settlement Agreements, described further in Note 5.

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

	Year Ended December 31,		
	2016	2015	2014
Federal	\$ 43.5	\$ 33.2	\$ 57.0
State and local	2.9	(1.0)	4.9
Foreign	42.1	71.8	53.9
	<u>\$ 88.5</u>	<u>\$ 104.0</u>	<u>\$ 115.8</u>

No tax benefit was recorded 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. 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, may be 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,		
	2016	2015	2014
Federal statutory rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal income tax benefits	1.2 %	0.4 %	0.6 %
Foreign rate differential, net of United States tax paid on foreign earnings (24.8%, 3.4% and 4.3%, respectively)	(50.8)%	(24.6)%	(24.0)%
Joint Settlement Agreements impact	62.1 %	— %	— %
Lapse of statute of limitations	(11.3)%	(0.8)%	(0.9)%
Valuation allowances	(2.8)%	(0.9)%	2.5 %
Other	(7.5)%	1.9 %	(1.2)%
Effective tax rate	<u>25.9 %</u>	<u>11.0 %</u>	<u>12.0 %</u>

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The increase in the Company's effective tax rate for the year ended December 31, 2016 compared to 2015 was primarily due to the tax-related effects of 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 decrease in the Company's effective tax rate for the year ended December 31, 2015 compared to 2014 is primarily due to various tax planning benefits, some of which are non-recurring, partially offset by changes in the composition of foreign earnings between higher taxed and lower taxed and the combined effects of various discrete items. The Company continues to benefit from a significant proportion of its profits being foreign-derived and generally taxed at lower rates than its combined federal and state tax rates in the United States. 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 are generally subject to United States federal and state income tax.

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

	Year Ended December 31,		
	2016	2015	2014
Current:			
Federal	\$ 186.2	\$ 59.6	\$ 76.1
State and local	13.1	5.4	4.7
Foreign	63.4	78.9	61.8
Total current taxes	262.7	143.9	142.6
Deferred:			
Federal	(142.7)	(26.4)	(19.1)
State and local	(10.2)	(6.4)	0.2
Foreign	(21.3)	(7.1)	(7.9)
Total deferred taxes	(174.2)	(39.9)	(26.8)
	<u>\$ 88.5</u>	<u>\$ 104.0</u>	<u>\$ 115.8</u>

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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,	
	2016	2015
Deferred tax assets related to:		
Reserves, accrued expenses and employee-related items	\$ 279.8	\$ 87.1
Tax attribute carryovers	39.1	60.2
Pension obligations	11.1	26.5
Intangibles, property and equipment	9.7	7.9
Other	14.8	10.2
Valuation allowance	(22.0)	(33.2)
Total deferred tax assets	332.5	158.7
Deferred tax liabilities related to:		
Intangibles, property and equipment	394.4	410.9
Other	14.3	12.5
Total deferred tax liabilities	408.7	423.4
Net deferred tax liability (a)	\$ 76.2	\$ 264.7

- (a) As of December 31, 2016 and 2015, deferred tax assets that cannot be fully offset by deferred tax liabilities in the respective tax jurisdictions of \$9.7 million and \$7.9 million, respectively, are reflected in "Other assets" in the Consolidated Balance Sheets.

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, certain foreign net operating losses, and certain foreign undistributed earnings. Such uncertainties include generating sufficient income, generating sufficient United States foreign tax credit limitation related to passive income, and demonstrating the ability to distribute certain foreign earnings. 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, 2016, the total amount of tax contingency reserves was \$365.1 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.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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):

	2016	2015
Balance as of January 1,	\$ 105.6	\$ 93.4
Increase related to current period tax positions (a)	223.6	17.1
Increase related to prior period tax positions	71.7	7.7
Decrease related to prior period tax positions.	(14.9)	(5.4)
Decrease due to lapse of applicable statute of limitations	(33.1)	(5.6)
Decrease due to effects of foreign currency exchange rates	(0.9)	(1.6)
Balance as of December 31,	<u>\$ 352.0</u>	<u>\$ 105.6</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 \$343.3 million and \$96.8 million as of December 31, 2016 and 2015, 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, and records the associated liability in "Income taxes payable" in its Consolidated Balance Sheets. The Company recognized \$(2.9) million, \$1.9 million and \$1.5 million in interest and penalties during the years ended December 31, 2016, 2015 and 2014, respectively. The Company has accrued \$22.5 million and \$17.0 million for the payment of interest and penalties as of December 31, 2016 and 2015, respectively.

The unrecognized tax benefits accrual as of December 31, 2016 consists of federal, state and foreign tax matters. It is reasonably possible that the Company's total unrecognized tax benefits will decrease by approximately \$34 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 2010-2012) 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, 2016. A substantial majority of these payments were made in the year ended December 31, 2012. The Company expects to pay the remaining amount in 2017. 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 disagreed. Both First Data and the Company filed their respective protests with the IRS Appeals Division on November 28, 2012 related to the disagreed proposed adjustments. Discussions with the IRS concerning these adjustments are ongoing. The Company believes its reserves are adequate with respect to both the agreed and disagreed adjustments. During the year ended December 31, 2016, the Company reached an agreement in principle with the IRS concerning its disagreed adjustments and adjusted its reserves accordingly.

As of December 31, 2016, no provision has been made for United States federal and state income taxes on certain of the Company's outside tax basis differences, which primarily relate to accumulated foreign earnings of approximately \$6.7 billion, which have been reinvested and are expected to continue to be reinvested outside the United States indefinitely. Over the last several years, such earnings have been used to pay for the Company's international acquisitions and operations and provide initial Company funding of global principal payouts for Consumer-to-Consumer and Business Solutions transactions. Upon distribution of those earnings to the United States in the form of actual or constructive dividends, the Company would be subject to United States income taxes (subject to an adjustment for foreign tax credits), state income taxes and possible withholding taxes payable to various foreign countries. Such taxes could be significant. Determination of this amount of unrecognized United States deferred tax liability is not practicable because of the complexities associated with its hypothetical calculation.

