Western Union CO
Form 10-K
February 21, 2019
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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, 2018

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	20 4531180
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

THE WESTERN UNION COMPANY

7001 East Belleview Avenue

Denver, Colorado 80237

(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:

Title of each class	Name of each exchange on which registered
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 every Interactive Data File required to be submitted 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 such files). Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

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

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

As of June 29, 2018, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $9.0 billion based on the closing sale price of $20.33 of the common stock as reported on the New York Stock Exchange.

As of February 13, 2019, 435,890,819 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the 2019 annual meeting of stockholders are incorporated into Part III of this Annual Report on Form 10 K

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PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10 K and materials we have filed or will file with the Securities and Exchange Commission (as well as information included in our other written or oral statements) contain or will contain certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as "expects," "intends," "anticipates," "believes," "estimates," "guides," "provides guidance," "provides outlook" and other similar expressions or future or conditional verbs such as "may," "will," "should," "would," "could," and "might" are intended to identify such forward-looking statements. Readers of the Annual Report on Form 10 K of The Western Union Company (the "Company," "Western Union," "we," "our" or "us") should not rely solely o 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 downturns and trade disruptions, 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, including trade restrictions and government sanctions, 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;

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- mergers, acquisitions, and the integration of acquired businesses and technologies into our Company, divestitures, and the failure to realize anticipated financial benefits from these transactions, and events requiring us to write down our goodwill;
- decisions to change our business mix;
- 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;
- changes in tax laws, or their interpretation, including with respect to United States tax reform legislation enacted in December 2017 (the “Tax Act”), any subsequent regulation, and potential related state income tax impacts, and unfavorable resolution of tax contingencies;
- adverse rating actions by credit rating agencies;
- our ability to realize the anticipated benefits from business transformation, productivity and cost-savings, and other related initiatives, which may include decisions to downsize or to transition operating activities from one location to another, and to minimize any disruptions in our workforce that may result from those initiatives;
- our ability to protect our brands and our other intellectual property rights and to defend ourselves against potential intellectual property infringement claims;
- our ability to attract and retain qualified key employees and to manage our workforce successfully;
- material changes in the market value or liquidity of securities that we hold;
- restrictions imposed by our debt obligations;

Events Related to Our Regulatory and Litigation Environment

- liabilities or loss of business resulting from a failure by us, our agents or their subagents to comply with laws and regulations and regulatory or judicial interpretations thereof, including laws and regulations designed to protect consumers, or 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 and abroad, affecting us, our agents or their subagents, or the banks with which we or our agents maintain bank accounts needed to provide our services, including related to anti-money laundering regulations, anti-fraud measures, our licensing arrangements, customer due diligence, agent and subagent due diligence, registration and monitoring requirements, consumer protection requirements, remittances, and immigration;
- liabilities, increased costs or loss of business and unanticipated developments resulting from governmental investigations and consent agreements with or enforcement actions by regulators, including those associated with the settlement agreements with the United States Department of Justice, certain United States Attorney’s Offices, the United States Federal Trade Commission, the Financial Crimes Enforcement Network of the United States Department of Treasury, and various state attorneys general (the “Joint Settlement Agreements”), and those associated with the January 4, 2018 consent order which resolved a matter with the New York State Department of Financial Services (the “NYDFS Consent Order”);

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- liabilities resulting from litigation, including class-action lawsuits and similar matters, and regulatory enforcement actions, including costs, expenses, settlements and judgments;
- failure to comply with regulations and evolving industry standards regarding consumer privacy and data use and security, including with respect to the General Data Protection Regulation ("GDPR") approved by the European Union ("EU");
- failure to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), as well as regulations issued pursuant to it and the actions of the Consumer Financial Protection Bureau ("CFPB") and similar legislation and regulations enacted by other governmental authorities in the United States and abroad related to consumer protection and derivative transactions;
- effects of unclaimed property laws or their interpretation or the enforcement thereof;
- failure to maintain sufficient amounts or types of regulatory capital or other restrictions on the use of our working capital to meet the changing requirements of our regulators worldwide;
- changes in accounting standards, rules and interpretations or industry standards affecting our business;

Other Events

- catastrophic events; and
- management's ability to identify and manage these and other risks.

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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 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, 2018, our services were available through a global network of over 550,000 agent locations in more than 200 countries and territories, with more than 90% of those locations outside the United States, and through many Western Union branded websites in a growing number of countries and territories. Each location in our agent network is capable of facilitating a consumer’s use of one or more of our services, with the majority offering a Western Union branded service. As of December 31, 2018, more than 70% of our locations had experienced money transfer activity in the previous 12 months.

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

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

Our Segments

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

All businesses and other services that have not been classified in these segments are reported as “Other,” which primarily include our electronic-based and cash-based bill payment services which facilitate payments from consumers to businesses and other organizations. The majority of our cash-based bill payments services are led by one executive, and the majority of our electronic-based bill payments services are led by another executive. The Chief Operating Decision Maker (“CODM”) allocates resources and assesses performance using discrete information for these separate bill payments components, neither of which is material from either a quantitative or qualitative perspective. Our money order and other services, in addition to certain corporate costs such as costs related to strategic initiatives, including for the review and closing of mergers, acquisitions, and divestitures, are also included in “Other.”

The table below presents the components of our consolidated revenue.

	Year Ended December 31,		
	2018	2017	2016
Consumer-to-Consumer	80 %	79 %	79 %
Business Solutions	7 %	7 %	7 %
Other	13 %	14 %	14 %
	100 %	100 %	100 %

No individual country outside the United States accounted for more than 7% of our consolidated revenue for each of the years ended December 31, 2018, 2017 and 2016.

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 80% of our total consolidated revenues for 2018. A substantial majority of these transfers were cross-border transactions. We view our money transfer service, including our online money transfer transactions conducted and funded through Western Union branded websites and mobile apps ("westernunion.com"), as one interconnected global network where a money transfer can be sent from one location to another, around the world. Although most remittances are sent from one of our agent locations worldwide, in some countries and territories we offer the ability to initiate transactions from a Western Union branded website. The segment includes five geographic regions whose functions are primarily related to generating, managing and maintaining agent relationships and localized marketing activities. We include 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.

Operations

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

In a typical walk-in money transfer transaction, a consumer goes to one of our agent or subagent locations and provides information specifying, among other things, the name and other identifying information regarding the recipient, and delivers the principal amount of the money transfer and the fee, to the agent or sub-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 the country specified by the consumer. In some jurisdictions, the agent collects the principal and fees after the presentation of our 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 agent then provides the consumer with a unique identifying number assigned by our system, which the consumer must communicate in order for the recipient to obtain the principal. The recipient generally enters an agent location in the designated receiving country or territory, presents the unique identifying number and identification, where applicable, and is paid the transferred amount by our agent based on the information in our system. 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 recipient'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, the send and receive country or territory, and speed of service.

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

No individual country outside the United States accounted for greater than 8% of this segment's revenue during all periods presented.

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Services

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

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

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

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

Distribution and Marketing Channels

We offer our Consumer-to-Consumer service to consumers around the world primarily through our global network of third-party agents and sub-agents in most countries and territories, with approximately 90% of our agent locations being located outside the United States. Our agents facilitate the global distribution and convenience associated with our brands, which in turn helps create demand for our services, and helps us to recruit and retain agents. Western Union agents include large networks such as post offices, banks and retailers, and other established organizations as well as smaller independent retail locations which typically provide other consumer products and services. Many of our agents have multiple locations. Our agents know the markets that they serve and leverage this local knowledge 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 for more than 20 years, on average, and in 2018, 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 nearly 130 currencies worldwide. Certain of our agents can pay in multiple currencies at a single location. Our agents provide the point of sale presence and facilitate the interface with Western Union 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

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such as stored-value card or account payout options. While we typically perform services under the Western Union brand, in certain geographic regions, we operate under other brands targeted to the local market.

We market our services to consumers in a number of ways, directly and indirectly through our agents and their subagents, leveraging promotional activities, grassroots, direct-to-consumer communications and digital advertising. Our marketing strategy includes loyalty programs such as “My WUSM” and “Gold Card” which are available in certain countries and territories. These programs offer consumers faster service at the point-of-sale and the opportunity to earn points on eligible products and channels (including westernunion.com and mobile apps) that can be redeemed for rewards, such as reduced transaction fees; however, such redemption activity has been insignificant to the results of our operations.

Industry Trends

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

Competition

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

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

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

Business Solutions Segment

In our Business Solutions segment, which represented 7% of our total consolidated revenues for 2018, we facilitate payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals.

Operations

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

Services

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

Distribution and Marketing Channels

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

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

Industry Trends

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

Competition

Our Business Solutions segment competes with a diverse set of service providers offering payment services and foreign exchange risk management solutions, including financial institutions, other non-bank competitors, and electronic payment providers. We believe the most significant competitive factors in this segment relate to recurring relationships founded on customer service and expertise in payments and foreign exchange, customized solutions for specific industries

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and clients, convenience and speed of payments network, availability of derivative products, variety of inbound and outbound payment methods, brand recognition and price.

Other

Our remaining businesses and services, which primarily include our electronic-based and cash-based bill payment services and money order services, are grouped in “Other,” which also includes certain corporate costs such as costs related to strategic initiatives, including for the review and closing of mergers, acquisitions, and divestitures. Other represented 13% of our total consolidated revenues for 2018.

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

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

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

Intellectual Property

The Western Union® logos, trademarks, service marks and trade dress are registered and/or used worldwide and are material to our Company. The WU® service mark and logos are also registered and used in many countries around the world. We offer money transfer services under the Western Union, Orlandi ValutaSM and Vigo® brands. We also provide various payment and other services such as Western Union Business Solutions, Speedpay, Pago Fácil, Western Union Payments, Quick Collect, Quick Pay, Pay@WU, Quick Cash, and Convenience Pay. Our operating results have allowed us to invest significantly each year to support our brands, and in some regions, our agents have also contributed financial resources to assist with marketing our services.

Risk Management

Our Company has a credit risk management department that evaluates and monitors our credit and fraud risks. We are exposed to credit risk related to receivable balances from agents in the money transfer, walk-in bill payment and money order settlement process. We also are exposed to credit risk directly from consumer and business transactions, particularly where transactions are originated through means other than cash, such as those initiated through electronic channels, and therefore are subject to “chargebacks,” insufficient funds, or other collection impediments, such as fraud, which are anticipated to increase as electronic channels become a greater proportion of our business. Our credit risk

management team monitors fraud risks jointly with our information security and global compliance departments, performs credit reviews before agent signings, and conducts periodic analyses of agents and certain other parties that we transact with directly.

We are exposed to additional credit risk in our Business Solutions business relating to: (a) derivatives written by us to our customers and (b) the extension of trade credit when transactions are paid to recipients prior to our receiving cleared

funds from the sending customers. For the derivatives, the duration of these contracts at inception is generally less than one year. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. For those receivables where we have offered trade credit, collection ordinarily occurs within a few days. To mitigate risk associated with potential customer defaults, we perform credit reviews on an ongoing basis, and, for our derivatives, we may require certain customers to post or increase collateral.

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

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

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

Regulation

Our business is subject to a wide range of laws and regulations enacted by the United States federal government, each of the states, many localities and many other countries and jurisdictions, including the European Union. These include increasingly strict legal and regulatory requirements intended to help detect and prevent money laundering, terrorist financing, fraud, and other illicit activity. These also include laws and regulations regarding financial services, consumer disclosure and consumer protection, currency controls, money transfer and payment instrument licensing, payment services, credit and debit cards, electronic payments, foreign exchange hedging services and the sale of spot, forward and option currency contracts, unclaimed property, the regulation of competition, consumer privacy, data protection and information security. Failure by Western Union, our agents, or their subagents (agents and subagents are third parties, over whom Western Union has limited legal and practical control), and certain of our service providers to comply with any of these requirements or their interpretation could result in regulatory action, the imposition of civil and criminal penalties, including fines and restrictions on our ability to offer services, the suspension or revocation of a license or registration required to provide money transfer services and/or payment

services or foreign exchange products, the limitation, suspension or termination of services, changes to our business model, loss of consumer confidence, private class action litigation, and/or the seizure of our assets. For example, in early 2017, we entered into the Joint Settlement Agreements, and in early 2018, we agreed to the NYDFS Consent Order, as further discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, “Commitments and Contingencies.”

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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, 2018, these programs included dedicated compliance personnel, training and monitoring programs, suspicious activity reporting, regulatory outreach and education, and support and guidance to our agent network on regulatory compliance. Our money transfer and payment service networks operate through third-party agents in most countries, and, therefore, there are limitations on our legal and practical ability to completely control those agents' compliance activities. In 2018, we spent approximately $200 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 in the U.S. and abroad. The BSA, among other things, requires money transfer companies and the issuers and sellers of money orders to develop and implement risk-based anti-money laundering programs, to report large cash transactions and suspicious activity, and in some cases, to collect and maintain information about consumers who use their services and maintain other transaction records. In addition to United States federal laws and regulations, many other countries and states impose similar and, in some cases, more stringent requirements. These requirements may also apply to our agents and their subagents. In addition, the United States Department of the Treasury has interpreted the BSA to require money transfer companies to conduct due diligence into and risk-based monitoring of their agents and subagents inside and outside the United States, and certain states also require money transfer companies to conduct similar due diligence reviews. Compliance with anti-money laundering laws and regulations continues to be a focus of regulatory attention, with recent settlement agreements being reached with Western Union, other money transfer providers and several large financial institutions. For example, in early 2017, we entered into the Joint Settlement Agreements, and in early 2018, we agreed to the NYDFS Consent Order, as further discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, "Commitments and Contingencies."

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

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

These licensing laws also cover matters such as government approval of controlling shareholders and senior management of our licensed entities, regulatory approval of agents and in some instances their locations, consumer disclosures and the filing of periodic reports by the licensee, and require the licensee to demonstrate and maintain

certain net worth levels. Many states also require money transfer providers and their agents to comply with federal and/or state anti-money laundering laws and regulations.

Outside the United States, our money transfer business is subject to some form of regulation in almost all of the countries and territories in which we offer those services. These laws and regulations may include limitations on what

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

The Payment Services Directive ("PSD") in the EU and similar laws in other jurisdictions have imposed rules on payment service providers like Western Union. In particular, under the PSD, Western Union is responsible for the regulatory compliance of our agents and their subagents who are engaged by our payments institution subsidiary. Thus, the costs to monitor our agents and the risk of adverse regulatory action against us because of the actions of our agents in those areas have increased. The majority of our EU business is managed through our Irish payment institution subsidiary, which is regulated by the Central Bank of Ireland. Under the PSD and similar laws in certain other jurisdictions, we are subject to requirements such as investment safeguarding rules and periodic examinations similar to those we are subject to in the United States. These rules have resulted in increased compliance costs. Additional countries have adopted or 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 effect since 2009, was amended by a revised Payment Services Directive ("PSD2"). PSD2 became EU law in January 2016 and required EU member states to transpose it into their national laws by January 2018. Among other changes, PSD2 has increased the supervisory powers granted to member states with respect to activities performed by us and our agent network within their jurisdictions. PSD2 aims to drive increased competition, innovation and transparency across the European payments market, while enhancing consumer protection and the security of Internet payments and account access. At its core is a requirement for account service providers to grant third party providers access to a customer's online account and payment services in a regulated and secure way. PSD2 also introduces new customer identity verification and authentication measures, increases our agent monitoring responsibilities, may limit the types, nature and amount of charges we may assess, increases customer refund rights, and increases our information security and incident reporting responsibilities. The European Banking Authority has issued guidelines and regulatory technical standards that prescriptively set out these increased responsibilities. PSD2 brings third-party payment initiation and third-party account information access services within its scope for the first time. A payment initiation service is an online service which permits third-party providers to access users' payment accounts to initiate the transfer of funds on their behalf as an alternative to paying online using a credit card or debit card. An account information service is an online service which enables a third-party provider to provide consolidated information on payment accounts held by a payment service user with various payment service providers. PSD2 will facilitate each of these services while seeking to ensure security for users. In addition to increasing our compliance costs, PSD2 increases the regulatory supervision and enforcement associated with non-compliance with it and the associated European Banking Authority guidelines and regulatory technical standards. PSD2 may also result in increased competition arising from other service providers utilizing the enhanced payment initiation and account information access provisions or by our failure to utilize those provisions to innovate our own service offerings.

Regulators worldwide are exercising heightened supervision of money transfer providers and requiring increasing efforts to ensure compliance, including as a result of PSD2 and the 4th and 5th Anti-Money Laundering Directives in the EU. As a result, we continue to incur significant compliance costs related to customer, agent, and subagent due diligence, verification, transaction approval, disclosure, and reporting requirements, including requirements to report

transaction data to a greater extent or frequency than previously required, along with other requirements that have had and will continue to have a negative impact on our financial condition and results of operations.

