

WESTERN UNION CO

FORM 10-K (Annual Report)

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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, 2011

OR

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

For the transition period from to

Commission file number: 001-32903

THE WESTERN UNION COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-4531180
(I.R.S. Employer Identification No.)

THE WESTERN UNION COMPANY
12500 East Belford Avenue
Englewood, Colorado 80112
(Address of principal executive offices)

Registrant's telephone number, including area code: (866) 405-5012
Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$0.01 Par Value

Name of each exchange on which registered
The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of June 30, 2011, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$12.6 billion based on the closing sale price of \$20.03 of the common stock as reported on the New York Stock Exchange.

As of February 17, 2012, 620,333,912 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the 2011 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 (the “SEC”) (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 “will,” “should,” “would” and “could” are intended to identify such forward-looking statements. Readers of this Annual Report on Form 10-K of The Western Union Company (the “Company,” “Western Union,” “we,” “our” or “us”) should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this Annual Report on Form 10-K, including those described under “Risk Factors.” 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

- deterioration in consumers’ and clients’ confidence in our business, or in money transfer and payment service providers generally;
- changes in general economic conditions and economic conditions in the regions and industries in which we operate, including global economic downturns and financial market disruptions;
- political conditions and related actions in the United States and abroad which may adversely affect our business and economic conditions as a whole;
- interruptions of United States government relations with countries in which we have or are implementing material agent contracts;
- 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;
- changes in immigration laws, interruptions in immigration patterns and other factors related to migrants;
- our ability to adapt technology in response to changing industry and consumer needs or trends;
- our failure to develop and introduce new services and enhancements, and gain market acceptance of such services;
- mergers, acquisitions and integration of acquired businesses and technologies into our Company, and the realization of anticipated financial benefits from these acquisitions;
- decisions to downsize, sell or close units, or to transition operating activities from one location to another or to third parties, particularly transitions from the United States to other countries;
- decisions to change our business mix;

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- failure to manage credit and fraud risks presented by our agents, clients and consumers or non-performance by our banks, lenders, other financial services providers or insurers;
- adverse movements and volatility in capital markets and other events which affect our liquidity, the liquidity of our agents or clients, or the value of, or our ability to recover our investments or amounts payable to us;
- any material breach of security or safeguards of or interruptions in any of our systems;
- our ability to attract and retain qualified key employees and to manage our workforce successfully;
- our ability to maintain our agent network and business relationships under terms consistent with or more advantageous to us than those currently in place;
- adverse rating actions by credit rating agencies;
- failure to compete effectively in the money transfer industry with respect to global and niche or corridor money transfer providers, banks and other money transfer services providers, including telecommunications providers, card associations, card-based payment providers and electronic and Internet providers;
- our ability to protect our brands and our other intellectual property rights;
- our failure to manage the potential both for patent protection and patent liability in the context of a rapidly developing legal framework for intellectual property protection;
- changes in tax laws and unfavorable resolution of tax contingencies;
- cessation of various services provided to us by third-party vendors;
- material changes in the market value or liquidity of securities that we hold;
- restrictions imposed by our debt obligations;
- significantly slower growth or declines in the money transfer market and other markets in which we operate;
- changes in industry standards affecting our business;

Events Related to Our Regulatory and Litigation Environment

- the failure by us, our agents or their subagents to comply with laws and regulations designed to detect and prevent money laundering, terrorist financing, fraud and other illicit activity;
- changes in United States or foreign laws, rules and regulations including the Internal Revenue Code, governmental or judicial interpretations thereof and industry practices and standards;
- liabilities resulting from a failure of our agents or subagents to comply with laws and regulations;
- increased costs due to regulatory initiatives and changes in laws, regulations and industry practices and standards affecting our agents;

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- liabilities and unanticipated developments resulting from governmental investigations and consent agreements with, or enforcement actions by, regulators, including a failure to comply with the settlement agreement with the State of Arizona;
- the impact on our business of the Dodd-Frank Wall Street Reform, the rules promulgated there-under and the creation of the Consumer Financial Protection Bureau;
- liabilities resulting from litigation, including class-action lawsuits and similar matters, including costs, expenses, settlements and judgments;
- failure to comply with regulations regarding consumer privacy and data use and security;
- effects of unclaimed property laws;
- failure to maintain sufficient amounts or types of regulatory capital to meet the changing requirements of our regulators worldwide;
- changes in accounting standards, rules and interpretations;

Other Events

- adverse consequences from our spin-off from First Data Corporation;
- 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 Company was incorporated in Delaware as a wholly-owned subsidiary of First Data Corporation (“First Data”) on February 17, 2006, and on September 29, 2006, First Data distributed all of its money transfer and consumer payments businesses and its interest in a Western Union money transfer agent, as well as its related assets, including real estate, through a tax-free distribution to First Data shareholders (“Spin-off”) through this previously owned subsidiary.

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 in minutes. As of December 31, 2011, our services were available through a global network of more than 485,000 agent locations in more than 200 countries and territories, with approximately 90% of those locations outside of the United States. Each location in our agent network is capable of providing one or more of our services, with the majority offering a Western Union branded service. As of December 31, 2011, approximately 70% of our locations had experienced money transfer activity in the previous 12 months.

We also provide consumers and businesses with flexible and convenient options for making one-time or recurring bill payments, including business-to-business payment transactions, which are primarily cross-border, cross-currency transactions, in our global business payments segment. In November 2011, we acquired the business-to-business payment business of Travelex Holdings Limited, known as Travelex Global Business Payments (“TGBP”). Although the majority of the revenue in our global business payments segment was generated in the United States, international expansion and other key strategic initiatives, including TGBP, have resulted in international revenue continuing to increase in this segment.

We believe that brand strength, size and reach of our global network, and convenience and reliability for our customers have been important to the growth of our business. As we continue to meet the needs of our customers for fast, reliable and convenient global money movement and payment services, we are also working to enhance our services and provide our consumer and business clients with access to an expanding portfolio of payment and other financial services.

The majority of our revenue comes from fees that consumers pay when they send money or make payments. In certain money transfer and payment services 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 at which we or our agents are able to acquire the currency.

Our Segments

We manage our business based on the customers we serve and the type of services we offer. Each segment addresses a different combination of customer needs, distribution networks and services. Our segments are consumer-to-consumer and global business payments. Our other businesses not included in these segments primarily consist of money order and prepaid services available through a network of third-party agents.

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The table below presents the components of our consolidated revenue:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Consumer-to-consumer (a)			
EMEASA (b)	43%	44%	45%
Americas (c)	32%	31%	32%
APAC (d)	9%	9%	8%
Total consumer-to-consumer	84%	84%	85%
Global business payments	14%	14%	14%
Other	2%	2%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

- (a) The consumer-to-consumer geographic split is determined based upon the region where the money transfer is initiated and the region where the money transfer is paid. For transactions originated and paid in different regions, we split the revenue between the two regions, with each region receiving 50%. For money transfers initiated and paid in the same region, 100% of the revenue is attributed to that region.
- (b) Represents the Europe, Middle East, Africa and South Asia region of our consumer-to-consumer segment, including India.
- (c) Represents the Americas region of our consumer-to-consumer segment, which includes North America, Central America, the Caribbean and South America.
- (d) Represents the Asia Pacific region of our consumer-to-consumer segment.

Financial information relating to our international and domestic revenues and long-lived assets for all of our segments is set forth in Note 17 to our Consolidated Financial Statements in Item 8 of Part II.

For additional details regarding our consumer-to-consumer and global business payments segments, including financial information regarding our international and United States operations, see Item 7 of Part II and our consolidated financial statements and the notes to those statements included elsewhere in this Annual Report on Form 10-K.

See 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 84% of our total consolidated revenues for 2011. We offer consumers a variety of ways to send money. Although most remittances are sent from one of our more than 485,000 agent locations worldwide, in some countries we offer the ability to send money over the Internet or phone using a credit or debit card, or through a withdrawal directly from a consumer's bank account or mobile wallet. All agent locations accept cash to initiate a transaction, and some also accept debit cards. We offer consumers several options to receive a money transfer. While the vast majority of transfers are paid in cash at agent locations, in some places we offer payout directly to the receiver's bank account, to a stored-value card, to a mobile phone or through the issuance of a money order.

Operations

Our revenue is derived primarily from transaction fees charged to consumers to transfer money. In money transfers involving different send and receive currencies, we also generate revenue based on the difference between the exchange rate set by us to the consumer and the rate at which we or our agents are able to acquire currency.

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In a typical money transfer transaction, a consumer goes to one of our agent locations, completes a form specifying, among other things, the name and address of the recipient, and delivers it, along with the principal amount of the money transfer and the fee, to the agent. Certain of these processes are streamlined for our customers who use our loyalty card. This sending agent enters the transaction information into our money transfer system and the funds are made available for payment, usually within minutes. The recipient enters an agent location in the designated receiving area or country, presents identification and is paid the transferred amount. Recipients do not pay a fee (although in limited circumstances, a tax may be imposed by the local government on the receipt of the money transfer). We determine the fee paid by the sender, which generally is based on the principal amount of the transaction and the send and receive locations.

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

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

Over 85% of our consumer-to-consumer transactions involve at least one non-United States location. No individual country outside the United States accounted for more than approximately 6% of our consolidated revenue for each of the years ended December 31, 2011, 2010, and 2009. Certain of our agents facilitate a large number of transactions; however, each individual agent accounted for less than 10% of the segment’s revenue during these periods.

Services

We offer money transfer services worldwide. In 2011, the substantial majority of our consumer-to-consumer transactions were cash money transfers involving our walk-in agent locations around the world. Although demand for in-person, cash money transfers has historically been the strongest, we offer a number of options for sending and receiving funds that provide consumers convenience and choice. The different ways consumers can send or receive money include the following:

Walk-in money transfer service. The substantial majority of our remittances constitute transactions in which cash is collected by the agent and payment (usually cash) is available for pick-up at another agent location in the designated receive location, usually within minutes. We also offer convenience to our consumers to initiate a transaction through the phone using a debit or credit card. To facilitate offering our services at retail locations that do not have dedicated service staff, we provide “goCASHsm” in the United States and the United Kingdom, a money transfer service that lets consumers purchase money transfers at pre-set amounts in-lane, at a cash register, and then complete the transfer over the phone through a Western Union customer service representative or through our website. We provide a “Cash to Card” service that provides consumers an option to direct funds to a Western Union branded stored-value card in the United States, with the option to have the card delivered overnight to a consumer’s home.

Our “Next Day” delivery option is a money transfer that is available for payment the morning after the money transfer is sent. This option is available for certain domestic service within the United States, and in select United States outbound and international corridors. The Next Day delivery service gives our consumers a lower-priced option for money transfers that do not need to be received within minutes, while still offering the convenience, reliability and ease-of-use that our consumers expect.

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Online money transfer service. Our websites allow consumers to send funds online, generally using a credit or debit card, for pay-out at most Western Union branded agent locations around the world. As of December 31, 2011, we are now providing online money transfer service in more than 20 countries, allowing consumers in these countries to send money throughout the world.

Account based money transfer service. This service allows consumers to access Western Union services electronically, directly from their bank's Internet or automated teller machine ("ATM") banking service. Consumers can use their bank account to initiate a Western Union money transfer electronically, without having to visit a physical Western Union agent location. In the United States, including some United States outbound corridors, Canada and in other select international corridors, we provide a "Direct to Bank" service, enabling a consumer to send a transaction from an agent location directly to a bank account. Globally, we have relationships with over 80 banks that have agreed to offer one or more of these services, primarily through their online banking portals.

Mobile money transfer service. Our mobile money transfer service provides consumers in certain countries with the ability to transfer money to a mobile wallet or bank account. Consumers in selected countries can also initiate transactions from their mobile phones and send money from mobile wallets or bank accounts. As of December 31, 2011, there were over 150,000 Western Union agent locations enabled with the technology to transfer money to a mobile phone.

Money transfer services through electronic channels, which include online, account based, and mobile money transfer, combined were 3% of consolidated revenue for the year ended December 31, 2011.

Distribution and Marketing Channels

We offer our consumer-to-consumer service to millions of consumers around the world primarily through our global network of third-party agents in almost every country and territory, with approximately 90% of our agent locations being located outside of the United States. Our agents facilitate the global distribution and convenience associated with our Western Union and other 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 that provide other consumer products and services. Many of our agents have multiple locations. Our agents know the markets they serve and work with our management to develop business plans for their markets. Many of our agents contribute financial resources to, or otherwise support, our efforts to market the business. Many agents operate in locations that are open outside of traditional banking hours, for example on nights and weekends. Our top 40 agents globally have been with us an average of approximately 16 years and in 2011, these long-standing agents were involved in transactions that generated approximately 60% of our consumer-to-consumer revenue.

We provide our third-party agents with our multi-currency, real-time money transfer processing systems used to originate and pay money transfers. We continue to develop our network around the world to optimize send and receive corridors. Our systems and processes enable our agents to pay money transfers in more than 120 currencies worldwide. Certain of our agents can pay in multiple currencies at a single location. Our agents provide the physical infrastructure and staff required to complete the transfers. Western Union provides central operating functions such as transaction processing, settlement, marketing support and customer relationship management to our agents.

Some of our agents outside the United States manage subagents. We refer to these agents as superagents. Although our subagents are under contract with these superagents (and not with Western Union directly), the subagent locations typically have access to similar technology and services as our other agent locations.

Our international agents often customize services as appropriate for their geographic markets. In some markets, individual agents are independently offering specific services such as stored-value card payout options

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or Direct to Bank service. We market our services to consumers in a number of ways, directly and indirectly through our agent partners, leveraging advertising promotional activities, grassroots, digital, and loyalty programs. Our marketing benefits from feedback from our agents and consumers.

Our marketing strategy includes our global loyalty card program, which is available in a growing number of countries and territories. As of December 31, 2011, the loyalty card program was available in approximately 80 countries and territories and had almost 18 million active cards, an increase of 2 million cards from December 31, 2010. The card offers customers faster service at the point-of-sale and, in certain countries and at westernunion.com, reduced transaction fees or cash back. Loyalty card customers generally initiate more transactions and have a higher rate of retention than non-carded customers. Over 40% of Western Union branded consumer-to-consumer transactions are initiated using a loyalty card. The global loyalty card program is one component of our customer relationship management strategy designed to support and enhance long-term relationships with our customers. Customer databases supplement these efforts by providing insight on customer preferences so that we can selectively target customer communications and marketing.

Industry Trends

Over the last several years, except for 2009, the cross-border money transfer industry has experienced growth. Trends in the cross-border money transfer business tend to correlate to migration trends, global economic opportunity and related employment levels worldwide. The top four inbound remittance countries in the world are India, China, Mexico and the Philippines, and cumulatively receive an estimated \$130 billion annually according to Aite Group LLC's ("Aite") July 2011 report. Due to the challenging global economy, including low consumer confidence and high unemployment, the demand for money transfers has softened compared to historical growth rates. Aite projects cross-border remittance growth of approximately 5% in 2012.

Another significant trend impacting the money transfer industry is the increase in regulation. Regulation in the United States and elsewhere focuses, in part, on anti-money laundering, anti-terrorist activities and consumer protection. Regulations require money transfer providers, banks and other financial institutions to develop systems to prevent, detect, monitor and report certain transactions.

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" players, provide the same services as global money transfer providers, but focus on a smaller group of corridors or services within one region, such as North America to the Caribbean, Central or South America, or Western Europe to North Africa.
- *Banks and postbanks* —Banks and postbanks of all sizes compete with us in a number of ways, including bank wire services 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.
- *Electronic commerce* —Online money transfer services allow consumers to send and receive money electronically using the Internet.

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

We believe the most significant competitive factors in consumer-to-consumer remittances relate to brand recognition, trust and reliability, distribution network and channel options, and consumer experience and price.

Global Business Payments Segment

In our global business payments segment, we provide fast and convenient options to make one-time or recurring payments for consumers or businesses to other businesses. We allow consumers to make payments to a variety of organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, governmental agencies and other businesses. We also provide business-to-business payment services, primarily for cross-border, cross-currency transactions. We can process payments using the customer's credit card, debit card, bank account or cash depending on the service selected. 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 customer payments. In certain circumstances, our relationships with business customers also provide them with an additional source of income, as well as reduced expenses for cash and check handling.

Operations

Our revenue in this segment is derived primarily from transaction fees paid by the customer. The consumer payments fees are typically less than the fees charged in our consumer-to-consumer segment. Consumers may make a cash payment at an agent or owned location and businesses may remit a check, electronic or wire transfer in order to initiate a transaction. In order to make an electronic payment, consumers or businesses initiate a transaction over the phone or the Internet which we process through credit card, debit card, automated clearing house ("ACH") or wire transfer, depending on the service selected. Our Internet services are provided through our own websites or, in certain circumstances, in partnership with other websites for which we act as the service provider. In cross-border transactions involving different currencies, we primarily generate revenue based on the difference between the exchange rate set by us to the business or consumer and the rate at which we are able to acquire currency. In addition, we generate revenue from upfront enrollment fees received for our Equity Accelerator[®] service, and we earn investment income on funds received from services sold in advance of settlement with payment recipients.

While we continue to pursue further international expansion of our offerings in this segment, the majority of the segment's revenue was generated in the United States during all periods presented. However, international expansion, including the TGBP acquisition, and other key strategic initiatives have resulted in international revenue continuing to increase in this segment.

Services

Our global business payments services are available through a variety of products which give customers choices as to the payment channel and method of payment, and include the following:

Western Union Business Solutions ("Business Solutions"). Business Solutions offers business-to-business payment solutions, primarily for cross-border, cross-currency transactions. This business also includes TGBP. These payment transactions are conducted through various channels including the phone and Internet. Business Solutions serves as the service provider for other partner websites and also operates its own website. Payments are made predominately through wire transfers and ACH, but in some situations, checks are remitted. The majority of Business Solutions' business relates to exchanges of currency at the spot rate which enables 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.

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

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

Speedpay[®]. Our Speedpay service is offered principally in the United States and allows consumers to make payments to a variety of businesses using credit cards, debit cards, ACH and in limited situations, checks. Payments are initiated over the phone or the Internet. We also partner with some businesses to allow their customers to access Speedpay from their websites.

Equity Accelerator. Our Equity Accelerator service enables consumers to make mortgage payments by ACH. It is marketed as a convenient way for homeowners to schedule additional recurring principal payments on their mortgages. Consumers who enroll in this service make mortgage payments based on an accelerated program, which results in a more rapid reduction of their mortgage balance, as well as interest savings. We also offer a non-recurring mortgage payment service under the brand Just in Time EFT[®].

Distribution and Marketing Channels

Our electronic consumer payment services are available primarily through the phone and the Internet, while our cash-based consumer services are available through our agent networks and select Company owned locations. Our business payment services are offered through Company locations, phone, via the Internet and partner channels.

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

We have relationships with more than 10,000 consumer payments businesses to which our customers can make payments. These relationships are a core component of our global business payments services. On average, we have provided our payment services to our top 20 businesses to which our consumers can make payments for more than 14 years. No individual customer or business accounted for greater than 10% of this segment’s revenue during all periods presented.

Industry Trends

The global business payments industry has evolved with technological innovations that have created new methods of processing payments from individuals or businesses to other businesses. The various products within the global business payments industry are in varying stages of development outside the United States. The cross-border payments industry is expected to expand considerably in the future due to the expanding global focus of many businesses. We believe that the United States is in the midst of a trend away from cash and paper checks toward electronic payment methods accessible through multiple technologies.

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Competition

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

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

For additional details regarding our global business payments segment, see Item 7 of Part II and our historical financial statements and the notes to those statements included elsewhere in this Annual Report on Form 10-K.

Other

Our remaining businesses are grouped in the “Other” category, which primarily includes our money orders, which are sold primarily in the United States and Canada, and our prepaid services.

Customers use our money orders for making purchases, paying bills, and as an alternative to checks that can be deposited directly into bank accounts or cashed at check cashiers, some banks and some retailers. 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.

Our prepaid cards are sold primarily in the United States through retail locations and on the Internet. This service allows consumers to load money or receive a direct deposit onto the card for use at a later date. The card can be used to withdraw money from an ATM or used where debit cards are accepted. We have agreements with depository institutions insured by the Federal Deposit Insurance Corporation that serve as the issuers of our cards in the United States. In the fourth quarter of 2011, we began offering certain of our prepaid cards in the United Kingdom and began testing in certain European countries.

Intellectual Property

The Western Union brand, including trademark registrations in many countries, is material to our Company. The international expansion of our agent network over the past decade has taken the Western Union brand nearly everywhere consumers send and receive money. The loss of the Western Union trademark or a diminution in the perceived quality associated with the name would harm our growth. We offer money transfer services under the Western Union, Orlandi Valuta SM or Vigo [®] brands in more than 200 countries and territories, and various global business payment services under several brands like Speedpay, Equity Accelerator, Just in Time EFT, Paymap [®], Western Union Payments, Quick Collect, Convenience Pay, Quick Pay, Quick Cash, Pago Fácil (registered in Argentina), Western Union Business Solutions and other trademarks and service marks, such as MoneyWise TM, that are also important to our Company.

Our operating results over the past several years have allowed us to invest significantly each year to support our brands. In 2011, we invested approximately \$225 million to market, advertise and promote our brands and services, including costs of dedicated marketing personnel. Many of our agents have also contributed significant financial resources to assist with marketing our services.

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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 and suits alleging that our technology or business methods infringe patents owned by others, both in and out of the United States. Unfavorable resolution of these claims could require us to change how we deliver services, result in significant financial consequences, or both, which could adversely affect our business, financial condition and results of operations.

Risk Management

Our Company has a credit risk management department that evaluates and monitors our agent-related 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 transactions particularly through our online services and electronic global business payment channels, where transactions are originated through means other than cash, and may therefore be subject to “chargebacks,” insufficient funds, or other collection impediments, such as fraud. Our credit risk management team performs a credit review before each agent signing and conducts periodic analyses. As a result, our losses associated with bad debts have been less than 1% of our annual revenue in each of the last three fiscal years.

We are exposed to credit risk in our Business Solutions business relating to: (a) derivatives written by us to our customers and (b) receivables from certain customers for which beneficiaries are paid prior to receiving cleared funds from the customer (known as “early release”). For the derivatives, the duration of these contracts is generally nine months or less. 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 early release customers, collection ordinarily occurs within a few days. To mitigate risk, we perform credit reviews of the customer on an ongoing basis, and, for our derivatives, we may require certain customers to post collateral or increase collateral based on the fair value of the customer’s contract and their risk profile.

To manage our exposures to credit risk with respect to investment securities, money market fund investments 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 settle accounts with the majority of our agents in United States dollars or euros. We utilize foreign currency exchange contracts, primarily forward contracts, to mitigate the risks associated with currency fluctuations and to provide predictability of future cash flows. Limited foreign currency risk arises with respect to the agent settlement process because the majority of money transfer transactions are paid within 24 hours after they are initiated and agent settlements occur within a few days in most instances.

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, while 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 terms of any new debt issuances (i.e., fixed versus floating). We use interest rate swaps designated as hedges to increase the percentage of floating rate debt, subject to market conditions.

International Investment

No provision has been made for United States federal and state income taxes on certain of our outside tax basis differences, which primarily relate to accumulated foreign earnings of approximately \$3.7 billion as of December 31, 2011, as we expect to reinvest these earnings outside the United States indefinitely. We intend to

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invest these earnings to expand and diversify our global distribution and explore new service offerings and may also consider international acquisition opportunities. In 2011, our foreign cash allowed us to acquire TGBP and the remaining interests in two of our largest European-based agents, Finint S.r.l. (“Finint”) and Angelo Costa, S.r.l. (“Costa”). However, if we are unable to utilize accumulated earnings outside of the United States and we repatriate these earnings to the United States in the form of actual or constructive dividends, we would be subject to United States federal income taxes (subject to an adjustment for foreign tax credits), state income taxes and possible withholding taxes payable to various foreign countries. Such taxes could be significant.

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 financial services regulations, consumer disclosure and consumer protection laws, currency control regulations, money transfer and payment instrument licensing regulations, payment service laws, rules, laws and regulations including those governing credit and debit cards, electronic payments, foreign exchange hedging services and the sale of spot, forward and option currency contracts, unclaimed property laws, competition laws and laws covering consumer privacy, data protection and information security. Our services also are subject to an increasingly strict set of legal and regulatory requirements intended to help detect and prevent money laundering, terrorist financing and other illicit activity. Failure to comply with any of these requirements—by either Western Union or its agents or their subagents (who are third parties, over whom Western Union has limited legal and practical control)—could result in the suspension or revocation of a license or registration required to provide money transfer services and/or payment services or foreign exchange products, the limitation, suspension or termination of services, 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 have developed and continue to enhance our global compliance programs, including our anti-money laundering program, which comprises 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. These programs include 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 network operates 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.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”) became United States federal law in 2010. The Act created a new Consumer Financial Protection Bureau (the “CFPB”) whose purpose is to issue and enforce consumer protection initiatives governing financial products and services, including money transfer services. The CFPB will create additional regulatory oversight for us. Recent remittance regulations issued by the CFPB, which become effective in February 2013, will impact our business in a variety of areas. These include a requirement to provide enhanced pre-transaction disclosures, an obligation to resolve various errors, including certain errors that may be outside the remittance provider’s control, and an obligation to cancel transactions at a consumer’s request. We will need to modify certain of our systems, business practices, service offerings or procedures at agent locations. We will also become liable for the failure of our money transfer agents to comply with the rules and will need to establish and implement additional policies, procedures, and oversight measures designed to assure compliance by our agents. The extent 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. We may also be subject to examination by the CFPB. In addition, rules adopted under the Act by other governmental agencies may subject our corporate interest rate and foreign exchange hedging transactions to centralized clearing, centralized trading, collateral posting and other requirements. Also, our Business Solutions business in the United States may be subjected to increased regulatory oversight and licensing requirements relating to the foreign exchange derivative products offered to certain of its customers.