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 \$17.8 million, \$18.0 million, and \$17.4 million during the years ended December 31, 2016, 2015 and 2014, 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% debt securities, 20% equity investments, and 20% alternative investments (e.g., hedge funds, royalty rights and private equity funds) and had a total fair value of \$280.0 million and \$276.7 million as of December 31, 2016 and 2015, 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 \$306.4 million and \$346.0 million and the discount rate assumption used in the measurement of this obligation was 3.40% and 3.52% as of December 31, 2016 and 2015, respectively. The Company's unfunded pension obligation was \$26.4 million and \$69.3 million as of December 31, 2016 and 2015, respectively.

The net periodic benefit cost associated with the Plan was \$3.3 million, \$2.8 million, and \$3.8 million for the years ended December 31, 2016, 2015 and 2014, respectively. The expected long-term return on plan assets assumption is 6.75% for 2017. The Company made contributions of \$38.1 million and \$6.7 million to the Plan in the years ended December 31, 2016 and 2015, respectively. No funding to the Plan will be required for 2017. The estimated undiscounted future benefit payments are expected to be \$33.2 million in 2017, \$31.5 million in 2018, \$29.8 million in 2019, \$28.1 million in 2020, \$26.3 million in 2021, and \$106.6 million in 2022 through 2026.

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 \$46.2 million, \$46.9 million and \$54.0 million during the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, the minimum aggregate rental commitments under all non-cancelable operating leases were as follows (in millions):

<u>Year Ending December 31,</u>	
2017.....	\$ 40.8
2018.....	31.2
2019.....	19.1
2020.....	10.6
2021.....	6.1
Thereafter	12.5
Total future minimum lease payments.....	<u>\$ 120.3</u>

13. Stockholders' Equity

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. 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.

	Year Ended December 31,		
	2016	2015	2014
Unrealized gains on investment securities, beginning of period	\$ 7.8	\$ 8.9	\$ 4.1
Unrealized gains/(losses)	(14.9)	0.4	15.5
Tax (expense)/benefit	5.4	(0.1)	(5.7)
Reclassification of gains into "Other revenues"	(3.3)	(2.2)	(7.8)
Reclassification of gains into "Interest income"	—	—	(0.2)
Tax expense related to reclassifications	1.2	0.8	3.0
Net unrealized gains/(losses) on investment securities	(11.6)	(1.1)	4.8
Unrealized gains/(losses) on investment securities, end of period	<u>\$ (3.8)</u>	<u>\$ 7.8</u>	<u>\$ 8.9</u>
Unrealized gains/(losses) on hedging activities, beginning of period	\$ 41.4	\$ 48.6	\$ (33.0)
Unrealized gains	34.3	70.8	84.0
Tax (expense)/benefit	1.0	(7.0)	(3.7)
Reclassification of gains into "Transaction fees"	(33.3)	(55.3)	(1.2)
Reclassification of gains into "Foreign exchange revenues"	(14.7)	(22.5)	(0.4)
Reclassification of losses into "Interest expense"	3.6	3.6	3.6
Tax expense/(benefit) related to reclassifications	1.5	3.2	(0.7)
Net unrealized gains/(losses) on hedging activities	(7.6)	(7.2)	81.6
Unrealized gains on hedging activities, end of period	<u>\$ 33.8</u>	<u>\$ 41.4</u>	<u>\$ 48.6</u>
Foreign currency translation adjustments, beginning of period	\$ (66.0)	\$ (49.2)	\$ (21.6)
Foreign currency translation adjustments	(5.4)	(20.3)	(14.8)
Tax (expense)/benefit	0.7	3.5	(12.8)
Net foreign currency translation adjustments	(4.7)	(16.8)	(27.6)
Foreign currency translation adjustments, end of period	<u>\$ (70.7)</u>	<u>\$ (66.0)</u>	<u>\$ (49.2)</u>
Defined benefit pension plan adjustments, beginning of period	\$ (127.1)	\$ (127.2)	\$ (118.5)
Unrealized losses	(2.9)	(9.7)	(24.3)
Tax benefit	1.1	2.5	9.0
Reclassification of losses into "Cost of services"	10.7	11.4	10.4
Tax benefit related to reclassifications and other	(3.9)	(4.1)	(3.8)
Net defined benefit pension plan adjustments	5.0	0.1	(8.7)
Defined benefit pension plan adjustments, end of period	<u>\$ (122.1)</u>	<u>\$ (127.1)</u>	<u>\$ (127.2)</u>
Accumulated other comprehensive loss, end of period	<u>\$ (162.8)</u>	<u>\$ (143.9)</u>	<u>\$ (118.9)</u>

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash Dividends Paid

Cash dividends paid for the years ended December 31, 2016, 2015 and 2014 were \$312.2 million, \$316.5 million and \$265.2 million, respectively. Dividends per share declared quarterly by the Company's Board of Directors during the years ended 2016, 2015 and 2014 were as follows:

Year	Q1	Q2	Q3	Q4
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

On February 9, 2017, the Company's Board of Directors declared a quarterly cash dividend of \$0.175 per common share payable on March 31, 2017.

Share Repurchases

During the years ended December 31, 2016, 2015 and 2014, 24.8 million, 25.1 million and 29.3 million shares, respectively, have been repurchased for \$481.3 million, \$500.0 million and \$488.1 million, respectively, excluding commissions, at an average cost of \$19.41, \$19.96 and \$16.63 per share, respectively. These amounts represent shares authorized by the Board of Directors for repurchase under the publicly announced authorizations. As of December 31, 2016, \$230.5 million remained available under the share repurchase authorization approved by the Company's Board of Directors through December 31, 2017. 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.

On February 9, 2017, the Board of Directors authorized \$1.2 billion of common stock repurchases through December 31, 2019.

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 written to its customers 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, 2016, 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/(losses), net" within the Company's Consolidated Statements of Income.

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, 2016 were as follows (in millions):

Contracts designated as hedges:

Euro	\$	383.2
British pound		133.4
Canadian dollar		92.8
Australian dollar		46.3
Swiss franc		40.9
Other		84.1

Contracts not designated as hedges:

Euro	\$	248.8
British pound		55.4
Australian dollar		47.1
Mexican peso		40.8
Canadian dollar		40.5
Indian rupee		29.5
Other (a)		166.2

(a) Comprised of exposures to 20 different currencies. None of these individual currency exposures is greater than \$25 million.