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

- prohibit, restrict, and/or impose taxes or fees on money transfer transactions in, to or from certain countries or with certain governments, individuals and entities;

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

Consumer Protection Regulations

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

In addition, various jurisdictions in the United States and outside the United States have consumer protection laws and regulations, and numerous agencies are tasked with enforcing those laws and regulations. Consumer protection principles continue to evolve, and some countries may enact new consumer protection laws and regulations or enhance existing consumer protection laws or regulations. Increasingly, agencies tasked with enforcing consumer protection laws or regulations are communicating more frequently and coordinating efforts. For instance, the International Consumer Protection and Enforcement Network (ICPEN) is an organization composed of consumer protection authorities from over

60 countries that provides a forum for developing and maintaining regular contact between consumer protection agencies and focusing on consumer protection concerns. By encouraging cooperation between agencies, ICPEN aims to enable its members to have a greater impact with their consumer protection laws and regulations. As the scope of consumer protection laws and regulations change, we may experience increased costs to comply and other adverse effects to our business.

Derivatives Regulations

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

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

Unclaimed Property Regulations

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

with regard to our escheatment practices. For further discussion of the risks associated with unclaimed property, see risk factor "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" in Part I, Item 1A, Risk Factors.

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Privacy Regulations and Information Security Standards

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

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

Increasingly, data protection laws of countries outside of the United States are having a significant impact on our operations and the manner in which we provide our services. The EU has been particularly active in regulating the collection, transfer, disclosure, use, storage and other processing of personal information, and the EU's approach is frequently followed by other jurisdictions. The trend in this area is one of increasingly more stringent regulation, particularly with the EU's GDPR which took effect on May 25, 2018. The GDPR imposes additional obligations and risks upon our businesses, including the risk of substantially increased penalties for non-compliance. We have incurred and we expect to continue to incur expenses to meet the new obligations of the GDPR, which have required us to make changes to our business operations. The GDPR, and other national and provincial laws throughout the world are frequently not uniform, and cover one or more of the following objectives: regulating the collection, transfer (including in some cases, the transfer outside of the country or region of collection), processing, storage, use and disclosure of personal information; requiring notice to individuals of the processing of their personal information and our privacy practices; giving individuals certain access, correction and other rights with respect to their personal information; and restricting 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 pending e-Privacy Regulation in the EU, which will replace the current e-Privacy Directive, will introduce a new privacy legal framework for electronic communications including direct marketing communications and the use of cookies and tracking technologies. The new regulation likely will contain penalty provisions that could result in significant costs for non-compliance.

An emerging trend is the increase in data localization laws which either require that personal information be hosted on local servers or restrict the transfer of personal information outside national borders. These laws present operational and technology challenges that can require companies to make significant changes to the management of personal information, and can potentially increase our costs and impact our ability to process personal information.

Data privacy regulations, laws and industry standards also impose requirements for safeguarding personal information. Western Union seeks to maintain and upgrade its systems and processes to protect the security of our computer systems, software, networks and other technology assets to help protect against the risks presented by

hackers, nation-states and other threat actors. For further discussion of these risks, see Part I, Item 1A, Risk Factors - “Breaches of our information security safeguards could adversely affect our ability to operate and could damage our reputation and adversely affect our business, financial condition, results of operations, and cash flows.”

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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.

For further discussion of risks related to current and proposed data privacy and security laws and regulations, see Part I, Item 1A, Risk Factors – "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."

Banking Regulations

We have subsidiaries that operate under banking licenses granted by the Austrian Financial Market Authority and the Brazilian Central Bank. We are also subject to regulation, examination and supervision by the New York State Department of Financial Services ("NYDFS"), which has regulatory authority over our subsidiary that holds our Austrian banking license. Further, an Agreement of Supervision with the NYDFS imposes various regulatory requirements including operational limitations, capital requirements, affiliate transaction limitations, and notice and reporting requirements on this entity and its Austrian subsidiary. However, because this entity and its Austrian subsidiary 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, 2018, our businesses employed approximately 12,000 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 7001 East Belleview Avenue, Denver, CO, 80237, 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.

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Executive Officers of the Registrant

As of February 21, 2019, our executive officers consist of the individuals listed below:

Name	Age	Position
Hikmet Ersek	58	President, Chief Executive Officer and Director
Raj Agrawal	53	Executive Vice President, Chief Financial Officer and Global Operations
Odilon Almeida	57	Executive Vice President, President - Global Money Transfer
Jean Claude Farah	48	Executive Vice President, President - Global Payments
Sheri Rhodes	50	Executive Vice President, Chief Technology Officer
Caroline Tsai	49	Executive Vice President, General Counsel and Secretary
Richard Williams	53	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.

Raj Agrawal is our Executive Vice President (from November 2011), Chief Financial Officer (from July 2014), and Global Operations (from December 2017) and previously served as Executive Vice President and Interim Chief Financial Officer from January 2014 to July 2014. Prior to January 2014, Mr. Agrawal served as President, Western Union Business Solutions from August 2011. Prior to August 2011, Mr. Agrawal served as General Manager, Business Solutions from November 2010, and as Senior Vice President of Finance for Business Units from August 2010 to November 2010. Previously, Mr. Agrawal served as Senior Vice President of Finance of the Company's Europe, Middle East, and Africa and Asia Pacific regions from July 2008 to August 2010, and as Senior Vice President and Treasurer of Western Union from June 2006 to May 2008. Mr. Agrawal joined Western Union in 2006. Prior to that time, Mr. Agrawal served as Treasurer and Vice President of Investor Relations at Deluxe Corporation, and worked at General Mills, Inc., Chrysler Corporation, and General Motors Corporation.

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

Jean Claude Farah is our Executive Vice President and President, Global Payments (from February 2017). From December 2013 to February 2017, Mr. Farah served as Executive Vice President and President, Middle East, Africa,

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

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

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

Richard 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.

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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; and
- Risks Related to Our Regulatory and Litigation Environment

You should carefully consider all of these risks.

Risks Relating to Our Business and Industry

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

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

- Demand for our services could soften, including due to low consumer confidence, high unemployment, changes in foreign exchange rates, or reduced global trade, including from trade disruptions or trade restrictions.
- 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, and cash flows.
- Many of our consumers work in industries that may be impacted by deteriorating economic conditions more quickly or significantly than other industries. The prospect of reduced job opportunities, especially in retail, healthcare, construction, hospitality, and technology industries, or weakness in the regional economies could adversely affect the number of money transfer transactions, the principal amounts transferred and correspondingly our results of operations. If general market softness in the economies of countries important to migrant workers occurs, our results of operations could be adversely impacted. Additionally, if our consumer transactions decline, if the amount of money that consumers send per transaction declines, or if migration patterns shift due to weak or deteriorating economic conditions or immigration laws, our financial condition, results of operations, and cash flows may be adversely affected.
- Our agents or clients could experience reduced sales or business as a result of a deterioration in economic conditions. As a result, our agents could reduce their numbers of locations or hours of operation, or cease doing business altogether. Businesses using our services may make fewer cross-currency payments or may have fewer customers making payments to them through us, particularly businesses in those industries that may be more affected by an economic downturn.
- Our Business Solutions business is heavily dependent on global trade. A downturn in global trade, including as a result of increased tensions regarding trade relationships between the United States and other countries, or the failure

of long-term import growth rates to return to historic levels could have an adverse effect on our business, financial condition, results of operations, and cash flows. Additionally, as customer hedging activity in our Business Solutions

business generally varies with currency volatility, we have experienced and may experience in the future lower foreign exchange revenues in periods of lower currency volatility.

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

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

Money transfer and business payments are highly competitive industries which include service providers from a variety of financial and non-financial business groups. Our competitors include consumer money transfer companies, banks and credit unions (including interbank partnerships), card associations, web-based services, mobile money transfer

services, payment processors, card-based payments providers such as issuers of e-money, travel cards or stored-value cards, informal remittance systems, automated teller machine providers and operators, phone payment systems (including mobile phone networks), postal organizations, retailers, check cashers, mail and courier services, currency exchanges, and digital currencies. These services are differentiated by features and functionalities such as brand recognition, customer service, trust and reliability, distribution network and channel options, convenience, price, speed, variety of payment methods, service offerings and innovation. Our business, distribution network and channel options, such as our electronic channels, have been and may continue to be impacted by increased competition, including from new competitors and the consolidation of competitors and the expansion of their services, which could adversely affect our financial condition, results of operations, and cash flows. For example, we have experienced increased competition in money transfers sent and received within the United States from competitors that do not charge a fee to send or receive money through bank accounts. The potential international expansion of these competitors could represent significant competition to us.

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

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

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

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

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

- changes or proposed changes in laws or regulations or regulator or judicial interpretation thereof that have the effect of making it more difficult or less desirable to transfer money using consumer money transfer and payment service providers, including additional consumer due diligence, identification, reporting, and recordkeeping requirements;
- the quality of our services and our customer experience, and our ability to meet evolving customer needs and preferences, including consumer preferences related to our westernunion.com and mobile money transfer services;
- failure of our agents or their subagents to deliver services in accordance with our requirements;
- reputational concerns resulting from actual or perceived events, including those related to fraud or consumer protection in connection with the Joint Settlement Agreements, the NYDFS Consent Order, or other matters;

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

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

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

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

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

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

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

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we settle transactions in local currencies and generate revenue from send transactions. Our exposure to foreign currency fluctuations in those markets is increased as these fluctuations impact our revenues and operating income.

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

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

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

Many of our agents outside the United States are post offices, which are usually owned and operated by national governments. These governments may decide to change the terms under which they allow post offices to offer remittances and other financial services. For example, governments may decide to separate financial service

operations from postal operations, or mandate the creation or privatization of a "post bank," which could result in the loss of agent locations, or they may require multiple service providers in their network. These changes could have an adverse effect on our ability to distribute or offer our services in countries that are material to our business.

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

We collect, transfer and retain confidential and personal information about consumers, business customer representatives, employees, applicants, agents and other individuals 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 in which we operate and can have impacts on our business operations, are designed to protect the privacy of personal information and prevent that information from being inappropriately accessed, used or disclosed and protect financial services providers and other regulated entities and their customers, as well as information technology systems, from cyber attacks. We believe we have developed and maintain administrative, technical and physical safeguards designed to comply with applicable legal requirements. It is possible that hackers, employees acting contrary to our policies or others could circumvent these safeguards to improperly access our systems or documents, or the systems or documents of our business partners or service providers and improperly access, obtain, misuse or disclose sensitive business information or personal information about our consumers, business customer representatives, employees, applicants, agents or others, or that a third-party service provider could experience a cybersecurity incident or intentionally or inadvertently use, disclose or make available sensitive business information or personal information to unauthorized parties or in violation of law. For example, a significant and increasing amount of our data is collected and stored by third parties, including providers of cloud-based software services. In 2016, we determined hackers had accessed the system of one of our third-party providers and improperly obtained copies of confidential data hosted on the system of one of our third-party providers. Western Union systems and money transfer operations were not impacted. Security incidents such as these have the potential to impose material costs on the Company and there can be no assurance that additional security incidents will not occur in the future. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are also constantly changing and evolving and may be difficult to anticipate or detect for long periods of time. Additionally, transactions undertaken through our websites or other electronic channels may create risks of fraud, hacking, unauthorized access or acquisition, and other deceptive practices. Any security incident resulting in a compromise of sensitive business information or the personal information of consumers, business customer representatives, employees, applicants, agents or other individuals, could result in material costs to us and require us to notify impacted individuals, and in some cases regulators, of a possible or actual incident, expose us to regulatory enforcement actions, including substantial fines, limit our ability to provide services, subject us to litigation, damage our reputation, and 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 adverse effect on our business.

Our ability to provide reliable service largely depends on the efficient and uninterrupted operation of our computer information systems and those of our service providers. Any significant interruptions could harm our business and reputation and result in a loss of business. These systems and operations could be exposed to damage or interruption from unauthorized entry and computer viruses, fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, or other causes, many of which may be beyond our control or that of our service providers. Further, we have been and continue to be the subject of cyber attacks, including distributed denial of service attacks. These attacks are primarily aimed at interrupting our business, exposing us to financial losses, or exploiting information security vulnerabilities. Historically, none of these attacks or breaches has individually or in the aggregate resulted in any material liability to us or any material damage to our reputation, and disruptions related to cybersecurity have not caused any material disruption to the Company's business. The safeguards we have designed to

help prevent future security incidents and systems disruptions, and comply with applicable legal requirements may not be successful and we may experience material security incidents, disruptions or other problems in the future. We also may experience software defects, development delays, installation difficulties and other systems problems, which could 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. These 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 cloud-based software service providers, 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, 2018, we had $2,725.0 million of goodwill comprising approximately 30% of our total assets, including $1,980.7 million of goodwill in our Consumer-to-Consumer reporting unit and $532.0 million of goodwill in our Business Solutions reporting unit. If we or our reporting units do not generate operating cash flows at levels consistent with our expectations, we may be required to write down the goodwill on our balance sheet, which could have a significant adverse impact on our financial condition and results of operations in future periods.

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

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

- realizing the anticipated financial benefits from these acquisitions and where necessary, improving internal controls of these acquired businesses;
- managing geographically separated organizations, systems and facilities;
- managing multi-jurisdictional operating, tax and financing structures;
- integrating personnel with diverse business backgrounds and organizational cultures;
- integrating the acquired technologies into our Company;
- complying with regulatory requirements, including those particular to the industry and jurisdiction of the acquired business;

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- 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.

Divestitures and contingent liabilities from divested businesses could adversely affect our business and financial results.

We continually evaluate the performance and strategic fit of all of our businesses and may sell businesses or product lines. Divestitures involve risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the disruption of our business, the potential loss of key employees and the retention of uncertain contingent liabilities related to the divested business. When we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the achievement of our strategic objectives. We may also dispose of a business at a price or on terms that are less desirable than we had anticipated, which could result in significant asset impairment charges, including those related to goodwill and other intangible assets, that could have a material adverse effect on our financial condition and results of operations. In addition, we may experience greater dis-synergies than expected, the impact of the divestiture on our revenue growth may be larger than projected, and some divestitures may be dilutive to earnings. There can be no assurance whether the strategic benefits and expected financial impact of the divestiture will be achieved. We cannot assure you that we will be successful in managing these or any other significant risks that we encounter in divesting a business or product line, and any divestiture we undertake could materially and adversely affect our business, financial condition, results of operations and cash flows.

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

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

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

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

We are exposed to credit risk in our Business Solutions business relating to: (a) derivatives written by us to our customers and (b) the extension of trade credit when transactions are paid to recipients prior to our receiving cleared funds from the sending customers. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. If a customer becomes insolvent, files for bankruptcy, commits fraud

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or otherwise fails to pay us, we may be exposed to the value of an offsetting position with a financial institution counterparty for the derivatives or may bear financial risk for those receivables where we have offered trade credit.

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

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

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

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

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

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

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

Our future effective tax rates could be adversely affected by changes in tax laws or their interpretation, both domestically and internationally. For example, in December 2017, the Tax Act was enacted into United States law. Among other things, the Tax Act imposes a tax on certain previously undistributed foreign earnings, establishes minimum taxes related to certain payments deemed to erode the United States tax base, and retains and expands United States taxation on a broad range of foreign earnings (whether or not the earnings have been repatriated) while effectively exempting certain types of foreign earnings from United States tax. We may be subject to additional tax on certain payments to our foreign affiliates in 2019 and thereafter under the Base Erosion Anti-Abuse Tax ("BEAT") provisions of the Tax Act, as the minimum BEAT rate increases from 5% in 2018 to 10% in 2019 through 2025. We have identified and are in the process of implementing structural actions which we believe will help mitigate the impact of the BEAT. However, if we are not successful at mitigating this impact, the BEAT could have a material adverse effect on our financial condition, results of operations, and cash flows. In addition, the Tax Act is broad and complex, and any changes or clarifications in the interpretation of the Tax Act or other legislative proposals or amendments could have an adverse effect on our financial condition, results of operations, and cash flows. Furthermore, the effect of certain aspects of the Tax Act on state income tax frameworks could change as states update their laws for these aspects, and potential changes to state income tax laws or their interpretation could further

increase our income tax expense.

Additionally, the Organization for Economic Co-Operation and Development ("OECD") has asked countries around the globe to act to prevent what it refers to as base erosion and profit shifting ("BEPS"). The OECD considers BEPS to refer to tax planning strategies that shift, perhaps artificially, profits across borders to take advantage of differing tax laws and rates among countries. Tax reforms recommended in the BEPS action plan include changes that would impact, among

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other things, global tax reporting, intercompany transfer pricing arrangements, the definition of taxable permanent establishments, and other legal or financial arrangements that are viewed as causing BEPS. Significant components of the BEPS action plan were published by the OECD in October 2015 and a number of governments, including the European Commission, have already enacted or proposed rules to implement, at least to some degree, changes suggested in the recommendations, while other countries are preparing to do so. Any material change in tax laws or policies, or their interpretation, resulting from BEPS or other legislative proposals or inquiries could result in a higher effective tax rate on our earnings and have an adverse effect on our financial condition, results of operations, and cash flows.