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Money Transfer and Payment Instrument Licensing and Regulation

In the United States, most states license money transfer services providers and many exercise authority over the operations of our money transfer services and, as part of this authority, regularly examine us. Many states require us to invest the proceeds of money transfers in highly-rated, investment grade securities, and our use of such investments is restricted to satisfy 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 majority of our investment securities, classified within “Settlement assets” in the Consolidated Balance Sheets, are held to comply with state licensing requirements in the United States and had credit ratings of “AA–” or better from a major credit rating agency as of December 31, 2011.

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 transmitters and their agents to comply with federal and/or state anti-money laundering laws and regulations.

Our money transfer and money order services are subject to anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001 (collectively, the “BSA”) and similar state laws and regulations. The BSA, among other things, requires money transfer companies and the issuers and sellers of money orders, to develop and implement risk-based anti-money laundering programs, 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. Many states impose similar and, in some cases, more stringent requirements. These requirements also apply to our agents. 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 inside and outside the United States.

Economic and trade sanctions programs administered by the United States Department of the Treasury Office of Foreign Assets Control (“OFAC”) prohibit or restrict transactions to or from (or dealings with) certain countries, their governments, and in certain circumstances, their nationals, as well as with specifically-designated individuals and entities such as narcotics traffickers, terrorists and terrorist organizations. We provide very limited consumer-to-consumer services to individuals in Cuba, Syria and Sudan pursuant to and as authorized by advisory opinions of, or licenses granted by, OFAC.

Outside of the United States, our money transfer business is subject to some form of regulation in all of the countries and territories in which we offer those services. These laws and regulations may include limitations on what types of entities may offer money transfer services, 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 may also include laws and regulations intended to help detect and prevent money laundering or terrorist financing, including reporting requirements similar to 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”), which became effective on November 1, 2009, has changed the payments market in the European Union (“EU”), harmonizing the licensing and certain other requirements for offering payment services within the EU. Previously, those requirements differed significantly among these countries. The PSD, along with similar laws in other jurisdictions, have imposed new rules on payment service providers like Western Union. In particular, Western Union has become responsible for the regulatory compliance of our agents who are engaged by one of our payments institution subsidiaries. The majority of our EU business is managed through our PSD subsidiary, which is regulated by Ireland. Thus, the risk of adverse regulatory action against us because of the actions of our agents in those areas has increased. Under the PSD, we are subject to investment safeguarding rules and periodic examinations similar to those we are subject to in the

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United States. These rules have resulted in increased compliance costs and may lead to increased competition in our areas of service. Additional countries may adopt legislation similar to these laws. The PSD, as well as legislation in other countries such as Russia, has also allowed an increased number of non-bank entities to become money transfer agents.

We have developed and continue to enhance global compliance programs to monitor and to address various legal and regulatory requirements. Our money transfer network operates through third-party agents in most countries, and our legal and practical ability to control those agents' compliance activities is limited. To assist in managing and monitoring money laundering and terrorist financing risks, we have developed and continue to enhance our global compliance programs, including an anti-money laundering compliance program, which comprises policies, procedures, systems and internal controls. We have employees in a number of our offices around the world dedicated to our global compliance program efforts. In connection with an agreement and settlement with the State of Arizona and other states entered into in February 2010, we have funded \$71 million, a portion of which was paid to a not-for-profit organization to promote safety and security along the entire United States and Mexico border, with the rest paid to the State of Arizona for its costs associated with this matter. This agreement and settlement also resolved all outstanding legal issues and claims with the State of Arizona. In addition, as part of the agreement and settlement, we have made and expect to make certain investments in our compliance programs along the United States and Mexico border and a monitor has been engaged for those programs. The costs of the investments in our programs and for the monitor are expected to reach up to \$23 million over the period from signing to 2013. See also Item 1A, Risk Factors— "*Western Union is the subject of governmental investigations and consent agreements with or enforcement actions by regulators*" for more information on this agreement and settlement, including the potential impact on our business.

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 transactions in, to or from certain countries, governments and individuals and entities;
- impose additional identification, reporting or recordkeeping requirements;
- limit the types of entities capable of providing money transfer services or impose additional licensing or registration requirements;
- impose minimum capital or other financial requirements on us or our agents and their subagents;
- limit or restrict the revenue which may be generated from money transfers, including transaction fees and revenue derived from foreign exchange;
- require enhanced disclosures to our money transfer customers;
- require the principal amount of money transfers originated in a country to be invested in that country or held in trust until they are paid;
- limit the number or principal amount of money transfers which may be sent to or from the jurisdiction, whether by an individual, through one agent or in aggregate; or
- impose taxes or fees on money transfer transactions.

Unclaimed Property Regulations

Our Company is subject to unclaimed property laws in the United States and abroad. These laws require us to turn over to certain government authorities the property of others held by our Company that has been unclaimed

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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 to comply with the laws. We are subject to audits with regard to our escheatment practices.

Privacy and Information Security Regulations

The collection, transfer, disclosure, use and storage of personal information is required to provide our services. These activities are subject to information security standards, data privacy, data breach and related laws and regulations in the United States and other countries. In the United States, data privacy and data breach laws such as the federal Gramm-Leach-Bliley Act and various state laws apply directly to a broad range of financial institutions including money transmitters like Western Union, and indirectly to companies that provide services to those institutions. Many state laws require us to provide notification to affected individuals, state officers and consumer reporting agencies in the event of a security breach of computer databases or physical documents that contain certain types of non-public personal information and present a risk for unauthorized use.

The collection, transfer, disclosure, use and storage of personal information required to provide our services is subject to data privacy laws outside of the United States, such as laws adopted pursuant to the EU's 95/46 EC Directive of the European Parliament (the "Data Protection Directive"), Canada's Personal Information Protection and Electronic Documents Act, individual European national laws and data privacy laws of other provinces or countries. In some cases, the laws of a country may be more restrictive than the Gramm-Leach-Bliley Act, and the laws developed to comply with the Data Protection Directive may impose additional duties on companies. Each of these laws may restrict the collection, transfer, processing, storage, use and disclosure of sensitive personal information, require notice to individuals of privacy practices and may give individuals certain rights to prevent the use or disclosure of personal information for secondary purposes such as marketing.

These regulations, laws and industry standards also impose requirements for safeguarding personal information through the issuance of internal data security standards, controls or guidelines.

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 and state, as well as certain foreign government agencies when required by law. In recent years, these agencies have increased their requests for such information from Western Union and other companies (both financial service providers and others), particularly in connection with efforts to prevent terrorist financing or identity theft. During the same period, there has also been increased public attention regarding the corporate use and disclosure of personal information, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer privacy. These regulatory goals—the prevention of money laundering, terrorist financing and identity theft and the protection of the individual's right to privacy—may conflict, and the law in these areas is not consistent or settled. While we believe that Western Union is compliant with its regulatory responsibilities, the legal, political and business environments in these areas are rapidly changing, and subsequent legislation, regulation, litigation, court rulings or other events could expose Western Union to increased program costs, liability and reputational damage.

Banking Regulation

We have subsidiaries that operate under banking licenses granted by the Austrian Financial Market Authority and the Brazilian Central Bank which subject these subsidiaries to Austrian and Brazilian regulations. We are also subject to regulation, examination and supervision by the New York Department of Financial Services (the "Financial Services Department"), which has regulatory authority over our entity that holds all interests in these subsidiaries, a limited liability investment company organized under Article XII of the New York Banking Law. An Agreement of Supervision with the Financial Services Department imposes various regulatory requirements including operational limitations, capital requirements, affiliate transaction limitations, and notice and reporting requirements. Financial Services Department approval is required under the New York Banking Law and the Agreement of Supervision prior to any change in control of the Article XII investment company.

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Since these subsidiaries do not operate any banking offices in the United States and do not conduct business in the United States except as may be incidental to their activities outside the United States, our Company's affiliation with these subsidiaries does not cause them to be subject to the provisions of 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.

Stored-value services offered by Western Union prepaid services are subject to United States federal and state laws and regulations, as well as laws and regulations outside of the United States, related to consumer protection, licensing, escheat and money laundering. As we begin offering similar services internationally, those services may be subject to various country laws. These laws are evolving, and the extent to which they apply to Western Union or its consumers is sometimes unclear. While we are unable to determine the full impact that new laws and changing interpretations may have on these services, recent history suggests that new rules may, among other things, broaden our liability for the services and increase the scope of the information that we and our agents must collect, maintain and report about consumers.

Employees and Labor

As of January 31, 2012, our businesses employed approximately 8,000 employees, of which approximately 6,000 employees are located outside of the United States.

Available Information

The Western Union Company is a Delaware corporation and its principal executive offices are located at 12500 East Belford Avenue, Englewood, CO, 80112, telephone (866) 405-5012. The Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge through the "Financial Information" portion of the Company's web site, www.westernunion.com, as soon as reasonably practical after they are filed with the SEC. The SEC maintains a web site, 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 24, 2012, our executives consist of the individuals listed below:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Hikmet Ersek	51	President, Chief Executive Officer and Director
Rajesh K. Agrawal	46	Executive Vice President and President, Western Union Business Solutions
John R. Dye	52	Executive Vice President, General Counsel and Secretary
Robin S. Heller	46	Executive Vice President and Chief Integration Officer
Paula S. Larson	49	Executive Vice President and Chief Human Resources Officer
Scott T. Scheirman	49	Executive Vice President, Chief Financial Officer and Global Operations
Diane Scott	41	Executive Vice President and Chief Marketing Officer and President, Western Union Ventures
Stewart A. Stockdale	50	Executive Vice President and President, Global Consumer Financial Services

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

Rajesh K. Agrawal is our Executive Vice President (from November 2011) and President, Western Union Business Solutions (from August 2011). Prior to August 2011, Mr. Agrawal served as General Manager, Business Solutions since 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 from August 2006 to May 2008. Mr. Agrawal joined Western Union in 2006.

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

Robin S. Heller is our Executive Vice President and Chief Integration Officer. Prior to taking this position in January 2012, she was Executive Vice President, Operations and IT since September 2006. From November 2004 to September 2006, she was Senior Vice President, Global Operations for First Data. From July 2003 to November 2004, Ms. Heller served in a similar capacity with Western Union. Prior to that time, she was Senior Vice President, Sales, Marketing and Operations for Western Union Commercial Services from July 2002 until June 2003 and Senior Vice President, Operations and Client Management for Integrated Payment Systems Inc. ("IPS"), a First Data subsidiary, from July 2000 until June 2002. Ms. Heller joined First Data in 1988.

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Paula S. Larson is our Executive Vice President and Chief Human Resources Officer. Prior to taking this position in November 2011, Ms. Larson was Chief Human Resources Officer for Invensys Plc from April 2005 to March 2011. Prior to that time, Ms. Larson held various senior human resources positions at Eaton Corporation and subsidiaries of General Electric Company.

Scott T. Scheirman is our Executive Vice President, Chief Financial Officer and Global Operations. Mr. Scheirman has been the Executive Vice President, Chief Financial Officer since September 2006 and assumed the additional responsibilities of Global Operations in January 2012. In addition, from June 2011 through November 2011, Mr. Scheirman served as interim Chief Human Resources Officer for the Company. Prior to becoming the Executive Vice President, Chief Financial Officer in September 2006, Mr. Scheirman held a variety of positions with increasing responsibility at First Data, including Senior Vice President and Chief Financial Officer for Western Union from 1999 to September 2006. Prior to joining First Data in 1992, Mr. Scheirman was with Ernst & Young LLP.

Diane Scott is our Executive Vice President and Chief Marketing Officer (from April 2011) and President, Western Union Ventures (from August 2011). Prior to April 2011, Ms. Scott was Senior Vice President, Marketing, Americas since March 2009. From March 2008 to March 2009, Ms. Scott served as Vice President, Marketing Services, and General Manager, Domestic Money Transfer. From March 2007 to March 2008, Ms. Scott served as Vice President, Domestic Money Transfer and Marketing Services, and from January 2005 to March 2007, she served as Vice President and General Manager, Domestic Money Transfer. Ms. Scott joined Western Union in 2001.

Stewart A. Stockdale is our Executive Vice President and President, Global Consumer Financial Services. Prior to taking this position in April 2011, Mr. Stockdale served as President, Americas and Executive Vice President, Global Cards and Global Key Accounts, from January 2010, and as Executive Vice President and President, Americas from November 2008 to January 2010. From June 2008 to November 2008, Mr. Stockdale served as Executive Vice President and President, United States and Canada, with Western Union. Prior to joining Western Union in June 2008, Mr. Stockdale served as the President of Simon Brand Ventures and as Chief Marketing Officer of Simon Property Group since 2002.

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ITEM 1A. RISK FACTORS

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

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

You should carefully consider all of these risks.

Risks Relating to Our Business and Industry

If consumers' confidence in our business or in traditional money transfer and payment service providers generally deteriorates, our business, financial condition and results of operations could be adversely affected.

Our business is built on consumers' confidence in our brands and our ability to provide fast, reliable money transfer and payment services. Erosion in consumers' confidence in our business, or in traditional 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 and results of operations.

A number of factors could adversely affect consumers' confidence in our business, or in traditional 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 that have the effect of making it more difficult for consumers to transfer money using traditional money transfer and payment service providers;
- failure of our agents or subagents to deliver services in accordance with our requirements;
- reputational concerns resulting from actual or perceived events;
- 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 data to a greater extent than is currently required;
- any significant interruption in our systems, including by fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses or disruptions in our workforce; and
- any breach of our security policies or legal requirements resulting in a compromise of consumer privacy or data use and security.

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 positions that are detrimental to our business, then our business, financial condition and results of operations could be adversely affected.

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Difficult conditions in global financial markets, global economic downturns and financial market disruptions could adversely affect our business, financial condition and results of operations.

The global capital and credit markets have experienced in recent years, and in the future may experience, unprecedented volatility and disruption and we face certain risks relating to such events, including:

- 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 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 and businesses that could adversely affect our business, financial condition and results of operations.* ”
- The market value of the securities in our investment portfolio may substantially decline. The impact of that decline in value may adversely affect our results of operations and financial condition.
- 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. That failure could have an adverse effect on our financial condition and results of operations.
- We aggregate our foreign exchange exposures in our Business Solutions business, including the exposure generated by the derivative contracts we write to our customers as part of our cross-currency payments business, and typically hedge the net exposure through offsetting contracts with established financial institution counterparties. If our customers fail to honor their obligations or if the counterparties to our offsetting positions fail to honor their obligations, our business, financial condition and results of operations could be adversely affected.
- We may be unable to refinance our existing indebtedness as it becomes due or we may have to refinance on unfavorable terms, which could require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for working capital, capital expenditures, acquisitions, share repurchases, dividends, and other purposes.
- Our revolving credit facility with a consortium of banks is one source for funding liquidity needs and also backs our commercial paper program. If any of the banks participating in our credit facility fails to fulfill its lending commitment to us, our short-term liquidity and ability to support borrowings under our commercial paper program could be adversely affected.
- The third-party service providers on whom we depend may experience difficulties in their businesses, which may impair their ability to provide services to us and have a potential impact on our own business. The impact of a change or temporary stoppage of services may have an adverse effect on our business, results of operations and financial condition.
- 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.
- If market disruption and volatility occurs, we could experience difficulty in accessing capital and our business, financial condition and results of operations could be adversely impacted.

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

An increasing 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 denominated in foreign currencies. Our Business Solutions business provides currency conversion and, in certain countries, foreign exchange hedging services to its customers, further exposing us to foreign currency exchange risk. In order to mitigate these risks, we enter into derivative contracts. However, these contracts do not eliminate all of the risks related to fluctuating foreign currency rates.

Our foreign exchange risk is greater, and our foreign exchange risk management is heightened, in our Business Solutions business. The significant majority of Business Solutions' revenue is from exchanges of currency at the spot rate enabling 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 derivatives contracts is generally nine months or less. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. Business Solutions aggregates its foreign exchange exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties. If we are unable to obtain offsetting positions, our business, financial condition and results of operations could be adversely affected.

A significant portion of our revenue is generated outside of the United States and much of the cash and cash equivalents from this business are held by our foreign entities. Repatriating these funds to the United States would, in many cases, result in significant tax obligations because most of these funds have been taxed at foreign tax rates that are relatively low compared to our combined federal and state tax rates in the United States. If repatriation of these funds is required or if a change in legislation requires a different tax treatment, our business, financial condition and results of operations could be adversely impacted. 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 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 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 our agents or subagents could require changes in our business model and increase our costs of operations, which could adversely affect our operations, results of operations and financial condition* ” 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 our ability to recoup funds that have been advanced to international agents or are held by our subsidiaries and could adversely affect our business, financial condition and results of operations. 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

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

Interruptions in migration patterns, including as a result of economic conditions, could adversely affect our business, financial condition and results of operations.

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, 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 and results of operations.

Many of our consumers work in industries that may be impacted by deteriorating economic conditions more quickly or significantly than other industries. Reduced job opportunities, especially in construction, manufacturing, hospitality, agriculture and retail, or overall weakness in the world’s economies could adversely affect the number of money transfer transactions, the principal amounts transferred and correspondingly our results of operations. If general market softness in the economies of countries important to migrant workers occurs, our results of operations could be adversely impacted. Additionally, if our consumer transactions decline, if the amount of money that consumers send per transaction declines, or if migration patterns shift due to weak or deteriorating economic conditions, our results of operations may be adversely affected.

Our ability to adapt technology in response to changing industry and consumer needs or trends poses a challenge to our business.

Our ability to compete in the markets we serve may be threatened by change, including changes in technology, changes with respect to consumer needs, competition and industry standards. We actively seek solutions that respond in a timely manner to new technology-based money transfer services such as Internet, phone-based money transfer services and prepaid, stored-value and other card-based money transfer services. Failure to respond well to these challenges could adversely impact our business, financial condition and results of operations. 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 the model offered by our traditional cash/agent model.

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. The acquisition and integration of businesses involve a number of 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). In addition, the need in some cases to improve regulatory compliance standards is another risk associated with acquiring companies, see “Risks Related to Our Regulatory and Litigation Environment” below. Acquisitions often involve additional or increased risks including, for example:

- managing geographically separated organizations, systems and facilities;
- managing multi-jurisdictional operating, tax and financing structures;
- integrating personnel with diverse business backgrounds and organizational cultures;

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- integrating the acquired technologies into our Company;
- realization of anticipated financial benefits from these acquisitions and where necessary, improving internal controls of these acquired businesses;
- complying with regulatory requirements;
- fluctuations in currency exchange rates;
- enforcement of intellectual property rights in some foreign countries;
- difficulty 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 and results of operations.

As of December 31, 2011, we had \$3,198.9 million of goodwill comprising approximately 35% of our total assets. An impairment review of goodwill is conducted at least once a year (including qualitative and quantitative assessments) to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. The assessment of goodwill will be performed more frequently than once a year if events or changes in circumstances indicate that the carrying value of the goodwill may not be recoverable. If we are unsuccessful in integrating the businesses we have acquired or acquire in the future, or if these acquired businesses experience declines in operating income or cash flows, adverse changes in the business climate, or if we are unable to successfully execute our strategy for these businesses, we may be required to write down the goodwill on our balance sheet associated with these acquisitions, which could have an impact on our financial condition and results of operations in future periods.

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

The vast majority of our global funds transfer business 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, complete the money transfer or payment services on behalf of the consumer.

The liquidity of our agents is necessary for our business to remain strong and to continue to provide our services. If our agents 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.

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In our Business Solutions business, we are also exposed to credit risk relating to foreign currency forward and option contracts written by us to our customers. The duration of these derivative contracts is generally nine months or less. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. If a customer becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to pay us for the value of these contracts, we may be exposed to the value of an offsetting position with a financial institution counterparty.

We offer consumers, primarily in the United States, the ability to transfer money utilizing their credit or debit card via the Internet and phone. Because these are not face-to-face transactions, these transactions involve a greater risk of fraud. 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 escalate 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.

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

We collect, transfer and retain consumer, business, employee and agent data as part of our business. These activities are subject to laws and regulations in the United States and 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, are designed to protect the privacy of personal information and to prevent that information from being inappropriately disclosed. We have developed and maintain technical and operational safeguards designed to comply with applicable legal requirements. However, despite those safeguards, it is possible that hackers, employees acting contrary to our policies or others could improperly access our systems or improperly obtain or disclose data about our consumers, business customers, agents and/or employees. Further, because some data is collected and stored by third parties, it is possible that a third party could intentionally or negligently disclose personal data in violation of law. Also, in some jurisdictions we transfer data related to our employees, business customers, consumers, agents and potential employees to third-party vendors in order to perform due diligence and for other reasons. It is possible that a vendor could intentionally or inadvertently disclose such data. Any breach of our security policies or applicable legal requirements resulting in a compromise of consumer, business, employee or agent data could require us to notify impacted individuals, and in some cases regulators, of a possible or actual breach, expose us to regulatory enforcement action, including fines, limit our ability to provide services, subject us to litigation and/or damage our reputation.

Interruptions in our systems or disruptions in our workforce may have a significant effect on our business.

Our ability to provide reliable service largely depends on the efficient and uninterrupted operation of our computer information systems and those of our service providers. Any significant interruptions could harm our business and reputation and result in a loss of consumers. These systems and operations could be exposed to damage or interruption from fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses or other causes, many of which may be beyond our control or that of our service providers. Although we have taken steps to prevent systems disruptions, our measures may not be successful and we may experience problems other than system disruptions. We also may experience software defects, development delays, installation difficulties and other systems problems, which would harm our business

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and reputation and expose us to potential liability which may not be fully covered by our business interruption insurance. Our data applications may not be sufficient to address technological advances, regulatory requirements, changing market conditions or other developments. In addition, any work stoppages or other labor actions by employees, the significant majority of which are located outside the United States, who support our systems or perform any of our major functions could adversely affect our business.

If we are unable to maintain our agent, subagent or global business payments networks under terms consistent with those currently in place, or if our agents or subagents fail to comply with Western Union business and technology standards and contract requirements our business, financial condition and results of operations would be adversely affected.

Most of our consumer-to-consumer revenue is derived through our agent network. In addition, our international agents may have subagent relationships in which we are not directly involved. Transaction volumes at existing agent and subagent locations often increase over time and new agents and subagents provide us with additional revenue. If, due to competition or other reasons, agents or 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 profit growth rates may be adversely affected. Agent attrition might occur for a number of reasons, including a competitor engaging an agent or an agent's dissatisfaction with its relationship with us or the revenue derived from that relationship. In addition, agents may generate fewer transactions or less revenue for various reasons, including increased competition, political unrest or changes in the economy. 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.

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

We have relationships with more than 10,000 consumer payments businesses to which our customers can make payments. These relationships are a core component of our global business payments services, and we derive a substantial portion of our global business payments revenue through these relationships. If we are unable to sign new relationships or maintain our current relationships under terms consistent with those currently in place, our revenue and profit growth rates may be adversely affected.

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

If our credit ratings are downgraded, or if they are placed under review or given a negative outlook, our business, financial condition and results of operations could be adversely affected and perceptions of our financial strength could be damaged, which could adversely affect our relationships with our agents, particularly those agents that are financial institutions or post offices. In addition, an adverse credit rating by a rating agency, such as a downgrade or negative outlook, 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 significant downgrade could increase our costs of borrowing money, adversely affecting our business, financial condition and results of operations.

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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 and Internet providers. Our continued growth depends on our ability to compete effectively in the industry.

Money transfer and global business payments are highly competitive industries which include service providers from a variety of financial and non-financial business groups. Our competitors include banks, credit unions, automated teller machine providers and operators, card associations, card-based payments providers such as issuers of e-money, travel cards or stored-value cards, informal remittance systems, web-based services, phone payment systems (including mobile phone networks), postal organizations, retailers, check cashers, mail and courier services, currency exchanges and traditional money transfer companies. These services are differentiated by features and functionalities such as speed, convenience, network size, hours of operations, loyalty programs, reliability and price. Our continued growth depends on our ability to compete effectively in these industries. We have made periodic pricing decreases in response to competition and to implement our brand investment strategy, which includes better meeting consumer needs, maximizing market opportunities and strengthening our overall competitive positioning. Pricing decreases generally reduce margins, but are done in anticipation that they will result in increased transaction volumes. In addition, failure to compete on service differentiation could significantly affect our future growth potential and results of operations.

As noted above, 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. Because these entities are governmental organizations, they may be able to—or be required to—offer their money transfer services to the public at, near or below their cost of providing such services.

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

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

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

We have been, are and in the future may be, subject to claims alleging that our technology or business methods infringe patents owned by others, both inside and outside the United States. Unfavorable resolution of these claims could require us to change how we deliver a service, result in significant financial consequences, or both, which could adversely affect our business, financial condition and results of operations.

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Changes in tax laws 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, both domestically and internationally. From time to time, the United States Congress and foreign, state and local governments consider legislation that could increase our effective tax rates. If changes to applicable tax laws are enacted, our results of operations could be negatively impacted.