THE WESTERN UNION COMPANY

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. The resulting foreign exchange revenues from the total portfolio of positions comprise Business Solutions foreign exchange revenues. 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, 2016 was approximately \$5.5 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 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 \$975.0 million as of December 31, 2016 and 2015. Of this aggregate notional amount held at December 31, 2016, \$500.0 million related to notes due in 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, 2016 and December 31, 2015 (in millions):

		Derivative Assets			Derivative Liabilities	
		Fair Value			Fair Value	
	Balance Sheet Location	December 31, 2016	December 31, 2015	Balance Sheet Location	December 31, 2016	December 31, 2015
Derivatives — hedges:						
Interest rate fair value hedges	Other assets	\$ 6.7	\$ 7.6	Other liabilities	\$ —	\$ —
Foreign currency cash flow hedges . .	Other assets	48.4	59.7	Other liabilities	1.2	2.4
Total		<u>\$ 55.1</u>	<u>\$ 67.3</u>		<u>\$ 1.2</u>	<u>\$ 2.4</u>
Derivatives — undesignated:						
Business Solutions operations — foreign currency (a)	Other assets	\$ 307.2	\$ 326.1	Other liabilities	\$ 258.3	\$ 277.1
Foreign currency	Other assets	3.3	2.9	Other liabilities	2.8	4.2
Total		<u>\$ 310.5</u>	<u>\$ 329.0</u>		<u>\$ 261.1</u>	<u>\$ 281.3</u>
Total derivatives		<u>\$ 365.6</u>	<u>\$ 396.3</u>		<u>\$ 262.3</u>	<u>\$ 283.7</u>

(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 increases in the Company's derivative assets and liabilities that may exceed 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, 2016 and December 31, 2015 (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, 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	<u>\$ 365.6</u>				
December 31, 2015					
Derivatives subject to a master netting arrangement or similar agreement	\$ 224.3	\$ —	\$ 224.3	\$ (119.2)	\$ 105.1
Derivatives that are not or may not be subject to master netting arrangement or similar agreement	172.0				
Total	<u>\$ 396.3</u>				

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, 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	<u>\$ 262.3</u>				
December 31, 2015					
Derivatives subject to a master netting arrangement or similar agreement	\$ 169.6	\$ —	\$ 169.6	\$ (119.2)	\$ 50.4
Derivatives that are not or may not be subject to master netting arrangement or similar agreement	114.1				
Total	<u>\$ 283.7</u>				

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 segregated by designated, qualifying hedging instruments and those that are not, for the years ended December 31, 2016, 2015, and 2014 (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, 2016, 2015, and 2014 (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		
		2016	2015	2014			2016	2015	2014		2016	2015	2014
Interest rate contracts	Interest expense	\$ 6.2	\$ 15.2	\$ 17.5	Fixed-rate debt	Interest expense	\$ 3.2	\$ (2.3)	\$ (4.4)	Interest expense	\$ —	\$ 0.8	\$ (0.7)
Total gain/(loss)		\$ 6.2	\$ 15.2	\$ 17.5			\$ 3.2	\$ (2.3)	\$ (4.4)		\$ —	\$ 0.8	\$ (0.7)

Cash Flow Hedges

The following table presents the location and amount of gains/(losses) from cash flow hedges for the years ended December 31, 2016, 2015, and 2014 (in millions):

	Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)			Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)				Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b)			
	Amount			Income Statement Location	Amount			Income Statement Location	Amount		
Derivatives	2016	2015	2014		2016	2015	2014		2016	2015	2014
Foreign currency contracts,	\$ 34.3	\$ 70.8	\$ 84.0	Revenue	\$ 48.0	\$ 77.8	\$ 1.6	Derivative gains/ (losses), net	\$ 3.7	\$ (0.1)	\$ (4.4)
Interest rate contracts (c) . .	—	—	—	Interest expense . .	(3.6)	(3.6)	(3.6)	Interest expense . .	—	—	—
Total gain/(loss) .	\$ 34.3	\$ 70.8	\$ 84.0		\$ 44.4	\$ 74.2	\$ (2.0)		\$ 3.7	\$ (0.1)	\$ (4.4)

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, 2016, 2015, and 2014 (in millions):

Derivatives	Income Statement Location	Gain/(Loss) Recognized in Income on Derivatives (d)		
		Amount		
		2016	2015	2014
Foreign currency contracts (e)	Selling, general and administrative	\$ 13.2	\$ 35.9	\$ 46.5
Foreign currency contracts (f)	Derivative gains/(losses), net	0.8	1.3	2.2
Total gain/(loss)		\$ 14.0	\$ 37.2	\$ 48.7

- (a) 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. The 2014 loss of \$4.4 million was comprised of a loss in value on the debt of \$16.8 million and amortization of hedge accounting adjustments of \$12.4 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 derivative's 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 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 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 were \$21.4 million, \$36.1 million, and \$51.8 million for the years ended 2016, 2015, and 2014, 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 gain of \$32.9 million related to the foreign currency forward contracts is expected to be reclassified into revenue within the next 12 months as of December 31, 2016. Approximately \$3.3 million of net losses on the forecasted debt issuance hedges are expected to be recognized in "Interest expense" in the Consolidated Statements of Income within the next 12 months as of December 31, 2016. No amounts have been reclassified into earnings as a result of the underlying transaction being considered probable of not occurring within the specified time period.