Our tax returns and positions (including positions regarding jurisdictional authority of foreign governments to impose tax) are subject to review and audit by federal, state, local and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, thereby negatively impacting our results of operations. We have established contingency reserves for a variety of material, known tax exposures. As of December 31, 2018, the total amount of unrecognized tax benefits was a liability of $306.8 million, including accrued interest and penalties, net of related items. Our reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review. While we believe that our reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed our related reserve, and such resolution could have a material effect on our effective tax rate, financial condition, results of operations and cash flows in the current period and/or future periods. With respect to these reserves, our income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e. new information) surrounding a tax issue and (ii) any difference from the Company’s tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could increase or decrease income tax expense in our consolidated financial statements in future periods and could impact our operating cash flows. For example, in 2011, we reached an agreement with the United States Internal Revenue Service (“IRS”) resolving substantially all of the issues related to the restructuring of our international operations in 2003 (“IRS Agreement”), which resulted in a tax benefit of $204.7 million related to the adjustment of reserves associated with this matter. During the year ended December 31, 2018, we made cash payments under the IRS Agreement of approximately $120 million, including accrued interest and net of related tax benefits.

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

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

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

actions result in a disruption to our workforce greater than anticipated, our business, financial condition, results of operations, and cash flows could be adversely affected.

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

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

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

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

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

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

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

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

As of December 31, 2018, we held $1.3 billion in investment securities, the significant 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 $234.8 million as of December 31, 2018. The fair value of these assets held in the trust are compared to the plan's projected benefit obligation of $250.8 million to determine the pension liability of $16.0 million recorded within "Other liabilities" in our Consolidated Balance Sheet as of December 31, 2018. 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,

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including general market conditions and credit issues. Such declines could have an impact on the funded status of our pension plan and future funding requirements.

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

As of December 31, 2018, we had approximately $3.4 billion in consolidated indebtedness, and we may also incur additional indebtedness in the future. Furthermore, the Tax Act imposes a tax on certain of our previously undistributed foreign earnings, which we have elected to pay in periodic installments through 2025.

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

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

In July 2017, the Financial Conduct Authority in the United Kingdom (“UK”), which regulates LIBOR, publicly announced that it will no longer compel or persuade banks to make LIBOR submissions after 2021. This announcement is expected to effectively end LIBOR rates beginning in 2022, and while other alternatives, such as the Secured Overnight Financing Rate, have been proposed, it is unclear which, if any, alternative to LIBOR will be available and widely accepted in major financial markets. We currently have borrowings that are subject to LIBOR-based interest rates, including floating rate notes and borrowings under our term loan facility. We also utilize interest rate swaps to vary the percentage of fixed to floating rate debt, subject to market conditions, and may continue to do so in the future. If an alternative to LIBOR is not available and widely accepted after 2021, our ability to borrow at variable interest rates may be adversely impacted, as the costs associated with any potential future borrowings or interest rate swaps requiring us to pay floating interest rates may increase.

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.

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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, and these requirements or their interpretation in one jurisdiction may conflict with those of another jurisdiction. As United States federal and state as well as foreign legislative and regulatory scrutiny and enforcement action in these areas increase, we expect that our costs of complying with these requirements could continue to increase, perhaps substantially, or our compliance will make it more difficult or less desirable for consumers and others to use our services or for us to contract with certain intermediaries, either of which would have an adverse effect on our revenue and operating income. For example, we have made significant additional investments in recent years in our compliance programs based on the rapidly evolving environment and our internal reviews of the increasingly complex and demanding global regulatory requirements. These additional investments relate to enhancing our compliance capabilities, including our consumer protection efforts. Further, failure by Western Union, our agents, or their subagents (agents and subagents are third parties, over whom Western Union has limited legal and practical control), and certain service providers to comply with any of these requirements or their interpretation could result in the suspension or revocation of a license or registration required to provide money transfer, payment or foreign exchange services, the limitation, suspension or termination of services, changes to our business model, loss of consumer confidence, the seizure of our assets, and/or the imposition of civil and criminal penalties, including fines and restrictions on our ability to offer services.

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

In addition, our United States business is subject to reporting, recordkeeping and anti-money laundering provisions of the Bank Secrecy Act, as amended (collectively, the “BSA”), and to regulatory oversight and enforcement by the United States Department of the Treasury Financial Crimes Enforcement Network (“FinCEN”). We have subsidiaries in Brazil and Austria that are subject to banking regulations. Our Austrian banking subsidiary is also subject to regulation, examination and supervision by the NYDFS. We also operate through a small number of licensed payment institutions in the EU. Under the Payment Services Directive (“PSD”), as amended by a revised Payment Services Directive known as PSD2, and the 4th and 5th Anti-Money Laundering Directive in the EU, our operating companies that are licensed in the EU have increasingly become directly subject to reporting, recordkeeping, and anti-money laundering regulations, agent oversight and monitoring requirements, as well as broader supervision by EU member states. Additionally, the financial penalties associated with the failure to comply with anti-money laundering laws have increased in recent regulation, including the 4th Anti-Money Laundering Directive in the EU. These laws have increased and will continue to increase our costs and could also increase competition in some or all of our areas of service, and legislation that has been enacted or proposed in other jurisdictions could have similar effects.

The remittance industry, including Western Union, has come under increasing scrutiny from government regulators and others in connection with its ability to prevent its services from being abused by people seeking to defraud others. For example, as further discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, "Commitments and Contingencies," in early 2017, we entered into the Joint Settlement Agreements with the United States Department of Justice ("DOJ"), certain United States Attorney's Offices, the FTC, the Financial Crimes Enforcement Network ("FinCEN") of the United States Department of Treasury and various state attorneys general to resolve the respective

investigations of those agencies, and in early 2018, we agreed to the NYDFS Consent Order. The ingenuity of criminal fraudsters, combined with the potential susceptibility to fraud by consumers, make the prevention of consumer fraud a significant and challenging problem. Our failure to continue to help prevent such frauds and increased costs related to the implementation of enhanced anti-fraud measures, or a change in fraud prevention laws or their interpretation or the manner in which they are enforced has had, and could in the future have an adverse effect on our business, financial condition, results of operations, and cash flows.

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

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

On March 29, 2017 the UK issued a formal notification of its intention to leave the EU following the result of a referendum held in the UK on June 23, 2016. The UK is expected to exit from the EU ("Brexit") on March 29, 2019. The parties continue to negotiate the terms of their future relationship. While the negotiations are ongoing and the outcomes uncertain, we have applied for certain additional regulatory authorizations to ensure that our operations continue in the UK, including ensuring that our UK operations will benefit from any temporary transitional arrangements agreed between the EU and UK or put in place by the UK government. While this should mitigate any material adverse impacts on our UK business operations, we expect additional administrative burden related to the transition that could adversely affect our results of operations. Further, as a result of Brexit, including under the terms of any new regulatory authorizations we may obtain, we could be required to comply with additional regulatory requirements in the UK as a result of divergence from established EU regulation. This could make it more costly for us to provide our services.

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

As further described under in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, "Commitments and Contingencies" of this Form 10 K, in early 2017, the Company entered into Joint Settlement Agreements with the DOJ, certain United States Attorney's Offices, the FTC, FinCEN, and various state attorneys general to resolve the respective investigations of those agencies. Under the Joint Settlement Agreements, the Company was required, among other things, to pay an aggregate amount of $586 million to the DOJ to be used to reimburse consumers who were the victims of third-party fraud conducted through the Company's money transfer services, and retain an independent compliance auditor for three years to review and assess actions taken by the Company to further enhance its oversight of agents and protection of consumers, both of which were performed by the Company during 2017. The Joint Settlement Agreements also require the Company to adopt certain new or enhanced practices with respect to its

compliance program, relating to, among other things, consumer reimbursement, agent due diligence, agent training, monitoring, reporting, and record-keeping by the Company and its agents, consumer fraud disclosures, and agent suspensions and terminations. The changes in the Company's compliance program required by these agreements will have adverse effects on the Company's business, including additional costs and potential loss of business. The Company could also face actions from other regulators as a result of the Joint Settlement Agreements. For example, as further described in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, "Commitments and Contingencies" of this Form 10 K, on July 28, 2017, the

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NYDFS informed the Company that the facts set forth in the Deferred Prosecution Agreement (the "DPA") with the DOJ and with certain other United States Attorney's Offices regarding the Company's anti-money laundering programs over the 2004 through 2012 period gave the NYDFS a basis to take additional enforcement action. In January 2018, the Company agreed to the NYDFS Consent Order with the NYDFS which required the Company to pay a civil monetary penalty of $60 million to the NYDFS and resolved its investigation into these matters. Among other items, the NYDFS Consent Order imposes certain non-monetary obligations, including a requirement to provide to the NYDFS a remediation plan within 90 days after the date of the NYDFS Consent Order, which the Company provided on April 4, 2018. In addition, if the Company fails to comply with the Joint Settlement Agreements or the NYDFS Consent Order, it could face criminal prosecution, civil litigation, significant fines, damage awards or other regulatory consequences. Any or all of these outcomes could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

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

The evolving regulatory environment, including increased fees or taxes, regulatory initiatives, and changes in laws and regulations or their interpretation, industry practices and standards imposed by state, federal or foreign governments and expectations regarding our compliance efforts, is impacting the manner in which we operate our business, may change the competitive landscape and is expected to continue to adversely affect our financial results. New and proposed legislation relating to financial services providers and consumer protection in various jurisdictions around the world has and may continue to affect the manner in which we provide our services; see risk factor "The Dodd-Frank Act, as well as the regulations required by that Act and the actions of the Consumer Financial Protection Bureau and similar legislation and regulations enacted by other government authorities, could adversely affect us and the scope of our activities, and could adversely affect our financial condition, results of operations, and cash flows." Recently proposed and enacted legislation related to financial services providers and consumer protection in various jurisdictions around the world and at the federal and state level in the United States has subjected and may continue to subject us to additional regulatory oversight, mandate additional consumer disclosures and remedies, including refunds to consumers, or otherwise impact the manner in which we provide our services. If governments implement new laws or regulations that limit our right to set fees and/or foreign exchange spreads, then our business, financial condition, results of operations, and cash flows could be adversely affected. In addition, changes in regulatory expectations, interpretations or practices could increase the risk of regulatory enforcement actions, fines and penalties. For example, in early 2017, we entered into the Joint Settlement Agreements, and in early 2018, we agreed to the NYDFS Consent Order, as further discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, "Commitments and Contingencies."

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

material 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

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are magnified by the potential they may be replicated, affecting our business in another place or involving another service. Conversely, if widely varying regulations come into existence worldwide, we may have difficulty adjusting our services, fees, foreign exchange spreads and other important aspects of our business, with the same effect. Either of these eventualities could materially and adversely affect our business, financial condition, results of operations, and cash flows.

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

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

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

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

Although most of our Orlandi Valuta and Vigo branded agents also offer money transfer services of our competitors, many of our Western Union branded agents have agreed to offer only our money transfer services. While we expect to continue signing certain agents under exclusive arrangements and believe that these agreements are valid and enforceable, changes in laws regulating competition or in the interpretation of those laws could undermine our ability to enforce them in the future. Various jurisdictions 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 Asia 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.

Rules and regulations implemented under the Dodd-Frank Act have made and continue to make 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

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the Equity Accelerator Program comply with the Consumer Financial Protection Act's prohibition against UDAAP. In addition, the CFPB may adopt other regulations governing consumer financial services, including regulations defining UDAAP, and new model disclosures. The CFPB's authority to change regulations adopted in the past by other regulators, or to rescind or ignore past regulatory guidance, could increase our compliance costs and litigation exposure.

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

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

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

Rules adopted under the Dodd-Frank Act by the CFTC, as well as the provisions of the European Market Infrastructure Regulation and its technical standards, which are directly applicable in the member states of the European Union, have subjected most of our foreign exchange hedging transactions, including certain intercompany hedging transactions, certain of the corporate interest rate hedging transactions we may enter into in the future, and certain of the foreign exchange derivative contracts we offer as part of our Business Solutions segment, to reporting, recordkeeping, and other requirements. Additionally, certain of the corporate interest rate hedging transactions and foreign exchange derivatives transactions we may enter into in the future may be subject to centralized clearing requirements or may be subject to margin requirements in the United States and European Union. Other jurisdictions outside of the United States and the European Union are considering, have implemented, or are implementing regulations similar to those described above. Derivatives regulations have added costs to our business and any additional requirements, such as future registration requirements and increased regulation of derivative contracts, will result in additional costs or impact the way we conduct our hedging activities as well as impact how we conduct our business within our Business Solutions segment. In particular, the CFTC has issued a proposed rule that, if adopted as proposed, would increase the likelihood that we will have to register one or more of our subsidiaries with the CFTC as a swap dealer. Swap dealers are subject to a comprehensive regulatory framework and compliance with this framework will lead to additional costs, including costs relating to regulatory capital and margin requirements, and may impact how we conduct our hedging activities and derivatives business with customers. We continue to consider

the impact the proposed rule, if adopted, would have on our hedging activities and operations. Additionally, the regulatory regimes for derivatives in the United States and European Union, such as under the Dodd-Frank Act and MiFID II, are continuing to evolve and changes to such regimes, our designation under such regimes, or the implementation of new rules under such regimes, such as future registration requirements and increased regulation of derivative contracts, may result in additional costs to our business. Other jurisdictions outside the United States and the European Union are considering, have implemented, or are implementing regulations similar to those described above and these will result in greater costs to us as well. Our implementation of these requirements has resulted, and will continue to result, in additional costs to our business. Furthermore, our failure to implement these requirements

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correctly could result in fines and other sanctions, as well as necessitate a temporary or permanent cessation to some or all of our derivative related activities. Any such fines, sanctions or limitations on our business could adversely affect our operations and financial results.

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

As a company that provides global financial services primarily to consumers, we are subject to litigation, including purported class action litigation, and regulatory actions alleging violations of consumer protection, anti-money laundering, sanctions, securities laws and other laws, both foreign and domestic. We also are subject to claims asserted by consumers based on individual transactions. There can be no guarantee that we will be successful in defending ourselves in these matters, and such failure may result in substantial fines, damages and expenses, revocation of required licenses or other limitations on our ability to conduct business. Any of these outcomes could adversely affect our business, financial condition, results of operations, and cash flows. Further, we believe increasingly strict legal and regulatory requirements and increased regulatory investigations and enforcement, any of which could occur or intensify as a result of the Joint Settlement Agreements or the NYDFS Consent Order, are likely to continue to result in changes to our business, as well as increased costs, supervision and examination for both ourselves and our agents and subagents. These developments have had, and we believe will continue to have, an adverse effect on our business, financial condition and results of operations, and in turn may result in additional litigation, or other actions. For more information, please see Part II, Item 8, Financial Statements and Supplementary Data, Note 6, “Commitments and Contingencies.”

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

We are subject to extensive requirements relating to data privacy and security under federal, state and foreign laws. These laws and requirements continue to evolve and may become increasingly difficult to comply with. For example, the FTC continues to investigate the privacy practices of many companies and has brought numerous enforcement actions, resulting in multi-year agreements governing the settling companies’ privacy practices. Furthermore, certain industry groups require us to adhere to privacy requirements in addition to federal, state and foreign laws, and certain of our business relationships depend upon our compliance with these requirements. As the number of countries enacting privacy and related laws increases and the scope of these laws and enforcement efforts expand, we will increasingly become subject to new and varying requirements. For example, on May 25, 2018, the EU implemented the GDPR, which replaced the EU’s Data Protection Directive 95/46. The GDPR imposes 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 have incurred and we expect to continue to incur significant expenses to meet the new obligations of the GDPR, which have required us to make significant changes to our business operations. Failure to comply with existing or future data privacy and security laws, regulations, and requirements to which we are subject or could become subject, including by reason of inadvertent disclosure of confidential information, could result in fines, sanctions, penalties or other adverse consequences and loss of consumer confidence, which could materially adversely affect our results of operations, overall business, and reputation.