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, 2011, the total amount of unrecognized tax benefits is a liability of \$144.4 million, including accrued interest and penalties. 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, we recently reached an agreement with the United States Internal Revenue Service ("IRS") resolving substantially all of the issues related to the restructuring of our international operations in 2003, which resulted in a tax benefit of \$204.7 million related to the adjustment of reserves associated with this matter and will require cash payments to the IRS and various state tax authorities of approximately \$190 million. See Item 7 of Part II, Management's Discussion and Analysis of Financial Condition and Results of Operations; Capital Resources and Liquidity.

We receive services from third-party vendors that would be difficult to replace if those vendors ceased providing such services which could cause temporary disruption to our business.

Some services relating to our business, such as software application support, the development, hosting and maintenance of our operating systems, 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.

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, 2011, we held \$1.3 billion in investment securities, substantially all of which are state and municipal debt securities. The majority of this money represents the principal of money transfers sent by consumers and money orders issued by us to consumers in the United States. We regularly monitor our credit risk and attempt to mitigate our exposure by investing in highly-rated securities and by diversifying our investments. As of December 31, 2011, the majority of our investment securities had credit ratings of "AA-" or better from a major credit rating agency. Despite those ratings, 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.

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The trust holding the assets of our pension plan has assets totaling approximately \$301.7 million as of December 31, 2011. The fair value of these assets held in the trust are compared to the plan's projected benefit obligation to determine the pension liability of \$112.7 million recorded within "Other liabilities" in our Consolidated Balance Sheet as of December 31, 2011. We attempt to mitigate risk through diversification, and we regularly monitor investment risk on our portfolio through quarterly investment portfolio reviews and periodic asset and liability studies. Despite these measures, it is possible that the value of our portfolio may decline in the future due to any number of factors, including general market conditions and credit issues. Such declines could have an impact on the funded status of our pension plan and future funding requirements.

We have substantial debt obligations that could restrict our operations.

As of December 31, 2011, we had approximately \$3.6 billion in consolidated indebtedness, and we may also incur additional indebtedness in the future.

Our indebtedness could have adverse consequences, including:

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

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

Risks Related to Our Regulatory and Litigation Environment

As described under Item 1 of Part I, 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, such as the European Union. Regulations to which we are subject include financial services regulations, consumer disclosure and consumer protection laws, currency control regulations, money transfer, payment instrument, and foreign exchange derivative licensing regulations, unclaimed property laws, competition laws and laws covering consumer privacy, data protection and information security. The failure by us, our agents or subagents to comply with any such laws or regulations could have an adverse effect on our business, financial condition and results of operations and could seriously damage our reputation and brands, and result in diminished revenue and profit and increased operating costs.

Our business is subject to a wide range of laws and regulations intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. Failure by us, our agents or our subagents to comply with those laws and regulations could have an adverse effect on our business, financial condition and results of operations.

Our services are subject to an increasingly strict set of legal and regulatory requirements 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

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little notice. Economic and trade sanctions programs that are administered by the United States Treasury Department's Office of Foreign Assets Control prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, and terrorists or terrorist organizations. As United States federal and state as well as foreign legislative and regulatory scrutiny and enforcement action in these areas increase, we expect that our costs of complying with these requirements will increase, perhaps substantially. Failure to comply with any of these requirements—by us or by our agents or their subagents (each of whom are third parties over which we have limited legal and practical control) could result in the suspension or revocation of a license or registration required to provide money transfer services, the limitation, suspension or termination of services, the seizure and/or forfeiture of our assets and/or the imposition of civil and criminal penalties, including fines.

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 a higher risk associated with FCPA and United Kingdom Bribery Act compliance than many other companies. Any determination that we have violated these laws could have an adverse effect on our business, financial condition and results of operations.

In addition, our United States business is subject to reporting, recordkeeping and anti-money laundering provisions of the Bank Secrecy Act ("BSA"), as amended by the USA PATRIOT Act of 2001, and to regulatory oversight and enforcement by the United States Department of the Treasury Financial Crimes Enforcement Network ("FinCEN"). We have subsidiaries that are subject to banking regulations, primarily those in Brazil and Austria. These subsidiaries are also subject to regulation, examination and supervision by the New York Department of Financial Services. Under the Payment Services Directive ("PSD") in the European Union ("EU"), which became effective in late 2009, and similar legislation enacted or proposed in other jurisdictions, we have and will increasingly become directly subject to reporting, recordkeeping and anti-money laundering regulations. These laws could also increase competition in some or all of our areas of service.

The remittance industry 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. While we believe our fraud prevention efforts are effective and comply with applicable law and best practices, the ingenuity of criminal fraudsters, combined with the potential susceptibility to fraud by consumers during economically difficult times, make the prevention of consumer fraud a significant and challenging problem. Our failure to continue to help prevent such frauds or a change in laws or their interpretation could have an adverse effect on our business, financial condition and results of operations.

Our fees, profit margins and/or foreign exchange spreads may be reduced or limited because of regulatory initiatives and changes in laws, regulations 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, changes in laws, regulations and industry practices and standards imposed by state, federal or international governments and expectations regarding our compliance efforts, are impacting the manner in which we operate our business and may change the competitive landscape and 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

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well as the regulations required by that Act and the creation of the Consumer Financial Protection Bureau could adversely affect us and the scope of our activities, and could adversely affect our operations, results of operations and financial condition .” 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 may subject us to additional regulatory oversight, mandate additional consumer disclosures and remedies, including refunds to consumers, mandate additional taxes or fees to be imposed upon 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 and results of operations 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, our business is currently being affected by on-going changes to our compliance procedures related to our agreement and settlement with the State of Arizona. See risk factor “*Western Union is the subject of governmental investigations and consent agreements with or enforcement actions by regulators.*” Due to regulatory initiatives, we will continue to evolve our business model and practices along the United States and Mexico border, including in the southwestern region of the United States. Such changes will likely have an adverse effect on our revenues, profits, and business operations.

In addition, one state has passed a law imposing a fee on certain money transfer transactions, and certain other states have proposed similar legislation. At least two foreign countries have enacted rules imposing taxes or fees on certain money transfer transactions, as well. Although money transfer services themselves are not generally subject to sales tax on money transfer services elsewhere in the United States, the current budget shortfalls in many jurisdictions, combined with continued federal inaction on comprehensive immigration reform, may lead other states or localities to impose similar taxes or fees. Similar circumstances in foreign countries could invoke similar consequences. A tax or fee 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 or fees.

Other examples of changes to our financial environment include the possibility of regulatory initiatives that focus on lowering international remittance costs. For example, Pakistan subsidizes certain remittances into the country from Pakistanis working abroad. We do not participate in this program, but remittance companies accepting the subsidy are prohibited from charging fees to the sender or receiver. Such initiatives may have an adverse impact on our business, financial condition and results of operations.

Regulators around the world increasingly 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. This includes the interpretation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). Similarly, new laws and regulations in a country, state or region involving one service may cause lawmakers there to extend the regulations to another service. As a result, the risks created by any one new law or regulation are magnified by the potential they have to be replicated, affecting our business in another place or involving another service. Conversely, if widely varying regulations come into existence worldwide, we may have difficulty adjusting our services, fees and other important aspects of our business, with the same effect. Either of these eventualities could materially and adversely affect our business, financial condition and results of operations.

Our agents’ or subagents’ failure to comply with federal and laws and regulations as well as laws and regulations outside the United States could have an adverse effect on our business, financial condition and results of operations.

Any determination that our agents or 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 subagents to comply with laws which also could have an adverse effect on our business, financial condition and results of operations.

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For example, under the PSD, Western Union is responsible for the compliance of its agents who are engaged by one of our payments institution subsidiaries. The majority of our EU business is managed through our PSD subsidiaries. Thus, the risk of adverse regulatory action against Western Union because of actions by its agents in those areas has increased.

We may become liable for the failure of our money transfer agents to comply with the Act, the extent of which liability will be determined by rules not yet finalized. In addition, the Consumer Financial Protection Bureau (the “CFPB”) created by the Act has recently issued regulations implementing remittance provisions of the Act, which will impose responsibility on us for any related compliance failures of our agents.

The changes associated with the PSD, the Act and similar legislation enacted or proposed in other countries could result in increased costs to comply with the new requirements, or in the event we or our agents are unable to comply, could have an adverse impact on our business, financial condition and results of operations. Additional countries may adopt similar legislation.

Regulatory initiatives and changes in laws, regulations and industry practices and standards affecting our agents or subagents could require changes in our business model and increase our costs of operations, which could adversely affect our operations, results of operations and financial condition.

Our agents are subject to a variety of regulatory requirements, which differ from jurisdiction to jurisdiction and are subject to change. A material change in the regulatory requirements for offering money transfer services in a jurisdiction important to our business could mean increased costs and/or operational demands on our agents and subagents, which could result in their attrition, a decrease in the number of locations at which money transfer services are offered and other negative consequences. The regulatory status of our agents could affect their ability to offer our services. For example, our agents in the United States are considered Money Service Businesses, or “MSBs,” under the BSA. An increasing number of banks view MSBs, as a class, as higher risk customers for purposes of their anti-money laundering programs. Furthermore, some of our domestic and international agents have had difficulty establishing or maintaining banking relationships due to the banks’ policies. If a significant number of agents are unable to maintain existing or establish new banking relationships, they may not be able to continue to offer our services.

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

Although most of our Orlandi Valuta and Vigo branded agents are not exclusive, most of our Western Union branded agents offer our services on an exclusive basis—that is, they have agreed by contract not to provide any non-Western Union branded money transfer services. While we expect to continue signing 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. Recently, several countries in Eastern Europe, the Commonwealth of Independent States, Africa and South Asia, including India, have promulgated laws or regulations, or authorities in these countries have issued orders, which

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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 (“NGOs”) and others are actively advocating against exclusive arrangements in money transfer agent agreements. Advocates for laws prohibiting or limiting exclusivity continue to push for enactment of similar laws in other jurisdictions. In addition, certain of our agents and subagents have refused to enter into exclusive arrangements. For example, we recently entered into a non-exclusive arrangement with our Mexican agent, Elektra del Milenio de C.V. The inability to enter into exclusive arrangements or to enforce our exclusivity rights under our contracts could adversely affect our operations and revenue by, for example, allowing competitors to benefit from the goodwill associated with the Western Union brand at our agent locations.

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

In the second quarter of 2009, the Antitrust Division of the United States Department of Justice (“DOJ”) served one of our subsidiaries with a grand jury subpoena requesting documents in connection with an investigation into money transfers, including related foreign exchange rates, from the United States to the Dominican Republic from 2004 through the date of subpoena. The Company is cooperating fully with the DOJ investigation. Due to the stage of the investigation, we are unable to predict the outcome of the investigation, or the possible loss or range of loss, if any, which could be associated with the resolution of any possible criminal charges or civil claims that may be brought against us. Should such charges or claims be brought, we could face significant fines, damage awards or regulatory consequences which could have a material adverse effect on our business, financial condition and results of operations.

On February 11, 2010, we signed an agreement and settlement, which resolved all outstanding legal issues and claims with the State of Arizona and required us to fund a multi-state not-for-profit organization promoting safety and security along the United States and Mexico border, in which California, Texas and New Mexico are participating with Arizona. The agreement also required us to make payments to the State of Arizona for its costs associated with this matter. In addition, as part of the agreement and settlement, we have made and expect to make certain investments in and changes to our compliance programs along the United States and Mexico border and a monitor has been engaged for those programs. The costs of the investments in our programs and for the monitor are expected to reach up to \$23 million over the period from signing to 2013. The monitor has made a number of recommendations related to our compliance programs.

We are in the process of making certain changes to our compliance program for transactions from the United States to Mexico, including:

- revisions to agent agreements to increase our ability to oversee the compliance of our agents and subagents;
- reduced thresholds at which our consumers are required to provide identification for transactions from certain states along the United States southwest border; and
- enhancement of our information systems including migrating customer information for our Western Union, Orlandi Valuta and Vigo brands onto a common database and migrating to a standard point of sale system.

Such changes will likely have an adverse effect on our United States to Mexico business. Any additional changes that we elect or are required to make in the United States to Mexico corridor, or similar changes that we may elect or be required to make in other corridors, could have a material adverse effect on our business, financial condition or results of operations.

Over the past several years, we have entered into consent agreements with federal and state authorities, including FinCEN, the New York Department of Financial Services, the California Department of Financial Institutions and the Arizona Department of Financial Institutions, relating to the BSA and anti-money laundering

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requirements and related consumer identification matters. These agreements required us to pay civil penalties and to take certain measures to enhance our compliance with recordkeeping, reporting, training and agent oversight requirements under applicable state and federal law. The consent agreements with the New York Department of Financial Services and the California Department of Financial Institutions were lifted during 2008. However, the financial services industry and businesses like ours continue to be under significant federal and state regulatory scrutiny with respect to the BSA and anti-money laundering compliance matters. It is possible that as a result of periodic examinations or otherwise, we could be subject to deficiency findings, fines, criminal penalties, asset seizures or enforcement actions that could adversely affect our business, financial condition and results of operations.

Western Union has received Civil Investigative Demands from certain state attorneys general who have initiated an investigation into whether the Company took adequate steps to help prevent consumer fraud from 2010 to 2011. The Civil Investigative Demands seek information and documents relating to consumer fraud complaints that the Company has received and the Company's procedures to help identify and prevent fraudulent transfers. Due to the stage of the investigation, the Company is unable to predict the outcome of the investigation, or the possible loss or range of loss, if any, which could be associated with any possible civil claims that might be brought by one or more of the states. Should such claims be brought, we could face significant fines, damage awards, or regulatory consequences, or compulsory changes in our business practices that could have a material adverse effect on our business, financial condition, and results of operations.

The Dodd-Frank Act, as well as the regulations required by that Act and the creation of the Consumer Financial Protection Bureau could adversely affect us and the scope of our activities, and could adversely affect our operations, results of operations and financial condition.

The Act, which became law in the United States on July 21, 2010, calls for significant structural reforms and new substantive regulation across the financial services industry. In addition, the Act created the CFPB, whose purpose is to issue and enforce consumer protection initiatives governing financial products and services, including money transfer services. The CFPB will create additional regulatory oversight for us. The Act and actions by the CFPB could 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, limiting fees we can charge for services, requiring us to meet more stringent capital, liquidity and leverage ratio requirements, impacting the value of our assets, delaying our ability to respond to marketplace changes, requiring us to alter our products and services in a manner that would make our products 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 recently issued regulations implementing the remittance provisions of the Act. These regulations, which become effective in February 2013, will impact our business in a variety of areas. These include a requirement to provide enhanced pre-transaction disclosures; an obligation to resolve various errors, including certain errors that may be outside of a remittance provider's control; and an obligation to cancel certain transactions at a consumer's request. These requirements and other potential changes under CFPB regulations could adversely affect our operations and financial results and change the way we operate our business.

We may also be subject to examination by the CFPB, which has initiated a rulemaking process to define "larger participants of a market for other consumer financial products or services." Companies that are included in a final rule will be subject to direct supervision by the CFPB, which may involve providing reports to the CFPB and being examined by the CFPB. The scope, frequency, and details of these reports and examinations are still being developed by the CFPB. In addition, the CFPB has broad authority to enforce consumer financial laws. In July 2011, many consumer financial protection functions formerly assigned to the federal banking agency and other agencies were transferred to the CFPB. The CFPB has a large budget and staff, 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 consumer

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complaints, request data and promote the availability of financial services to underserved consumers and communities. In addition, the CFPB may adopt other regulations governing consumer financial services, including regulations defining unfair, deceptive, or abusive acts or practices, and new model disclosures. The CFPB's authority to change regulations adopted in the past by other regulators, or to rescind or ignore past regulatory guidance, could increase our compliance costs and litigation exposure. Our litigation exposure may also be increased by the CFPB's authority to limit or ban pre-dispute arbitration clauses.

Furthermore, rules adopted under the Act by governmental agencies may subject our corporate interest rate and foreign exchange hedging transactions to centralized clearing, centralized trading, collateral posting and other requirements. Also, our Business Solutions business in the United States may be subjected to increased regulatory oversight and licensing requirements relating to the foreign exchange derivative products offered to certain of its customers. In addition, the Act establishes a Financial Stability Oversight Counsel that is authorized to designate as "systemically important" non-bank financial companies and payment systems. Companies designated under either standard will become subject to new regulation and regulatory supervision. If we were designated under either standard, the additional regulatory and supervisory requirements could result in costly new compliance burdens that could negatively impact our business.

The effect of the Act and the CFPB on our business and operations will be significant, in part because some of the Act's implementing regulations have not been issued and the function and scope of the CFPB, the reactions of our competitors and the responses of consumers and other marketplace participants are uncertain.

Western Union has been the subject of class-action litigation, and remains the subject of other litigation.

Western Union has been the subject of class-action litigation in the United States, alleging that its foreign exchange rate disclosures failed to adequately inform consumers about the revenue that Western Union and its agents derive from international remittances. These suits were all settled in or before 2004, without an admission of liability, and we have made changes in our advertising and consumer forms. Recent changes in law will require, and future changes in law or future litigation or regulatory action may require, that we modify our disclosures or our practices further. These modifications could be costly to implement, restrict our ability to advertise or promote our services, limit the amount of our foreign exchange income and/or change our consumers' behavior.

In addition, as a Company that provides global financial services primarily to consumers, we could be subject to future class-action lawsuits, other litigation or regulatory action alleging violations of consumer protection or other laws. We also are subject to claims asserted by consumers based on individual transactions.

The Company and one of its subsidiaries are defendants in two purported class action lawsuits: James P. Tennille v. The Western Union Company and Robert P. Smet v. The Western Union Company, both of which are pending in the United States District Court for the District of Colorado. The original complaints asserted claims for violation of various consumer protection laws, unjust enrichment, conversion and declaratory relief, based on allegations that the Company waits too long to inform consumers if their money transfers are not redeemed by the recipients and that we use the unredeemed funds to generate income until the funds are escheated to state governments. For more information, see Note 6 to our Consolidated Financial Statements in Item 8 of Part II.

Additional civil actions or any criminal actions could adversely affect our business, financial condition and results of operations.

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 requirements relating to privacy and data use and security under federal, state and foreign laws. Failure to comply with existing privacy and data use and security laws and regulations to which we are subject, including by reason of inadvertent disclosure of confidential information, could result in fines, sanctions,

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penalties or other adverse consequences and loss of consumer confidence, which could materially adversely affect our results of operations, overall business and reputation. While we believe that we are compliant with our regulatory responsibilities, the legal, political and business environments in these areas are rapidly changing, and subsequent legislation, regulation, litigation, court rulings or other events could expose us to increased program costs, liability and reputational damage.

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, we make information available to certain United States federal, state and local, as well as certain foreign government agencies when required by law. In recent years, these agencies have increased their requests for such information from us and other companies (both financial service providers and others), particularly in connection with efforts to prevent terrorist financing. During the same period, there has also been increased public attention regarding 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.

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

We are subject to unclaimed property laws in the United States and abroad which require us to turn over to certain government authorities the property of others held by us that has been unclaimed for a specified period of time, such as unpaid money transfers. We hold property subject to unclaimed property laws and we have an ongoing program to comply with those laws. In addition, we are subject to audits with regard to our escheatment practices. Any difference between the amounts we have accrued for unclaimed property and amounts that are claimed by a state or foreign jurisdiction could have a significant impact on our results of operations and cash flows. See “Unclaimed Property Regulations” for further discussion.

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 and results of operations.

Our regulators expect us to possess sufficient financial soundness and strength to adequately support our regulated subsidiaries. We have substantial indebtedness as of December 31, 2011, which could make it more difficult to meet these requirements if such requirements are increased. In addition, although we are not a bank holding company for purposes of United States law or the law of any other jurisdiction, as a global provider of payments services and in light of the changing regulatory environment in various jurisdictions, we could become subject to new capital requirements introduced or imposed by our regulators that could require us to issue securities that would qualify as Tier 1 regulatory capital under the Basel Committee accords or retain earnings over a period of time. Also, our regulators specify the amount and composition of settlement assets that certain of our subsidiaries must hold in order to satisfy our outstanding settlement obligations. These regulators could further restrict the type of instruments that qualify as settlement assets or these regulators could require our regulated subsidiaries to maintain higher levels of settlement assets. Any change or increase in these requirements could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the Spin-Off

We were incorporated in Delaware as a wholly-owned subsidiary of First Data on February 17, 2006. On September 29, 2006, First Data distributed 100% of its money transfer and consumer payments businesses and its interest in a Western Union money transfer agent, as well as related assets, including real estate, through a tax-free distribution to First Data shareholders (“Spin-off”) through this previously owned subsidiary.

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

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ITEM 2. PROPERTIES

Properties and Facilities

As of December 31, 2011, we have offices in approximately 60 countries, which includes five owned facilities and approximately 25 United States and 400 international leased properties. Our owned facilities include our corporate headquarters located in Englewood, Colorado.

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

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

ITEM 3. LEGAL PROCEEDINGS

Western Union has received Civil Investigative Demands from certain state attorneys general who have initiated an investigation into whether the Company took adequate steps to help prevent consumer fraud from 2010 to 2011. The Civil Investigative Demands seek information and documents relating to consumer fraud complaints that the Company has received and the Company's procedures to help identify and prevent fraudulent transfers. Due to the stage of the investigation, the Company is unable to predict the outcome of the investigation, or the possible loss or range of loss, if any, which could be associated with any possible civil claims that might be brought by one or more of the states. Should such claims be brought, we could face significant fines, damage awards, or regulatory consequences, or compulsory changes in our business practices, that could have a material adverse effect on our business, financial condition, and results of operations.

In October 2011, Elektra del Milenio de C.V. ("Elektra"), the Company's largest agent in Mexico, served a Demand for Arbitration on two of the Company's subsidiaries, alleging that the Company's subsidiaries intentionally breached obligations relating to exclusivity in the parties' International Money Transfer Agreement. Elektra claimed that the alleged breach caused it to lose profits that it would otherwise have earned from offering the Company's services or other money transfer services. The Company's subsidiaries responded to the Demand for Arbitration. In February 2012, all claims relating to this matter were resolved through a confidential settlement in which no party admitted fault.

On July 26, 2010, U.F.C.W. Local 1776 & Participating Employers Pension Fund filed a Verified Shareholder Double Derivative Complaint and Jury Demand in United States District Court for the District of Colorado, alleging that the Company's Board of Directors failed to appropriately oversee the Company's compliance program, particularly in regard to the alleged deficiencies which resulted in the Company's agreement and settlement with the State of Arizona and other states in early 2010. In addition to naming the Company's Board members as individual defendants, the complaint names the Company and its subsidiary Western Union Financial Services, Inc. as nominal defendants. The complaint seeks damages from the individual defendants for breach of fiduciary duty and waste of corporate assets and an order requiring various corrective measures. On September 10, 2010, the United States District Court for the District of Colorado dismissed the complaint for lack of subject matter jurisdiction. On September 23, 2010, the plaintiff re-filed the complaint in Maricopa County Superior Court in Arizona. The complaint was removed to the United States District Court for the District of Arizona. On September 29, 2011, the Court denied Defendants' motion to dismiss on jurisdictional grounds. On December 15, 2011, the Company and Western Union Financial Services, Inc. filed a Notice of Settlement. The terms of the settlement are set forth in a Memorandum of Understanding attached to the Notice of Settlement and include corporate governance changes that the Company and Western Union Financial

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Services, Inc. have agreed to make relating to anti-money laundering monitoring. The Memorandum of Understanding also indicates that the individual defendants deny any wrongdoing or liability with respect to the plaintiff's claims and that the settlement does not constitute an admission of liability of wrongdoing by any party. None of the defendants will be required to pay monetary damages. The plaintiff's counsel is seeking attorney's fees and expenses from the Company not to exceed \$850,000. Defendants have agreed not to oppose the amount of a requested fee and expense award up to that amount. The settlement and the attorney's fee and expense award are subject to the approval of the United States District Court for the District of Arizona.

In the second quarter of 2009, the Antitrust Division of the United States Department of Justice ("DOJ") served one of the Company's subsidiaries with a grand jury subpoena requesting documents in connection with an investigation into money transfers, including related foreign exchange rates, from the United States to the Dominican Republic from 2004 through the date of subpoena. The Company is cooperating fully with the DOJ investigation. Due to the stage of the investigation, the Company is unable to predict the outcome of the investigation, or the possible loss or range of loss, if any, which could be associated with the resolution of any possible criminal charges or civil claims that may be brought against the Company. Should such charges or claims be brought, the Company could face significant fines, damage awards or regulatory consequences which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is a party to a variety of legal proceedings that arise in the normal course of our business. While the results of these legal proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on the Company's results of operations or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Our common stock trades on the New York Stock Exchange under the symbol “WU.” There were 4,763 stockholders of record as of February 17, 2012. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. The following table presents the high and low prices of the common stock on the New York Stock Exchange as well as dividends declared per share during the calendar quarter indicated.

	Common Stock Market Price		Dividends
	High	Low	Declared per Share
2011			
First Quarter	\$ 22.03	\$ 18.39	\$ 0.07
Second Quarter	21.88	19.22	0.08
Third Quarter	20.54	15.00	0.08
Fourth Quarter	18.48	14.55	0.08
2010			
First Quarter	\$ 20.26	\$ 15.68	\$ 0.06
Second Quarter	19.57	14.83	0.06
Third Quarter	17.86	14.65	0.06
Fourth Quarter	18.97	17.33	0.07

The following table sets forth stock repurchases for each of the three months of the quarter ended December 31, 2011:

	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	3,555	\$ 17.99	—	\$ 615.5
November 1 – 30	—	—	—	\$ 615.5
December 1 – 31	—	—	—	\$ 615.5
Total	3,555	\$ 17.99	—	

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

** On February 1, 2011, the Board of Directors authorized \$1 billion of common stock repurchases through December 31, 2012, of which \$615.5 million remains available as of December 31, 2011. 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 Note 16 of our Consolidated Financial Statements for information related to our equity compensation plans.