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, 2016	December 31, 2015
Notes:		
5.930% notes due 2016 (a) (b)	\$ —	\$ 1,000.0
2.875% notes due 2017 (a)	500.0	500.0
3.650% notes (effective rate of 4.4%) due 2018	400.0	400.0
3.350% notes due 2019 (a)	250.0	250.0
5.253% notes due 2020 (a)	324.9	324.9
6.200% notes due 2036 (a)	500.0	500.0
6.200% notes due 2040 (a)	250.0	250.0
Term Loan Facility borrowings (effective rate of 2.2%) (b)	575.0	—
Other borrowings	—	5.5
Total borrowings at par value	2,799.9	3,230.4
Fair value hedge accounting adjustments, net (c)	4.4	7.6
Unamortized discount and debt issuance costs (d)	(18.2)	(22.1)
Total borrowings at carrying value (e)	<u>\$ 2,786.1</u>	<u>\$ 3,215.9</u>

- (a) The difference between the stated interest rate and the effective interest rate is not significant.
- (b) Proceeds from the Company's delayed draw term loan facility, cash, including cash generated from operations, and proceeds from commercial paper borrowings were used to fund the October 2016 maturity of \$1.0 billion of aggregate principal amount unsecured notes as discussed further below.
- (c) 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 over the life of the related notes, and cause the effective rate of interest to differ from the notes' stated rate.
- (d) On January 1, 2016, the Company adopted an accounting pronouncement that requires capitalized debt issuance costs to be presented as a reduction to the carrying value of debt, with adoption retrospective for periods previously presented. The adoption of this standard resulted in a reduction of \$9.7 million to the carrying value of borrowings as of December 31, 2015.
- (e) As of December 31, 2016, the Company's weighted-average effective rate on total borrowings was approximately 4.2%.

The following summarizes the Company's maturities of borrowings at par value as of December 31, 2016 (in millions):

Due within 1 year	\$ 500.0
Due after 1 year through 2 years	414.4
Due after 2 years through 3 years	278.8
Due after 3 years through 4 years	368.0
Due after 4 years through 5 years	488.7
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, 2016 and 2015.

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 contains 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 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 loans commencing after the second anniversary of the closing of the Term Loan Facility. The final maturity date of the Term Loan Facility is April 11, 2021.

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"). The Revolving Credit Facility contains certain covenants 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, subject to certain exceptions, or use proceeds in violation of applicable anti-corruption or AML laws. Also, 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, 2016 and 2015, the Company had no outstanding borrowings under the Revolving Credit Facility.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Notes

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 2019 Notes are subject to covenants that, among other things, limit or restrict the ability of the Company to sell or transfer assets or merge or consolidate with another company, and limit or restrict the Company's and certain of its subsidiaries' ability to incur certain types of security interests, or enter into sale and leaseback transactions. 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"). Interest with respect to the 2015 Floating Rate Notes was payable quarterly in arrears on each February 21, May 21, August 21 and November 21, beginning November 21, 2013, at a per annum rate equal to the three-month LIBOR plus 1.0% (reset quarterly). The 2015 Floating Rate Notes matured and were repaid from the Company's cash balances 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 from the Company's cash balances in December 2015. Interest with respect to the 2017 Notes is payable semi-annually in arrears on June 10 and December 10 of each year, currently based on the per annum rate of 2.875%. The interest rate payable on the 2017 Notes will be increased if the debt rating assigned to such notes 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 2017 Notes be increased by more than 2.00% above 2.875% per annum. The interest rate on the 2017 Notes may also be adjusted downward for debt rating upgrades subsequent to any debt rating downgrades but may not be adjusted below 2.875% per annum. The 2017 Notes are subject to covenants that, among other things, limit or restrict the ability of the Company to sell or transfer assets or merge or consolidate with another company, and limit or restrict the Company's and certain of its subsidiaries' ability to incur certain types of security interests, or enter into sale and leaseback transactions. The Company may redeem the 2017 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 40 basis points.

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 2018 Notes are subject to covenants that, among other things, limit or restrict the ability of the Company to sell or transfer assets or merge or consolidate with another company, and limit or restrict the Company's and certain of its subsidiaries' ability to incur certain types of security interests, or enter into certain sale and leaseback transactions. 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 2040 Notes are subject to covenants that, among other things, limit or restrict the Company's and certain of its subsidiaries' ability to grant certain types of security interests or enter into sale and leaseback transactions. 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.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2020 Notes are subject to covenants that, among other things, limit or restrict the Company's and certain of its subsidiaries' ability to grant certain types of security interests, incur debt (in the case of significant subsidiaries), or enter into sale and leaseback transactions. 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.

The 2020 Notes were originally issued in reliance on exemptions from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). On October 8, 2010, the Company exchanged the 2020 Notes for notes registered under the Securities Act, pursuant to the terms of a Registration Rights Agreement.

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 2036 Notes are subject to covenants that, among other things, limit or restrict the Company's and certain of its subsidiaries' ability to grant certain types of security interests, incur debt (in the case of significant subsidiaries), or enter into sale and leaseback transactions. 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"). Interest on the 2016 Notes was payable semi-annually on April 1 and October 1 each year based on the fixed per annum rate of 5.930%. In October 2016, proceeds from the Term Loan Facility, proceeds from commercial paper borrowings, and cash, including cash generated from operations, were used to repay the 2016 Notes.

Certain of the Company's notes (the 2019 Notes, 2017 Notes, and 2018 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 30.5 million as of December 31, 2016.

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 2016 consisted of 80% performance-based restricted stock unit awards and 20% restricted stock unit awards. The CEO received long-term incentive awards under the 2015 LTIP and 2006 LTIP, which in 2016 consisted of 80% performance-based restricted stock unit awards and 20% stock option awards. In 2015, the compensation committee of the Company's Board of Directors granted the Company's executives, including the CEO and certain other key employees long-term incentive awards under the 2015 LTIP and 2006 LTIP, which consisted of 80% performance-based restricted stock unit awards and 20% option awards. The compensation committee granted the remaining non-executive employees of the Company participating in the 2015 LTIP and 2006 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 2016 and 2015.

The performance-based restricted stock units granted in 2016 are restricted stock units, primarily granted to the Company's executives 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 2016, 2017 and 2018. 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 (2016 through 2018). 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 2016 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 2015 were designed similar to the 2016 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 performance-based restricted stock units that are tied solely to performance conditions is measured similar to the restricted stock units discussed above, while the fair value of the performance-based restricted stock units that are tied to a market condition is determined using the Monte-Carlo simulation model. Unlike the performance-based awards that are tied solely to performance conditions, compensation costs related to awards with market conditions 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 bonus/deferred stock units out of the 2015 LTIP and 2006 LTIP to the non-employee directors of the Company. Since bonus/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, 2016 was as follows (options and aggregate intrinsic value in millions):

	Year Ended December 31, 2016			
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1	11.8	\$ 18.01		
Granted	0.6	\$ 18.19		
Exercised	(1.8)	\$ 17.69		
Cancelled/forfeited	(2.5)	\$ 20.07		
Outstanding as of December 31	8.1	\$ 17.46	5.3	\$ 34.5
Options exercisable as of December 31	6.1	\$ 17.65	4.6	\$ 24.9

The Company received \$32.5 million, \$80.1 million and \$14.2 million in cash proceeds related to the exercise of stock options during the years ended December 31, 2016, 2015 and 2014, 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, 2016, 2015 and 2014 from stock option exercises of \$1.6 million, \$4.3 million and \$0.9 million, respectively.