In addition, in connection with regulatory requirements to assist in the prevention of money laundering and terrorist financing and pursuant to legal obligations and authorizations, Western Union makes information available to certain United States federal, state, and foreign government agencies when required by law. In recent years, Western Union has experienced an increasing number of data sharing requests by these agencies, particularly in connection with efforts to prevent terrorist financing or reduce the risk of identity theft. During the same period, there has also been increased public attention to the corporate use and disclosure of personal information, accompanied by legislation and

regulations intended to strengthen data protection, information security and consumer privacy. These regulatory goals - the prevention of money laundering, terrorist financing and identity theft and the protection of the individual's right to privacy - may conflict, and the law in these areas is not consistent or settled. The legal, political and business environments in these areas are rapidly changing, and subsequent legislation, regulation, litigation, court rulings or other events could expose Western Union to increased program costs, liability and reputational damage.

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

We are subject to unclaimed property laws in the United States and abroad and some of our agents are subject to unclaimed property laws in their respective jurisdictions which require us, or our agents, to turn over to certain government authorities the property of others held by us that has been unclaimed for a specified period of time, such as unpaid money transfers and money orders. We have an ongoing program to help us comply with those laws. These laws are evolving and are frequently unclear and inconsistent among various jurisdictions, making compliance challenging. In addition, we are subject to audits with regard to our escheatment practices. Currently in the United States, approximately 30 states are conducting a multi-year audit of our escheatment practices through a contracted third-party auditor. We have also commenced a contemporaneous internal review as part of our participation in Delaware's voluntary disclosure program. Any difference between the amounts we have accrued for unclaimed property and amounts that are claimed by a state, foreign jurisdiction, or representative thereof could have a significant impact on our results of operations and cash flows.

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

Our regulators expect us to possess sufficient financial soundness and strength to adequately support our regulated subsidiaries. We had substantial indebtedness and other obligations, including those related to the tax imposed on certain of our previously undistributed foreign earnings pursuant to the Tax Act, as of December 31, 2018 and expect to incur additional indebtedness in 2019, which could make it more difficult to meet these requirements or any additional requirements. In addition, although we are not a bank holding company for purposes of United States law or the law of any other jurisdiction, as a global provider of payments services and in light of the changing regulatory environment in various jurisdictions, we could become subject to new capital requirements introduced or imposed by our regulators that could require us to issue securities that would qualify as Tier 1 regulatory capital under the Basel Committee accords or retain earnings over a period of time. Also, our regulators specify the amount and composition of settlement assets that certain of our subsidiaries must hold in order to satisfy our outstanding settlement obligations. These regulators could further restrict the type of instruments that qualify as settlement assets or these regulators could require our regulated subsidiaries to maintain higher levels of settlement assets. Any change or increase in these regulatory requirements could have a material adverse effect on our business, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Properties and Facilities

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

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

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

ITEM 3. LEGAL PROCEEDINGS

Shareholder Derivative Actions

On January 13, 2014, Natalie Gordon served the Company with a Verified Shareholder Derivative Complaint and Jury Demand that was filed in District Court, Douglas County, Colorado naming the Company's President and Chief Executive Officer, one of its former executive officers, one of its former directors, and all but one of its current directors as individual defendants, and the Company as a nominal defendant. The complaint asserts claims for breach of fiduciary duty and gross mismanagement against all of the individual defendants and unjust enrichment against the President and Chief Executive Officer and the former executive officer based on allegations that between February 12, 2012 to October 30, 2012, the individual defendants made or caused the Company to issue false and misleading statements or failed to make adequate disclosures regarding the effects of the Southwest Border Agreement, including regarding the anticipated costs of compliance with the Southwest Border Agreement, potential effects on business operations, and Company projections. Plaintiff also alleges that the individual defendants caused or allowed the Company to lack requisite internal controls, caused or allowed financial statements to be misstated, and caused the Company to be subject to the costs, expenses and liabilities associated with City of Taylor Police and Fire Retirement System v. The Western Union Company, et al., a lawsuit that was subsequently renamed and dismissed. Plaintiff further alleges that the Company's President and Chief Executive Officer and the former executive officer received excessive compensation based on the allegedly inaccurate financial statements. On March 12, 2014, the Court entered an order granting the parties' joint motion to stay proceedings in the case during the pendency of certain of the shareholder derivative actions described below. On February 13, 2019, the case was administratively closed, although the Court indicated that a motion could be filed to re-open the matter.

In 2014, Stanley Lieblein, R. Andre Klein, City of Cambridge Retirement System, Mayar Fund Ltd, Louisiana Municipal Police Employees' Retirement System, MARTA/ATU Local 732 Employees Retirement Plan, and The Police Retirement System of St. Louis filed shareholder derivative complaints in the United States District Court for the District of Colorado (or were removed to the United States District Court for the District of Colorado) naming the Company's President and Chief Executive Officer and certain current and former directors and a former executive officer as individual defendants, and the Company as a nominal defendant. On January 5, 2015, the court entered an order consolidating the actions and appointing City of Cambridge Retirement System and MARTA/ATU Local 732 Employees Retirement Plan as co-lead plaintiffs. On February 4, 2015, co-lead plaintiffs filed a verified consolidated shareholder derivative complaint naming the Company's President and Chief Executive Officer and nine current or former executive officers and directors as individual defendants, and the Company as a nominal defendant. The consolidated complaint asserts separate claims for breach of fiduciary duty against the director defendants and the officer defendants, claims against all of the individual defendants for violations of section 14(a) of the Securities Exchange Act of 1934 ("Exchange Act"), corporate waste and unjust enrichment, and a claim against the former executive officer for breach of fiduciary duties for insider selling and misappropriation of information. The breach of fiduciary duty claim against the director defendants includes allegations that they declined to implement an effective AML compliance system after receiving numerous red flags indicating prolonged willful illegality, obstructed the efforts of the monitor assigned to the Company pursuant to the Southwest Border Agreement to impose effective compliance systems on the Company, failed to take action in response to alleged Western Union management efforts to undermine the monitor, reappointed the same directors to the Audit Committee and Corporate Governance and Public Policy Committees constituting a majority of those committees between 2006 and 2014, appointed a majority of directors to the Compliance Committee who were directly involved in overseeing the alleged misconduct as members of the Audit Committee and the Corporate Governance and Public Policy Committee, caused the Company

to materially breach the Southwest Border Agreement, caused the Company to repurchase its stock at artificially inflated prices, awarded the Company's senior executives excessive compensation despite their responsibility for the Company's alleged willful non-compliance with state and federal AML laws, and failed to prevent the former executive officer from misappropriating and profiting from nonpublic information when making allegedly unlawful stock sales. The breach of fiduciary duty claim against the officer defendants includes allegations that they caused the Company and allowed its agents to ignore the recording and reporting requirements of the BSA and parallel AML laws and regulations

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for a prolonged period of time, authorized and implemented AML policies and practices that they knew or should have known to be inadequate, caused the Company to fail to comply with the Southwest Border Agreement and refused to implement and maintain adequate internal controls.

The claim for violations of section 14(a) of the Exchange Act includes allegations that the individual defendants caused the Company to issue proxy statements in 2012, 2013 and 2014 containing materially incomplete and inaccurate disclosures - in particular, by failing to disclose the extent to which the Company's financial results depended on the non-compliance with AML requirements, the Board's awareness of the regulatory and criminal enforcement actions in real time pursuant to the 2003 Consent Agreement with the California Department of Financial Institutions and that the directors were not curing violations and preventing misconduct, the extent to which the Board considered the flood of increasingly severe red flags in their determination to re-nominate certain directors to the Audit Committee between 2006 and 2010, and the extent to which the Board considered ongoing regulatory and criminal investigations in awarding multi-million dollar compensation packages to senior executives. The corporate waste claim includes allegations that the individual defendants paid or approved the payment of undeserved executive and director compensation based on the illegal conduct alleged in the consolidated complaint, which exposed the Company to civil liabilities and fines. The corporate waste claim also includes allegations that the individual defendants made improper statements and omissions, which forced the Company to expend resources in defending itself in City of Taylor Police and Fire Retirement System v. The Western Union Company, et al., a lawsuit that was subsequently renamed and dismissed, authorized the repurchase of over $1.565 billion of the Company's stock at prices they knew or recklessly were aware, were artificially inflated, failed to maintain sufficient internal controls over the Company's marketing and sales process, failed to consider the interests of the Company and its shareholders, and failed to conduct the proper supervision. The claim for unjust enrichment includes allegations that the individual defendants derived compensation, fees and other benefits from the Company and were otherwise unjustly enriched by their wrongful acts and omissions in managing the Company. The claim for breach of fiduciary duties for insider selling and misappropriation of information includes allegations that the former executive sold Company stock while knowing material, nonpublic information that would have significantly reduced the market price of the stock. On March 16, 2015, the defendants filed a motion to dismiss the consolidated complaint. On March 31, 2016, the Court entered an order granting the defendants' collective motion to dismiss without prejudice, denying as moot a separate motion to dismiss that was filed by the former executive officer, and staying the order for 30 days, within which plaintiffs could file an amended complaint that cured the defects noted in the order. On May 2, 2016, co-lead plaintiffs filed a verified amended consolidated shareholder derivative complaint naming the Company's President and Chief Executive Officer, six of its current directors (including the Company's President and Chief Executive Officer, who also serves as a director) and three of its former directors as individual defendants, and the Company as a nominal defendant. The amended complaint, among other things, drops the claims against the former executive officer named in the prior complaint, realleges and narrows the breach of fiduciary duty claims, and drops the remaining claims. On June 15, 2016, defendants filed a motion to dismiss the amended consolidated shareholder derivative complaint. On August 1, 2016, plaintiffs filed an opposition to the motion to dismiss. On September 1, 2016, defendants filed a reply brief in support of the motion to dismiss. On February 24, 2017, plaintiffs filed a motion to supplement the amended complaint with allegations relating to the DPA, the criminal information filed in the United States District Court for the Middle District of Pennsylvania, and the FTC's January 19, 2017 Complaint for Permanent Injunctive and Other Equitable Relief and the Consent Order referenced in the United States Department of Justice, Federal Trade Commission, Financial Crimes Enforcement Network, and State Attorneys General Settlements section in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, "Commitments and Contingencies." The same day, the Court granted plaintiffs' request to supplement the complaint, ordered them to file a second amended complaint, denied without prejudice defendants' motion to dismiss and granted defendants leave to renew the motion to dismiss. On March 17, 2017, plaintiffs filed a second amended derivative complaint. On September 29, 2017, the Court granted defendants' motion to dismiss the second amended derivative complaint. On December 19, 2017, plaintiffs filed an appeal brief in the United States Court of Appeals for the Tenth Circuit, seeking reversal of the dismissal, to which the Company filed an opposition on February 20, 2018. Plaintiffs filed a reply brief on March 30, 2018.

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

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Other Matters

On March 12, 2014, Jason Douglas filed a purported class action complaint in the United States District Court for the Northern District of Illinois asserting a claim under the Telephone Consumer Protection Act, 47 U.S.C. § 227, et seq., based on allegations that since 2009, the Company has sent text messages to class members' wireless telephones without their consent. During the first quarter of 2015, the Company's insurance carrier and the plaintiff reached an agreement to create an $8.5 million settlement fund that will be used to pay all class member claims, class counsel's fees and the costs of administering the settlement. The agreement has been signed by the parties and, on November 10, 2015, the Court granted preliminary approval to the settlement. On January 9, 2018, plaintiff filed a motion requesting decisions on its pending motion to approve the settlement and motion for attorneys' fees, costs, and incentive award. On August 31, 2018, the Court issued an order approving the settlement, in which the Court modified the class definition slightly and ordered the parties to provide additional notice to the class. 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.

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

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

Company’s premium pricing. The defendants filed a motion to dismiss the complaint on January 16, 2018. The consolidated action is in a preliminary stage and the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with it. The Company and the individual defendants intend to vigorously defend themselves in this matter.

On February 13, 2017, the Company’s subsidiary, Western Union Payment Services Ireland Limited (“WUPSIL”), was served with a writ of accusation from the National Court of Spain. The writ charges 98 former Western Union money transfer agents or agent representatives with fraud and money laundering in connection with consumer fraud scams they

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allegedly perpetrated using Western Union money transfer transactions. The writ also names WUPSIL as a civil defendant, allegedly responsible under Spanish law to pay any portion of the alleged amount in victim losses that cannot be repaid by any of the criminal defendants who are convicted. In accordance with Spanish law, on January 4, 2018, the Company, through its subsidiary Western Union International Limited, provided a corporate guaranty in an amount of approximately €23 million to cover any liability that could theoretically attach to WUPSIL. Due to the preliminary stage of this matter, the Company is unable to predict the outcome, or the amount of loss, if any, associated with this matter.

On April 26, 2018, the Company, its Western Union Financial Services, Inc. (“WUFSI”) subsidiary, its President and Chief Executive Officer, and various “Doe Defendants” (purportedly including Western Union officers, directors, and agents) were named as defendants in a purported class action lawsuit asserting claims for alleged violations of civil Racketeer Influenced and Corrupt Organizations Act (“RICO”) and the Colorado Organized Crime Act, civil theft, negligence, unjust enrichment, and conversion under the caption Frazier et al. v. The Western Union Company et al., Civil Action No. 1:18 cv 00998 KLM (D. Colo.). The complaint alleges that, during the purported class period of January 1, 2004 to the present, and based largely on the admissions and allegations relating to the DPA, the FTC Consent Order, and the NYDFS Consent Order, the defendants engaged in a scheme to defraud customers through Western Union’s money transfer system. The plaintiffs filed an amended complaint on July 17, 2018. The amended complaint is similar to the original complaint, although it adds additional named plaintiffs and additional counts, including claims on behalf of putative California, Florida, Georgia, Illinois, and New Jersey subclasses for alleged violations of the California Unfair Competition Law, the Florida Deceptive and Unfair Trade Practices Act, the Georgia Fair Business Practices Act, the Illinois Consumer Fraud and Deceptive Business Practices Act, and the New Jersey Consumer Fraud Act. On August 28, 2018, the Company and the other defendants moved to stay the action in favor of individual arbitrations with the named plaintiffs, which defendants contend are contractually required. That motion has been fully briefed and remains pending, and the case is otherwise stayed pending a determination of that issue. The action is in a preliminary stage and the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with it. The Company and the other defendants intend to vigorously defend themselves in this matter.

In addition to the principal matters described above and the matters described in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, “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.

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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 3,348 stockholders of record as of February 13, 2019. 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 sets forth stock repurchases for each of the three months of the quarter ended December 31, 2018:

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	993,617	$ 18.19	988,987	$ 575.5
November 1 - 30	921,372	$ 18.60	882,518	$ 559.1
December 1 - 31	843,160	$ 17.73	838,135	$ 544.2
Total	2,758,149	$ 18.19	2,709,640	

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

** On February 9, 2017, the Board of Directors authorized $1.2 billion of common stock repurchases through December 31, 2019, of which $544.2 million remained available as of December 31, 2018. 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 17, "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 2018, the Board of Directors declared quarterly cash dividends of $0.19 per common share payable on December 31, 2018, September 28, 2018, June 29, 2018 and March 30, 2018. During 2017, the Board of Directors declared quarterly cash dividends of $0.175 per common share payable on December 29, 2017, September 29, 2017, June 30, 2017 and March 31, 2017. The declaration or authorization and amount of future dividends or share repurchases will be determined by the Board of Directors and will depend on our financial condition, earnings, liquidity, the amount and timing of payments under our debt and other obligations, capital requirements, regulatory constraints, cash generated or made available in the United States, industry practice and any other factors that the Board of Directors believes are relevant. As a holding company with no material assets other than the capital stock of our subsidiaries, our ability to pay dividends or repurchase shares in future periods will be dependent primarily on our ability to use cash generated by our operating subsidiaries. Several of our operating subsidiaries are subject to financial services regulations and their ability to pay dividends and distribute cash may be restricted. In addition, the

Tax Act imposes a tax on certain of our previously undistributed foreign earnings, which we have elected to pay in periodic installments through 2025, as discussed in the "Capital Resources and Liquidity" section in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. These payments will adversely affect our cash flow and liquidity and may adversely affect future share repurchases.

On February 7, 2019, the Board of Directors declared a quarterly cash dividend of $0.20 per common share payable on March 29, 2019.

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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.