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Dividend Policy

During 2011, the Board of Directors declared quarterly cash dividends of \$0.08 per common share payable on December 30, 2011, October 7, 2011 and June 30, 2011, and \$0.07 per common share payable on March 31, 2011. During 2010, the Board of Directors declared quarterly cash dividends of \$0.07 per common share payable on December 31, 2010, and \$0.06 per common share payable on October 14, 2010, June 30, 2010 and March 31, 2010. The declaration and amount of future dividends will be determined by the Board of Directors and will depend on our financial condition, earnings, capital requirements, regulatory constraints, industry practice and any other factors that the Board of Directors believes are relevant. As a holding company with no material assets other than the capital stock of our subsidiaries, our ability to pay dividends in future periods will be dependent on our receiving dividends from our operating subsidiaries. Several of our operating subsidiaries are subject to financial services regulations and their ability to pay dividends may be restricted.

On February 7, 2012, the Board of Directors declared a quarterly cash dividend of \$0.10 per share payable on March 30, 2012.

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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.

(in millions, except per share data)	Year ended December 31,				
	2011	2010	2009	2008	2007
Statements of Income Data:					
Revenues (a)	\$ 5,491.4	\$ 5,192.7	\$ 5,083.6	\$ 5,282.0	\$ 4,900.2
Operating expenses (b) (c) (d)	4,106.4	3,892.6	3,800.9	3,927.0	3,578.2
Operating income (a) (b) (c) (d)	1,385.0	1,300.1	1,282.7	1,355.0	1,322.0
Interest income (e)	5.2	2.8	9.4	45.2	79.4
Interest expense (f)	(181.9)	(169.9)	(157.9)	(171.2)	(189.0)
Other income/(expense), net, excluding interest income and interest expense (g)	66.3	12.2	(2.7)	9.7	10.0
Income before income taxes (a) (b) (c) (d) (e) (f) (g)	1,274.6	1,145.2	1,131.5	1,238.7	1,222.4
Net income (a) (b) (c) (d) (e) (f) (g) (h)	1,165.4	909.9	848.8	919.0	857.3
Depreciation and amortization	192.6	175.9	154.2	144.0	123.9
Cash Flow Data:					
Net cash provided by operating activities (i)	1,174.9	994.4	1,218.1	1,253.9	1,103.5
Capital expenditures (j)	(162.5)	(113.7)	(98.9)	(153.7)	(192.1)
Common stock repurchased (k)	(803.9)	(581.4)	(400.2)	(1,314.5)	(726.8)
Earnings Per Share Data:					
Basic (a) (b) (c) (d) (e) (f) (g) (h) (k)	\$ 1.85	\$ 1.37	\$ 1.21	\$ 1.26	\$ 1.13
Diluted (a) (b) (c) (d) (e) (f) (g) (h) (k)	\$ 1.84	\$ 1.36	\$ 1.21	\$ 1.24	\$ 1.11
Cash dividends to stockholders per common share (l)	\$ 0.31	\$ 0.25	\$ 0.06	\$ 0.04	\$ 0.04
Key Indicators (unaudited):					
Consumer-to-consumer transactions (m)	225.8	213.7	196.1	188.1	167.7
Global business payments transactions (n)	425.0	404.9	414.8	412.1	404.5

	As of December 31,				
	2011	2010	2009	2008	2007
Balance Sheet Data:					
Settlement assets	\$ 3,091.2	\$ 2,635.2	\$ 2,389.1	\$ 1,207.5	\$ 1,319.2
Total assets	9,069.9	7,929.2	7,353.4	5,578.3	5,784.2
Settlement obligations	3,091.2	2,635.2	2,389.1	1,207.5	1,319.2
Total borrowings	3,583.2	3,289.9	3,048.5	3,143.5	3,338.0
Total liabilities	8,175.1	7,346.5	6,999.9	5,586.4	5,733.5
Total stockholders' equity/(deficiency)	894.8	582.7	353.5	(8.1)	50.7

- (a) Revenue for the years ended December 31, 2011, 2010 and 2009 included \$129.9 million, \$111.0 million and \$30.8 million, respectively, of revenue related to the Custom House acquisition in September 2009, which has subsequently been rebranded to "Western Union Business Solutions." Revenue for the year ended December 31, 2011 included \$35.2 million of revenue related to Travelex Global Business Payments ("TGBP"), which was acquired in November 2011.

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- (b) Our stock-based compensation expense in 2007 included a charge of \$22.3 million related to the vesting of the remaining converted unvested Western Union stock-based awards upon the completion of the acquisition of First Data Corporation on September 24, 2007 by an affiliate of Kohlberg Kravis Roberts & Co.
- (c) Operating expenses for the years ended December 31, 2011 and 2010 included \$46.8 million and \$59.5 million of restructuring and related expenses, respectively, associated with a restructuring plan designed to reduce overall headcount and migrate positions from various facilities, primarily within the United States and Europe, to regional operating centers. Operating expenses for the year ended December 31, 2008 included \$82.9 million of restructuring and related expenses associated with the closure of our facilities in Missouri and Texas and other reorganization plans. No restructuring and related expenses were incurred during 2009 or 2007.
- (d) Operating expenses for the year ended December 31, 2009 included an accrual of \$71.0 million resulting from an agreement and settlement, which resolved all outstanding legal issues and claims with the State of Arizona and required us to fund a multi-state not-for-profit organization promoting safety and security along the United States and Mexico border, in which California, Texas and New Mexico have participated with Arizona. The settlement agreement was signed on February 11, 2010.
- (e) Interest income consists of interest earned on cash balances not required to satisfy settlement obligations and in connection with loans previously made to certain existing agents.
- (f) Interest expense primarily relates to our outstanding borrowings.
- (g) In 2011, we recognized gains of \$20.5 million and \$29.4 million, in connection with the remeasurement of our former equity interests in Finint, S.r.l. and Angelo Costa, S.r.l., respectively, to fair value. These equity interests were remeasured in conjunction with our purchases of the remaining interests in these entities that we previously did not hold. Additionally, in 2011, we recognized a \$20.8 million net gain on foreign currency forward contracts with maturities of less than one year entered into in order to reduce the economic variability related to the cash amounts used to fund acquisitions of businesses with purchase prices denominated in foreign currencies, primarily for the TGBP acquisition. In 2009, given the increased uncertainty, at that time, surrounding the numerous third-party legal claims associated with our receivable from the Reserve International Liquidity Fund, Ltd., we reserved \$12.0 million representing the estimated impact of a pro-rata distribution. In 2010, we recorded a recovery of this reserve of \$6.3 million due to the final settlement of this receivable.
- (h) In December 2011, we reached an agreement with the United States Internal Revenue Service (“IRS Agreement”) resolving substantially all of the issues related to the restructuring of our international operations in 2003. As a result of the IRS Agreement, we recognized a tax benefit of \$204.7 million related to the adjustment of reserves associated with this matter.
- (i) Net cash provided by operating activities decreased during the year ended December 31, 2010, primarily due to a \$250 million tax deposit made relating to United States federal tax liabilities, including those arising from our 2003 international restructuring, which were previously accrued in our consolidated financial statements. Also impacting net cash provided by operating activities during the year ended December 31, 2010 were cash payments of \$71.0 million related to the agreement and settlement with the State of Arizona and other states.
- (j) Capital expenditures include capitalization of contract costs, capitalization of purchased and developed software and purchases of property and equipment.
- (k) On February 1, 2011, the Board of Directors authorized \$1 billion of common stock repurchases through December 31, 2012, of which \$615.5 million remains available as of December 31, 2011. During the years ended December 31, 2011, 2010, 2009, 2008 and 2007, we repurchased 40.3 million, 35.6 million, 24.8 million, 58.1 million and 34.7 million shares, respectively.

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- (l) During 2011, the Board of Directors declared quarterly cash dividends of \$0.08 per common share in each of the last three quarters and \$0.07 per common share in the first quarter. During 2010, the Board of Directors declared quarterly cash dividends of \$0.07 per common share in the fourth quarter and \$0.06 per common share in each of the first three quarters. During the fourth quarter of 2009, the Board of Directors declared an annual cash dividend of \$0.06 per common share. During the fourth quarter of 2008 and 2007, the Board of Directors declared an annual cash dividend of \$0.04 per common share.
- (m) Consumer-to-consumer transactions include Western Union, Vigo and Orlandi Valuta branded consumer-to-consumer money transfer services worldwide.
- (n) Global business payments transactions include the Western Union Payments service, formerly Quick Collect, Convenience Pay, Speedpay, Equity Accelerator, Just in Time EFT, Pago Fácil, and Western Union Business Solutions. Amounts also include transactions for Custom House and TGBP since the acquisitions in September 2009 and November 2011, respectively.

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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 services, operating in two business segments:

- *Consumer-to-consumer* — money transfer services between consumers, primarily through a global network of third-party agents using our multi-currency, real-time money transfer processing systems. This service is available for international cross-border transfers — that is, the transfer of funds from one country to another—and, in certain countries, intra-country transfers—that is, money transfers from one location to another in the same country.
- *Global business payments* — the processing of payments from consumers or businesses to other businesses. Our business payments services allow consumers to make payments to a variety of organizations including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses. Our existing Western Union Business Solutions business ("Business Solutions") and Travelex Global Business Payments ("TGBP"), which was acquired in November 2011, are also included in this segment. These businesses facilitate business-to-business payments, primarily for cross-border, cross-currency transactions. The majority of the segment's revenue was generated in the United States during all periods presented. However, international expansion and other key strategic initiatives, including TGBP, have resulted in international revenue continuing to increase in this segment.

Businesses not considered part of the segments described above are categorized as "Other" and represented 2% or less of consolidated revenue during the years ended December 31, 2011, 2010 and 2009.

Significant Financial and Other Highlights

Significant financial and other highlights for the year ended December 31, 2011 included:

- We generated \$5,491.4 million in total consolidated revenues compared to \$5,192.7 million in the prior year, representing a year-over-year increase of 6%. The acquisition of TGBP contributed \$35.2 million to revenue for 2011.
- We incurred \$46.8 million and \$59.5 million of restructuring and related expenses as described within "Operating expenses overview" in the years ended December 31, 2011 and 2010, respectively.
- We generated \$1,385.0 million in consolidated operating income compared to \$1,300.1 million in the prior year, representing an increase of 7%. The results include the restructuring and related expenses mentioned above.

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- Our operating income margin was 25% during the year ended December 31, 2011, which is flat year-over-year. These results include the restructuring and related expenses mentioned above.
- We completed three acquisitions in the year ended December 31, 2011:
 - In April 2011, we completed the acquisition of one of our largest agents, European-based Angelo Costa, S.r.l. (“Costa”), for cash consideration of \$135.7 million. We recognized a pre-tax gain of \$29.4 million in connection with the remeasurement of our former equity interest in Costa to fair value.
 - In October 2011, we completed the acquisition of one of our largest agents, European-based Finint S.r.l. (“Finint”), for cash consideration of \$139.4 million. We recognized a pre-tax gain of \$20.5 million in connection with the remeasurement of our former equity interest in Finint to fair value.
 - In November 2011, we completed the acquisition of the business-to-business payment business known as TGBP from Travelex Holdings Limited for cash consideration of \$967.8 million.
- In December 2011, we reached an agreement with the United States Internal Revenue Service (“IRS Agreement”) resolving substantially all of the issues related to the restructuring of our international operations in 2003. As a result of the IRS Agreement, we recognized a tax benefit of \$204.7 million related to the adjustment of reserves associated with this matter.
- Consolidated net income was \$1,165.4 million and \$909.9 million for the years ended December 31, 2011 and 2010, respectively, representing a year-over-year increase of 28%. In addition to the tax benefit described above, the results include \$32.0 million and \$39.3 million in restructuring and related expense, net of tax, respectively. Additionally, for 2011, we recognized gains of \$12.7 million and \$18.3 million, net of tax, related to our acquisitions of Finint and Costa, respectively, and \$13.5 million, net of tax, related to foreign currency forward contracts entered into to reduce the economic variability related to the cash amounts used to fund acquisitions of businesses with purchase prices denominated in foreign currencies, primarily for the TGBP acquisition.
- Our consumers transferred \$81 billion and \$76 billion in consumer-to-consumer principal for the years ended December 31, 2011 and 2010, respectively, of which \$73 billion and \$69 billion related to cross-border principal, which represented an increase of 7% in both consumer-to-consumer principal and cross-border principal over the prior year.
- Consolidated cash flows provided by operating activities were \$1,174.9 million and \$994.4 million for the years ended December 31, 2011 and 2010, respectively. Cash flows provided by operating activities in 2010 were impacted by a \$250 million tax deposit we made relating to United States federal tax liabilities, including those arising from our 2003 international restructuring, which have been previously accrued for in our consolidated financial statements.

Our strategic priorities for ensuring our long-term success include accelerating profitable growth in our retail channels, developing new products and services for our consumers, including expanding our electronic channel offerings to offer more choice and gain new consumers, expanding our business-to-business payments solutions, and improving our processes and productivity to help drive growth and improve our profitability. Significant factors affecting our financial condition and results of operations include:

- Transaction volume is the primary generator of revenue in our businesses. Transaction volume in our consumer-to-consumer segment is affected by, among other things, the size of the international migrant population and individual needs to transfer funds in emergency situations. As noted elsewhere in this Annual Report on Form 10-K, a reduction in the size of the migrant population, interruptions in migration

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patterns or reduced employment opportunities including those resulting from any changes in immigration laws, economic development patterns or political events, could adversely affect our transaction volume. For discussion on how these factors have impacted us in recent periods, refer to the consumer-to-consumer segment discussion below.

- Revenue is also impacted by changes in the fees we charge consumers, the principal sent per transaction and by the variance in the exchange rate set by us to the customer and the rate at which we or our agents are able to acquire currency. We intend to continue to implement future strategic fee reductions and actions to adjust foreign exchange spreads, where appropriate, taking into account growth opportunities and including competitive factors. Decreases in our fees or foreign exchange spreads generally reduce margins in the near term, but are done in anticipation that they will result in increased transaction volumes and increased revenues over time.
- A majority of our cost structure is comprised of agent commissions, which are generally variable and fluctuate as revenues fluctuate.
- Fluctuations in the exchange rate between the United States dollar and other currencies impact our transaction fee and foreign exchange revenue. The impact to earnings per share is less than the revenue impact due to the translation of expenses and our foreign currency hedging program.

Spin-off from First Data

We were incorporated in Delaware as a wholly-owned subsidiary of First Data on February 17, 2006. On September 29, 2006, First Data distributed all of its money transfer and consumer payments businesses and its interest in a Western Union money transfer agent, as well as its related assets, including real estate, through a tax-free distribution to First Data shareholders (“Spin-off”) through this previously owned subsidiary.

Basis of Presentation

The financial statements in this Annual Report on Form 10-K are presented on a consolidated basis and include the accounts of our Company and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Components of Revenues and Expenses

The following briefly describes the components of revenues and expenses as presented in the Consolidated Statements of Income. Descriptions of our revenue recognition policies are included in Item 8, Note 2—“Summary of Significant Accounting Policies” in our Consolidated Financial Statements.

Transaction fees —Transaction fees are charged for sending consumer-to-consumer money transfers and for global business payments services. Consumer-to-consumer transaction fees generally vary according to the principal amount of the money transfer and the locations from and to which the funds are sent and received. Transaction fees represented 77% of our total consolidated revenues for the year ended December 31, 2011.

Foreign exchange revenues —In certain consumer-to-consumer money transfer and global business payments transactions involving different currencies, we generate revenues based on the difference between the exchange rate set by us to the customer and the rate at which we or our agents are able to acquire currency. In our consumer-to-consumer business, foreign exchange revenue is primarily driven by international consumer-to-consumer cross-currency transactions. Also, as a result of the acquisitions of Custom House, Ltd. (“Custom House”) and TGBP, our foreign exchange revenues have increased. Foreign exchange revenues represented 21% of our total consolidated revenues for the year ended December 31, 2011.

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Other revenues —Other revenues primarily consist of commissions and fees we receive in connection with the sale of money orders, investment income primarily derived from interest generated on consumer-to-consumer money transfer, money order and payment services settlement assets as well as realized net gains and losses from such assets and enrollment fees received when consumers enroll in our Equity Accelerator program (a recurring mortgage payment service program). Other revenues represented 2% of our total consolidated revenue for the year ended December 31, 2011. Prior to October 1, 2009, our money orders were issued by Integrated Payment Systems Inc. (“IPS”), a subsidiary of First Data, from whom we received a commission. Effective October 1, 2009, we assumed the responsibility for issuing money orders and no longer receive a commission from IPS. We now recognize fees and investment income derived from interest generated on money order settlement assets as well as realized net gains and losses from such assets similar to our consumer-to-consumer money transfer and payment services settlement assets.

Cost of services— Cost of services primarily consists of agent commissions, which represent approximately 70% of total cost of services, and expenses for call centers, settlement operations, and related information technology costs. Expenses within these functions include personnel, software, equipment, telecommunications, bank fees, depreciation and amortization and other expenses incurred in connection with providing money transfer and other payment services.

Selling, general and administrative —Selling, general and administrative, or “SG&A,” primarily consists of salaries, wages and related expenses paid to sales and administrative personnel, as well as certain advertising and promotional costs and other selling and administrative expenses.

Interest income —Interest income consists of interest earned on cash balances not required to satisfy settlement obligations and in connection with loans previously made to certain existing agents.

Interest expense —Interest expense represents interest incurred in connection with outstanding borrowings, including applicable amounts associated with interest rate swaps.

Derivative gains/(losses), net —Represents the portion of the change in fair value of foreign currency accounting hedges that is excluded from the measurement of effectiveness, which includes (a) differences between changes in forward rates and spot rates and (b) gains or losses on the contract and any offsetting positions during periods in which the instrument is not designated as a hedge. We also include in this line item changes in the fair value of derivative contracts, consisting of forward contracts with maturities of less than one year entered into to reduce the economic variability related to the cash amounts used to fund acquisitions of businesses with purchase prices denominated in foreign currencies. Although the majority of changes in the value of our hedges are deferred in accumulated other comprehensive income or loss until settlement (i.e., spot rate changes), the remaining portion of changes in value are recognized in income as they occur. Derivative gains and losses do not include fluctuations in foreign currency forward contracts intended to mitigate exposures on settlement activities of our consumer-to-consumer money transfer business or on certain foreign currency denominated cash positions. Gains and losses associated with those foreign currency forward contracts are included in “Selling, general and administrative expenses.” Derivative gains and losses also do not include fluctuations in foreign currency forward and option contracts used in our business-to-business payments operations. The impact of these contracts is classified within “Foreign exchange revenues” in the Consolidated Statements of Income.

Other income, net —Other income, net is comprised primarily of gains on revaluation of equity interests, equity earnings from equity method investments and miscellaneous income and expenses.

Results of Operations

The following discussion of our consolidated results of operations and segment results refers to the year ended December 31, 2011 compared to the same period in 2010 and the year ended December 31, 2010 compared to the same period in 2009. The results of operations should be read in conjunction with the discussion of our segment

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results of operations, which provide more detailed discussions concerning certain components of the Consolidated Statements of Income. All significant intercompany accounts and transactions between our Company's segments have been eliminated.

During the year ended December 31, 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. As a result of the IRS Agreement, we recognized a tax benefit of \$204.7 million related to the adjustment of reserves associated with this matter. For additional information, refer to "Income taxes."

We incurred expenses of \$46.8 million and \$59.5 million for the years ended December 31, 2011 and 2010, respectively, for restructuring and related activities, which have not been allocated to segments. No restructuring and related expenses were recognized in the corresponding period in 2009. While these items are identifiable to our segments, they are not included in the measurement of segment operating profit provided to the chief operating decision maker ("CODM") for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on restructuring and related activities refer to "Operating expenses overview."

During the year ended December 31, 2009, we recorded a \$71.0 million settlement accrual, which was not allocated to the segments. While this item was identifiable to our consumer-to-consumer segment, it was not included in the measurement of segment operating profit provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on the settlement accrual, refer to "Selling, general and administrative" expenses.

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The following table sets forth our consolidated results of operations for the years ended December 31, 2011, 2010 and 2009.

(in millions, except per share amounts)	Years Ended December 31,			% Change	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
Revenues:					
Transaction fees	\$ 4,220.2	\$ 4,055.3	\$ 4,036.2	4%	0%
Foreign exchange revenues	1,151.2	1,018.8	910.3	13%	12%
Other revenues	120.0	118.6	137.1	1%	(13)%
Total revenues	5,491.4	5,192.7	5,083.6	6%	2%
Expenses:					
Cost of services	3,102.0	2,978.4	2,874.9	4%	4%
Selling, general and administrative	1,004.4	914.2	926.0	10%	(1)%
Total expenses	4,106.4	3,892.6	3,800.9	5%	2%
Operating income	1,385.0	1,300.1	1,282.7	7%	1%
Other income/(expense):					
Interest income	5.2	2.8	9.4	86%	(70)%
Interest expense	(181.9)	(169.9)	(157.9)	7%	8%
Derivative gains/(losses), net	14.0	(2.5)	(2.8)	*	*
Other income, net	52.3	14.7	0.1	*	*
Total other expense, net	(110.4)	(154.9)	(151.2)	(29)%	2%
Income before income taxes	1,274.6	1,145.2	1,131.5	11%	1%
Provision for income taxes	109.2	235.3	282.7	(54)%	(17)%
Net income	\$ 1,165.4	\$ 909.9	\$ 848.8	28%	7%
Earnings per share:					
Basic	\$ 1.85	\$ 1.37	\$ 1.21	35%	13%
Diluted	\$ 1.84	\$ 1.36	\$ 1.21	35%	12%
Weighted-average shares outstanding:					
Basic	630.6	666.5	698.9		
Diluted	634.2	668.9	701.0		

* Calculation not meaningful

Revenues overview

The majority of transaction fees and foreign exchange revenues were contributed by our consumer-to-consumer segment for all periods presented, which is discussed in greater detail in “Segment Discussion.”

2011 compared to 2010

Consolidated revenue increased 6% during the year ended December 31, 2011 due to consumer-to-consumer transaction growth and the weakening of the United States dollar compared to most other foreign currencies, which positively impacted revenue, offset by slight price reductions. The weakening of the United States dollar

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compared to most other foreign currencies positively impacted revenue growth by approximately 1% in the year ended December 31, 2011. The acquisition of TGBP contributed \$35.2 million or 1% of revenue for the year ended December 31, 2011.

The Europe, Middle East, Africa and South Asia (“EMEASA”) region of our consumer-to-consumer segment, which represented 43% of our total consolidated revenue for the year ended December 31, 2011, experienced revenue growth primarily driven by most of the same factors described above. The United Kingdom, France, Germany, and the Gulf States continued to experience revenue growth during the year ended December 31, 2011, which was partially offset by softness in Southern Europe and Russia and declines resulting from the political unrest in Libya and the Ivory Coast.

The Americas region (including North America, Central America, the Caribbean and South America) of our consumer-to-consumer segment, which represented 32% of our total consolidated revenue for the year ended December 31, 2011, experienced revenue growth due to transaction growth, slightly offset by pricing reductions.

Foreign exchange revenues increased for the year ended December 31, 2011 compared to the same period in 2010 primarily due to increasing foreign exchange revenues in our consumer-to-consumer segment, driven primarily by the increased amount of cross-border principal sent. Additionally, foreign exchange revenues were positively impacted by the acquisition of TGBP and revenue growth experienced in our existing Business Solutions business.

Fluctuations in the exchange rate between the United States dollar and currencies other than the United States dollar have resulted in a benefit to transaction fees and foreign exchange revenues for the year ended December 31, 2011 of \$38.0 million over the previous year, net of foreign currency hedges, that would not have occurred had there been constant currency rates. The largest benefit was related to the EMEASA region.

2010 compared to 2009

Consolidated revenue increased 2% during the year ended December 31, 2010 due to consumer-to-consumer transaction growth and the acquisition of Custom House, which contributed \$111.0 million to revenue in 2010 and \$30.8 million in 2009. Transaction growth and incremental Custom House revenue were offset by price decreases, primarily related to pricing reductions taken in the domestic business (transactions between and within the United States and Canada) commencing in the fourth quarter of 2009, declines in our United States bill payments businesses, geographic and product mix, including a higher percentage of revenue earned from intra-country activity, which has a lower revenue per transaction, and the strengthening of the United States dollar compared to most other foreign currencies, which negatively impacted revenue.

The EMEASA region of our consumer-to-consumer segment, which represented 44% of our total consolidated revenue for the year ended December 31, 2010, experienced flat revenue despite transaction growth. Transaction growth was offset by the strengthening of the United States dollar in the region compared to most other foreign currencies, which negatively impacted revenue, and many of the same factors described above.

The Americas region of our consumer-to-consumer segment, which represented 31% of our total consolidated revenue for the year ended December 31, 2010, experienced revenue increases due to strong transaction growth, although the increase was mostly offset by the impact of pricing actions taken in our domestic business in the fourth quarter of 2009.

The global business payments segment, which is discussed in greater detail in “Segment Discussion,” also experienced revenue growth during the year ended December 31, 2010 compared to the prior year due to our acquisition of Custom House, which was partially offset by declines in our United States cash-based bill payments businesses.