The total intrinsic value of stock options exercised during the years ended December 31, 2016, 2015 and 2014 was \$5.3 million, \$15.0 million and \$3.5 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, 2016 is listed below (units in millions):

	Year Ended December 31, 2016	
	Number Outstanding	Weighted-Average Grant-Date Fair Value
Non-vested as of January 1	7.6	\$ 15.47
Granted	3.7	\$ 17.05
Vested	(3.0)	\$ 14.33
Forfeited	(0.9)	\$ 15.80
Non-vested as of December 31	7.4	\$ 16.68

THE WESTERN UNION COMPANY

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 resulting from stock options, restricted stock units, performance-based restricted stock units and bonus/deferred stock units for the years ended December 31, 2016, 2015 and 2014 (in millions, except per share data).

	Year Ended December 31,		
	2016	2015	2014
Stock-based compensation expense	\$ (41.8)	\$ (42.2)	\$ (39.7)
Income tax benefit from stock-based compensation expense	12.3	12.3	11.5
Net income impact.	<u>\$ (29.5)</u>	<u>\$ (29.9)</u>	<u>\$ (28.2)</u>
Earnings per share:			
Basic and Diluted	\$ (0.06)	\$ (0.06)	\$ (0.05)

As of December 31, 2016, there was \$2.3 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 2.1 years, and there was \$64.4 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 2.2 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,		
	2016	2015	2014
Stock options granted:			
Weighted-average risk-free interest rate	1.4%	1.7%	1.9%
Weighted-average dividend yield	3.3%	3.6%	3.1%
Volatility	27.9%	28.2%	33.8%
Expected term (in years)	6.32	6.00	6.09
Weighted-average grant date fair value.	\$ 3.44	\$ 3.58	\$ 3.95

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 2016, 2015 and 2014 grants was 27.9%, 28.2% and 33.8%, respectively. There were no options granted to non-executive employees in 2016, 2015 or 2014. 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 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 and 2014, 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 previously described in Note 1, the Company classifies its businesses into three segments: Consumer-to-Consumer, Consumer-to-Business 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 limited 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 Consumer-to-Business operating segment facilitates bill payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers and government agencies.

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 that have not been classified in the above segments are reported as "Other" and include 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.
- Expenses of \$601.0 million related to the Joint Settlement Agreements for the year ended December 31, 2016 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 Joint Settlement Agreements, see Note 5.
- Business transformation expenses of \$20.3 million for the year ended December 31, 2016, 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, 2016, 2015 and 2014, respectively (in millions):

	Year Ended December 31,		
	2016	2015	2014
Revenues:			
Consumer-to-Consumer:			
Transaction fees	\$ 3,123.8	\$ 3,221.0	\$ 3,421.8
Foreign exchange revenues	1,116.0	1,057.1	998.9
Other revenues	64.8	65.8	65.1
	<u>4,304.6</u>	<u>4,343.9</u>	<u>4,485.8</u>
Consumer-to-Business:			
Transaction fees	596.7	612.7	572.7
Foreign exchange and other revenues	24.5	25.0	26.1
	<u>621.2</u>	<u>637.7</u>	<u>598.8</u>
Business Solutions:			
Foreign exchange revenues	352.6	357.2	363.1
Transaction fees and other revenues	43.4	41.5	41.5
	<u>396.0</u>	<u>398.7</u>	<u>404.6</u>
Other:			
Total revenues	101.1	103.4	118.0
Total consolidated revenues	<u>\$ 5,422.9</u>	<u>\$ 5,483.7</u>	<u>\$ 5,607.2</u>
Operating income/(loss):			
Consumer-to-Consumer	\$ 1,008.7	\$ 1,042.0	1,050.4
Consumer-to-Business (a)	64.4	68.6	98.7
Business Solutions	21.1	2.8	(12.1)
Other	10.8	(4.0)	3.5
Total segment operating income	<u>1,105.0</u>	<u>1,109.4</u>	<u>1,140.5</u>
Joint Settlement Agreements (Note 5)	(601.0)	—	—
Business transformation expenses (Note 3)	(20.3)	—	—
Total consolidated operating income	<u>\$ 483.7</u>	<u>\$ 1,109.4</u>	<u>\$ 1,140.5</u>

- (a) During the year ended December 31, 2015, Consumer-to-Business 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.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended December 31,		
	2016	2015	2014
Assets:			
Consumer-to-Consumer	\$ 4,467.7	\$ 4,738.7	\$ 5,049.7
Consumer-to-Business	1,161.9	1,010.1	1,060.2
Business Solutions	2,370.8	2,384.4	2,430.7
Other (a)	1,419.2	1,316.0	1,336.9
Total assets	<u>\$ 9,419.6</u>	<u>\$ 9,449.2</u>	<u>\$ 9,877.5</u>
Depreciation and amortization:			
Consumer-to-Consumer	\$ 183.5	\$ 183.4	\$ 191.5
Consumer-to-Business	21.7	21.7	17.3
Business Solutions	50.8	57.4	56.1
Other	7.2	7.7	7.0
Total consolidated depreciation and amortization	<u>\$ 263.2</u>	<u>\$ 270.2</u>	<u>\$ 271.9</u>
Capital expenditures:			
Consumer-to-Consumer	\$ 167.7	\$ 191.0	\$ 132.1
Consumer-to-Business	42.5	46.1	27.3
Business Solutions	11.4	19.2	13.0
Other	8.2	10.2	6.6
Total capital expenditures	<u>\$ 229.8</u>	<u>\$ 266.5</u>	<u>\$ 179.0</u>

- (a) On January 1, 2016, the Company adopted an accounting pronouncement that requires capitalized debt issuance costs to be presented as a reduction to the carrying value of debt, with adoption retrospective for periods previously presented. The adoption of this standard resulted in a reduction of \$9.7 million and \$12.9 million to Other as of December 31, 2015 and 2014, respectively.