	Year Ended December 31,				
(in millions, except per share data)	2018	2017	2016	2015	2014
Statements of Income/(Loss) Data:					
Revenues	$ 5,589.9	$ 5,524.3	$ 5,422.9	$ 5,483.7	$ 5,607.2
Operating expenses (a) (b)	4,467.8	5,048.5	4,935.9	4,371.5	4,462.9
Operating income (a) (b)	1,122.1	475.8	487.0	1,112.2	1,144.3
Interest income (c)	4.8	4.9	3.5	10.9	11.5
Interest expense (d)	(149.6)	(142.1)	(152.5)	(167.9)	(176.6)
Other income/(expense), net (b)	14.1	8.9	3.7	(13.4)	(11.0)
Income before income taxes (a) (c) (d)	991.4	347.5	341.7	941.8	968.2
Net income/(loss) (a) (c) (d) (e)	851.9	(557.1)	253.2	837.8	852.4
Depreciation and amortization	264.7	262.9	263.2	270.2	271.9
Cash Flow Data:					
Net cash provided by operating activities (f)	$ 821.3	$ 742.0	$ 1,041.9	$ 1,071.1	$ 1,045.9
Capital expenditures (g)	(339.0)	(177.1)	(229.8)	(266.5)	(179.0)
Common stock repurchased (h)	(412.4)	(502.8)	(501.6)	(511.3)	(495.4)
Earnings/(Loss) Per Share Data:					
Basic (a) (c) (d) (e) (h)	$ 1.89	$ (1.19)	$ 0.52	$ 1.63	$ 1.60
Diluted (a) (c) (d) (e) (h)	$ 1.87	$ (1.19)	$ 0.51	$ 1.62	$ 1.59
Cash dividends declared per common share (i)	$ 0.76	$ 0.70	$ 0.64	$ 0.62	$ 0.50
Key Indicators (unaudited):					
Consumer-to-Consumer transactions	287.0	275.8	268.3	261.5	254.9

	As of December 31,				
(in millions)	2018	2017	2016	2015	2014
Balance Sheet Data:					
Settlement assets	$ 3,813.8	$ 4,188.9	$ 3,749.1	$ 3,308.7	$ 3,313.7
Total assets	8,996.8	9,231.4	9,419.6	9,449.2	9,877.5
Settlement obligations	3,813.8	4,188.9	3,749.1	3,308.7	3,313.7
Total borrowings	3,433.7	3,033.6	2,786.1	3,215.9	3,707.5
Total liabilities	9,306.6	9,722.8	8,517.4	8,044.3	8,577.1
Total stockholders' equity/(deficit)	(309.8)	(491.4)	902.2	1,404.9	1,300.4

(a) For the year ended December 31, 2017, operating expenses included a non-cash goodwill impairment charge of $464.0 million related to our Business Solutions reporting unit, as described in Part II, Item 8, Financial Statements and Supplementary Data, Note 5, "Goodwill," and $60.0 million of expenses related to the NYDFS

Consent Order. For the year ended December 31, 2016, operating expenses included $601.0 million of expenses as a result of the Joint Settlement Agreements, as described in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, "Commitments and Contingencies." For the year ended December 31, 2015, operating expenses included $35.3 million of expenses as a result of the Paymap Settlement Agreement.

(b) On January 1, 2018, we adopted an accounting pronouncement that requires the non-service costs of a defined benefit pension plan to be presented outside a subtotal of income from operations, with adoption retrospective for periods previously presented. The adoption of this standard resulted in increases to operating income and decreases to operating expenses and other income/(expense), net of $2.4 million, $3.3 million, $2.8 million and $3.8 million for the years ended December 31, 2017, 2016, 2015 and 2014, respectively, from the amounts previously reported. Refer

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

(c) Interest income consists of interest earned on cash and other investments not required to satisfy settlement obligations.

(d) Interest expense primarily relates to our outstanding borrowings.

(e) For the year ended December 31, 2017, our provision for income taxes included an estimated $828 million related to the enactment of the Tax Act into United States law, primarily due to a tax on certain previously undistributed earnings of foreign subsidiaries, partially offset by the remeasurement of deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects. During the year ended December 31, 2018, we completed our accounting for the Tax Act's impacts that were provisionally estimated as of December 31, 2017 and recorded an additional $22.5 million of income tax expense, as discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 11, "Income Taxes."

(f) Net cash provided by operating activities during the year ended December 31, 2018 was negatively impacted by approximately $120 million of payments related to an agreement with the IRS resolving substantially all of the issues related to our restructuring of our international operations in 2003, as further described in Part II, Item 8, Financial Statements and Supplementary Data, Note 11, "Income Taxes," $64 million of payments related to tax on certain of our previously undistributed foreign earnings associated with the Tax Act, a $60 million payment related to the NYDFS Consent Order and payments related to our business transformation initiative as discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 4, "Business Transformation Expenses." Net cash provided by operating activities during the year ended December 31, 2017 was impacted by cash payments of $591 million pursuant to the Joint Settlement Agreements and payments related to our business transformation initiative.

(g) Capital expenditures include capitalization of contract costs, capitalization of purchased and developed software and purchases of property and equipment.

(h) On February 9, 2017, the Board of Directors authorized $1.2 billion of common stock repurchases through December 31, 2019, of which $544.2 million remained available as of December 31, 2018. During the years ended December 31, 2018, 2017, 2016, 2015, and 2014, we repurchased 20.2 million, 24.9 million, 24.8 million, 25.1 million, and 29.3 million shares, respectively, under authorizations from our Board of Directors.

(i) Cash dividends per share declared quarterly by our Board of Directors were as follows:

Year	Q1	Q2	Q3	Q4
2018	$ 0.19	$ 0.19	$ 0.19	$ 0.19
2017	$ 0.175	$ 0.175	$ 0.175	$ 0.175
2016	$ 0.16	$ 0.16	$ 0.16	$ 0.16
2015	$ 0.155	$ 0.155	$ 0.155	$ 0.155
2014	$ 0.125	$ 0.125	$ 0.125	$ 0.125

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

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

Overview

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

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

All businesses and other services that have not been classified in the above segments are reported as "Other," which primarily include our electronic-based and cash-based bill payment services which facilitate payments from consumers to businesses and other organizations. The majority of our cash-based bill payments services are led by one executive, and the majority of our electronic-based bill payments services are led by another executive. The Chief Operating Decision Maker ("CODM") allocates resources and assesses performance using discrete information for these separate bill payments components, neither of which is material from either a quantitative or qualitative perspective. Our money order and other services, in addition to certain corporate costs such as costs related to strategic initiatives, including for the review and closing of mergers, acquisitions, and divestitures, are also included in "Other." Additional information on our reportable segments is further described in the Segment Discussion below.

Results of Operations

The following discussion of our consolidated results of operations and segment results refers to the year ended December 31, 2018 compared to the same period in 2017 and the year ended December 31, 2017 compared to the same period in 2016. The results of operations should be read in conjunction with the discussion of our segment results of operations, which provide more detailed discussions concerning certain components of the Consolidated Statements of Income/(Loss). All significant intercompany accounts and transactions between our segments have been eliminated. The below information has been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") unless otherwise noted. All amounts provided in this section are rounded to the nearest tenth of a million, except as otherwise noted. As a result, the percentage changes and margins disclosed herein may not recalculate precisely using the rounded amounts provided. Beginning in the first quarter of 2018, we no

longer present the “Derivative gains, net” line item in our Consolidated Statements of Income/(Loss) for all periods presented due to the early adoption of a new accounting pronouncement to improve the financial reporting of hedging relationships, as further described in Part II, Item 8, Financial Statements and Supplementary Data, Note 2, “Summary of Significant Accounting Policies.”

Amounts previously reported in prior periods in “Derivative gains, net” are now reported in “Other income, net” in the Consolidated Statements of Income/(Loss). Additionally, certain historical amounts reported in the Consolidated Statements of Income/(Loss) for the years ended December 31, 2017 and 2016 have been adjusted due to the adoption of an accounting standard related to pension costs, as further described in the Segment Discussion below.

During the year ended December 31, 2017, our provision for income taxes included $828 million related to the enactment of the Tax Act into United States law, primarily due to a tax on certain previously undistributed earnings of foreign subsidiaries, partially offset by the remeasurement of deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects. During the year ended December 31, 2018, we completed our accounting for the Tax Act’s impacts that were provisionally estimated as of December 31, 2017 and recorded an additional $22.5 million of income tax expense, as discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 11, “Income Taxes.”

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

Additionally, our operating income for the year ended December 31, 2017 was negatively impacted by a $60 million accrual related to the NYDFS Consent Order, described further in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, “Commitments and Contingencies.” Our operating income for the year ended December 31, 2016 was negatively impacted by $601 million of expenses related to compensation payments and other costs as a result of the Joint Settlement Agreements described further in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, “Commitments and Contingencies.” The NYDFS Consent Order and the Joint Settlement Agreements have been reflected within “Selling, general and administrative” expenses in our Consolidated Statements of Income/(Loss).

Our revenues and operating income for the years ended December 31, 2018 and 2017 were negatively impacted by fluctuations in the United States dollar compared to foreign currencies. Fluctuations in the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, resulted in a reduction to revenues of $111.9 million and $61.3 million for the years ended December 31, 2018 and 2017, respectively, relative to the respective prior year. Included within these amounts are impacts related to the strengthening of the dollar against the Argentine peso, which resulted in a reduction to revenues of $142.7 million and $30.3 million for the years ended December 31, 2018 and 2017, respectively, relative to the respective prior year. The reduction in revenues during the year ended December 31, 2018, primarily from the Argentine peso, was partially offset by the weakening of the United States dollar against various European currencies, primarily the euro and the British pound. Fluctuations in the United States dollar compared to foreign currencies negatively impacted operating income by $18.1 million and $44.0 million during the years ended December 31, 2018 and 2017, respectively, relative to the respective prior year. Included within these amounts are impacts related to the strengthening of the dollar against the Argentine peso, which resulted in a reduction to operating income of $34.7 million and $7.7 million for the years ended December 31, 2018 and 2017, respectively, relative to the respective prior year.

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The following table sets forth our consolidated results of operations for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,			% Change	
(in millions, except per share amounts)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Revenues	$ 5,589.9	$ 5,524.3	$ 5,422.9	1 %	2 %
Expenses:					
Cost of services (a)	3,300.8	3,353.0	3,266.7	(2) %	3 %
Selling, general and administrative	1,167.0	1,231.5	1,669.2	(5) %	(26) %
Goodwill impairment charge	—	464.0	—	(b)	(b)
Total expenses	4,467.8	5,048.5	4,935.9	(12) %	2 %
Operating income	1,122.1	475.8	487.0	(b)	(2) %
Other income/(expense):					
Interest income	4.8	4.9	3.5	(3) %	41 %
Interest expense	(149.6)	(142.1)	(152.5)	5 %	(7) %
Other income, net (a)	14.1	8.9	3.7	57 %	(b)
Total other expense, net	(130.7)	(128.3)	(145.3)	2 %	(12) %
Income before income taxes	991.4	347.5	341.7	(b)	2 %
Provision for income taxes	139.5	904.6	88.5	(85) %	(b)
Net income/(loss)	$ 851.9	$ (557.1)	$ 253.2	(b)	(b)
Earnings/(loss) per share:					
Basic	$ 1.89	$ (1.19)	$ 0.52	(b)	(b)
Diluted	$ 1.87	$ (1.19)	$ 0.51	(b)	(b)
Weighted-average shares outstanding:					
Basic	451.8	467.9	490.2		
Diluted	454.4	467.9	493.5		

(a) On January 1, 2018, we adopted an accounting pronouncement that requires the non-service costs of a defined benefit pension plan to be presented outside a subtotal of income from operations, with adoption retrospective for periods previously presented. The adoption of this standard resulted in reductions to “Cost of services” and “Other income, net” of $2.4 million and $3.3 million for the years ended December 31, 2017 and 2016, respectively, from the amounts previously reported. Refer to Part II, Item 8, Financial Statements and Supplementary Data, Note 2, “Summary of Significant Accounting Policies,” for further information.

(b) Calculation not meaningful.

Revenues overview

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

Due to the significance of the effect that foreign exchange fluctuations against the United States dollar can have on our reported revenues, constant currency results have been provided in the table below for consolidated revenues. Additionally, due to the significance of our Consumer-to-Consumer segment to our overall results, we have also provided constant currency results for our Consumer-to-Consumer segment revenues. Constant currency results assume foreign revenues are translated from foreign currencies to the United States dollar, net of the effect of foreign

currency hedges, at rates consistent with those in the prior year. Constant currency measures are non-GAAP financial measures and are provided so that revenue can be viewed without the effect of fluctuations in foreign currency exchange rates, which is consistent with how management evaluates our revenue results and trends. We believe that these measures provide management and investors with information about revenue results and trends that eliminates currency volatility and

provides greater clarity regarding, and increases the comparability of, our underlying results and trends. This constant currency disclosure is provided in addition to, and not as a substitute for, the percentage change in revenue on a GAAP basis for the years ended December 31, 2018 and 2017 compared to the prior year. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

The following table sets forth our consolidated revenue results for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,			% Change	
(dollars in millions)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Revenues, as reported - (GAAP)	$ 5,589.9	$ 5,524.3	$ 5,422.9	1 %	2 %
Foreign currency impact (a)				2 %	1 %
Revenue change, constant currency adjusted - (Non-GAAP)				3 %	3 %

(a) Fluctuations in the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, resulted in a reduction to revenues of $111.9 million and $61.3 million for the years ended December 31, 2018 and 2017, respectively, when compared to foreign currency rates in the prior year. Included within these amounts are impacts related to the strengthening of the dollar against the Argentine peso, which resulted in a reduction to revenues of $142.7 million and $30.3 million for the years ended December 31, 2018 and 2017, respectively, when compared to foreign currency rates in the prior year. The reduction in revenues during the year ended December 31, 2018, primarily from the Argentine peso, was partially offset by the weakening of the United States dollar against various European currencies, primarily the euro and the British pound.

2018 compared to 2017

During the year ended December 31, 2018 compared to 2017, GAAP revenues increased 1%. The increase in revenue was the result of transaction growth in our Consumer-to-Consumer segment of 4% for the year ended December 31, 2018. The increase in revenues constant currency adjusted (Non-GAAP) of 3% was the result of an increase in local currency revenue per transaction in our Argentine operations, including our cash-based bill payment business, primarily due to inflation, and transaction growth in our Consumer-to-Consumer segment.

2017 compared to 2016

During the year ended December 31, 2017 compared to 2016, GAAP revenues increased 2%. The increase in revenue was the result of transaction growth in our Consumer-to-Consumer segment of 3% for the year ended December 31, 2017 and growth in our United States electronic-based and Argentina cash-based bill payments services. This growth was partially offset by the fluctuations in the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, which negatively impacted revenue by 1% for the year ended December 31, 2017. The increase in revenues constant currency adjusted (Non-GAAP) of 3% was also due to transaction growth in our Consumer-to-Consumer segment and an increase in local currency revenue per transaction in our Argentine operations, including our cash-based bill payment business, primarily due to inflation, and growth in our United States electronic-based bill payments services.

Operating expenses overview

Enhanced regulatory compliance

The financial services industry, including money services businesses, continues to be subject to increasingly strict legal and regulatory requirements, and we continue to focus on and regularly review our compliance programs. In connection with these reviews, and in light of growing and rapidly evolving regulatory complexity and heightened attention of, and increased dialogue with, governmental and regulatory authorities related to our compliance activities, we have made, and continue to make enhancements to our processes and systems designed to detect and prevent money laundering, terrorist financing, and fraud and other illicit activity, along with enhancements to improve consumer protection, including related to the Joint Settlement Agreements and the NYDFS Consent Order described further in Part II, Item 8, Financial

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Statements and Supplementary Data, Note 6, “Commitments and Contingencies,” 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, 2018. Cost of services decreased for the year ended December 31, 2018 compared to the prior year due to decreased severance and related employee benefits, and other expenses related to a business transformation initiative referred to as the WU Way, as further discussed below, and decreased bad debt expenses, partially offset by increased bank fees, including in our United States electronic bill payments services.

Cost of services increased for the year ended December 31, 2017, compared to the prior year, due to increased bank fees, primarily in our United States electronic bill payments services, and increased expenses related to the WU Way.

Selling, general and administrative

Selling, general and administrative expenses decreased for the year ended December 31, 2018 compared to the prior year due to decreased consulting service fees, severance and related employee benefits, and other expenses related to the WU Way, and decreased employee incentive compensation expenses, partially offset by increases in other corporate costs, including costs related to strategic initiatives, other employee-related costs, and marketing expenses. Additionally, selling, general and administrative expenses for the year ended December 31, 2017 were impacted by a $60 million accrual related to the NYDFS Consent Order and $8 million of expenses related to the independent compliance auditor required by the Joint Settlement Agreements.

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

Goodwill Impairment

For the year ended December 31, 2017, we recognized a non-cash goodwill impairment charge of $464.0 million related to our Business Solutions reporting unit, as described earlier. We did not record any goodwill impairments during the years ended December 31, 2018 and 2016.

Total other expense, net

Total other expense, net increased for the year ended December 31, 2018 compared to the prior year due to lower derivatives gains primarily due to the adoption of an accounting standard as described in Part II, Item 8, Financial Statements and Supplementary Data, Note 15, “Derivatives,” and higher interest expense related to an increase in the weighted-average effective interest rate on our debt, partially offset by foreign exchange gains realized during the first half of 2018 on certain U.S. dollar-denominated assets in our Argentina cash-based bill payments business. Total other expense, net decreased for the year ended December 31, 2017, compared to the prior year, due to lower interest expense related to a decrease in the weighted-average effective interest rate on our debt.