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Foreign exchange revenues increased for the year ended December 31, 2010 over 2009 primarily due to foreign exchange revenues contributed from our acquisition of Custom House. In addition to the impact of Custom House, foreign exchange revenues in the consumer-to-consumer segment also grew, driven primarily by revenue from the international business outside of the United States.

Fluctuations in the exchange rate between the United States dollar and currencies other than the United States dollar have resulted in a reduction of transaction fee and foreign exchange revenue for the year ended December 31, 2010 of \$36.8 million over the previous year, net of foreign currency hedges, that would not have occurred had there been constant currency rates. The largest impact was related to the EMEASA region.

Operating expenses overview

Restructuring and related activities

On May 25, 2010 and as subsequently revised, our Board of Directors approved a restructuring plan (the “Restructuring Plan”) designed to reduce our overall headcount and migrate positions from various facilities, primarily within North America and Europe, to regional operating centers. As of September 30, 2011, we had incurred all of the expenses related to this Restructuring Plan. Total expense incurred under the Restructuring Plan for the period from May 25, 2010 through December 31, 2011 was \$106 million, consisting of \$75 million for severance and employee related benefits, \$5 million for facility closures, including lease terminations, and \$26 million for other expenses. Included in these expenses are \$2 million of non-cash expenses related to fixed asset and leasehold improvement write-offs and accelerated depreciation at impacted facilities. Total cost savings of approximately \$55 million were generated in 2011. Cost savings of approximately \$70 million are expected to be generated in 2012 and annually thereafter.

For the years ended December 31, 2011 and 2010, restructuring and related expenses of \$10.6 million and \$15.0 million, respectively, are classified within “Cost of services” and \$36.2 million and \$44.5 million, respectively, are classified within “Selling, general and administrative” in the Consolidated Statements of Income.

Cost of services

Cost of services increased for the year ended December 31, 2011 compared to the same period in 2010 primarily due to agent commissions, which increase in relation to revenue increases, the weakening of the United States dollar compared to most other foreign currencies, which resulted in a negative impact on the translation of our expenses, and incremental operating costs associated with TGBP, partially offset by commission savings resulting from the acquisitions of Finint and Costa, and the lowering of certain other agent commission rates. Cost of services as a percentage of revenue was 56% and 57% for the years ended December 31, 2011 and 2010, respectively. The decrease in cost of services as a percentage of revenue was primarily due to commission savings resulting from the acquisitions of Finint and Costa, offset by negative currency impacts.

Cost of services increased for the year ended December 31, 2010 compared to the same period in the prior year primarily due to incremental costs, including those related to Custom House, our money order business and advancing our electronic channel initiatives, including our web and account based money transfer services; agent commissions, which primarily increase in relation to revenue increases; and restructuring and related expenses of \$15.0 million, offset by operating efficiencies, primarily decreased bad debt expense. Cost of services as a percentage of revenue was 57% for both years ended December 31, 2010 and 2009 as incremental operating costs, including costs associated with our money order business and advancing our electronic channel initiatives, including our web and account based money transfer services, and restructuring and related expenses were offset by operating efficiencies, primarily decreased bad debt expense.

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Selling, general and administrative

Selling, general and administrative expenses (“SG&A”) increased for the year ended December 31, 2011 compared to the same period in 2010 primarily due to increased expenses resulting from the acquisitions of TGBP, Finint and Costa, including deal and integration costs associated with these acquisitions, investments in strategic initiatives, and the weakening of the United States dollar compared to most other foreign currencies, which resulted in a negative impact on the translation of our expenses, partially offset by restructuring savings.

SG&A decreased for the year ended December 31, 2010 compared to the same period in the prior year due to the settlement accrual that was recorded in 2009, as described below, lower marketing-related expenditures and operating efficiencies, offset by incremental costs associated with Custom House and our retail expansion in Europe pursuant to the Payment Services Directive, restructuring and related expenses of \$44.5 million and higher employee compensation costs.

During the year ended December 31, 2009, we recorded an accrual of \$71.0 million for an agreement and settlement with the State of Arizona and other states. On February 11, 2010, we signed this agreement and settlement, which resolved all outstanding legal issues and claims with the State of Arizona and required us to fund a multi-state not-for-profit organization promoting safety and security along the United States and Mexico border, in which California, Texas and New Mexico are participating with Arizona. The accrual included amounts for reimbursement to the State of Arizona for its costs associated with this matter. In addition, as part of the agreement and settlement, we have made and expect to make certain investments in our compliance programs along the United States and Mexico border and a monitor has been engaged for those programs. The costs of the investments in our programs and for the monitor are expected to reach up to \$23 million over the period from signing to 2013.

During the years ended December 31, 2011, 2010 and 2009, marketing-related expenditures, principally classified within SG&A, were approximately 4.1%, 4.1%, and 4.7%, respectively, of revenue. Marketing-related expenditures include advertising, events, loyalty programs and the cost of employees dedicated to marketing activities. When making decisions with respect to marketing investments, we review opportunities for advertising and other marketing-related expenditures together with opportunities for fee adjustments, as discussed in “Segment Discussion,” for consumer-to-consumer revenues and other initiatives in order to best maximize the return on these investments.

Total other expense, net

Total other expense, net decreased during the year ended December 31, 2011 compared to the same period in 2010 due to the gains of \$20.5 million and \$29.4 million in connection with the remeasurement of our former equity interests in Finint and Costa, respectively, to fair value. Additionally, during the year ended December 31, 2011, we recognized a \$20.8 million net gain on foreign currency forward contracts with maturities of less than one year entered into in order to reduce the economic variability related to the cash amounts used to fund acquisitions of businesses with purchase prices denominated in foreign currencies, primarily for the TGBP acquisition. These amounts were partially offset by increased interest expense in 2011 due to our debt issuances.

Total other expense, net increased during the year ended December 31, 2010 compared to 2009 primarily due to an increase in interest expense resulting from our \$250 million note issuance and financing costs incurred in connection with our note exchange, and a decrease in interest income due to lower short-term interest rates and the repayment of a note receivable due from an agent. These amounts were partially offset by the recovery of \$6.3 million of the \$12 million reserve recorded in the prior year against our receivable from the Reserve International Liquidity Fund due to the final settlement.

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Income taxes

Our effective tax rates on pre-tax income were 8.6%, 20.5% and 25.0% for the years ended December 31, 2011, 2010 and 2009, respectively. The decrease in our effective tax rate for the year ended December 31, 2011 is primarily due to an agreement with the IRS resolving substantially all of the issues related to the restructuring of our international operations in 2003, as described below, slightly offset by higher taxes associated with the Finint and Costa remeasurement gains. The tax rate for the year ended December 31, 2010 was impacted by a cumulative tax planning benefit from certain foreign acquisitions and the settlement with the IRS of certain issues relating to the 2002-2004 tax years. We continue to benefit from an increasing proportion of profits being foreign-derived, and therefore taxed at lower rates than our combined federal and state tax rates in the United States.

In December 2011, we reached an agreement with the IRS resolving substantially all of the issues related to the restructuring of our international operations in 2003. As a result of the IRS Agreement, we expect to make cash payments in 2012 of approximately \$190 million, which are in addition to the \$250 million tax deposit we made with the IRS in 2010. This deposit limits the further accrual of interest charges with respect to our related tax liabilities, to the extent of the deposit. The \$250 million refundable tax deposit is recorded as a reduction to "Income taxes payable" in the consolidated balance sheets as of December 31, 2011. Also as a result of the IRS Agreement, we recognized a tax benefit of \$204.7 million related to the adjustment of reserves associated with this matter. We also expect the settlement with the IRS to result in a lower effective tax rate in future years.

We have established contingency reserves for a variety of material, known tax exposures. As of December 31, 2011, the total amount of tax contingency reserves was \$135.0 million, including accrued interest and penalties, net of related benefits. 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. 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 facts and circumstances (i.e. new information) surrounding a tax issue and (ii) any difference from our tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in our consolidated financial statements in future periods and could impact our operating cash flows.

Earnings per share

During the years ended December 31, 2011, 2010 and 2009, basic earnings per share were \$1.85, \$1.37 and \$1.21, respectively, and diluted earnings per share were \$1.84, \$1.36 and \$1.21, respectively. Unvested shares of restricted stock are excluded from basic shares outstanding. Diluted earnings per share reflects the potential dilution that could occur if outstanding stock options at the presented dates are exercised and shares of restricted stock have vested. As of December 31, 2011, 2010 and 2009, there were 17.1 million, 34.0 million and 37.5 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation under the treasury stock method as their effect was anti-dilutive.

Of the 30.7 million, 37.5 million and 42.8 million outstanding options to purchase shares of our common stock as of December 31, 2011, 2010 and 2009, respectively, approximately 32%, 35% and 40%, respectively, were held by employees of First Data.

Earnings per share increased for the year ended December 31, 2011 compared to the corresponding previous periods, respectively, as a result of the previously described factors impacting net income, mainly from the tax related benefit discussed above, and lower weighted-average shares outstanding. Earnings per share increased for the year ended December 31, 2010 compared to the corresponding previous periods, respectively, as a result of the previously described factors impacting net income and lower weighted-average shares outstanding. The lower number of shares outstanding was due to stock repurchases exceeding stock option exercises.

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Segment Discussion

We manage our business around the consumers and businesses we serve and the types of services we offer. Each of our two segments addresses a different combination of consumer groups, distribution networks and services offered. Our segments are consumer-to-consumer and global business payments. Businesses not considered part of these segments are categorized as “Other.”

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

- The accounting policies of the reporting segments are the same as those described in the summary of significant accounting policies.
- Corporate and other overhead is allocated to the segments primarily based on a percentage of the segments’ revenue compared to total revenue.
- Expenses incurred in connection with mergers and acquisitions are included in “Other.”
- We incurred expenses of \$46.8 million and \$59.5 million for restructuring and related activities for the years ended December 31, 2011 and 2010, respectively, which were not allocated to segments. No expenses were recognized for restructuring and related activities in 2009. While these items were identifiable to our segments, they were not included in the measurement of segment operating profit provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on restructuring and related activities, refer to “Operating expenses overview.”
- During 2009, we recorded an accrual of \$71.0 million resulting from the multi-state agreement and settlement, which was not allocated to the segments. While this item was identifiable to our consumer-to-consumer segment, it was not included in the measurement of segment operating profit provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on the settlement accrual, refer to “Operating expenses overview.”
- 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, 2011, 2010 and 2009.

	Years Ended December 31,		
	2011	2010	2009
Consumer-to-consumer (a)			
EMEASA	43%	44%	45%
Americas	32%	31%	32%
APAC	9%	9%	8%
Total consumer-to-consumer	84%	84%	85%
Global business payments	14%	14%	14%
Other	2%	2%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

- (a) The consumer-to-consumer geographic split is determined based upon the region where the money transfer is initiated and the region where the money transfer is paid. For transactions originated and paid in different regions, we split the revenue between the two regions, with each region receiving 50%. For money transfers initiated and paid in the same region, 100% of the revenue is attributed to that region.

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Consumer-to-Consumer Segment

The following table sets forth our consumer-to-consumer segment results of operations for the years ended December 31, 2011, 2010 and 2009.

(dollars and transactions in millions)	Years Ended December 31,			% Change	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
Revenues:					
Transaction fees	\$ 3,580.2	\$ 3,434.3	\$ 3,373.5	4%	2%
Foreign exchange revenues	983.1	905.8	877.1	9%	3%
Other revenues	45.1	43.3	50.1	4%	(14)%
Total revenues	\$ 4,608.4	\$ 4,383.4	\$ 4,300.7	5%	2%
Operating income	\$ 1,316.0	\$ 1,243.3	\$ 1,175.5	6%	6%
Operating income margin	29%	28%	27%		
Key indicator:					
Consumer-to-consumer transactions	225.8	213.7	196.1	6%	9%

The table below sets forth transaction and revenue growth rates by region for the years ended December 31, 2011 and 2010.

	Years Ended December 31,	
	2011	2010
Consumer-to-consumer transaction growth (a):		
EMEASA	4%	5%
Americas	6%	11%
APAC	9%	14%
Consumer-to-consumer revenue growth (a):		
EMEASA	4%	0%
Americas	5%	2%
APAC	11%	13%

- (a) In determining the revenue and transaction growth rates under the regional view in the above table, the geographic split is determined based upon the region where the money transfer is initiated and the region where the money transfer is paid. For transactions originated and paid in different regions, we split the transaction count and revenue between the two regions, with each region receiving 50%. For money transfers initiated and paid in the same region, 100% of the revenue and transactions are attributed to that region.

When referring to revenue and transaction growth rates for individual countries in the following discussion, all transactions to, from and within those countries, and 100% of the revenue associated with each transaction to, from and within those countries are included. The countries of India and China combined represented approximately 8%, 7% and 7% of our consolidated revenues during the years ended December 31, 2011, 2010 and 2009, respectively. No individual country, other than the United States, represented more than approximately 6% of our consolidated revenue for each of the years ended December 31, 2011, 2010 and 2009.

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Transaction fees and foreign exchange revenues

2011 compared to 2010

For the year ended December 31, 2011 compared to the same period in 2010, consumer-to-consumer money transfer revenue grew 5%, on transaction growth of 6%. The weakening of the United States dollar compared to most other foreign currencies positively impacted our revenue growth by approximately 1%, which was offset by slight price reductions for the year ended December 31, 2011.

Revenue in our EMEASA region increased 4% during the year ended December 31, 2011 compared to the same period in 2010 due to transaction growth of 4% as well as the other factors described above. The United Kingdom, France, Germany, and the Gulf States continued to experience revenue and transaction growth for the year ended December 31, 2011 versus the prior year, which was partially offset by softness in Southern Europe and Russia and declines resulting from the political unrest in Libya and the Ivory Coast. Our money transfer business to India experienced revenue growth of 11% and transaction growth of 10% for the year ended December 31, 2011 versus the prior year.

Americas revenue increased 5% due to transaction growth of 6% for the year ended December 31, 2011 compared to the same period in 2010. Our domestic business experienced revenue growth of 8% for the year ended December 31, 2011 due to transaction growth of 16%. Transaction growth in our domestic business was higher than revenue growth due to transaction growth being greater in lower principal bands, which have lower revenue per transaction. Our United States outbound business experienced both transaction and revenue growth in the year ended December 31, 2011. Mexico revenue increased 2% on flat transactions for the year ended December 31, 2011. Our Mexico business is being affected by on-going changes to our compliance procedures related to the agreement and settlement with the State of Arizona and other states. These changes are expected to cause our Mexico business to decline in 2012.

Revenue in our Asia Pacific (“APAC”) region increased 11% for the year ended December 31, 2011 compared to the same period in 2010 due to transaction growth of 9% and the weakening of the United States dollar compared to most other foreign currencies, which positively impacted revenue. China’s revenue increased 6% for year ended December 31, 2011 on transaction growth of 4% for the year ended December 31, 2011.

Foreign exchange revenues for the year ended December 31, 2011 grew compared to the same period in 2010, driven primarily by increased amounts of cross-border principal sent.

Fluctuations in the exchange rate between the United States dollar and currencies other than the United States dollar have resulted in a benefit to transaction fees and foreign exchange revenues for the year ended December 31, 2011 of \$39.1 million over the same period in 2010, net of foreign currency hedges, that would not have occurred had there been constant currency rates. The largest benefit was related to the EMEASA region.

We have historically implemented and will likely implement future strategic fee reductions and actions to adjust foreign exchange spreads, where appropriate, taking into account a variety of factors. Fee and foreign exchange reductions generally reduce revenues in the near term, but are done in anticipation that they will result in increased transaction volumes and increased revenues over time. In certain corridors, we may also implement fee or foreign exchange spread increases. In 2011, we adjusted our reporting of the net impact of price reductions. We now calculate the impact of price reductions against prior year transaction volumes, rather than current year transaction volumes. We believe utilizing prior year transaction volumes more appropriately differentiates between the impacts of price reductions versus other items impacting revenue. Under the new methodology, the fee decreases and foreign exchange actions were approximately 1% of total Western Union revenue for the full year 2011 compared to approximately 3% for the full year 2010, as fee reductions were slightly lower and there is some offset by modest increases in foreign currency spreads in some corridors. Under the previous methodology, we reported that the impact of price reductions in 2010 was 4%.

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The majority of transaction growth is derived from more mature agent locations; new agent locations typically contribute only marginally to growth in the first few years of their operation. Increased productivity, measured by transactions per location, is often experienced as locations mature. We believe that new agent locations will help our growth by increasing the number of locations available to send and receive money. We generally refer to locations with more than 50% of transactions being initiated (versus paid) as “send locations” and to the balance of locations as “receive locations.” Send locations are the engine that drives consumer-to-consumer revenue. They contribute more transactions per location than receive locations. However, a wide network of receive locations is necessary to build each corridor and to help ensure global distribution and convenience for consumers. The number of send and receive transactions at an agent location can vary significantly due to such factors as customer demographics around the location, migration patterns, the location’s class of trade, hours of operation, length of time the location has been offering our services, regulatory limitations and competition. Each of the more than 485,000 agent locations in our agent network is capable of providing one or more of our services; however, not every location completes a transaction in a given period. For example, as of December 31, 2011, more than 85% of agent locations in the United States, Canada and Western Europe (representing at least one of our three money transfer brands: Western Union[®], Orlandi Valuta^(SM) and Vigo[®]) experienced money transfer activity in the previous 12 months. In the developing regions of Asia and other areas where there are primarily receive locations, approximately 65% of locations experienced money transfer activity in the previous 12 months. We periodically review locations to determine whether they remain enabled to perform money transfer transactions.

2010 compared to 2009

For the year ended December 31, 2010 compared to the prior year, consumer-to-consumer money transfer revenue grew 2% primarily due to transaction growth of 9%. Transaction growth was offset by price decreases, primarily related to pricing reductions taken in the domestic business commencing in the fourth quarter of 2009, geographic and product mix, including a higher percentage of revenue earned from intra-country activity, and the strengthening of the United States dollar compared to most other foreign currencies, which negatively impacted revenue by approximately 1%. Our international consumer-to-consumer business experienced revenue growth of 3% on transaction growth of 8% for the year ended December 31, 2010. Our international business represents all transactions other than transactions between and within the United States and Canada and transactions to and from Mexico. Our international consumer-to-consumer business outside of the United States also experienced revenue growth on transaction increases for the year ended December 31, 2010.

Revenue in our EMEASA region remained flat during the year ended December 31, 2010 compared to the prior year despite transaction growth of 5%. Transaction growth was offset by the strengthening of the United States dollar compared to most other foreign currencies in the region and many of the same factors described above. Our European market experienced transaction growth during the year ended December 31, 2010 compared to the prior year. In addition, for the full year ended December 31, 2010, revenue and transactions in the Gulf States declined moderately compared to the same period in 2009, however, both revenue and transactions grew in the fourth quarter of 2010 compared to the comparable period in the prior year. India had transaction growth of 4% and revenue growth of 5% for the year ended December 31, 2010 versus the same period in 2009.

Americas revenue increased 2% on transaction growth of 11% for the year ended December 31, 2010 compared to the prior year due to the pricing actions taken in the domestic business commencing in the fourth quarter of 2009. Our domestic business experienced revenue declines of 6% on transaction growth of 28% for the year ended December 31, 2010 due to the same factors. However, in the fourth quarter of 2010, our domestic business experienced revenue growth of 7% on transaction growth of 29% as we reached the anniversary of the pricing reductions taken in the fourth quarter of 2009. Our United States outbound business experienced both transaction and revenue growth in the year ended December 31, 2010. Our Mexico business revenue was flat during the year ended December 31, 2010 on transaction growth of 2%.

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APAC revenue increased 13% for the year ended December 31, 2010 compared to the prior year due to transaction growth of 14%. China's revenue increased 10% on transaction growth of 7% for the year ended December 31, 2010.

Foreign exchange revenues for the year ended December 31, 2010 grew compared to the prior year, driven primarily by revenue from our international consumer-to-consumer business outside of the United States.

Fluctuations in the exchange rate between the United States dollar and currencies other than the United States dollar have resulted in a reduction to transaction fees and foreign exchange revenues for the year ended December 31, 2010 of \$32.3 million over the same period in the previous year, net of foreign currency hedges, that would not have occurred had there been constant currency rates. The largest impact was related to the EMEASA region.

Operating income

2011 compared to 2010

Consumer-to-consumer operating income increased 6% during the year ended December 31, 2011 compared to the same period in 2010 due to revenue growth. The change in operating income margin for the year ended December 31, 2011 compared to the same period in 2010 was primarily due to restructuring savings and revenue leverage, partially offset by negative currency impacts, including the effect of foreign currency hedges, and spending on initiatives.

2010 compared to 2009

Consumer-to-consumer operating income increased 6% during the year ended December 31, 2010 compared to the same period in 2009 due to lower marketing expenses and operating efficiencies, primarily decreased bad debt expense, offset by higher employee compensation costs and incremental costs associated with our retail expansion in Europe pursuant to the Payment Services Directive. The increase in operating income margin for the year ended December 31, 2010 compared to the same period in the prior year resulted from these same factors.

Global Business Payments Segment

The following table sets forth our global business payments segment results of operations for the years ended December 31, 2011, 2010 and 2009.

(dollars and transactions in millions)	Years Ended December 31,			% Change	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
Revenues:					
Transaction fees	\$ 587.8	\$ 578.0	\$ 621.9	2%	(7)%
Foreign exchange revenues	168.1	113.0	33.2	49%	*
Other revenues	28.8	30.7	36.6	(6)%	(16)%
Total revenues	\$ 784.7	\$ 721.7	\$ 691.7	9%	4%
Operating income	\$ 140.4	\$ 122.5	\$ 171.9	15%	(29)%
Operating income margin	18%	17%	25%		
Key indicator:					
Global business payments transactions	425.0	404.9	414.8	5%	(2)%

* Calculation not meaningful

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Revenues

2011 compared to 2010

During the year ended December 31, 2011, global business payments segment revenue was positively impacted by our acquisition of TGBP, which contributed \$35.2 million of revenue, primarily included in foreign exchange revenues, and revenue growth in international bill payments, Business Solutions, and United States electronic bill payments, partially offset by a decline in United States cash-based bill payments.

Transaction growth during the year ended December 31, 2011 compared to the same period in 2010 was due to growth in our international bill payments and United States electronic bill payments businesses.

2010 compared to 2009

During the year ended December 31, 2010, global business payments segment revenue was positively impacted by our acquisition of Custom House, which contributed \$111.0 million of revenue in 2010 versus \$30.8 million in 2009, primarily included in foreign exchange revenues, and growth in the Pago Fácil business. These increases were offset by revenue declines in our United States cash-based bill payments businesses as many United States consumers who would use our services continued to have difficulty paying their bills and continue to be unable to obtain credit in any form, resulting in us handling fewer bill payments. The ongoing trend away from cash based bill payments in the United States and competitive pressures, which resulted in lower cash and electronic volumes and a shift to lower revenue per transaction products, also contributed to the revenue declines.

The transaction declines during the year ended December 31, 2010 compared to the same period in 2009 were due to declines in our United States bill payments businesses.

Operating income

2011 compared to 2010

For the year ended December 31, 2011, operating income increased compared to the prior year primarily due to revenue increases, a decrease in integration expenses related to the acquisition of Custom House, decreased debit card bank fees due to the recent Durbin legislation, and restructuring savings, partially offset by declines in our United States cash-based bill payments business, which has a higher margin than other payment services in the segment, and integration and amortization expenses related to the acquisition of TGBP.

The changes in operating income margins in the segment are due to the same factors mentioned above.

2010 compared to 2009

For the year ended December 31, 2010, operating income decreased compared to the same period in the prior year primarily due to declines related to the United States cash-based bill payments business, and investing and operating costs, including amortization expense, associated with the acquisition of Custom House.

The decline in operating income margin in the segment is primarily due to the increased costs associated with the acquisition of Custom House and declines in our United States cash-based bill payments business.

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Other

The following table sets forth other results for the years ended December 31, 2011, 2010 and 2009.

(dollars in millions)	Years Ended December 31,			% Change	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
Revenues	\$ 98.3	\$ 87.6	\$ 91.2	12%	(4)%
Operating (loss)/income	\$ (24.6)	\$ (6.2)	\$ 6.3	*	*

* Calculation not meaningful

Revenues

2011 compared to 2010

Revenue grew for the year ended December 31, 2011 compared to the prior year primarily due to volume increases in our prepaid business.

2010 compared to 2009

Revenue, generated primarily from our money order services business, declined for the year ended December 31, 2010 compared to the same period in the prior year. We experienced a decrease in the amount of revenue earned related to our money order services business as we no longer receive a fixed return of 5.5% from IPS on outstanding money order balances as we did for the first three quarters of 2009. We now 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. These securities generally have a lower rate of return than we were receiving under our previous agreement with IPS.

Operating (loss)/income

2011 compared to 2010

During the year ended December 31, 2011, the increase in operating loss was primarily due to deal costs associated with the TGBP acquisition.

2010 compared to 2009

During the year ended December 31, 2010, the decrease in operating income was due to the decrease in revenue from our money order services business, as described above, and an increase in promotional marketing activities related to our prepaid business in the United States. In 2009, we also incurred additional costs associated with evaluating and closing acquisitions compared to 2010.

Further financial information relating to each of our segments' external revenue, operating profit measures and total assets is set forth in Note 17 to our Consolidated Financial Statements.