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

	Year Ended December 31,		
	2016	2015	2014
Revenue:			
United States	\$ 1,672.9	\$ 1,584.7	\$ 1,564.6
International	3,750.0	3,899.0	4,042.6
Total	<u>\$ 5,422.9</u>	<u>\$ 5,483.7</u>	<u>\$ 5,607.2</u>
Long-lived assets:			
United States	\$ 174.0	\$ 182.9	\$ 158.1
International	46.5	48.9	48.3
Total	<u>\$ 220.5</u>	<u>\$ 231.8</u>	<u>\$ 206.4</u>

The Consumer-to-Consumer geographic split is determined based upon the region where the money transfer is initiated and the region where the money transfer is paid, including westernunion.com transactions. For transactions originated and paid in different regions, the Company splits the revenue between the two regions, with each region receiving 50%. For money transfers initiated and paid in the same region, 100% of the revenue is attributed to that region. The geographic split of revenue above for the Consumer-to-Business and Business Solutions segments is 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.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2016, 2015 and 2014, respectively. In addition, each individual agent, Consumer-to-Business, or Business Solutions customer accounted for less than 10% of consolidated revenue during these periods.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Quarterly Financial Information (Unaudited)

Summarized quarterly results for the years ended December 31, 2016 and 2015 were as follows (in millions, except per share data):

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 (a) (b)	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)	\$ 185.7	\$ 205.6	\$ 216.9	\$ (355.0)	\$ 253.2
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

- (a) 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.
- (b) 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.

2015 by Quarter:	Q1	Q2	Q3	Q4	Year Ended December 31, 2015
Revenues	\$ 1,320.9	\$ 1,383.6	\$ 1,399.2	\$ 1,380.0	\$ 5,483.7
Expenses (c) (d)	1,048.6	1,132.8	1,094.7	1,098.2	4,374.3
Operating income	272.3	250.8	304.5	281.8	1,109.4
Other expense, net	39.7	43.9	39.1	44.9	167.6
Income before income taxes	232.6	206.9	265.4	236.9	941.8
Provision for income taxes	28.7	17.6	33.1	24.6	104.0
Net income	\$ 203.9	\$ 189.3	\$ 232.3	\$ 212.3	\$ 837.8
Earnings per share:					
Basic	\$ 0.39	\$ 0.37	\$ 0.46	\$ 0.42	\$ 1.63
Diluted	\$ 0.39	\$ 0.36	\$ 0.45	\$ 0.42	\$ 1.62
Weighted-average shares outstanding:					
Basic	521.0	515.2	509.6	504.5	512.6
Diluted	525.2	519.8	513.2	508.6	516.7

- (c) Includes \$35.3 million in the second quarter of expenses related to a settlement agreement reached with the Consumer Financial Protection Bureau regarding the Equity Accelerator service of Paymap, Inc., one of the Company's subsidiaries.
- (d) Includes \$11.1 million in the fourth quarter of expenses related to productivity and cost-savings initiatives. 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, 2016 and 2015 and statements of income and comprehensive income and cash flows for each of the three years in the period ended December 31, 2016.

THE WESTERN UNION COMPANY

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

	December 31,	
	2016	2015
Assets		
Cash and cash equivalents.	\$ 0.3	\$ 1.3
Property and equipment, net of accumulated depreciation of \$26.6 and \$23.5, respectively.	34.7	36.7
Other assets	39.4	38.1
Investment in subsidiaries.	7,291.7	6,652.2
Total assets.	<u>\$ 7,366.1</u>	<u>\$ 6,728.3</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 645.5	\$ 57.9
Income taxes payable	20.9	81.4
Payable to subsidiaries, net.	3,010.6	1,973.0
Borrowings	2,786.1	3,210.4
Other liabilities	0.8	0.7
Total liabilities.	<u>6,463.9</u>	<u>5,323.4</u>
Stockholders' equity:		
Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued.	—	—
Common stock, \$0.01 par value; 2,000 shares authorized; 481.5 shares and 502.4 shares issued and outstanding as of December 31, 2016 and 2015, respectively	4.8	5.0
Capital surplus.	640.9	566.5
Retained earnings	419.3	977.3
Accumulated other comprehensive loss	(162.8)	(143.9)
Total stockholders' equity.	<u>902.2</u>	<u>1,404.9</u>
Total liabilities and stockholders' equity.	<u>\$ 7,366.1</u>	<u>\$ 6,728.3</u>

See Notes to Condensed Financial Statements.

THE WESTERN UNION COMPANY

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(PARENT COMPANY ONLY)
(in millions)

	For the Years Ended December 31,		
	2016	2015	2014
Revenues	\$ —	\$ —	\$ —
Expenses	—	—	—
Operating income	—	—	—
Interest income	—	0.2	0.6
Interest expense	(168.1)	(171.2)	(176.5)
Loss before equity in earnings of affiliates and income taxes	(168.1)	(171.0)	(175.9)
Equity in earnings of affiliates, net of tax	357.1	943.3	960.8
Income tax benefit	64.2	65.5	67.5
Net income	253.2	837.8	852.4
Other comprehensive income, net of tax	2.3	2.2	2.2
Other comprehensive income/(loss) of affiliates, net of tax	(21.2)	(27.2)	47.9
Comprehensive income	<u>\$ 234.3</u>	<u>\$ 812.8</u>	<u>\$ 902.5</u>