Income taxes

Our effective tax rates on pre-tax income were 14.1%, 260.3% and 25.9% for the years ended December 31, 2018, 2017 and 2016, respectively. The decrease in our effective tax rate for the year ended December 31, 2018 is due to the enactment of the Tax Act into United States law in December 2017 which significantly impacted our effective tax rate for

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the year ended December 31, 2017, primarily due to a tax on certain previously undistributed earnings of foreign subsidiaries, partially offset by the remeasurement of our deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects, as discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 11, "Income Taxes." Our effective tax rate for the year ended December 31, 2018 compared to 2017 was also impacted by the goodwill impairment in our Business Solutions reporting unit and the NYDFS Consent Order accrual, both recorded during 2017. The increase in our effective tax rate for the year ended December 31, 2017 compared to 2016 was primarily due to the enactment of the Tax Act into United States law in December 2017, as described above. Our effective tax rate for the year ended December 31, 2017 compared to 2016 was also impacted by the goodwill impairment in our Business Solutions reporting unit and the NYDFS Consent Order accrual, both recorded in 2017, and the Joint Settlement Agreements recorded during 2016.

In December 2017, the Tax Act was enacted into United States law, and certain of the Tax Act's impacts had been provisionally estimated as of December 31, 2017. During the year ended December 31, 2018, we completed our accounting for the Tax Act's impacts that were provisionally estimated as of December 31, 2017 and recorded an additional $22.5 million of income tax expense, as discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 11, "Income Taxes." Our effective tax rate for the year ended December 31, 2018 increased by 2.3% due to these adjustments, as further described in Part II, Item 8, Financial Statements and Supplementary Data, Note 11, "Income Taxes."

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

Moreover, we may be subject to additional tax on certain payments to our foreign affiliates in 2019 and thereafter under the Base Erosion Anti-Abuse Tax ("BEAT") provisions of the Tax Act, as the minimum BEAT rate increases from 5% in 2018 to 10% in 2019 through 2025. We have identified and are in the process of implementing structural actions which we believe will help mitigate the impact of the BEAT. However, if we are not successful at mitigating this impact, the BEAT could have a material adverse effect on our financial condition, results of operations, and cash flows.

We have established contingency reserves for a variety of material, known tax exposures. As of December 31, 2018, the total amount of tax contingency reserves was $306.8 million, including accrued interest and penalties, net of related items. Our tax reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review or other settlement. While we believe that our reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed our related reserve. With respect to these reserves, our income tax expense would include (i) any changes in tax reserves arising from material changes in facts and circumstances (i.e. new information) surrounding a tax issue during the period and (ii) any difference from our tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in our consolidated financial statements in future periods and could impact our operating cash flows.

A significant proportion of our profits are foreign-derived. For the years ended December 31, 2018, 2017 and 2016, 101%, 169% and 260%, respectively, of our pre-tax income was derived from foreign sources. While the income tax imposed by any one foreign country is not material to us, our overall effective tax rate could be adversely affected by

changes in foreign tax laws.

Earnings/(loss) per share

During the years ended December 31, 2018, 2017 and 2016, basic earnings/(loss) per share were $1.89, $(1.19) and $0.52, respectively, and diluted earnings/(loss) per share were $1.87, $(1.19) and $0.51, respectively. Outstanding options to purchase Western Union stock and unvested shares of restricted stock are excluded from basic shares outstanding.

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Diluted earnings/(loss) per share reflects the potential dilution that could occur if outstanding stock options at the presented dates are exercised and shares of restricted stock have vested. As of December 31, 2018, 2017 and 2016, there were 2.6 million, 2.8 million, and 3.4 million, respectively, of shares excluded from the diluted earnings/(loss) per share calculation under the treasury stock method, primarily due to outstanding options to purchase shares of Western Union stock, as their exercise prices were above our weighted-average share price during the periods and their effect was anti-dilutive. Due to the net loss for the year ended December 31, 2017, an additional 3.0 million shares were excluded from diluted weighted-average shares outstanding, because the effect of including such shares would have been anti-dilutive in the calculation of diluted loss per share.

Earnings/(loss) per share for the years ended December 31, 2018 and 2017 compared to the prior year were impacted by the previously described factors impacting net income/(loss). Adjustments to our accounting for the Tax Act's impacts that were previously provisionally estimated negatively impacted earnings per share for the year ended December 31, 2018 by $0.05. For the year ended December 31, 2017, the Tax Act negatively impacted loss per share by $1.76, and the goodwill impairment charge related to our Business Solutions reporting unit and the NYDFS Consent Order negatively impacted loss per share by $0.96, net of income tax effects, and $0.13, respectively. The Joint Settlement Agreements decreased earnings per share for the year ended December 31, 2016 by $1.21. Earnings/(loss) per share for the years ended December 31, 2018 and 2017 were also impacted by lower weighted-average shares outstanding due to stock repurchases exceeding stock issuances related to our stock compensation programs.

Segment Discussion

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

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

- The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.
- Corporate costs, including stock-based compensation and other overhead, are allocated to the segments primarily based on a percentage of the segments' revenue compared to total revenue.
- On January 1, 2018, we adopted an accounting pronouncement that requires the non-service costs of the defined benefit pension plan to be presented outside a subtotal of income from operations, with adoption retrospective for periods previously presented. The adoption of this standard resulted in an increase of $2.4 million and $3.3 million to operating income, respectively, for the years ended December 31, 2017 and 2016, from the amounts previously reported, and this increase was allocated among the segments in a method consistent with the original allocation of this expense. Segment results for the years ended December 31, 2017 and 2016 in the discussion and tables below have been adjusted to conform with the new presentation.
- As described above, during the year ended December 31, 2017, we recognized a non-cash goodwill impairment charge of $464.0 million related to our Business Solutions reporting unit. While the impairment was identifiable to our Business Solutions segment, it was not allocated to the segment, as it was not included in the measurement of segment operating income provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation.
- As described above, we incurred $60.0 million of expenses related to the NYDFS Consent Order during the year ended December 31, 2017, and expenses of $8.0 million and $601.0 million related to the Joint Settlement Agreements during the years ended December 31, 2017 and 2016, respectively. While these expenses were identifiable to our Consumer-to-Consumer segment, they were not allocated to the segment, as 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.

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- As of December 31, 2017, expenses associated with the WU Way initiative were effectively complete. We incurred expenses related to the WU Way of $94.4 million and $20.3 million during the years ended December 31, 2017 and 2016, respectively. 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. For additional information on this business transformation initiative, see Part II, Item 8, Financial Statements and Supplementary Data, Note 4, "Business Transformation Expenses."
- 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, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
Consumer-to-Consumer	80 %	79 %	79 %
Business Solutions	7 %	7 %	7 %
Other	13 %	14 %	14 %
	100 %	100 %	100 %

Consumer-to-Consumer Segment

The following table sets forth our Consumer-to-Consumer segment results of operations for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,			% Change	
(dollars and transactions in millions)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Revenues	$ 4,453.6	$ 4,354.5	$ 4,304.6	2 %	1 %
Operating income	$ 1,048.2	$ 1,004.2	$ 1,011.3	4 %	(1) %
Operating income margin	24 %	23 %	23 %		
Key indicator:					
Consumer-to-Consumer transactions	287.0	275.8	268.3	4 %	3 %

We view our Consumer-to-Consumer money transfer service, including our online money transfer transactions conducted and funded through Western Union branded websites and mobile apps ("westernunion.com"), as one interconnected global network where a money transfer can be sent from one location to another, around the world. The segment includes five geographic regions whose functions are primarily related to generating, managing and maintaining agent relationships and localized marketing activities. We include 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.

The geographic split for transactions and revenue in the table that follows, including transactions conducted through westernunion.com, is determined entirely based upon the region where the money transfer is initiated. Included in each region's transaction and revenue percentages in the tables below are transactions conducted through westernunion.com for the years ended December 31, 2018, 2017 and 2016, respectively. Where reported separately in

the discussion below, westernunion.com consists of 100% of the transactions and revenue that are conducted through westernunion.com.

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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, 2018				Year Ended December 31, 2017		
	Revenue Growth/ (Decline), as Reported - (GAAP)	Foreign Exchange Translation Impact	Constant Currency Revenue Growth/ (Decline) (a) - (Non-GAAP)	Transaction Growth/ (Decline)	Revenue Growth/ (Decline), as Reported - (GAAP)	Foreign Exchange Translation Impact	Constant Currency Revenue Growth/ (Decline) (a) - (Non-GAAP)
sumer							
nited	2 %	0 %	2 %	2 %	2 %	(1) %	3 %
/CIS	7 %	3 %	4 %	8 %	1 %	(1) %	2 %
ca, and ASA")	(5) %	(1) %	(4) %	1 %	(8) %	(1) %	(7) %
l the A") (b)	8 %	(11) %	19 %	14 %	22 %	(1) %	23 %
ania	(6) %	0 %	(6) %	(1) %	(2) %	(2) %	0 %
sumer	2 %	0 %	2 %	4 %	1 %	(1) %	2 %
. (c)	21 %	0 %	21 %	25 %	23 %	(1) %	24 %

(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) Our LACA region results were impacted by the strengthening of the United States dollar against the Argentine peso, in addition to an increase in local currency revenue per transaction, primarily due to inflation, and transaction growth in our Argentine operations for the year ended December 31, 2018.
(c) 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, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
Consumer-to-Consumer revenue as a percentage of segment revenue:			
NA	37 %	37 %	36 %
EU & CIS	32 %	31 %	31 %

MEASA	15	%	16	%	18	%
LACA	9	%	8	%	7	%
APAC	7	%	8	%	8	%

Westernunion.com, which is included in the regional percentages above, represented approximately 12%, 10%, and 8% of our Consumer-to-Consumer revenue for the years ended December 31, 2018, 2017 and 2016, respectively.

Our consumers transferred $87.7 billion, $81.8 billion, and $80.0 billion in Consumer-to-Consumer principal for the years ended December 31, 2018, 2017 and 2016 respectively, of which $79.9 billion, $74.5 billion, and $72.5 billion, respectively, related to cross-border principal, for the same corresponding periods described above.

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Revenues

2018 compared to 2017

Consumer-to-Consumer money transfer revenue increased 2% on transaction growth of 4% for the year ended December 31, 2018 compared to the prior year. Constant currency revenue growth and transaction growth was driven primarily by continued growth in westernunion.com. Consumer-to-Consumer money transfer revenue was negatively impacted by net price decreases of 1% for the year ended December 31, 2018.

Our NA region experienced increased revenue of 2% for the year ended December 31, 2018 compared to the prior year and transaction growth of 2%. The increase in revenue was primarily due to transaction growth in our United States outbound services, partially offset by lower revenue generated from money transfers sent and received within the United States.

Our EU & CIS region experienced increased revenue of 7% for the year ended December 31, 2018 compared to the prior year and transaction growth of 8%. 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, positively impacted revenue by 3% for the year ended December 31, 2018. Revenue was positively impacted by transaction growth in France and Spain for the year ended December 31, 2018.

Our MEASA region experienced decreased revenue of 5% for the year ended December 31, 2018 compared to the prior year and transaction growth of 1%. Revenue for the year ended December 31, 2018 was negatively impacted by net price decreases. Additionally, fluctuations in the exchange rate between the United States dollar and other currencies negatively impacted revenue by 1% for the year ended December 31, 2018.

Our LACA region experienced increased revenue of 8% for the year ended December 31, 2018 compared to the prior year and transaction growth of 14%. Fluctuations in the exchange rate between the United States dollar and other currencies negatively impacted revenue by 11% for the year ended December 31, 2018. Revenues were negatively impacted by the strengthening of the United States dollar against the Argentine peso, partially offset by an increase in local currency revenue per transaction, primarily due to inflation, and transaction growth in certain Latin American countries, including Argentina.

Our APAC region experienced decreased revenue of 6% for the year ended December 31, 2018 compared to the prior year and a transaction decline of 1%. Revenue for the year ended December 31, 2018 was negatively impacted by mix.

We have historically implemented price reductions or price increases throughout many of our global corridors. We 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.

2017 compared to 2016

Consumer-to-Consumer money transfer revenue increased 1% on transaction growth of 3% for the year ended December 31, 2017 compared to the prior year. Fluctuations in the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 1% for the year ended December 31, 2017. Fluctuations in the exchange rate between the United States dollar and other currencies, net of the impact of foreign currency hedges, resulted in a reduction to revenues for the year ended December 31, 2017 of $37.7 million compared to the previous year. Foreign currency hedges benefited revenues by $4.8 million for the year ended

December 31, 2017. Constant currency revenue growth of 2% and transaction growth was driven primarily by continued growth in westernunion.com. Consumer-to-Consumer money transfer revenue was positively impacted by net price increases of 1% for the year ended December 31, 2017.

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

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

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

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

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

Operating income

2018 compared to 2017

Consumer-to-Consumer operating income increased 4% during the year ended December 31, 2018 compared to the prior year. Results for the year ended December 31, 2018 were positively impacted by the revenue increases described above, decreased bad debt expenses, and decreased employee incentive compensation expenses, partially offset by increases in other employee-related costs, marketing expenses, and other corporate costs. The change in operating margin for the year ended December 31, 2018 is due to the factors described above in addition to fluctuations between the United States dollar and other currencies, net of the impact of foreign currency hedges.

2017 compared to 2016

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

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Business Solutions

The following table sets forth our Business Solutions segment results of operations for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,			% Change	
(dollars in millions)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Revenues	$ 386.8	$ 383.9	$ 396.0	1 %	(3) %
Operating income	$ 23.4	$ 13.8	$ 21.3	70 %	(35) %
Operating income margin	6 %	4 %	5 %		

Revenues

2018 compared to 2017

For the year ended December 31, 2018 compared to the prior year, Business Solutions revenue increased 1%. Fluctuations in the exchange rate between the United States dollar and other currencies positively impacted revenue by 1% for the year ended December 31, 2018.

2017 compared to 2016

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

Operating income

2018 compared to 2017

For the year ended December 31, 2018, operating income and operating margin increased when compared to the prior year as a result of reductions in certain expenses, including information technology expenses and bank fees.

2017 compared to 2016

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

Other

The following table sets forth Other results for the years ended December 31, 2018, 2017 and 2016. Other primarily includes our electronic-based and cash-based bill payment services which facilitate bill payments from consumers to businesses and other organizations.

Year Ended December 31,	% Change

(dollars in millions)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Revenues	$ 749.5	$ 785.9	$ 722.3	(5) %	9 %
Operating income	$ 50.5	$ 84.2	$ 75.7	(40) %	11 %
Operating income margin	7 %	11 %	10 %		

Revenues

2018 compared to 2017

For the year ended December 31, 2018 compared to the prior year, Other revenue decreased 5% primarily due to the strengthening of the United States dollar against foreign currencies, including the Argentine peso, which negatively impacted revenue growth by 14% for the year ended December 31, 2018. The decrease for the year ended December 31, 2018 was partially offset by an increase in local currency revenue per transaction, primarily due to inflation, and transaction growth in our Argentina cash-based bill payment services. Additionally, revenue decreased for the year ended December 31, 2018 due to a decrease in our United States electronic bill payments services.

2017 compared to 2016

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

Operating income

2018 compared to 2017

For the year ended December 31, 2018, the decrease in Other operating income is primarily due to the revenue decreases described above, increased other corporate costs related to strategic initiatives, and increased bank fees in our United States electronic bill payment services. The changes in operating margins were also due to these factors.

2017 compared to 2016

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

Capital Resources and Liquidity

Our primary source of liquidity has been cash generated from our operating activities, primarily from net income and fluctuations in working capital. Our working capital is affected by the timing of interest payments on our outstanding borrowings and timing of income tax payments, among other items. The majority of our interest payments are due in the second and fourth quarters which results in a decrease in the amount of cash provided by operating activities in those quarters and a corresponding increase to the first and third quarters. The annual payments of our 2017 United States federal tax liability, as further described below, are due in the second quarter of each year through 2025.

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

Substantially all of our cash flows from operating activities have been generated from subsidiaries. Most of these cash flows are generated from our regulated subsidiaries. Our regulated subsidiaries may transfer all excess cash to the

parent company for general corporate use, except for assets subject to legal or regulatory restrictions, including: (1) requirements to maintain cash and other qualifying investment balances, free of any liens or other encumbrances, related to the payment of certain of our money transfer and other payment obligations, (2) other legal or regulatory restrictions, including statutory or formalized minimum net worth requirements, and (3) restrictions on transferring assets outside of the countries where

these assets are located. See also Part II, Item 8, Financial Statements and Supplementary Data, Note 1, "Business and Basis of Presentation," in this Annual Report on Form 10 K.