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2012 Changes in Reportable Segments

In connection with the acquisition of TGBP, recent management changes, and other key strategic initiatives, we will implement a new segment structure to assess performance and allocate resources, beginning in the first quarter of 2012. The changes in our segment structure primarily relate to the separation of the Global Business Payments segment into two new reportable segments, Consumer-to-Business and Business Solutions. A summary of how the segments will be structured follows:

Segment	Description
Consumer-to-Consumer	Money transfer services between consumers, primarily through a global network of third-party agents.
Consumer-to-Business	Processing of payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses.
Business Solutions	Business-to-business payment solutions, primarily for cross-border, cross-currency transactions, including services provided under our existing Western Union Business Solutions business and TGBP, which was acquired in November 2011.
Other	Businesses that have not been classified into one of our other segments. These businesses primarily include our money order and prepaid services businesses.

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, timing of income tax payments, including our tax deposit described further in “Cash Flows from Operating Activities,” and collections on receivables, among other items. The majority of our interest payments are due in the second and fourth quarters which results in a decrease in the amount of cash provided by operating activities in those quarters and a corresponding increase to the first and third quarters.

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

A significant portion of our cash flows from operating activities has been generated from subsidiaries, some of which are regulated entities. These subsidiaries may transfer all excess cash to the parent company for general corporate use except for assets subject to legal or regulatory restrictions. Assets subject to legal or regulatory restrictions, totaling approximately \$230 million as of December 31, 2011, include assets outside of the United States subject to restrictions from being transferred outside of the countries where they are located. We are also required to maintain cash and investment balances in our regulated subsidiaries related to certain of our money transfer and other payment obligations. Significant changes in the regulatory environment for money transmitters could impact our primary source of liquidity.

We believe we have adequate liquidity to meet our business needs, including approximately \$190 million of tax payments we expect to make in 2012 as a result of the IRS Agreement, dividends and share repurchases, through our existing cash balances and our ability to generate cash flows through operations. As of December 31, 2011, we had no outstanding borrowings under our \$1.65 billion revolving credit facility (“Revolving Credit Facility”) and had \$297.0 million of commercial paper borrowings outstanding, which left \$1,353.0 million remaining that was available to borrow on the Revolving Credit Facility.

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Cash and Investment Securities

As of December 31, 2011, we had cash and cash equivalents of \$1.4 billion, of which \$476 million was held by our foreign entities. Our ongoing cash management strategies to fund our business needs could cause United States and foreign cash balances to fluctuate.

Repatriating foreign funds to the United States would, in many cases, result in significant tax obligations because most of these funds have been taxed at relatively low foreign tax rates compared to our combined federal and state tax rate in the United States. We expect to use foreign funds to expand and fund our international operations and to acquire businesses internationally.

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 \$1.3 billion as of December 31, 2011. Substantially all of these investments are highly-rated state and municipal debt securities. Most state regulators in the United States require us to maintain specific highly-rated, investment grade securities and such investments are intended to secure relevant outstanding settlement obligations in accordance with applicable regulations.

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. As of December 31, 2011, the majority of our investment securities had credit ratings of "AA-" or better from a major credit rating agency. Our investment securities are also actively managed with respect to concentration. As of December 31, 2011, all investments with a single issuer and each individual security was less than 10% of our investment securities portfolio.

Cash Flows from Operating Activities

During the years ended December 31, 2011, 2010 and 2009, cash provided by operating activities was \$1,174.9 million, \$994.4 million and \$1,218.1 million, respectively. In the first quarter of 2010, we made a \$250.0 million tax deposit relating to United States federal tax liabilities, including those arising from our 2003 international restructuring, which have been previously accrued in our consolidated financial statements. Making the deposit limits the further accrual of interest charges with respect to such tax liabilities, to the extent of the deposit.

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Financing Resources

As of December 31, 2011, we had the following outstanding borrowings (in millions):

Due in less than one year:	
Commercial paper	\$ 297.0
Due in greater than one year (a):	
Floating rate notes due 2013 (b)	300.0
6.500% notes (effective rate of 5.5%) due 2014	500.0
5.930% notes due 2016 (c)	1,000.0
3.650% notes (effective rate of 4.4%) due 2018 (d)	400.0
5.253% notes due 2020 (c)	324.9
6.200% notes due 2036 (c)	500.0
6.200% notes due 2040 (c)	250.0
Other borrowings	<u>8.8</u>
Total borrowings at par value	3,580.7
Fair value hedge accounting adjustments, net (a)	23.9
Unamortized discount, net	<u>(21.4)</u>
Total borrowings at carrying value (e)	<u>\$ 3,583.2</u>

- (a) 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” over the life of the related notes and cause the effective rate of interest to differ from the notes’ stated rate.
- (b) On March 7, 2011, we issued \$300.0 million of aggregate principal amount of unsecured floating rate notes due March 7, 2013 (“2013 Notes”). Interest is payable quarterly at a per annum interest rate equal to three-month LIBOR plus 58 basis points (1.11% as of December 31, 2011) and is reset quarterly. See below for additional detail relating to the debt issuance.
- (c) The difference between the stated interest rate and the effective interest rate is not significant.
- (d) On August 22, 2011, we issued \$400.0 million of aggregate principal amount of 3.650% unsecured fixed rate notes due 2018 (“2018 Notes”). In anticipation of this issuance, we entered into interest rate lock contracts to fix the interest rate of the debt issuance, and recorded a loss on the contracts of \$21.6 million, which increased the effective rate to 4.4%, in “Accumulated other comprehensive loss,” which will be amortized into “Interest expense” over the life of the 2018 Notes. See below for additional detail relating to the debt issuance.
- (e) As of December 31, 2011, our weighted-average effective rate on total borrowings was approximately 4.8%.

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.

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Interest rates for borrowings are based on market rates at the time of issuance. Our commercial paper borrowings as of December 31, 2011 had a weighted-average annual interest rate of approximately 0.6% and a weighted-average term of 9 days. During the year ended December 31, 2011, the average commercial paper balance outstanding was \$89.7 million and the maximum balance outstanding was \$784.1 million. Proceeds from our commercial paper borrowings were used for general liquidity. We had \$297.0 million of commercial paper outstanding as of December 31, 2011.

Revolving Credit Facility

On September 23, 2011, we entered into a credit agreement which expires January 2017 providing for unsecured financing facilities in an aggregate amount of \$1.65 billion, including a \$250.0 million letter of credit sub-facility and a \$150.0 million swing line sub-facility. The Revolving Credit Facility replaced our \$1.5 billion revolving credit facility that was set to expire in September 2012.

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 90 basis points. A facility fee of 10 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 17 participating institutions, is to provide general liquidity and to support our commercial paper program, which we believe enhances our short-term credit rating. The largest commitment from any single financial institution within the total committed balance of \$1.65 billion is approximately 12%. As of and during the year ended December 31, 2011, we had no outstanding borrowings under our \$1.65 billion revolving credit facility. As of December 31, 2011, we had \$297.0 million of commercial paper borrowings outstanding, which left \$1,353.0 million remaining that was available to borrow on the Revolving Credit Facility. If the amount available to borrow under the Revolving Credit Facility decreased, or if the Revolving Credit Facility were eliminated, the cost and availability of borrowing under the commercial paper program may be impacted.

Notes

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

On March 7, 2011, we issued \$300.0 million of aggregate principal amount of unsecured floating rate notes due March 7, 2013 for general corporate purposes. Interest with respect to the 2013 Notes is payable quarterly in arrears on each March 7, June 7, September 7 and December 7, beginning June 7, 2011, at a per annum interest rate equal to the three-month LIBOR plus 58 basis points (reset quarterly).

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 interest 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 ("2011 Notes") 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

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interest 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 February 26, 2009, we issued \$500.0 million of aggregate principal amount of unsecured notes due February 26, 2014 (“2014 Notes”). Interest with respect to the 2014 Notes is payable semi-annually on February 26 and August 26 each year based on the fixed per annum interest rate of 6.500%. We may redeem the 2014 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 50 basis points.

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

On September 29, 2006, we issued \$1.0 billion of aggregate principal amount of unsecured notes maturing on October 1, 2016 (“2016 Notes”). Interest on the 2016 Notes is payable semi-annually on April 1 and October 1 each year based on the fixed per annum interest rate of 5.930%. We may redeem the 2016 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 20 basis points.

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 contains an interest rate margin and facility fee which are determined based on certain of our credit ratings. In addition, we are subject to certain provisions in our 2013 Notes, 2014 Notes, 2018 Notes and 2040 Notes and certain of our derivative contracts which could require settlement or collateral posting in the event of a change in control combined with a downgrade below investment grade. We do not have any other terms within our debt agreements or other contracts that are tied to changes in our credit ratings. The table below summarizes our credit ratings as of December 31, 2011:

	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>
Short-term rating	A-2	P-2	F2
Senior unsecured	A-	A3	A-
Ratings outlook	Stable	Negative	Stable

These ratings are not a recommendation to buy, sell or hold any of our securities. Our credit ratings may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating. We cannot ensure that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. A downgrade or a negative outlook provided by the rating agencies could result in the following:

- Our access to the commercial paper market may be limited, and if we were downgraded below investment grade, our access to the commercial paper market would likely be eliminated;

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- We may be required to pay a higher interest rate in future financings;
- Our potential pool of investors and funding sources may decrease;
- Regulators may impose additional capital and other requirements on us, including imposing restrictions on the ability of our regulated subsidiaries to pay dividends; and
- Our business relationships may be adversely impacted.

Consistent with the prior facility, the Revolving Credit Facility contains certain covenants that, among other things, limit or restrict our ability to sell or transfer assets or enter into a merger 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 or incur certain subsidiary level indebtedness, subject to certain exceptions. Our notes are subject to similar covenants except that only the 2016 Notes, 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. Also consistent with the prior facility, the Revolving Credit Facility requires us to maintain a consolidated adjusted EBITDA interest coverage ratio of greater than 2:1 (ratio of consolidated adjusted EBITDA, defined as net income plus the sum of (a) interest expense, (b) income tax expense, (c) depreciation expense, (d) amortization expense, (e) any other non-cash deductions, losses or changes made in determining net income for such period and (f) extraordinary losses or charges, minus extraordinary gains, in each case determined in accordance with accounting principles generally accepted in the United States of America for such period, to interest expense) for each period comprising the four most recent consecutive fiscal quarters. Our consolidated interest coverage ratio was 9:1 for the year ended December 31, 2011.

For the year ended December 31, 2011, we were in compliance with our debt covenants. A violation of our debt covenants could impair our ability to borrow and outstanding amounts borrowed could become due, thereby restricting our ability to use our excess cash for other purposes.

Cash Priorities

Liquidity

Our objective is to maintain strong liquidity and a capital structure consistent with our current 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 \$162.5 million, \$113.7 million and \$98.9 million in 2011, 2010 and 2009, 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 2011, 2010 and 2009 included investments in our information technology infrastructure and purchased and developed software.

Acquisition of Businesses

On November 7, 2011, we acquired TGBP from Travelex Holdings Limited for cash consideration of £603 million (\$967.8 million), which included acquired cash of \$40.0 million and an initial working capital adjustment. The final consideration is subject to an additional working capital adjustment.

On October 31, 2011, we acquired the remaining 70% interest in Finint, one of our largest money transfer agents in Europe, for cash consideration of €99.6 million (\$139.4 million). We previously held a 30% equity interest in Finint.

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On April 20, 2011, we acquired the remaining 70% interest in Costa, one of our largest money transfer agents in Europe, for cash consideration of €95 million (\$135.7 million), which included a reduction of €5 million (\$7.1 million) for an initial working capital adjustment pursuant to the terms of the purchase agreement. The final consideration is subject to an additional working capital adjustment. We previously held a 30% equity interest in Costa.

On September 1, 2009, we acquired Canada-based Custom House, a provider of international business-to-business payment services, for cash consideration of \$371.0 million for all of the common shares of this business and acquired cash of \$2.5 million.

On February 24, 2009, we acquired the money transfer business of European-based FEXCO Group Holdings (“FEXCO Group”), one of our largest agents providing services in a number of European countries, primarily the United Kingdom, Spain, Sweden and Ireland. We surrendered our 24.65% interest in FEXCO Group and paid €123.1 million (\$157.4 million) as consideration for all of the common shares of the money transfer business and acquired cash of \$11.8 million.

Share Repurchases and Dividends

During the years ended December 31, 2011, 2010 and 2009, 40.3 million, 35.6 million and 24.8 million, respectively, of shares were repurchased for \$800.0 million, \$584.5 million and \$400.0 million, respectively, excluding commissions, at an average cost of \$19.83, \$16.44 and \$16.10 per share, respectively. As of December 31, 2011, \$615.5 million remains available under share repurchase authorizations approved by our Board of Directors through December 31, 2012.

On February 7, 2012, our Board of Directors declared a quarterly cash dividend of \$0.10 per share payable on March 30, 2012. During 2011, our Board of Directors declared quarterly cash dividends of \$0.08 per common share in each of the last three quarters and \$0.07 per common share in the first quarter representing \$194.2 million in total dividends. During the year ended December 31, 2010, our Board of Directors declared quarterly cash dividends of \$0.07 per common share in the fourth quarter and \$0.06 per common share in each of the first three quarters representing \$165.3 million in total dividends. During the fourth quarter of 2009, our Board of Directors declared a cash dividend of \$0.06 per common share representing \$41.2 million in total dividends. These amounts were paid to shareholders of record in the respective month the dividend was declared, except for the September 2011 and 2010 declared dividends, which were paid in October 2011 and 2010, respectively.

Debt Service Requirements

Our 2012 debt service requirements will include payments on existing borrowings and any future borrowings under our commercial paper program and interest payments on all outstanding indebtedness. We have the ability to use existing financing sources, including our Revolving Credit Facility or commercial paper program, and cash generated from operations to meet our debt obligations as they come due.

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

Off-Balance Sheet Arrangements

Other than facility and equipment leasing arrangements disclosed in Note 12 to our Consolidated Financial Statements, 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.

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Pension Plan

Our defined benefit pension plan had recorded unfunded pension obligations of \$112.7 million and \$112.8 million as of December 31, 2011 and 2010, respectively. In both the years ended December 31, 2011 and 2010, we made contributions of approximately \$25 million to the Plan, including discretionary contributions of \$3 million and \$10 million, respectively. Due to the closure of one of our facilities in Missouri and an agreement with the Pension Benefit Guaranty Corporation, we funded \$4.1 million during 2009. We will be required to fund approximately \$20 million to the Plan in 2012 and may make a discretionary contribution of up to approximately \$5 million.

Our most recent measurement date for our pension plan was December 31, 2011. The calculation of the funded status and net periodic benefit income is dependent upon two primary assumptions: 1) expected long-term return on plan assets; and 2) discount rate.

We employ a building block approach in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical risk, return, and co-variance relationships between equities, fixed income securities, and alternative investments are considered consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Consideration is given to diversification, re-balancing and yields anticipated on fixed income securities held. Historical returns are reviewed within the context of current economic conditions to check for reasonableness and appropriateness. We then apply this rate against a calculated value for our plan assets. The calculated value recognizes changes in the fair value of plan assets over a five-year period. Our expected long-term return on plan assets was 7.00% for 2011 and 6.50% for 2010. The expected long-term return on plan assets is 7.00% for 2012. As of December 31, 2011, pension plan target allocations were approximately 15% in equity investments, 60% in debt securities and 25% in alternative investment strategies (e.g. hedge funds, royalty rights and private equity funds). Hedge fund strategy types include, but are not limited to: commodities/currencies, equity long-short, relative value, multi-strategy, event driven, and global-macro. The Plan holds derivative contracts directly which consist of standardized obligations to buy or sell United States treasury bonds or notes at predetermined future dates and prices which are transacted on regulated exchanges. Additionally, derivatives are held indirectly through funds in which the Plan is invested. Derivatives are used by the Plan to help reduce the Plan's exposure to interest rate volatility and to provide an additional source of return. Cash held by the Plan is used to satisfy margin requirements on the derivatives. 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 3.72% and 4.69% at December 31, 2011 and 2010, 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.

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Contractual Obligations

The following table summarizes our contractual obligations to third parties as of December 31, 2011 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)	\$ 5,388.1	\$ 474.5	\$ 1,113.6	\$ 1,260.3	\$ 2,539.7
IRS Agreement (b)	190.0	190.0	—	—	—
Estimated pension funding (c)	84.7	20.2	43.2	21.3	—
Unrecognized tax benefits (d)	144.4	—	—	—	—
Foreign currency and interest rate derivative contracts (e)	86.6	86.4	0.2	—	—
Other (f)	30.2	22.0	6.8	1.4	—
Other Contractual Obligations:					
Purchase obligations (g)	41.7	22.7	16.7	2.3	—
Operating leases	142.7	38.8	53.0	31.8	19.1
Other (h)	23.7	16.7	7.0	—	—
	<u>\$ 6,132.1</u>	<u>\$ 871.3</u>	<u>\$ 1,240.5</u>	<u>\$ 1,317.1</u>	<u>\$ 2,558.8</u>

- (a) We have estimated our interest payments based on (i) commercial paper borrowings outstanding as of December 31, 2011, and the assumption that these commercial paper borrowings will be repaid upon maturity and that no new issuances will occur in 2012, (ii) the assumption that no debt issuances or renewals will occur upon the maturity dates of our notes, and (iii) an estimate of future interest rates on our floating rate debt and interest rate swap agreements based on projected LIBOR rates.
- (b) In December 2011, we reached an agreement with the IRS resolving substantially all of the issues related to the restructuring of our international operations in 2003. As a result of the IRS Agreement, we expect to make cash payments to the IRS and various state tax authorities in 2012 totaling approximately \$190 million to cover the remaining portion of the additional tax and interest.
- (c) We have estimated our pension plan funding requirements, including interest, using assumptions that are consistent with current pension funding rates. The unfunded pension liability included in "Other liabilities" in the Consolidated Balance Sheets is the present value of the estimated pension plan funding requirements disclosed above. The actual minimum required amounts each year will vary based on the actual discount rate and asset returns when the funding requirement is calculated. In addition, we may make a discretionary contribution of up to approximately \$5 million to the plan in 2012, which has not been reflected in the table above.
- (d) Unrecognized tax benefits include associated interest and penalties. The timing of related cash payments for substantially all of these liabilities is inherently uncertain because the ultimate amount and timing of such liabilities is affected by factors which are variable and outside our control.
- (e) Represents the liability position of our foreign currency and interest rate derivative contracts as of December 31, 2011, which will fluctuate based on market conditions.
- (f) This line item relates to accrued and unpaid initial payments for new and renewed agent contracts as of December 31, 2011.
- (g) Many of our contracts contain clauses that allow us to terminate the contract with notice and with a terminations penalty. Termination penalties are generally an amount less than the original obligation.

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Obligations under certain contracts are usage-based and are, therefore, estimated in the above amounts. Historically, we have not had any significant defaults of our contractual obligations or incurred significant penalties for termination of our contractual obligations.

- (h) This line item includes certain additional investments in our compliance programs along the United States and Mexico border, which are expected to cost up to \$19 million over the next two years pursuant to the agreement and settlement with the State of Arizona and other states. This line item also includes the pending acquisition of the French assets of TGBP. Due to pending regulatory matters, this acquisition for cash consideration of £3 million (approximately \$4.7 million based on currency exchange rates at December 31, 2011) has not been finalized as of December 31, 2011. This acquisition is expected to close in 2012, subject to regulatory approval and satisfaction of closing conditions.

Other Commercial Commitments

We had approximately \$120 million in outstanding letters of credit and bank guarantees as of December 31, 2011, with expiration dates through 2015, the majority of which contain a one-year renewal option. The letters of credit and bank guarantees are primarily held in connection with lease arrangements and certain agent agreements. 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 accounting principles generally accepted 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 Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements, included in Item 8, *Financial Statements and Supplementary Data*.

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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.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Income Taxes</p> <p><i>Reinvestment of foreign earnings</i></p> <p>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.</p>	<p>With respect to earnings in certain foreign jurisdictions, we have provided for income taxes on such earnings at a more favorable income tax rate than the combined United States federal and state income tax rates because we expect to reinvest these earnings outside of the United States indefinitely.</p>	<p>No provision has been made for United States federal and state income taxes on certain of our outside tax basis differences, which primarily relate to accumulated foreign earnings of approximately \$3.7 billion as of December 31, 2011, which we expect to reinvest outside the United States indefinitely.</p> <p>Upon distribution of these earnings to the United States in the form of actual or constructive dividends, we would be subject to United States income taxes (subject to an adjustment for foreign tax credits), state income taxes and possible withholding taxes payable to various foreign countries which could result in a material impact to our financial condition, results of operations and cash flows in the period such distribution occurred. Determination of the amount of unrecognized deferred United States tax liability is not practicable because of the complexities associated with its hypothetical calculation.</p>

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Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
<p><i>Income tax contingencies</i></p> <p>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.</p>	<p>We have established contingency reserves for a variety of material, known tax exposures. Our reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review. 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.</p> <p>Pursuant to the tax allocation agreement signed in connection with the Spin-off from First Data, we believe we have appropriately apportioned the taxes between First Data and us.</p>	<p>Our tax contingency reserves for our uncertain tax positions as of December 31, 2011 were \$135.0 million, including accrued interest and penalties, net of related benefits. 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 differ 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.</p> <p>If we are required to indemnify First Data for taxes incurred as a result of the Spin-off being taxable to First Data, it likely would have a material adverse effect on our business, financial condition, results of operations and cash flows.</p>

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Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Derivative Financial Instruments</p> <p>We utilize derivatives to (a) minimize our exposure related to changes in foreign currency exchange rates and interest rates and (b) facilitate cross-currency business-to-business 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.</p> <p>Cash Flow hedges—Cash flow hedges consist of foreign currency hedging of forecasted revenues, as well as, from time to time, hedges of the forecasted issuance of fixed rate debt. Derivative fair value changes that are captured in accumulated other comprehensive loss are reclassified to earnings in the same period or periods the hedged item affects earnings, to the extent the change in the fair value of the instrument is effective in offsetting the change in fair value of the hedged item. The portions of the change in fair value that are either considered ineffective or are excluded from the measure of effectiveness are recognized immediately in “Derivative gains/(losses), net.”</p> <p>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 are recorded in interest expense.</p>	<p>The accounting guidance related to derivative accounting is complex and contains strict documentation requirements.</p> <p>The details of each designated hedging relationship must be formally documented at the inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risks being hedged, the derivative instrument, how effectiveness is being assessed and how ineffectiveness, if any, will be measured. The derivative must be highly effective in offsetting the changes in cash flows or fair value of the hedged item, and effectiveness is evaluated quarterly on a retrospective and prospective basis.</p> <p>If the hedge is no longer deemed effective, we discontinue applying hedge accounting to that relationship prospectively.</p>	<p>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.</p> <p>As of December 31, 2011, the cumulative pre-tax unrealized losses classified within accumulated other comprehensive loss from such cash flow hedges that would be reflected in earnings if our hedges were disqualified from hedge accounting was \$3.9 million.</p> <p>As of December 31, 2011, 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 \$23.9 million gain.</p>

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Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Other Intangible Assets</p> <p>We capitalize certain initial payments for new and renewed agent contracts as well as acquired intangible assets and software.</p> <p>We evaluate such intangible assets for impairment on an annual basis and whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable. In such reviews, estimated undiscounted cash flows associated with these assets may be compared with their carrying values to determine if a write-down to fair value (normally measured by the present value technique) is required.</p>	<p>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 appropriate time to initiate capitalization. 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.</p> <p>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.</p>	<p>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.</p> <p>If an event described above occurs and causes us to determine that an asset has been impaired, that could result in an impairment charge.</p> <p>The net carrying value of our other intangible assets as of December 31, 2011 was \$847.4 million.</p>

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Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Goodwill Impairment Testing</p> <p>An impairment assessment of goodwill is conducted annually 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.</p> <p>Reporting units are driven by the level at which management reviews segment operating results. In some cases, that level is the operating segment (e.g., consumer-to-consumer money transfer) and in others it is one level below the operating segment (e.g., Business Solutions, which is included in our global business payments segment).</p> <p>Our impairment assessment begins with a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. The initial qualitative assessment includes comparing the overall financial performance of the reporting units against the planned results. Additionally, each reporting unit's fair value is assessed under certain events and circumstances, including macroeconomic conditions, industry and market considerations, cost factors, and other relevant entity-specific events.</p> <p>If it is determined in the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the standard two-step quantitative impairment test is performed. First, the fair value of the reporting unit is calculated or determined using discounted cash flows and is compared to its carrying value. If the first step indicates the carrying value exceeds the fair value of the reporting unit, then the second step is required. The second step is to determine the implied fair value of a reporting unit's goodwill by allocating the determined fair value to all the reporting unit's assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination. The remaining fair value of the reporting unit, if any, is deemed to be the implied fair value of the goodwill and an impairment is recognized in an amount equal to the excess of the carrying amount of goodwill above its implied fair value.</p>	<p>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.</p> <p>For the quantitative goodwill impairment test, we calculate the fair value of reporting units through discounted cash flow analyses which require us to make estimates and assumptions including, among other items, revenue growth rates, operating margins, and capital expenditures based on our budgets and business plans which take into account expected regulatory, marketplace, and other economic factors.</p>	<p>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, significant declines in market capitalization or other triggering events. In addition, as our business or the way we manage our business changes, our reporting units may also change.</p> <p>If an event described above occurs and causes us to recognize a goodwill impairment charge, it would impact our reported earnings in the periods such charge occurs.</p> <p>The carrying value of goodwill as of December 31, 2011 was \$3,198.9 million which represented approximately 35% of our consolidated assets. As of December 31, 2011, goodwill of \$1,945.3 million and \$1,014.7 million resides in our consumer-to-consumer and Business Solutions reporting units, respectively.</p> <p>For the consumer-to-consumer reporting unit, the fair value of the business greatly exceeds its carrying amount. TGBP was recently purchased and represents a significant majority of the goodwill related to the Business Solutions reporting unit. A fair value decline could occur if actual and forecasted cash flows do not meet expectations. Such a decline would likely result in an impairment, which could be significant.</p> <p>We have not recorded any goodwill impairments during the three years ended December 31, 2011.</p>