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,		
	2016	2015	2014
Cash flows from operating activities			
Net cash provided by operating activities	\$ 192.0	\$ 327.1	\$ 380.8
Cash flows from investing activities			
Purchases of property and equipment and other	(5.9)	(0.1)	(5.7)
Capital contributed to subsidiaries	(7.3)	(17.9)	(4.2)
Proceeds from sale of available-for-sale non-settlement related investments.	—	—	100.2
Net cash provided by/(used in) investing activities.	(13.2)	(18.0)	90.3
Cash flows from financing activities			
Advances from subsidiaries, net	1,024.0	796.1	768.1
Proceeds from issuance of borrowings	575.0	—	—
Principal payments on borrowings	(1,000.0)	(500.0)	(500.0)
Proceeds from exercise of options and other.	35.0	79.7	14.2
Cash dividends paid.	(312.2)	(316.5)	(265.2)
Common stock repurchased	(501.6)	(511.3)	(495.4)
Net cash used in financing activities	(179.8)	(452.0)	(478.3)
Net change in cash and cash equivalents.	(1.0)	(142.9)	(7.2)
Cash and cash equivalents at beginning of year	1.3	144.2	151.4
Cash and cash equivalents at end of year	<u>\$ 0.3</u>	<u>\$ 1.3</u>	<u>\$ 144.2</u>
Supplemental cash flow information:			
Non-cash investing activity, capital contribution to subsidiary (Note 3)	\$ 591.0	\$ —	\$ —

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 \$320 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, 2014	\$ 65.0	February 28, 2017	0.33%
March 1, 2015	\$ 79.5	November 30, 2017	0.40%
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%

(a) The July 1, 2015 note refinanced a note originally issued on October 1, 2012.

On January 1, 2017, the Parent issued a note payable to FFMC for \$158.8 million due on September 30, 2019. The note bears interest at the rate of 0.96% per annum.

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, 2016 and 2015, borrowings outstanding under the Facility were \$382.2 million and \$436.3 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 0.84% and 0.36% for the years ended December 31, 2016 and 2015, respectively. Outstanding borrowings under the Facility are included within "Payable to subsidiaries, net" in the Condensed Balance Sheets as of December 31, 2016 and 2015.

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, 2016 and 2015, borrowings outstanding under the Revolver were \$1.5 billion and \$841.7 million, 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 0.84% and 0.36% for the years ended December 31, 2016 and 2015, respectively. Outstanding borrowings under the Revolver are included within "Payable to subsidiaries, net" in the Condensed Balance Sheets as of December 31, 2016 and 2015.

CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

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

The Parent agreed to fund certain payments related to the Joint Settlement Agreements on behalf of its subsidiaries. As of December 31, 2016, these amounts have increased the Parent's investment in its subsidiaries, are included within "Accounts payable and accrued liabilities" in the Condensed Balance Sheets, and are reflected as a non-cash investing activity in the Condensed Statements of Cash Flows, as such payments will be made in 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, 2016 and 2015. 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 \$42.8 million in outstanding letters of credit and bank guarantees as of December 31, 2016 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, 2016, 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, 2016, 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

None.

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 2017 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 2017 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 2017 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 2017 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 4—Ratification of Selection of Auditors" of our definitive proxy statement for the 2017 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.

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, 2017

By: /s/ HIKMET ERSEK
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.

Signature	Title	Date
<u>/s/ Hikmet Ersek</u> Hikmet Ersek	President, Chief Executive Officer and Director (Principal Executive Officer)	February 22, 2017
<u>/s/ Rajesh K. Agrawal</u> Rajesh K. Agrawal	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 22, 2017
<u>/s/ Amintore T.X. Schenkel</u> Amintore T.X. Schenkel	Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	February 22, 2017
<u>/s/ Jack M. Greenberg</u> Jack M. Greenberg	Non-Executive Chairman of the Board of Directors	February 22, 2017
<u>/s/ Martin I. Cole</u> Martin I. Cole	Director	February 22, 2017
<u>/s/ Richard A. Goodman</u> Richard A. Goodman	Director	February 22, 2017
<u>/s/ Betsy D. Holden</u> Betsy D. Holden	Director	February 22, 2017
<u>/s/ Jeffrey A. Joerres</u> Jeffrey A. Joerres	Director	February 22, 2017
<u>/s/ Roberto G. Mendoza</u> Roberto G. Mendoza	Director	February 22, 2017
<u>/s/ Michael A. Miles, Jr.</u> Michael A. Miles, Jr.	Director	February 22, 2017
<u>/s/ Robert W. Selander</u> Robert W. Selander	Director	February 22, 2017
<u>/s/ Frances Fragos Townsend</u> Frances Fragos Townsend	Director	February 22, 2017
<u>/s/ Solomon D. Trujillo</u> Solomon D. Trujillo	Director	February 22, 2017

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).

- 4.11 Form of 2.875% Note due 2017 (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 11, 2012 and incorporated herein by reference thereto).
- 4.12 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).
- 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).
- 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).*
- 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).*
- 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 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 20, 2015 and incorporated herein by reference thereto).*
- 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).*
- 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 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).
- 10.58 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).
- 10.59 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).
- 12 Computation of Ratio of Earnings to Fixed Charges
- 14 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).
- 21 Subsidiaries of The Western Union Company
- 23 Consent of Independent Registered Public Accounting Firm
- 31.1 Certification of Chief Executive Officer of The Western Union Company Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
- 31.2 Certification of Chief Financial Officer of The Western Union Company Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
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.

This page intentionally left blank.

Board of Directors

Jack M. Greenberg

Non-Executive Chairman of the Board of Directors
Former Chairman and Chief Executive Officer, McDonald's Corporation

Martin I. Cole

Director, member of the Audit Committee and the Compliance Committee
Former Chief Executive of the Technology Group, Accenture plc

Hikmet Ersek

Director, and non-voting member of the Compliance Committee
President and Chief Executive Officer, The Western Union Company

Richard A. Goodman

Director, Chair of the Audit Committee and member of the Compensation and Benefits Committee
Former Executive Vice President, Global Operations of PepsiCo, Inc.

Betsy D. Holden

Director, Chair of the Compensation and Benefits Committee and member of the Corporate Governance and Public Policy Committee
Senior Advisor to McKinsey & Company

Jeffrey A. Joerres

Director, member of the Compensation and Benefits Committee and the Corporate Governance and Public Policy Committee
Former Executive Chairman, ManpowerGroup, Inc.

Roberto G. Mendoza

Director, member of the Audit Committee and the Compensation and Benefits Committee
Senior Managing Director, Atlas Advisors LLC

Michael A. Miles, Jr.