We currently believe we have adequate liquidity to meet our business needs, including payments under our debt and other obligations, through our existing cash balances, our ability to generate cash flows through operations, and our $1.5 billion revolving credit facility ("Revolving Credit Facility"), which expires in January 2024 and supports our commercial paper program. Our commercial paper program enables us to issue unsecured commercial paper notes in an amount not to exceed $1.5 billion outstanding at any time, reduced to the extent of any borrowings outstanding on our Revolving Credit Facility. As of December 31, 2018, we had no outstanding borrowings on our Revolving Credit Facility and $125.0 million of outstanding borrowings on the commercial paper program.

To help ensure availability of our worldwide cash where needed, we utilize a variety of planning and financial strategies, including decisions related to the amounts, timing and manner by which cash is made available from our international subsidiaries. While we no longer incur material additional United States taxes as a result of repatriations of foreign profits under the Tax Act, we are also subject to foreign tax laws, and as a result, these decisions can influence our overall tax rate and impact our total liquidity. 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.

Cash and Investment Securities

As of December 31, 2018 and 2017, we had cash and cash equivalents of $973 million and $838 million, respectively. 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 and $1.4 billion as of December 31, 2018 and 2017, respectively, and consist primarily of highly-rated state and municipal debt securities, including fixed rate term notes and variable rate demand notes. The substantial majority of our investment securities are held in order to comply with state licensing requirements in the United States and are required to have credit ratings of "A-" or better from a major credit rating agency.

Investment securities are exposed to market risk due to changes in interest rates and credit risk. We regularly monitor credit risk and attempt to mitigate our exposure by investing in highly-rated securities and diversifying our investment portfolio. Our investment securities are also actively managed with respect to concentration. As of December 31, 2018, 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, 2018, 2017 and 2016, cash provided by operating activities was $821.3 million, $742.0 million and $1,041.9 million, respectively. Cash provided by operating activities during the year ended December 31, 2018 was negatively impacted by approximately $120 million of payments related to an agreement with the IRS resolving substantially all of the issues related to our restructuring of our international operations in 2003, as further described in Part II, Item 8, Financial Statements and Supplementary Data, Note 11, "Income Taxes," $64 million of payments related to tax on certain of our previously undistributed foreign earnings associated with the Tax Act, a $60 million payment related to the NYDFS Consent Order and payments related to our business transformation

initiative as discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 4, "Business Transformation Expenses." Cash provided by operating activities during the year ended December 31, 2017 was impacted by cash payments of $591 million pursuant to the Joint Settlement Agreements and payments related to our business transformation initiative.

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Financing Resources

As of December 31, 2018, we had the following outstanding borrowings (in millions):

Commercial paper	$ 125.0
Notes:	
3.350% notes due 2019 (a)	250.0
Floating rate notes (effective rate of 3.7%) due 2019	250.0
5.253% notes (effective rate of 5.9%) due 2020	324.9
3.600% notes due 2022 (a)	500.0
4.250% notes (effective rate of 4.5%) due 2023 (b)	300.0
6.200% notes due 2036 (a)	500.0
6.200% notes due 2040 (a)	250.0
Term loan facility borrowing (effective rate of 3.8%) (c)	950.0
Total borrowings at par value	3,449.9
Fair value hedge accounting adjustments, net (d)	(0.1)
Debt issuance costs and unamortized discount, net	(16.1)
Total borrowings at carrying value (e)	$ 3,433.7

(a) The difference between the stated interest rate and the effective interest rate is not significant.
(b) On June 11, 2018, we issued $300.0 million of aggregate principal amount of 4.250% unsecured notes due in 2023 (“2023 Notes”).
(c) On December 18, 2018, we entered into an amended and restated term loan facility providing for up to $950 million in borrowings and extending the final maturity of the facility to January 2024 (the “Term Loan Facility”). As of December 31, 2018, we have borrowed the remaining amounts available under the facility.
(d) We utilize interest rate swaps designated as fair value hedges to effectively change the interest rate payments on a portion of our notes from fixed-rate payments to short-term LIBOR-based variable rate payments in order to manage our overall exposure to interest rates. The changes in fair value of these interest rate swaps result in an offsetting hedge accounting adjustment recorded to the carrying value of the related note. These hedge accounting adjustments will be reclassified as reductions to or increases in “Interest expense” in the Consolidated Statements of Income/(Loss) over the life of the related notes and cause the effective rate of interest to differ from the notes’ stated rate.
(e) As of December 31, 2018, our weighted-average effective rate on total borrowings was approximately 4.5%.

Commercial Paper Program

Pursuant to our commercial paper program, we may issue unsecured commercial paper notes in an amount not to exceed $1.5 billion outstanding at any time, reduced to the extent of borrowings outstanding on our Revolving Credit Facility. 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, 2018 and 2017, we had $125.0 million and no commercial paper borrowings outstanding, respectively. Our commercial paper borrowings as of December 31, 2018 had a weighted-average annual interest rate of approximately 2.9% and a weighted-average term of approximately 3 days. During the years ended December 31, 2018, 2017 and 2016, the average commercial paper balance outstanding was $115.1 million, $69.6 million, and $14.6 million, respectively, and the maximum balance outstanding was $570.0 million, $610.0 million, and $440.0 million, respectively. Proceeds from our commercial paper borrowings were used for general corporate purposes and working capital needs.

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Revolving Credit Facility

On December 18, 2018, we entered into a credit agreement which expires in January 2024 providing for unsecured financing facilities in an aggregate amount of $1.5 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 19 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 $1.5 billion is approximately 11%. As of December 31, 2018 and 2017, we had no outstanding borrowings under our current or prior revolving credit facilities. 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 December 18, 2018, we extended the Term Loan Facility providing for an unsecured delayed draw term loan facility in an aggregate amount of $950 million. In October 2016, we borrowed $575 million under our prior 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. In December 2018, we borrowed the remaining amount available under the facility, with proceeds from the borrowings expected to be used for general corporate purposes.

Generally, interest under the Term Loan Facility is calculated using a selected LIBOR rate plus an interest rate margin of 125 basis points. The interest rate margin percentage is based on certain of our credit ratings and will increase or decrease in the event of certain upgrades or downgrades in our credit ratings.

In addition to the payment of interest, we are required to make certain periodic amortization payments with respect to the outstanding principal of the term loan, beginning in 2021. The final maturity date of the Term Loan Facility is January 8, 2024.

Under the terms of the prior term loan facility, we were required to make certain amortization payments with respect to the outstanding principal of the prior term loan. For the year ended December 31, 2018, we made amortization payments of $14.4 million prior to the extension of the term loan agreement.

Notes

On June 11, 2018, we issued $300.0 million of aggregate principal amount of unsecured notes due June 9, 2023. Interest with respect to the 2023 Notes is payable semi-annually in arrears on June 9 and December 9 of each year, beginning on December 9, 2018, based on the per annum rate of 4.250%. The interest rate payable on the 2023 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 2023 Notes exceed 6.250% per annum. The interest rate payable on the 2023 Notes may also be adjusted downward for debt rating upgrades subsequent to any debt rating downgrades but may not be adjusted below 4.250% per annum. We may redeem the 2023 Notes, in whole or in part, at any time prior to May 9, 2023 at the greater of par or a price based

on the applicable treasury rate plus 25 basis points. We may redeem the 2023 Notes at any time after May 9, 2023 at a price equal to par, plus accrued interest.

On August 22, 2017, we issued $250.0 million of aggregate principal amount of unsecured floating rate notes due May 22, 2019 (“Floating Rate Notes”). We used the net proceeds from the sale of the Floating Rate Notes for general corporate purposes, including to fund a portion of the 2017 notes that matured in December 2017. Interest with respect to

the Floating Rate Notes is payable quarterly on each February 22, May 22, August 22 and November 22, beginning November 22, 2017, at a per annum interest rate equal to the three-month LIBOR plus 80 basis points (reset quarterly). We may not redeem the Floating Rate Notes prior to maturity.

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

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

On December 10, 2012, we issued $500.0 million of aggregate principal amounts of unsecured notes due December 10, 2017 ("2017 Notes"). In December 2017, the 2017 Notes matured and were repaid.

On August 22, 2011, we issued $400.0 million of aggregate principal amount of unsecured notes due August 22, 2018 ("2018 Notes"). In August 2018, the 2018 Notes matured and were repaid.

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

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November 17 each year based on the fixed per annum rate of 6.200%. We may redeem the 2036 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 25 basis points.

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

Credit Ratings and Debt Covenants

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

Our Revolving Credit Facility and our Term Loan Facility contain interest rate margins which are determined based on certain of our credit ratings, and our Revolving Credit Facility also contains a facility fee that is based on our credit ratings. In addition, the interest rates payable on our 2019 Notes, 2022 Notes and 2023 Notes can be impacted by our credit ratings. We are also subject to certain provisions in many of our notes and certain of our derivative contracts, which could require settlement or collateral posting in the event of a change in control combined with a downgrade below investment grade, as further described below. We do not have any other terms within our debt agreements that are tied to changes in our credit ratings.

The Revolving Credit Facility and Term Loan Facility contain covenants, subject to certain exceptions, that, among other things, limit or restrict our ability to sell or transfer assets or merge or consolidate with another company, grant certain types of security interests, incur certain types of liens, impose restrictions on subsidiary dividends, enter into sale and leaseback transactions, incur certain subsidiary level indebtedness, or use proceeds in violation of anti-corruption or anti-money laundering laws. Our notes are subject to similar covenants except that only the 2020 Notes and the 2036 Notes contain covenants limiting or restricting subsidiary indebtedness and none of our notes are subject to a covenant that limits our ability to impose restrictions on subsidiary dividends. Our Revolving Credit Facility and Term Loan Facility require us to maintain a consolidated adjusted EBITDA interest coverage ratio of greater than 3:1 (ratio of consolidated adjusted EBITDA, defined as net income/(loss) plus the sum of (a) interest expense; (b) income tax expense; (c) depreciation expense; (d) amortization expense; (e) any other non-cash deductions, losses or charges made in determining net income/(loss) for such period; and (f) extraordinary, non-recurring, or unusual losses or charges (including costs and expenses of litigation included in operating income), minus extraordinary, non-recurring or unusual gains provided that the amount added back to net income (or net loss) for such extraordinary, non-recurring or unusual losses, expenses or charges may not exceed 10% of adjusted EBITDA, 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 10:1 for the year ended December 31, 2018.

For the year ended December 31, 2018, we were in compliance with our debt covenants. A violation of our debt covenants could impair our ability to borrow and outstanding amounts borrowed could become due, thereby restricting our ability to use our excess cash for other purposes.

Certain of our notes (including the Floating Rate Notes, 2019 Notes, 2022 Notes, 2023 Notes and 2040 Notes) include a change of control triggering event provision, as defined in the terms of the notes. If a change of control triggering event occurs, holders of the notes may require us to repurchase some or all of their notes at a price equal to 101% of the principal amount of their notes, plus any accrued and unpaid interest. A change of control triggering event will occur when there is a change of control involving us and among other things, within a specified period in relation to the change of control, the notes are downgraded from an investment grade rating to below an investment grade rating by all three major credit rating agencies.

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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 $339.0 million, $177.1 million and $229.8 million in 2018, 2017 and 2016, 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, purchased and developed software, and, primarily in 2018, leasehold improvements related to our corporate headquarters.

Share Repurchases and Dividends

During the years ended December 31, 2018, 2017 and 2016, 20.2 million, 24.9 million and 24.8 million shares, respectively, were repurchased for $399.2 million, $487.0 million and $481.3 million, respectively, excluding commissions, at an average cost of $19.81, $19.55 and $19.41 per share, respectively. As of December 31, 2018, $544.2 million remained available under a share repurchase authorization approved by our Board of Directors through December 31, 2019.

Our Board of Directors declared quarterly cash dividends of $0.19 per common share in all four quarters of 2018, representing $341.7 million in total dividends. Our Board of Directors declared quarterly cash dividends of $0.175 per common share in all four quarters of 2017 and $0.16 per common share in all four quarters of 2016, representing $325.6 million and $312.2 million, respectively, in total dividends. These amounts were paid to shareholders of record in the respective quarter the dividend was declared.

On February 7, 2019, the Board of Directors declared a quarterly cash dividend of $0.20 per common share payable on March 29, 2019.

Debt Service Requirements

Our 2019 and future debt service requirements will include payments on all outstanding indebtedness. In May 2019, our 2019 Notes of $250.0 million and Floating Rate Notes of $250.0 million will mature. We plan to fund these maturities from the proceeds from the Term Loan, commercial paper and cash, including cash generated from operations.

2017 United States Federal Tax Liability

As previously discussed, the Tax Act imposed a tax on certain of our previously undistributed foreign earnings. This tax charge, combined with our other 2017 United States taxable income and tax attributes, resulted in a 2017 United States federal tax liability of approximately $800 million, which we have elected to pay in periodic installments through 2025. During the year ended December 31, 2018, we made installment payments of $64 million. Under the terms of the law, we are required to pay the remaining installment payments as summarized in “Contractual Obligations” below. These payments have affected and will continue to adversely affect our cash flows and liquidity

and may adversely affect future share repurchases.

Our ability to grow the business, make investments in our business, make acquisitions, return capital to shareholders, including through dividends and share repurchases, and service our debt and tax obligations will depend on our ability to continue to generate excess operating cash through our operating subsidiaries and to continue to receive dividends from

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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 13, "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 $16.0 million and $15.0 million as of December 31, 2018 and 2017, respectively. We were not required to and did not make a contribution to the Plan during the years ended December 31, 2018 and 2017, and we are not required to make any contributions to the Plan in 2019.

Our most recent measurement date for our pension plan was December 31, 2018. The calculation of the funded status and net periodic benefit cost is dependent upon three primary assumptions: 1) expected long-term return on plan assets; 2) discount rate; and 3) life expectancy trends.

The expected long-term return on plan assets is 6.50% for 2019. As of our December 31, 2018 measurement date, pension plan target allocations were approximately 60% in fixed income, 20% in equity investments, and 20% in alternative investment strategies (e.g. hedge funds, royalty rights, and private equity funds). Hedge fund strategy types include, but are not limited to: equity long/short, commodities/currencies, event driven, relative value, and multi-strategy. 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 3.79% and 3.11% as of December 31, 2018 and 2017, 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.

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Contractual Obligations

The following table summarizes our contractual obligations to third parties as of December 31, 2018 and the effect such obligations are expected to have on our liquidity and cash flows in future periods (in millions):

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Items related to amounts included on our balance sheet:					
Borrowings, including interest (a)	$ 4,665.6	$ 765.2	$ 603.1	$ 1,126.8	$ 2,170.5
2017 United States federal income taxes (including Tax Act taxes on certain previously undistributed foreign earnings) (b)	732.0	64.0	128.0	183.0	357.0
Unrecognized tax benefits (c)	316.0	—	—	—	—
Foreign currency and interest rate derivative contracts (d)	176.2	159.4	16.6	0.2	—
Other	22.5	15.2	6.3	1.0	—
Other Contractual Obligations:					
Purchase obligations (e)	164.6	84.7	75.6	3.6	0.7
Operating leases	300.3	51.6	79.5	56.6	112.6
Total	$ 6,377.2	$ 1,140.1	$ 909.1	$ 1,371.2	$ 2,640.8

(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 may refinance all or a portion of our notes maturing in 2019.
(b) Represents the remaining 2017 United States federal tax liability resulting from the Tax Act, which imposed United States tax on certain of our previously undistributed foreign earnings. Under the terms of the law, we have elected to pay this liability in periodic installments through 2025.
(c) 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.
(d) Represents the liability position of our foreign currency and interest rate derivative contracts as of December 31, 2018, which will fluctuate based on market conditions.
(e) 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 $265 million in outstanding letters of credit and bank guarantees as of December 31, 2018 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 2024, with many having a one-year renewal option. We expect to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

Critical Accounting Policies and Estimates

Management's discussion and analysis of results of operations and financial condition is based on our consolidated financial statements that have been prepared in accordance with generally accepted accounting principles in the United States of America. The preparation of these consolidated financial statements requires that management make estimates

and assumptions that affect the amounts reported for revenues, expenses, assets, liabilities and other related disclosures. Actual results may or may not differ from these estimates. Our significant accounting policies are discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 2, "Summary of Significant Accounting Policies."

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

Income Taxes

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

The determination of our worldwide provision for income taxes requires significant judgment. We routinely receive, and may in the future receive, questions from taxing authorities on various tax-related assertions. In many of these instances, the ultimate tax determination is uncertain, given the complexities in interpreting tax laws and applying our facts and circumstances to these laws in many jurisdictions throughout the world.

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.