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Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Acquisitions—Purchase Price Allocation</p> <p>We allocate the purchase price of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the amount allocated to the identifiable assets less liabilities and noncontrolling interests is recorded as goodwill.</p> <p>For most acquisitions, we engage outside appraisal firms to assist in the fair value determination of identifiable intangible assets such as agent networks, customer relationships, tradenames and any other significant assets or liabilities. We adjust the preliminary purchase price allocation, as necessary, after the acquisition closing date through the end of the measurement period of one year or less as we finalize valuations for the assets acquired and liabilities assumed.</p>	<p>Purchase price allocation requires management to make assumptions and apply judgment to estimate the fair value of acquired assets and liabilities. Management estimates the fair value of assets and liabilities primarily using discounted cash flows and replacement cost analysis.</p>	<p>During the last three years, we completed the following acquisitions:</p> <ul style="list-style-type: none"> • In November 2011, we acquired TGBP for \$967.8 million. • In October 2011, we acquired Finint for total value of \$187.2 million. • In April 2011, we acquired Costa for total value of \$181.9 million. • In September 2009, we acquired Custom House for \$371.0 million. • In February 2009, we acquired the money transfer business of FEXCO Group for \$243.6 million. <p>See Note 3, <i>Acquisitions</i>, to the Notes to the Consolidated Financial Statements, included in Item 8, of this Annual Report on Form 10-K, for more information related to the purchase price allocations for acquisitions completed during the last three years.</p> <p>If estimates or assumptions used to complete the initial purchase price allocation and estimate the fair value of acquired assets and liabilities significantly differed from assumptions made in the final valuation, the allocation of purchase price between goodwill and intangibles could significantly differ. Such a difference would impact future earnings through amortization expense of these intangibles. In addition, if forecasts supporting the valuation of the intangibles or goodwill are not achieved, impairments could arise, as discussed further in “Goodwill Impairment Testing” and “Other Intangible Assets” above. For all of our acquisitions during the three years ended December 31, 2011, goodwill of \$1,509.0 million and intangibles of \$608.9 million were recognized.</p>

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Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Restructuring and Related Expenses</p> <p>We have engaged in restructuring actions and activities associated with productivity improvement initiatives and expense reduction measures. We also evaluate impairment issues associated with restructuring activities.</p> <p>Restructuring and related expenses consist of direct and incremental costs associated with restructuring and related activities, including severance, outplacement and other employee related benefits; facility closure and migration of our IT infrastructure; and other expenses related to the relocation of various operations to new or existing Company facilities and third-party providers, including hiring, training, relocation, travel, and professional fees. Also included in the facility closure expenses are non-cash expenses related to fixed asset and leasehold improvement write-offs and accelerated depreciation at impacted facilities.</p>	<p>These costs represent management’s best estimate, until all such amounts are paid and settled. As such, these costs require assumptions about the activities that may change over time.</p> <p>The decision to include a cost in the restructuring disclosure requires an assessment of whether the cost is direct and incremental to the productivity improvement initiatives and expense reduction measures. This assessment can require judgment depending on the nature of the cost.</p> <p>The timing of recording these costs was determined by the applicable accounting guidance. This judgment significantly impacted the timing of the recognition of restructuring and related expenses on a quarterly basis and between the years ended December 31, 2010 and 2011.</p>	<p>The restructuring and related expenses are evaluated periodically to determine if an adjustment is required. Should the actual amounts differ from our estimates, the amount of the restructuring and related expenses could be materially impacted.</p> <p>For the years ended December 31, 2011 and 2010, we incurred \$46.8 million and \$59.5 million of restructuring and related expenses, respectively. \$13.9 million of these expenses remained unpaid as of December 31, 2011.</p>

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 consumer-to-consumer money transfer services 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 settle with the vast majority of our agents in United States dollars or euros. However, in certain circumstances, we settle in other currencies. We typically require the agent to obtain local currency to pay recipients; thus, we generally are not reliant on international currency markets to obtain and pay illiquid currencies. The foreign currency exposure that does exist is limited by the fact that the majority of transactions are paid within 24 hours after they are initiated. To mitigate this risk further, we enter into short-term 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 utilize foreign currency forward contracts, typically with terms of less than one year at inception, to offset foreign exchange rate fluctuations on certain foreign currency denominated cash positions and intercompany loans. In certain consumer money transfer and global business payments transactions involving different send and receive currencies, we generate revenue based on the

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difference between the exchange rate set by us to the customer and the rate at which we or our agents are able to acquire currency, helping to provide protection against currency fluctuations. We 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 mitigate risks associated with changes in foreign currency exchange rates on consumer-to-consumer revenues denominated primarily in the euro, and to a lesser degree the British pound, Canadian dollar 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 consumer-to-consumer operations.

We have additional foreign exchange risk and associated foreign exchange risk management due to the nature of our Western Union Business Solutions (“Business Solutions”) business, which includes our Travelex Global Business Payments business (“TGBP”), which was acquired in November 2011. The significant majority of this business’ revenue is from exchanges of currency at the spot rate enabling 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 derivatives contracts is generally nine months or less. 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. The foreign exchange risk is actively managed.

As of December 31, 2011 and 2010, a hypothetical uniform 10% strengthening or weakening in the value of the United States dollar relative to all other currencies in which our profits are generated would have resulted in a decrease/increase to pre-tax annual income of approximately \$33 million and \$32 million, respectively, based on our forecast of consumer-to-consumer unhedged exposure to foreign currency at those dates. There are inherent limitations in this sensitivity analysis, primarily due to the assumption that foreign exchange rate movements are linear and instantaneous, that the unhedged exposure is static, and that we would not hedge any additional exposure. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income.

Interest Rates

We invest in several types of interest-bearing assets, with a total value as of December 31, 2011 of \$2.7 billion. Approximately \$1.8 billion of these assets bear interest at floating rates and are therefore sensitive to changes in interest rates. These assets primarily include money market funds 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.

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

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As of December 31, 2011, we had \$300.0 million of floating notes, which had an effective interest rate of 1.11% or 58 basis points above three-month LIBOR. Additionally, \$500.0 million of our total \$3.6 billion of 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 600 basis points above LIBOR. Borrowings under our commercial paper program mature in such a short period that the financing is effectively floating rate. Commercial paper borrowings of \$297.0 million were outstanding as of the year ended December 31, 2011. Our commercial paper borrowings as of December 31, 2011 had a weighted-average annual interest rate of approximately 0.6% and a weighted-average term of 9 days. During the year ended December 31, 2011, the average commercial paper balance outstanding was \$89.7 million and the maximum balance outstanding was \$784.1 million.

We review our overall exposure to floating and fixed rates by evaluating our net asset or liability position in each, also considering the duration of the individual positions. We manage this mix of fixed versus floating exposure in an attempt to minimize risk, reduce costs and improve returns. Our exposure to interest rates can be modified by changing the mix of our interest-bearing assets as well as adjusting the mix of fixed versus floating rate debt. The latter is accomplished primarily through the use of interest rate swaps and the decision regarding terms of any new debt issuances (i.e., fixed versus floating). We use interest rate swaps designated as hedges to increase the percentage of floating rate debt, subject to market conditions. As of December 31, 2011, our weighted-average effective rate was approximately 4.8%.

A hypothetical 100 basis point increase/decrease in interest rates would result in a decrease/increase to pre-tax income of approximately \$11 million and \$12 million annually based on borrowings on December 31, 2011 and 2010, 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, 2011 and 2010 that are sensitive to interest rate fluctuations, would result in an offsetting benefit/reduction to pre-tax income of approximately \$18 million and \$25 million annually, respectively. There are inherent limitations in the sensitivity analysis presented, primarily due to the assumption that interest rate changes would be instantaneous. As a result, the analysis is unable to reflect the potential effects of more complex market changes, including changes in credit risk regarding our investments, which may positively or negatively affect income. In addition, the current mix of fixed versus floating rate debt and investments and the level of assets and liabilities will change over time. We will also be further impacted by changes to future interest rates as we refinance our debt or by reinvesting proceeds from the sale or maturity of our investments.

Credit Risk

Our interest earning assets include investment securities, substantially all of which are highly-rated state and municipal debt securities, which are classified in "Settlement assets" and accounted for as available-for-sale securities, and money market fund investments, which are classified in "Cash and cash equivalents." The majority of our investment securities had credit ratings of "AA-" or better from a major credit rating agency.

To manage our exposures to credit risk with respect to investment securities, money market 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 also limit our investment level in any individual money market fund to no more than \$100 million.

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. In addition, we are exposed to credit risk directly from consumer transactions particularly through our Internet services and 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. We perform a credit review before each agent signing and conduct periodic analyses.

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We are exposed to credit risk in our Business Solutions business relating to: (a) derivatives written by us to our customers and (b) receivables from certain customers for which beneficiaries are paid prior to receiving cleared funds from the customer (known as “early release”). For the derivatives, the duration of these contracts is generally nine months or less. 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 early release customers, collection ordinarily occurs within a few days. To mitigate risk, we perform credit reviews of the customer on an ongoing basis, and, for our derivatives, we may require certain customers to post collateral or increase collateral based on the fair value of the customer’s contract and their risk profile.

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

Table of Contents**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****THE WESTERN UNION COMPANY
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All other financial statement schedules for The Western Union Company have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the respective consolidated financial statements or notes thereto.

Management’s Report on the Financial Statements

Our management is responsible for the preparation, integrity and objectivity of the accompanying consolidated financial statements and the related financial information. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include certain amounts that are based on estimates and informed judgments. Our management also prepared the related financial information included in this Annual Report on Form 10-K and is responsible for its accuracy and consistency with the financial statements.

As stated in their report included elsewhere in this Annual Report on Form 10-K, the consolidated financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm who conducted their audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) as of December 31, 2011 and 2010, and for each of the three years in the period ended December 31, 2011. The independent registered public accounting firm’s responsibility is to express an opinion as to the fairness, in all material respects, with which such financial statements present our financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America.

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, 2011, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. The Company completed its acquisition of Travelex Global Business Payments (“TGBP”) effective November 7, 2011. As permitted by the Securities and Exchange Commission, management’s assessment did not include the internal control of the acquired operations of TGBP, which are included in the Company’s consolidated financial statements as of December 31, 2011 and for the period from November 7, 2011 through December 31, 2011. The assets of TGBP, excluding goodwill and other intangible assets, net, constituted approximately 3% of the Company’s total assets as of December 31, 2011, and TGBP revenues constituted approximately 0.6% of our total revenues for the year ended December 31, 2011. Based on the results of its evaluation, which excluded an assessment of the internal control of TGBP, the Company’s management concluded that as of December 31, 2011, the Company’s internal control over financial reporting is effective. Western Union’s internal control over financial reporting as of December 31, 2011 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

The Board of Directors and Stockholders of The Western Union Company

We have audited The Western Union Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Western Union Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Travelex Global Business Payments, which was acquired November 7, 2011 and is included in the consolidated financial statements of The Western Union Company as of December 31, 2011 and for the period from November 7, 2011 through December 31, 2011. The assets of Travelex Global Business Payments, excluding goodwill and other intangible assets, net, constituted approximately 3% of The Western Union Company's total assets as of December 31, 2011, and Travelex Global Business Payments revenues constituted approximately 0.6% of The Western Union Company's total revenues for the year then ended. Our audit of internal control over financial reporting of The Western Union Company also did not include an evaluation of the internal control over financial reporting of Travelex Global Business Payments.

In our opinion, The Western Union Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Western Union Company as of December 31, 2011 and 2010, and the related consolidated statements of income, cash flows, and stockholders' equity/(deficiency) for each of the three years in the period ended December 31, 2011 and our report dated February 24, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 24, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of The Western Union Company

We have audited the accompanying consolidated balance sheets of The Western Union Company as of December 31, 2011 and 2010, and the related consolidated statements of income, cash flows, and stockholders' equity/(deficiency) for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Western Union Company at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Western Union Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 24, 2012

Table of Contents**THE WESTERN UNION COMPANY****Consolidated Statements of Income
(in millions, except per share amounts)**

	Year Ended December 31,		
	2011	2010	2009
Revenues:			
Transaction fees	\$ 4,220.2	\$ 4,055.3	\$ 4,036.2
Foreign exchange revenues	1,151.2	1,018.8	910.3
Other revenues	120.0	118.6	137.1
Total revenues	5,491.4	5,192.7	5,083.6
Expenses:			
Cost of services	3,102.0	2,978.4	2,874.9
Selling, general and administrative	1,004.4	914.2	926.0
Total expenses*	4,106.4	3,892.6	3,800.9
Operating income	1,385.0	1,300.1	1,282.7
Other income/(expense):			
Interest income	5.2	2.8	9.4
Interest expense	(181.9)	(169.9)	(157.9)
Derivative gains/(losses), net	14.0	(2.5)	(2.8)
Other income, net	52.3	14.7	0.1
Total other expense, net	(110.4)	(154.9)	(151.2)
Income before income taxes	1,274.6	1,145.2	1,131.5
Provision for income taxes	109.2	235.3	282.7
Net income	\$ 1,165.4	\$ 909.9	\$ 848.8
Earnings per share:			
Basic	\$ 1.85	\$ 1.37	\$ 1.21
Diluted	\$ 1.84	\$ 1.36	\$ 1.21
Weighted-average shares outstanding:			
Basic	630.6	666.5	698.9
Diluted	634.2	668.9	701.0

* As further described in Note 5, total expenses include amounts for related parties of \$190.7 million, \$236.4 million, and \$257.4 million for the years ended December 31, 2011, 2010 and 2009, respectively.

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,	
	2011	2010
Assets		
Cash and cash equivalents	\$ 1,370.9	\$ 2,157.4
Settlement assets	3,091.2	2,635.2
Property and equipment, net of accumulated depreciation of \$429.7 and \$383.6, respectively	198.1	196.5
Goodwill	3,198.9	2,151.7
Other intangible assets, net of accumulated amortization of \$462.5 and \$441.2, respectively	847.4	438.0
Other assets	363.4	350.4
Total assets	<u>\$ 9,069.9</u>	<u>\$ 7,929.2</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 535.0	\$ 520.4
Settlement obligations	3,091.2	2,635.2
Income taxes payable	302.4	356.6
Deferred tax liability, net	389.7	289.9
Borrowings	3,583.2	3,289.9
Other liabilities	273.6	254.5
Total liabilities	<u>8,175.1</u>	<u>7,346.5</u>
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 2,000 shares authorized; 619.4 shares and 654.0 shares issued and outstanding as of December 31, 2011 and 2010, respectively	6.2	6.5
Capital surplus	247.1	117.4
Retained earnings	760.0	591.6
Accumulated other comprehensive loss	(118.5)	(132.8)
Total stockholders' equity	<u>894.8</u>	<u>582.7</u>
Total liabilities and stockholders' equity	<u>\$ 9,069.9</u>	<u>\$ 7,929.2</u>

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,		
	2011	2010	2009
Cash flows from operating activities			
Net income	\$ 1,165.4	\$ 909.9	\$ 848.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	61.0	61.5	55.9
Amortization	131.6	114.4	98.3
Deferred income tax provision/(benefit)	21.2	28.6	(20.8)
Stock compensation expense	31.2	35.9	31.9
Gain on revaluation of equity interests (Note 3)	(49.9)	—	—
Other non-cash items, net	(1.4)	2.0	44.1
Increase/(decrease) in cash, excluding the effects of acquisitions, resulting from changes in:			
Other assets	(27.7)	28.1	(31.4)
Accounts payable and accrued liabilities	(43.0)	10.5	75.5
Income taxes payable (Note 10)	(62.3)	(159.2)	138.3
Other liabilities	(51.2)	(37.3)	(22.5)
Net cash provided by operating activities	<u>1,174.9</u>	<u>994.4</u>	<u>1,218.1</u>
Cash flows from investing activities			
Capitalization of contract costs	(96.7)	(35.0)	(27.3)
Capitalization of purchased and developed software	(13.0)	(25.4)	(11.9)
Purchases of property and equipment	(52.8)	(53.3)	(59.7)
Acquisition of businesses, net of cash acquired	(1,218.6)	(4.7)	(515.9)
Net proceeds from settlement of foreign currency forward contracts related to acquisitions	20.8	—	—
Proceeds from receivable for securities sold	—	36.9	255.5
Repayments of notes receivable issued to agents	—	16.9	35.2
Net cash used in investing activities	<u>(1,360.3)</u>	<u>(64.6)</u>	<u>(324.1)</u>
Cash flows from financing activities			
Proceeds from exercise of options	100.0	42.1	23.2
Cash dividends paid	(194.2)	(165.3)	(41.2)
Common stock repurchased	(803.9)	(581.4)	(400.2)
Net proceeds from/(repayments of) commercial paper	297.0	—	(82.8)
Net proceeds from issuance of borrowings	696.3	247.0	496.6
Principal payments on borrowings	(696.3)	—	(500.0)
Net cash used in financing activities	<u>(601.1)</u>	<u>(457.6)</u>	<u>(504.4)</u>
Net change in cash and cash equivalents	(786.5)	472.2	389.6
Cash and cash equivalents at beginning of year	2,157.4	1,685.2	1,295.6
Cash and cash equivalents at end of year	<u>\$ 1,370.9</u>	<u>\$ 2,157.4</u>	<u>\$ 1,685.2</u>
Supplemental cash flow information:			
Interest paid	\$ 191.3	\$ 175.5	\$ 150.0
Income taxes paid (Note 10)	\$ 144.9	\$ 365.4	\$ 162.8
Non-cash exchange of 5.400% notes due 2011 for 5.253% notes due 2020 (Note 15)	\$ —	\$ 303.7	\$ —

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY
Consolidated Statements of Stockholders' Equity/(Deficiency)
(in millions)

	Common Stock		Capital Surplus/ (Deficiency)	Retained Earnings	Accumulated Other Comprehensive	Total Stockholders'	Comprehensive
	Shares	Amount			Loss	Equity/ (Deficiency)	
Balance, December 31, 2008	709.6	\$ 7.1	\$ (14.4)	\$ 29.2	\$ (30.0)	\$ (8.1)	
Net income	—	—	—	848.8	—	848.8	\$ 848.8
Stock-based compensation	—	—	31.9	—	—	31.9	
Common stock dividends	—	—	—	(41.2)	—	(41.2)	
Repurchase and retirement of common shares	(24.9)	(0.2)	—	(403.6)	—	(403.8)	
Shares issued under stock-based compensation plans	1.8	—	23.9	—	—	23.9	
Tax adjustments from employee stock option plans	—	—	(0.7)	—	—	(0.7)	
Unrealized gains on investment securities, net of tax	—	—	—	—	5.5	5.5	5.5
Unrealized losses on hedging activities, net of tax	—	—	—	—	(62.5)	(62.5)	(62.5)
Foreign currency translation adjustment, net of tax	—	—	—	—	(29.0)	(29.0)	(29.0)
Pension liability adjustment, net of tax	—	—	—	—	(11.3)	(11.3)	(11.3)
Comprehensive income							\$ 751.5
Balance, December 31, 2009	686.5	6.9	40.7	433.2	(127.3)	353.5	
Net income	—	—	—	909.9	—	909.9	\$ 909.9
Stock-based compensation and other	—	—	34.6	—	—	34.6	
Common stock dividends	—	—	—	(165.3)	—	(165.3)	
Repurchase and retirement of common shares	(35.7)	(0.4)	—	(586.2)	—	(586.6)	
Shares issued under stock-based compensation plans	3.2	—	44.1	—	—	44.1	
Tax adjustments from employee stock option plans	—	—	(2.0)	—	—	(2.0)	
Unrealized losses on investment securities, net of tax	—	—	—	—	(3.3)	(3.3)	(3.3)
Unrealized losses on hedging activities, net of tax	—	—	—	—	(4.9)	(4.9)	(4.9)
Foreign currency translation adjustment, net of tax	—	—	—	—	6.6	6.6	6.6
Pension liability adjustment, net of tax	—	—	—	—	(3.9)	(3.9)	(3.9)
Comprehensive income							\$ 904.4
Balance, December 31, 2010	654.0	6.5	117.4	591.6	(132.8)	582.7	
Net income	—	—	—	1,165.4	—	1,165.4	\$ 1,165.4
Stock-based compensation	—	—	31.2	—	—	31.2	
Common stock dividends	—	—	—	(194.2)	—	(194.2)	
Repurchase and retirement of common shares	(40.5)	(0.4)	—	(802.8)	—	(803.2)	
Shares issued under stock-based compensation plans	5.9	0.1	98.7	—	—	98.8	
Tax adjustments from employee stock option plans	—	—	(0.2)	—	—	(0.2)	
Unrealized gains on investment securities, net of tax	—	—	—	—	1.8	1.8	1.8
Unrealized gains on hedging activities, net of tax	—	—	—	—	27.0	27.0	27.0
Foreign currency translation adjustment, net of tax	—	—	—	—	(2.0)	(2.0)	(2.0)
Pension liability adjustment, net of tax	—	—	—	—	(12.5)	(12.5)	(12.5)
Comprehensive income							\$ 1,179.7
Balance, December 31, 2011	<u>619.4</u>	<u>\$ 6.2</u>	<u>\$ 247.1</u>	<u>\$ 760.0</u>	<u>\$ (118.5)</u>	<u>\$ 894.8</u>	

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Formation of the Entity and Basis of Presentation

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

The Western Union business consists of the following segments:

- Consumer-to-consumer — money transfer services between consumers, primarily through a global network of third-party agents using the Company’s multi-currency, real-time money transfer processing systems. This service is available for international cross-border transfers — that is, the transfer of funds from one country to another—and, in certain countries, intra-country transfers — that is, money transfers from one location to another in the same country.
- Global business payments — the processing of payments from consumers or businesses to other businesses. The Company’s business payments services allow consumers to make payments to a variety of organizations including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses. The Company’s existing Western Union Business Solutions business (“Business Solutions”) and Travelex Global Business Payments (“TGBP”), which was acquired in November 2011 (see Note 3), are also included in this segment. These businesses facilitate business-to-business payments, primarily for cross-border, cross-currency transactions. The majority of the segment’s revenue was generated in the United States during all periods presented. However, international expansion and other key strategic initiatives, including TGBP, have resulted in international revenue continuing to increase in this segment.

All businesses that have not been classified into the consumer-to-consumer or global business payments segments are reported as “Other” and primarily include the Company’s money order and prepaid services business. Prior to October 1, 2009, the Company’s money orders were issued by Integrated Payment Systems Inc. (“IPS”), a subsidiary of First Data Corporation (“First Data”), to consumers at retail locations primarily in the United States and Canada. Effective October 1, 2009, the Company assumed the responsibility for issuing money orders.

There are legal or regulatory limitations on transferring certain assets of the Company outside of the countries where these assets are located, or which constitute undistributed earnings of affiliates of the Company accounted for under the equity method of accounting. However, there are generally no limitations on the use of these assets within those countries. Additionally, the Company must meet minimum capital requirements in some countries in order to maintain operating licenses. As of December 31, 2011, the amount of net assets subject to these limitations totaled approximately \$230 million.

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

Spin-off from First Data

On January 26, 2006, the First Data Board of Directors announced its intention to pursue the distribution of all of its money transfer and consumer payments businesses and its interest in a Western Union money transfer agent, as well as its related assets, including real estate, through a tax-free distribution to First Data shareholders

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(the “Spin-off”). Effective on September 29, 2006, First Data completed the separation and the distribution of these businesses by distributing The Western Union Company common stock to First Data shareholders (the “Distribution”). Prior to the Distribution, the Company had been a segment of First Data.

Basis of Presentation

The financial statements in this Annual Report on Form 10-K are presented on a consolidated basis and include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

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

2. Summary of Significant Accounting Policies

Use of Estimates

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

Principles of Consolidation

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

Earnings Per Share

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

As of December 31, 2011, 2010 and 2009, there were 17.1 million, 34.0 million and 37.5 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation, as their effect was anti-dilutive.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	For the Year Ended December 31,		
	2011	2010	2009
Basic weighted-average shares outstanding	630.6	666.5	698.9
Common stock equivalents	3.6	2.4	2.1
Diluted weighted-average shares outstanding	<u>634.2</u>	<u>668.9</u>	<u>701.0</u>

Fair Value Measurements

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

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

Carrying amounts for many of the Company's financial instruments, including cash and cash equivalents, settlement cash and cash equivalents, settlement receivables, settlement obligations, borrowings under the commercial paper program and other short-term notes payable, approximate fair value due to their short maturities. Investment securities, included in settlement assets, and derivative financial instruments are carried at fair value and included in Note 8. Fixed rate notes are carried at their original issuance values as adjusted over time to accrete that value to par, except for portions of notes hedged by interest rate swap agreements as disclosed in Note 14. The fair values of fixed rate notes are also disclosed in Note 15 and are based on market quotations. For more information on the fair value of financial instruments, see Note 8.