Director, member of the Audit Committee and the Compliance Committee
Advisory Director, Berkshire Partners

Robert W. Selander

Director, Chair of the Corporate Governance and Public Policy Committee and member of the Compensation and Benefits Committee
Former Chief Executive Officer and Vice Chairman, MasterCard Incorporated and MasterCard International

Frances Fragos Townsend

Director, Chair of the Compliance Committee and member of the Corporate Governance and Public Policy Committee
Executive Vice President of Worldwide Government, Legal and Business Affairs, MacAndrews & Forbes Holdings Inc.

Solomon D. Trujillo

Director, member of the Compliance Committee and the Compensation and Benefits Committee
Chairman, Trujillo Group, LLC

Executive Officers and Senior Leadership

Executive Officers

Hikmet Ersek

President, Chief Executive Officer and Director

Raj Agrawal

Executive Vice President and Chief Financial Officer

Odilon Almeida

Executive Vice President and President—Global Money Transfer

Elizabeth Chambers

Executive Vice President and Chief Strategy, Product and Marketing Officer

John R. Dye

Executive Vice President, General Counsel and Secretary

Jean Claude Farah

Executive Vice President and President—Global Payments

J. David Thompson

Executive Vice President, Global Operations and Chief Information Officer

Richard L. Williams

Executive Vice President and Chief Human Resources Officer

Senior Leadership

Kerry Agiasotis

Senior Vice President and President, Western Union Business Solutions

Jacqueline D. Molnar

Senior Vice President, Chief Compliance Officer

Khalid Fellahi

Senior Vice President and General Manager, Western Union Digital

Scott Coad

Senior Vice President, Global Business Risk

Molly Shea

Senior Vice President and General Manager, Western Union Digital

Donna Abbey

Vice President, Chief of Staff, Office of the CEO

Forward-Looking Statements

This Annual Report contains 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 for the year ended December 31, 2016. The statements are only as of the date they are made, and the Company undertakes no obligation to update any forward-looking statement.

Corporate Information

Corporate Headquarters

12500 East Belford Avenue, Englewood, CO 80112
+1-720-332-1000
+1-866-405-5012

Transfer Agent and Registrar

Stockholders with questions concerning their stock holdings or dividends or with address changes should contact:

Wells Fargo Bank, N.A.
Shareowner Services
PO Box 64874
St. Paul, MN 55164-0874
www.shareowneronline.com

Overnight Mail:

Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100

Shareowner Relations Phone Numbers:

+1-651-450-4064
+1-800-468-9716

Independent Registered Public Accounting Firm

Ernst & Young LLP
370 17th Street, Suite 3300
Denver, CO 80202

Financial Information and Reports

The Company routinely issues press releases and quarterly and annual financial reports. To receive this information please write the Company at: Western Union, Investor Relations, 12500 East Belford Avenue #M231R, Englewood, CO 80112, call +1-866-405-5012 or visit the "Investor Relations" section of our website at www.wu.com. A copy of The Western Union Company 2016 Annual Report on Form 10-K filed with the Securities and Exchange Commission will be furnished to stockholders without charge (except charges for providing exhibits) upon request to the Company. Analysts and investors seeking additional information about the Company can contact the Investor Relations Department at +1-866-405-5012. For more information about The Western Union Company, please visit the Company's website at www.wu.com.

Shareholders of Record

There were 3,678 stockholders of record as of March 13, 2017.

Dividends

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. During 2015, the Board of Directors declared quarterly cash dividends of \$0.155 per common share payable on December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015. The declaration or authorization and amount of future dividends will be determined by the Board of Directors and will depend on our financial condition, earnings, available U.S. cash, capital requirements, regulatory constraints, industry practice and any other factors that the Board of Directors believes are relevant.

Annual Meeting

The 2017 Annual Meeting of Stockholders of The Western Union Company will be held at 505 Fifth Avenue, 7th Floor, New York, NY 10017 on Thursday, May 11, 2017 at 8 a.m. local time.

Trademarks, Service Marks and Trade Names

The Western Union and WU names, logos and related trademarks and service marks, owned by Western Union Holdings, Inc., are registered and/or used in the U.S. and many foreign countries. All other trademarks, service marks, logos and trade names referenced in this material are the property of their respective owners.

Stock Prices

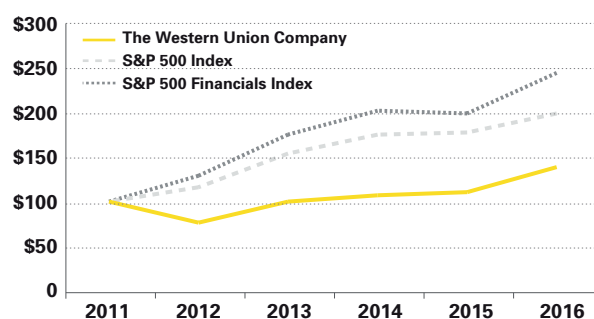
The Western Union Company common stock is traded on the New York Stock Exchange under the symbol "WU."

The high and low closing prices for our common stock during 2016 and 2015 were as follows:

	Common Stock Market Price	
	High	Low
2016		
First Quarter	\$19.61	\$16.02
Second Quarter	\$20.57	\$18.07
Third Quarter	\$21.80	\$18.81
Fourth Quarter	\$22.26	\$19.38
2015		
First Quarter	\$20.87	\$16.73
Second Quarter	\$22.84	\$20.02
Third Quarter	\$20.62	\$16.91
Fourth Quarter	\$19.90	\$17.75

Company Stock Performance

The following graph shows the five-year comparison of cumulative total shareholder return, calculated on a dividend reinvested basis, for (i) our common stock, (ii) the Standard & Poor's Composite—500 Stock Index (the "S&P 500 Index"), and (iii) the Standard & Poor's Composite—500 Financials Index (the "S&P 500 Financials Index"), an independently prepared index that includes companies in the financial services industry. Pursuant to rules of the Securities and Exchange Commission, the comparison assumes \$100 was invested on December 31, 2011 in our common stock and in each of the indices. Data points on the graph are annual. Historic stock price performance is not necessarily indicative of future stock price performance.



Corporate Governance

To review the Company's corporate governance guidelines, Board committee charters and codes of business conduct and ethics, please visit the "Corporate Governance" section on the "Investor Relations" page of our website at www.wu.com.



12500 East Belford Avenue
Englewood, CO 80112, USA

wu.com