Our tax contingency reserves for our uncertain tax positions as of December 31, 2018 were $306.8 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 the hedged item affects earnings when the instrument is effective in offsetting the change in cash flows attributable to the risk being hedged. As discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 2, "Summary of

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Significant Accounting Policies," we early adopted an accounting pronouncement related to hedging activities as of January 1, 2018. As a result of the new accounting pronouncement, for foreign currency cash flow hedges entered into on or after January 1, 2018, we exclude time value from the assessment of effectiveness, and the initial value of the excluded components is amortized into "Revenues" within our Consolidated Statements of Income/(Loss). For foreign currency cash flow hedges entered into before January 1, 2018, all changes in the fair value of the excluded components are recognized immediately in "Revenues" for the year ended December 31, 2018. For the years ended December 31, 2017 and 2016, the changes in fair value of the excluded components were recognized immediately within our Consolidated Statements of Income/(Loss) and are included in "Other income, 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 and how effectiveness is being assessed. 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, 2018, the cumulative pre-tax unrealized gains classified within accumulated other comprehensive income from such cash flow hedges that would be reflected in earnings if our hedges were disqualified from hedge accounting was $6.1 million. As of December 31, 2018, the cumulative debt adjustments from our fair value hedges that would be reflected in earnings if such hedges were disqualified from hedge accounting was a $0.1 million loss.

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, 2018 was $598.2 million. During the years ended December 31, 2018, 2017 and 2016 we recorded

immaterial impairments related to other intangible assets.

Goodwill

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

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

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

The determination of the reporting units and which reporting units to include in the qualitative assessment requires significant judgment. Also, all of the assumptions used in the qualitative assessment require judgment. Additionally, for the quantitative goodwill impairment test, we calculate the fair value of reporting units through discounted cash flow analyses which require us to make estimates and assumptions including, among other items, revenue growth rates, operating margins, and capital expenditures based on our budgets and business plans. Development of such estimates and assumptions and the resultant fair value takes into consideration 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, 2018 was $2,725.0 million which represented approximately 30% of our consolidated assets. As of December 31, 2018, goodwill of $1,980.7 million and $532.0 million resides in our Consumer-to-Consumer and Business Solutions reporting units, respectively, while the remaining $212.3 million resides in Other. For the year ended December 31, 2018, we did not record any goodwill impairments. For the reporting units that comprise Consumer-to-Consumer and Other, the fair value of the businesses significantly exceed their carrying amounts.

The fair value of the Business Solutions reporting unit continues to be sensitive to changes in projections for revenue growth rates and EBITDA margins. Our current expectation is for Business Solutions to average low to mid-single digit annual revenue growth over the 10 year forecast period, with EBITDA margins dependent on revenue growth. Our ability to achieve the projected revenue growth and EBITDA margins may be affected by, amongst other factors,

(a) pricing and product competition from direct competitors, banks and new market entrants; (b) our success and speed to market in developing new products; (c) the foreign exchange impact from revenues generated in currencies other than the United States dollar; (d) increased regulatory compliance requirements; (e) our ability to enter relationships with partners that can accelerate our time to market; (f) failure of long-term import growth rates returning to historic levels; (g) our ability to continue to maintain our payment network and bank account infrastructure; (h) foreign currency volatility impacts on customer activity; and (i) continued opportunities for cost reduction. Based on assumptions used within the Business Solutions reporting unit valuation, we believe a decrease of 50 basis points in the ten-year compound annual growth rate

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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 $130 million. Such a reduction would result in the fair value approximating the carrying value of the reporting unit.

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

We did not record any goodwill impairments during the year 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 include an estimate of possible loss or range of loss in our disclosure of reasonably possible potential litigation losses or we state if such an estimate of possible loss or range of loss cannot be made.

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

Recent Accounting Pronouncements

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

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Exchange Rates

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

We use longer-term foreign currency forward contracts to help mitigate risks associated with changes in foreign currency exchange rates on revenues denominated primarily in the euro, and to a lesser degree the British pound, Canadian dollar, Australian dollar, Japanese yen, 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 bill payment, money transfer, and other operations in Argentina, which together represented less than 5% of our total consolidated revenues for the years ended December 31, 2018, 2017 and 2016. The strengthening of the United States dollar against the Argentine peso has had adverse impacts on our historical results of operations and cash flows, as our Argentine peso-denominated revenue and operating income have been reduced when translated into United States dollars for inclusion in our financial statements. Additionally, beginning in the third quarter of 2018, we reflected the impact of all changes in the value of the Argentine peso on our monetary assets and liabilities in net income, given Argentina's status as a highly inflationary economy. Prior to the third quarter of 2018, changes in the Argentine peso exchange rate were reflected in net income for our money transfer operations, whereas these effects were reflected in other comprehensive income for our bill payment operations. This designation did not have a material impact on our financial position and results of operations during the year ended December 31, 2018. To mitigate the risks associated with fluctuations in the value of the Argentine peso, we manage our working capital balances to have minimal net monetary assets denominated in the Argentine peso. Furthermore, the impact on our results of operations from potential declines in the value of Argentine peso may be limited because of fee increases we implement that correspond to inflation in Argentina.

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.

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As of December 31, 2018 and 2017, a hypothetical uniform 10% strengthening or weakening in the value of the United States dollar relative to all other currencies in which our net income/(loss) is generated would have resulted in a decrease/increase to pre-tax annual income of approximately $30 million and $35 million, respectively, based on our forecast of unhedged exposure to foreign currency at those dates. There are inherent limitations in this sensitivity analysis, primarily due to the following assumptions: (a) that foreign exchange rate movements are linear and instantaneous, (b) that fixed exchange rates between certain currency pairs are retained, (c) that the unhedged exposure is static, and (d) that we would not hedge any additional exposure. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income/(loss).

Interest Rates

We invest in several types of interest-bearing assets, with a total value as of December 31, 2018 of approximately $2.3 billion. Approximately $1.3 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’ deficit” on our Consolidated Balance Sheets.

As of December 31, 2018, we had a total of approximately $1.4 billion of borrowings, not including commercial paper, that are subject to floating interest rates. Our Floating Rate Notes had an outstanding balance of $250.0 million as of December 31, 2018 and had an effective interest rate of 3.7% or 80 basis points above three-month LIBOR. In addition, as of December 31, 2018, a total of $175.0 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 325 basis points above LIBOR. Finally, interest on $950 million borrowed under our Term Loan Facility is calculated using a selected LIBOR rate plus an interest rate margin of 125 basis points. Borrowings of $125.0 million under our commercial paper program mature in such a short period that the financing is also effectively floating rate.

We review our overall exposure to floating and fixed rates by evaluating our net asset or liability position in each, also considering the duration of the individual positions. We manage this mix of fixed versus floating exposure in an attempt to minimize risk, reduce costs and improve returns. Our exposure to interest rates can be modified by changing the mix of our interest-bearing assets as well as adjusting the mix of fixed versus floating rate debt. The latter is accomplished primarily through the use of interest rate swaps and the decision regarding terms of any new debt issuances (i.e., fixed versus floating). We use interest rate swaps designated as hedges to vary the percentage of fixed to floating rate debt, subject to market conditions. As of December 31, 2018, our weighted-average effective rate on total borrowings was approximately 4.5%. For further detail on our variable rate borrowings, see risk factor “We have substantial debt and other obligations that could restrict our operations” in Part I, Item 1A, Risk Factors.

A hypothetical 100 basis point increase/decrease in interest rates would result in a decrease/increase to pre-tax income of approximately $15 million and $13 million annually based on borrowings, net of the impact of hedges, on December 31, 2018 and 2017, 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, 2018 and 2017 that are sensitive to interest rate fluctuations, would result in an offsetting increase/decrease to annual pre-tax income of

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approximately $13 million and $15 million, respectively. There are inherent limitations in the sensitivity analysis presented, primarily due to the assumptions that interest rate changes would be instantaneous and consistent across all geographies in which our interest-bearing assets are held and our liabilities are payable. As a result, the analysis is unable to reflect the potential effects of more complex market changes, including changes in credit risk regarding our investments, which may positively or negatively affect income. In addition, the mix of fixed versus floating rate debt and investments and the level of assets and liabilities will change over time, including the impact from commercial paper borrowings that may be outstanding in future periods.

Credit Risk

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

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

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

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

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

THE WESTERN UNION COMPANY

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

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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, 2018, 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, 2018, the Company's internal control over financial reporting is effective. Western Union's internal control over financial reporting as of December 31, 2018 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.

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Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited The Western Union Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, The Western Union Company (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, and the related consolidated statements of income/(loss), comprehensive income/(loss), cash flows and stockholders' equity/(deficit) for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Denver, Colorado
February 21, 2019

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Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Western Union Company (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of income/(loss), comprehensive income/(loss), cash flows and stockholders' equity/(deficit) for each of the three years in the period ended December 31, 2018 and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, 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 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

/s/ Ernst & Young LLP

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

Denver, Colorado
February 21, 2019

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THE WESTERN UNION COMPANY

CONSOLIDATED STATEMENTS OF INCOME/(LOSS)

(in millions, except per share amounts)

	Year Ended December 31,		
	2018	2017	2016
Revenues	$ 5,589.9	$ 5,524.3	$ 5,422.9
Expenses:			
Cost of services (Note 2)	3,300.8	3,353.0	3,266.7
Selling, general and administrative	1,167.0	1,231.5	1,669.2
Goodwill impairment charge	—	464.0	—
Total expenses*	4,467.8	5,048.5	4,935.9
Operating income	1,122.1	475.8	487.0
Other income/(expense):			
Interest income	4.8	4.9	3.5
Interest expense	(149.6)	(142.1)	(152.5)
Other income, net (Note 2)	14.1	8.9	3.7
Total other expense, net	(130.7)	(128.3)	(145.3)
Income before income taxes	991.4	347.5	341.7
Provision for income taxes (Note 11)	139.5	904.6	88.5
Net income/(loss)	$ 851.9	$ (557.1)	$ 253.2
Earnings/(loss) per share:			
Basic	$ 1.89	$ (1.19)	$ 0.52
Diluted	$ 1.87	$ (1.19)	$ 0.51
Weighted-average shares outstanding:			
Basic	451.8	467.9	490.2
Diluted	454.4	467.9	493.5
Cash dividends declared per common share	$ 0.76	$ 0.70	$ 0.64

*As further described in Note 7, total expenses include amounts incurred with related parties of $57.6 million, $65.9 million, and $68.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

See Notes to Consolidated Financial Statements.

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THE WESTERN UNION COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(in millions)

	Year Ended December 31,		
	2018	2017	2016
Net income/(loss)	$ 851.9	$ (557.1)	$ 253.2
Other comprehensive income/(loss), net of tax (Note 14):			
Unrealized gains/(losses) on investment securities	(4.3)	6.5	(11.6)
Unrealized gains/(losses) on hedging activities	50.3	(74.4)	(7.6)
Foreign currency translation adjustments	(19.5)	(6.2)	(4.7)
Defined benefit pension plan adjustments	1.8	9.0	5.0
Total other comprehensive income/(loss)	28.3	(65.1)	(18.9)
Comprehensive income/(loss)	$ 880.2	$ (622.2)	$ 234.3

See Notes to Consolidated Financial Statements.

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THE WESTERN UNION COMPANY

CONSOLIDATED BALANCE SHEETS

(in millions, except per share amounts)

	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 973.4	$ 838.2
Settlement assets	3,813.8	4,188.9
Property and equipment, net of accumulated depreciation of $702.4 and $635.7, respectively	270.4	214.2
Goodwill	2,725.0	2,727.9
Other intangible assets, net of accumulated amortization of $1,047.6 and $1,042.7, respectively	598.2	586.3
Other assets	616.0	675.9
Total assets	$ 8,996.8	$ 9,231.4
Liabilities and Stockholders' Deficit		
Liabilities:		
Accounts payable and accrued liabilities	$ 564.9	$ 718.5
Settlement obligations	3,813.8	4,188.9
Income taxes payable (Note 11)	1,054.0	1,252.0
Deferred tax liability, net	161.1	173.0
Borrowings	3,433.7	3,033.6
Other liabilities	279.1	356.8
Total liabilities	9,306.6	9,722.8
Commitments and contingencies (Note 6)		
Stockholders' deficit:		
Preferred stock, $1.00 par value; 10 shares authorized; no shares issued	—	—
Common stock, $0.01 par value; 2,000 shares authorized; 441.2 shares and 459.0 shares issued and outstanding as of December 31, 2018 and 2017, respectively	4.4	4.6
Capital surplus	755.6	697.8
Accumulated deficit	(838.8)	(965.9)
Accumulated other comprehensive loss	(231.0)	(227.9)
Total stockholders' deficit	(309.8)	(491.4)
Total liabilities and stockholders' deficit	$ 8,996.8	$ 9,231.4

See Notes to Consolidated Financial Statements.

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THE WESTERN UNION COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net income/(loss)	$ 851.9	$ (557.1)	$ 253.2
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation	76.9	77.1	74.2
Amortization	187.8	185.8	189.0
Goodwill impairment charge (Note 5)	—	464.0	—
Deferred income tax provision/(benefit) (Note 11)	(15.1)	69.5	(174.2)
Other non-cash items, net	66.2	124.2	98.3
Increase/(decrease) in cash, excluding the effects of acquisitions, resulting from changes in:			
Other assets	(31.0)	(62.5)	(71.4)
Accounts payable and accrued liabilities (Note 6)	(126.5)	(417.6)	522.8
Income taxes payable (Note 11)	(193.1)	850.4	190.9
Other liabilities	4.2	8.2	(40.9)
Net cash provided by operating activities	821.3	742.0	1,041.9
Cash flows from investing activities			
Capitalization of contract costs	(150.3)	(74.8)	(107.3)
Capitalization of purchased and developed software	(52.0)	(33.2)	(53.7)
Purchases of property and equipment	(136.7)	(69.1)	(68.8)
Purchases of non-settlement related investments and other	(24.2)	(192.1)	(64.7)
Proceeds from maturity of non-settlement related investments and other	13.7	203.8	53.2
Purchases of held-to-maturity non-settlement related investments	(2.8)	(42.7)	(39.7)
Proceeds from held-to-maturity non-settlement related investments	23.5	28.4	9.9
Acquisition of businesses, net (Note 5)	—	(24.9)	—
Net cash used in investing activities	(328.8)	(204.6)	(271.1)
Cash flows from financing activities			
Cash dividends paid	(341.7)	(325.6)	(312.2)
Common stock repurchased (Note 14)	(412.4)	(502.8)	(501.6)
Net proceeds from commercial paper	125.0	—	—
Net proceeds from issuance of borrowings	685.4	746.2	575.0
Principal payments on borrowings	(414.4)	(500.0)	(1,005.4)
Proceeds from exercise of options	10.1	13.0	36.4
Other financing activities	(9.2)	(1.3)	(1.4)
Net cash used in financing activities	(357.2)	(570.5)	(1,209.2)
Net change in cash, cash equivalents and restricted cash	135.3	(33.1)	(438.4)
Cash, cash equivalents and restricted cash at beginning of year	844.4	877.5	1,315.9
Cash, cash equivalents and restricted cash at end of year	$ 979.7	$ 844.4	$ 877.5
Supplemental cash flow information:			
Interest paid	$ 142.5	$ 128.0	$ 159.0

Income taxes paid/(refunded)	$ 339.4	$ (11.6)	$ 68.4
Restricted cash at end of year	$ 6.3	$ 6.2	$ —

See Notes to Consolidated Financial Statements.

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THE WESTERN UNION COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY/(DEFICIT)

(in millions)

	Common Stock		Capital	Retained Earnings/ (Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Surplus	Deficit)	Loss	Equity/(Deficit)
Balance, December 31, 2015	502.4	$ 5.0	$ 566.5	$ 977.3	$ (143.9)	$ 1,404.9
Net income	—	—	—	253.2	—	253.2
Stock-based compensation	—	—	41.8	—	—	41.8
Common stock dividends	—	—	—	(312.2)	—	(312.2)
Repurchase and retirement of common shares	(25.8)	(0.2)	—	(499.0)	—	(499.2)
Shares issued under stock-based compensation plans	4.9	—	32.6	—	—	32.6
Unrealized losses on investment securities, net of tax	—	—	—	—	(11.6)	(11.6)
Unrealized losses on hedging activities, net of tax	—	—	—	—	(7.6)	(7.6)
Foreign currency translation adjustments, net of tax	—	—	—	—	(4.7)	(4.7)
Defined benefit pension plan adjustments, net of tax	—	—	—	—	5.0	5.0
Balance, December 31, 2016	481.5	4.8	640.9	419.3	(162.8)	902.2
Net loss	—	—	—	(557.1)	—	(557.1)
Stock-based compensation	—	—	43.9	—	—	43.9
Common stock dividends	—	—	—	(325.6)	—	(325.6)
Repurchase and retirement of common shares	(25.7)					