The fair values of non-financial assets and liabilities related to the Company's business combinations are disclosed in Note 3. The fair values of financial assets and liabilities related to the Trust are disclosed in Note 11.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Business Combinations

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

Cash and Cash Equivalents

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

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

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts when it is probable that the related receivable balance will not be collected based on its history of collection experience, known collection issues, such as agent suspensions and bankruptcies, and other matters the Company identifies in its routine collection monitoring. The allowance for doubtful accounts was \$28.5 million and \$21.1 million as of December 31, 2011 and 2010, respectively, and is recorded in the same Consolidated Balance Sheet caption as the related receivable. During the years ended December 31, 2011, 2010 and 2009, the provision for doubtful accounts (bad debt expense) reflected in the Consolidated Statements of Income was \$24.3 million, \$19.1 million and \$36.2 million, respectively.

Settlement Assets and Obligations

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

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

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

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

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Settlement assets:		
Cash and cash equivalents	\$ 712.5	\$ 133.8
Receivables from selling agents and business-to-business customers	1,046.7	1,132.3
Investment securities	<u>1,332.0</u>	<u>1,369.1</u>
	<u>\$ 3,091.2</u>	<u>\$ 2,635.2</u>
Settlement obligations:		
Money transfer, money order and payment service payables	\$ 2,242.3	\$ 2,170.0
Payables to agents	<u>848.9</u>	<u>465.2</u>
	<u>\$ 3,091.2</u>	<u>\$ 2,635.2</u>

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the lesser of the estimated life of the related assets (generally three to 10 years for equipment, furniture and fixtures, and 30 years for buildings) or the lease term. Maintenance and repairs, which do not extend the useful life of the respective assets, are charged to expense as incurred.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	December 31,	
	2011	2010
Equipment	\$ 434.8	\$ 401.5
Buildings	80.1	77.5
Leasehold improvements	61.1	51.9
Furniture and fixtures	33.1	30.3
Land and improvements	16.9	16.9
Projects in process	1.8	2.0
	<u>627.8</u>	<u>580.1</u>
Less accumulated depreciation	<u>(429.7)</u>	<u>(383.6)</u>
Property and equipment, net	<u>\$ 198.1</u>	<u>\$ 196.5</u>

Amounts charged to expense for depreciation of property and equipment were \$61.0 million, \$61.5 million and \$55.9 million during the years ended December 31, 2011, 2010 and 2009, respectively.

Deferred Customer Set Up Costs

The Company capitalizes direct incremental costs not to exceed related deferred revenues associated with the enrollment of customers in the Equity Accelerator program, a service that allows consumers to make mortgage payments based on a customized payment program. Deferred customer set up costs, included in “Other assets” in the Consolidated Balance Sheets, are amortized to “Cost of services” in the Consolidated Statements of Income over the length of the customer’s expected participation in the program, generally five to seven years. Actual customer attrition data is assessed at least annually and the amortization period is adjusted prospectively.

Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and other intangible assets acquired, less liabilities assumed arising from business combinations. The Company’s annual impairment assessment did not identify any goodwill impairment during the years ended December 31, 2011, 2010 and 2009.

Other Intangible Assets

Other intangible assets primarily consist of acquired contracts, contract costs (primarily amounts paid to agents in connection with establishing and renewing long-term contracts) and software. Other intangible assets are amortized on a straight-line basis over the length of the contract or benefit periods. Included in the Consolidated Statements of Income is amortization expense of approximately \$131.6 million, \$114.4 million and \$98.3 million for the years ended December 31, 2011, 2010 and 2009, respectively.

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

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

The Company develops software that is used in providing services. Software development costs are capitalized once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning and designing activities that are necessary to determine that a product can be produced to meet its design specifications, including functions, features and technical performance requirements. Capitalization of costs ceases when the product is available for general use. Software development costs and purchased software are generally amortized over a term of three to five years.

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

	December 31, 2011			December 31, 2010	
	Weighted-Average Amortization Period (in years)	Initial Cost	Net of Accumulated Amortization	Net of Accumulated	
				Initial Cost	Amortization
Acquired contracts (a)	10.5	\$ 629.5	\$ 526.5	\$ 256.5	\$ 186.8
Capitalized contract costs	6.7	399.1	213.8	350.3	164.6
Purchased or acquired software (a)	3.5	132.2	57.9	113.9	30.7
Developed software	3.3	65.2	3.1	86.1	13.7
Acquired trademarks	24.5	41.5	31.0	42.3	33.4
Projects in process	3.0	0.8	0.8	6.1	6.1
Other intangibles (a)	3.8	41.6	14.3	24.0	2.7
Total other intangible assets	8.5	<u>\$ 1,309.9</u>	<u>\$ 847.4</u>	<u>\$ 879.2</u>	<u>\$ 438.0</u>

(a) Total other intangible assets includes \$299.7 million of identifiable intangible assets related to the preliminary allocation of purchase price for the TGBP acquisition (see Note 3).

The estimated future aggregate amortization expense for existing other intangible assets as of December 31, 2011 is expected to be \$160.6 million in 2012, \$131.0 million in 2013, \$107.3 million in 2014, \$89.1 million in 2015, \$70.7 million in 2016 and \$288.7 million thereafter.

Other intangible assets are reviewed for impairment on an annual basis and whenever events indicate that their carrying amount may not be recoverable. In such reviews, estimated undiscounted cash flows associated with these assets or operations are compared with their carrying values to determine if a write-down to fair value (normally measured by the present value technique) is required. The Company did not record any impairment related to other intangible assets during the years ended December 31, 2011 and 2009, and recorded impairments of approximately \$9 million for the year ended December 31, 2010.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Revenue Recognition

The Company's revenues are primarily derived from consumer money transfer transaction fees that are based on the principal amount of the money transfer and the locations from and to which funds are transferred. The Company also offers several global business payments services, including payments from consumers or businesses to other businesses. Transaction fees are set by the Company and recorded as revenue at the time of sale.

In certain consumer money transfer and global business payments transactions involving different currencies, the Company generates revenue based on the difference between the exchange rate set by the Company to the customer and the rate at which the Company or its agents are able to acquire currency. This foreign exchange revenue is recorded at the time the related consumer money transfer transaction fee revenue is recognized or at the time a customer initiates a transaction through the Company's business-to-business payment service operations.

The Company's Equity Accelerator service generally requires a consumer to pay an upfront enrollment fee to participate in this mortgage payment service. These enrollment fees are deferred and recognized into income over the length of the customer's expected participation in the program, generally five to seven years. Actual customer attrition data is assessed at least annually and the period over which revenue is recognized is adjusted prospectively. Many factors impact the duration of the expected customer relationship, including interest rates, refinance activity and trends in consumer behavior.

Cost of Services

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

Advertising Costs

Advertising costs are charged to operating expenses as incurred or at the time the advertising first takes place. Advertising costs for the years ended December 31, 2011, 2010, and 2009 were \$174.8 million, \$163.9 million and \$201.4 million, respectively.

Income Taxes

The Company accounts for income taxes under the liability method, which requires that deferred tax assets and liabilities be determined based on the expected future income tax consequences of events that have been recognized in the consolidated financial statements. Deferred tax assets and liabilities are recognized based on temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse.

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

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Foreign Currency Translation

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

Derivatives

The Company utilizes derivatives to (a) minimize its exposures related to changes in foreign currency exchange rates and interest rates and (b) facilitate cross-currency business-to-business payments by writing derivatives to customers. The Company recognizes all derivatives in the "Other assets" and "Other liabilities" captions in the accompanying Consolidated Balance Sheets at their fair value. All cash flows associated with derivatives are included in cash flows from operating activities in the Consolidated Statements of Cash Flows, except for cash flows associated with foreign currency forward contracts entered into in order to reduce the economic variability related to the cash amounts used to fund acquisitions of businesses with purchase prices denominated in foreign currencies, which are recorded in investing activities.

- Cash Flow hedges—Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in "Accumulated other comprehensive loss." Cash flow hedges consist of foreign currency hedging of forecasted revenues, as well as hedges of the forecasted issuance of fixed rate debt. Derivative fair value changes that are captured in "Accumulated other comprehensive loss" are reclassified to earnings in the same period or periods the hedged item affects earnings. The portions of the change in fair value that are excluded from the measure of effectiveness are recognized immediately in "Derivative gains/(losses), net."
- Fair Value hedges—Changes in the fair value of derivatives that are designated as fair value hedges of fixed rate debt are recorded in "Interest expense." The offsetting change in value of the related debt instrument attributable to changes in the benchmark interest rate is also recorded in "Interest expense."
- Undesignated—Derivative contracts entered into to reduce the variability related to (a) money transfer settlement assets and obligations, generally with maturities of a few days up to one month, and (b) certain money transfer related foreign currency denominated cash positions and intercompany loans, generally with maturities of less than one year, are not designated as hedges for accounting purposes and changes in their fair value are included in "Selling, general and administrative." In addition, changes in fair value of derivative contracts, consisting of forward contracts with maturities of less than one year entered into to reduce the economic variability related to the cash amounts used to fund acquisitions of businesses with purchase prices denominated in foreign currencies, are recorded in "Derivative gains/(losses), net." The Company is also exposed to risk from derivative contracts written to its customers arising from its cross-currency business-to-business payments operations. These contracts have durations generally of nine months or less. The Company aggregates its foreign exchange exposures in its cross-currency business-to-business payments operations, including the exposure generated by the derivative contracts it

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

writes to its customers, and typically hedges the net exposure through offsetting contracts with established financial institution counterparties (economic hedge contract) as part of a broader foreign currency portfolio, including significant spot exchanges of currency in addition to forwards and options. The changes in fair value related to these contracts are recorded in “Foreign exchange revenues.”

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

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

Stock-Based Compensation

The Company currently has a stock-based compensation plan that provides for grants of Western Union stock options, restricted stock awards and restricted stock units to employees who perform services for the Company. In addition, the Company has a stock-based compensation plan that provides for grants of Western Union stock options and stock unit awards to non-employee directors of the Company. Prior to the Spin-off, employees of Western Union participated in First Data’s stock-based compensation plans.

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

Restructuring and Related Expenses

The Company records severance-related expenses once they are both probable and estimable in accordance with the provisions of the applicable accounting guidance for severance provided under an ongoing benefit arrangement. One-time, involuntary benefit arrangements and other exit costs are generally recognized when the liability is incurred. Expenses arising under the Company’s defined benefit pension plans from curtailing future service of employees participating in the plans and providing enhanced benefits are recognized in earnings when it is probable and reasonably estimable. The Company also evaluates impairment issues associated with restructuring activities when the carrying amount of the assets may not be fully recoverable, in accordance with the appropriate accounting guidance. Restructuring and related expenses consist of direct and incremental expenses associated with restructuring and related activities, including severance, outplacement and other employee related benefits; facility closure and migration of the Company’s IT infrastructure; and other expenses related to the relocation of various operations to new or existing Company facilities and third-party providers, including hiring, training, relocation, travel and professional fees. Also included in the facility closure expenses are non-cash expenses related to fixed asset and leasehold improvement write-offs and accelerated depreciation at impacted facilities. For more information on the Company’s restructuring and related expenses, see Note 4.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. Acquisitions

2011 Acquisitions

On November 7, 2011, the Company acquired the business-to-business payment business known as Travelex Global Business Payments (“TGBP”) from Travelex Holdings Limited for cash consideration of £603 million (\$967.8 million), plus an initial working capital adjustment. The acquisition of the French assets of TGBP for cash consideration of £3 million (approximately \$4.7 million based on currency exchange rates at December 31, 2011) has not been finalized as of December 31, 2011. This acquisition is expected to close in 2012, subject to regulatory approval and satisfaction of closing conditions. The final consideration and the final purchase price allocation are subject to an additional working capital adjustment, further analysis of tax balances, final valuation of identifiable intangible assets, and other items. For the year ended December 31, 2011, the Company incurred \$20.7 million of costs associated with the closing of this acquisition. With the acquisition of TGBP and the Company’s existing Business Solutions business, the Company has the ability to leverage TGBP’s business-to-business payments market expertise, distribution, product and capabilities with Western Union’s brand, existing Business Solutions operations, global infrastructure and relationships, and financial strength. The results of operations for TGBP have been included in the Company’s consolidated financial statements from the date of acquisition.

On October 31, 2011 and April 20, 2011, the Company acquired the remaining 70% interests in European-based Finint S.r.l. (“Finint”) and Angelo Costa S.r.l. (“Costa”), respectively, two of the Company’s largest agents providing services in a number of European countries. The Company previously held a 30% equity interest in each of these agents. The Company expects these acquisitions will help accelerate the introduction of additional Western Union products and services and will leverage its existing European infrastructure to build new opportunities across the European Union. The acquisitions do not impact the Company’s money transfer revenue, because the Company was already recording all of the revenue arising from money transfers originating at Finint’s and Costa’s subagents. As of the acquisition dates, the Company no longer incurs commission costs for transactions related to Finint and Costa; rather the Company now pays commissions to Finint and Costa subagents, resulting in lower overall commission expense. The Company’s operating expenses include costs attributable to Finint’s and Costa’s operations subsequent to the acquisition dates.

The Company acquired the remaining 70% interest in Finint for cash consideration of €9.6 million (\$139.4 million). The final purchase price allocation is subject to further analysis of tax balances and other items. The Company revalued its previous 30% equity interest to fair value of approximately \$47.8 million on the acquisition date, resulting in total value of \$187.2 million. In conjunction with the revaluation, the Company recognized a gain of \$20.5 million, recorded in “Other income, net” in the Company’s Consolidated Statements of Income, for the amount by which the fair value of the 30% equity interest exceeded its previous carrying value.

The Company acquired the remaining 70% interest in Costa for cash consideration of €5 million (\$135.7 million), which included a reduction of € million (\$7.1 million) for an initial working capital adjustment pursuant to the terms of the purchase agreement. The final consideration and the final purchase price allocation are subject to an additional working capital adjustment. The Company revalued its previous 30% equity interest to fair value of approximately \$46.2 million on the acquisition date, resulting in total value of \$181.9 million. In conjunction with the revaluation, the Company recognized a gain of \$29.4 million, recorded in “Other income, net” in the Company’s Consolidated Statements of Income, for the amount by which the fair value of the 30% equity interest exceeded its previous carrying value.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

All assets and liabilities have been recorded at fair value, excluding deferred tax liabilities. The following table summarizes the preliminary allocations of purchase price (in millions):

	Travelex Global		Angelo Costa
	Business Payments	Finint S.r.l	S.r.l
Assets:			
Cash and cash equivalents	\$ 40.0	\$ —	\$ —
Settlement assets	169.1	52.2	48.0
Property and equipment	4.9	0.5	3.0
Goodwill	728.7	153.1	172.3
Other intangible assets	299.7	64.8	51.4
Other assets	30.0	2.4	1.7
Total assets	\$ 1,272.4	\$ 273.0	\$ 276.4
Liabilities:			
Accounts payable and accrued liabilities	\$ 43.2	\$ 6.0	\$ 10.8
Settlement obligations	169.1	57.5	55.7
Income taxes payable	1.1	3.1	10.3
Deferred tax liability, net	69.4	15.8	15.5
Other liabilities	21.8	3.4	2.2
Total liabilities	304.6	85.8	94.5
Total purchase price (a)	\$ 967.8	\$ 187.2	\$ 181.9

(a) Total purchase price includes cash consideration transferred and the revaluation of the Company's previous equity interest, if any, to fair value on the acquisition date.

The preliminary valuation of assets acquired were derived using primarily unobservable Level 3 inputs, which require significant management judgment and estimation, and resulted in identifiable intangible assets as follows (in millions):

	Travelex Global		Angelo Costa
	Business Payments	Finint S.r.l	S.r.l
Customer and other contractual relationships	\$ 276.6	\$ —	\$ —
Network of subagents	—	53.9	44.6
Other	23.1	10.9	6.8
Total identifiable intangible assets	\$ 299.7	\$ 64.8	\$ 51.4

Customer and other contractual relationships and network of subagents identifiable intangible assets were valued using an income approach and are being amortized over 10 to 11 years, subject to valuation completion. Other intangibles were valued using both income and cost approaches and are being amortized over one to five

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

years. For the remaining assets and liabilities excluding goodwill and deferred tax liabilities, fair value approximated carrying value.

The goodwill recognized for TGBP of \$728.7 million is attributable to expected synergies, the projected long-term business growth in current and new markets and an assembled workforce and relates entirely to the global business payments segment. The goodwill recognized for Finint and Costa of \$153.1 million and \$172.3 million, respectively, is attributable to growth opportunities that will arise from the Company directly managing its agent relationships, expected synergies, projected long-term business growth and an assembled workforce and relates entirely to the consumer-to-consumer segment. Based on the preliminary allocation of purchase price, goodwill expected to be deductible for income tax purposes for TGBP, Finint and Costa is approximately \$470.6 million, \$97.0 million and \$104.9 million, respectively.

Other acquisitions

On September 1, 2009, the Company acquired Canada-based Custom House, a provider of international business-to-business payment services, for \$371.0 million. The acquisition of Custom House allowed the Company to enter the international business-to-business payments market. Custom House facilitates cross-border, cross-currency payment transactions. These payment transactions are conducted through various channels including the phone and Internet. The significant majority of Custom House's revenue is from exchanges of currency at the spot rate enabling customers to make cross-currency payments. In addition, this business writes foreign currency forward and option contracts for its customers to facilitate future payments. The duration of these derivatives contracts is generally nine months or less. The results of operations for Custom House have been included in the Company's consolidated financial statements from the date of acquisition.

The Company recorded the assets and liabilities of Custom House at fair value, excluding the deferred tax liability. The valuation of assets acquired resulted in \$118.1 million of identifiable intangible assets, \$99.8 million of which were attributable to customer and other contractual relationships and were valued using an income approach and \$18.3 million of other intangibles, which were valued using both income and cost approaches. For the remaining assets and liabilities, excluding goodwill, fair value approximated carrying value. The intangible assets related to customer and other contractual relationships are being amortized over 10 to 12 years. The remaining intangibles are being amortized over three to five years. The goodwill recognized of \$264.3 million is attributable to the projected long-term business growth in current and new markets and an assembled workforce. All goodwill relates entirely to the global business payments segment. Goodwill expected to be deductible for United States income tax purposes is approximately \$231.3 million.

On February 24, 2009, the Company acquired the money transfer business of European-based FEXCO, one of the Company's largest agents providing services in a number of European countries, primarily the United Kingdom, Spain, Sweden and Ireland. The acquisition of FEXCO's money transfer business has assisted the Company in the implementation of the Payment Services Directive ("PSD") in the European Union by providing an initial operating infrastructure. The PSD has allowed the Company to operate under a single license in 27 European countries and, in those European Union countries where the Company has been limited to working with banks, post-banks and foreign exchange houses, to expand its network to additional types of businesses. The acquisition does not impact the Company's revenue, because the Company was already recording all of the revenue arising from money transfers originating at FEXCO's locations. As of the acquisition date, the Company no longer incurs commission costs for transactions related to FEXCO; rather, the Company now pays commissions directly to former FEXCO subagents, resulting in lower overall commission expense. The Company's operating expenses include costs attributable to FEXCO's operations subsequent to the acquisition date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Prior to the acquisition, the Company held a 24.65% interest in FEXCO Group Holdings (“FEXCO Group”), which was a holding company for both the money transfer business as well as various unrelated businesses. The Company surrendered its 24.65% interest in FEXCO Group as non-cash consideration, which had an estimated fair value of \$86.2 million on the acquisition date, and paid €123.1 million (\$157.4 million) as additional consideration for all of the common shares of the money transfer business, resulting in a total purchase price of \$243.6 million. The Company recognized no gain or loss in connection with the disposition of its equity interest in the FEXCO Group, because its estimated fair value approximated its carrying value. The Company recorded the assets and liabilities of FEXCO at fair value, excluding the deferred tax liability. The valuation of assets acquired resulted in \$74.9 million of identifiable intangible assets, \$64.8 million of which were attributable to the network of subagents, with \$10.1 million relating to other intangibles. The subagent network intangible assets are being amortized over 10 to 15 years, and the remaining intangibles are being amortized over two to three years. Goodwill of \$190.6 million was recognized, of which \$91.1 million is expected to be deductible for United States income tax purposes.

The following table presents changes to goodwill for the years ended December 31, 2011 and 2010 (in millions):

	Consumer-to- <u>Consumer</u>	Global Business <u>Payments</u>	<u>Other</u>	<u>Total</u>
January 1, 2010 balance	\$ 1,619.9	\$ 509.2	\$ 14.3	\$ 2,143.4
Purchase price adjustments	—	(7.9)	—	(7.9)
Currency translation	—	16.3	(0.1)	16.2
December 31, 2010 balance	\$ 1,619.9	\$ 517.6	\$ 14.2	\$ 2,151.7
Acquisitions	325.4	728.7	—	1,054.1
Currency translation	—	(6.7)	(0.2)	(6.9)
December 31, 2011 balance	<u>\$ 1,945.3</u>	<u>\$1,239.6</u>	<u>\$ 14.0</u>	<u>\$ 3,198.9</u>

4. Restructuring and Related Expenses

On May 25, 2010 and as subsequently revised, the Company’s Board of Directors approved a restructuring plan (the “Restructuring Plan”) designed to reduce the Company’s overall headcount and migrate positions from various facilities, primarily within North America and Europe, to regional operating centers. Details of the expenses incurred are included in the tables below. Included in these expenses are approximately \$2 million of non-cash expenses related to fixed asset and leasehold improvement write-offs and accelerated depreciation at impacted facilities. As of December 31, 2011, the Company has incurred all of the expenses related to the Restructuring Plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the activity for the restructuring and related expenses discussed above and the related restructuring accruals as of and for the years ended December 31, 2011 and December 31, 2010 (in millions):

	Severance, Outplacement And Related Benefits	Fixed Asset Write-Offs and Accelerated Depreciation	Lease Terminations	Other (b)	Total
Balance, January 1, 2010	\$ —	\$ —	\$ —	\$ —	\$ —
Expenses (a)	48.7	0.9	—	9.9	59.5
Cash payments	(13.7)	—	—	(8.8)	(22.5)
Non-cash charges (a)	(0.7)	(0.9)	—	—	(1.6)
Balance, December 31, 2010	\$ 34.3	\$ —	\$ —	\$ 1.1	\$ 35.4
Expenses (a)	26.1	1.3	3.5	15.9	46.8
Cash payments	(48.1)	—	(3.5)	(16.8)	(68.4)
Non-cash charges (a)	1.4	(1.3)	—	—	0.1
Balance, December 31, 2011	\$ 13.7	\$ —	\$ —	\$ 0.2	\$ 13.9
Total expenses	\$ 74.8	\$ 2.2	\$ 3.5	\$ 25.8	\$ 106.3

(a) Expenses include non-cash write-offs and accelerated depreciation of fixed assets and leasehold improvements. However, these amounts were recognized outside of the restructuring accrual.

(b) Other expenses related to the relocation of various operations to new and existing Company facilities including expenses for hiring, training, relocation, travel and professional fees. All such expenses will be recorded when incurred.

Restructuring and related expenses are reflected in the Consolidated Statements of Income as follows (in millions):

	Year Ended December 31, 2011	Year Ended December 31, 2010
Cost of services	\$ 10.6	\$ 15.0
Selling, general and administrative	36.2	44.5
Total restructuring and related expenses, pre-tax	\$ 46.8	\$ 59.5
Total restructuring and related expenses, net of tax	\$ 32.0	\$ 39.3

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the restructuring and related expenses by reportable segment (in millions). These expenses have not been allocated to the Company’s segments disclosed in Note 17. While these items are identifiable to the Company’s segments, these expenses have been excluded from the measurement of segment operating profit provided to the chief operating decision maker (“CODM”) for purposes of assessing segment performance and decision making with respect to resource allocation.

	<u>Consumer- to- Consumer</u>	<u>Global Business Payments</u>	<u>Other</u>	<u>Total</u>
2010 expenses	\$ 44.7	\$ 12.8	\$ 2.0	\$ 59.5
2011 expenses	33.7	11.2	1.9	46.8
Total expenses	<u>\$ 78.4</u>	<u>\$ 24.0</u>	<u>\$ 3.9</u>	<u>\$ 106.3</u>

The Company did not incur any material restructuring and related expenses in the year ended December 31, 2009.

5. Related Party Transactions

The Company has ownership interests in certain of its agents accounted for under the equity method of accounting. The Company pays these agents, as it does its other agents, commissions for money transfer and other services provided on the Company’s behalf. Commission expense recognized for these agents for the years ended December 31, 2011, 2010 and 2009 totaled \$131.9 million, \$183.5 million and \$203.2 million, respectively. Commission expense recognized for Finint prior to October 31, 2011, Costa prior to April 20, 2011, and FEXCO prior to February 24, 2009, the date of the acquisitions (see Note 3), was considered a related party transaction.

In July 2009, the Company appointed a director who is also a director for a company holding significant investments in two of the Company’s existing agents. These agents had been agents of the Company prior to the director being appointed to the board. The Company recognized commission expense of \$58.8 million, \$52.9 million and \$54.2 million for the years ended December 31, 2011, 2010 and 2009, respectively, related to these agents.

6. Commitments and Contingencies

Letters of Credit and Bank Guarantees

The Company had approximately \$120 million in outstanding letters of credit and bank guarantees as of December 31, 2011 with expiration dates through 2015, the majority of which contain a one-year renewal option. The letters of credit and bank guarantees are primarily held in connection with lease arrangements and certain agent agreements. The Company expects to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

Litigation and Related Contingencies

In the second quarter of 2009, the Antitrust Division of the United States Department of Justice (“DOJ”) served one of the Company’s subsidiaries with a grand jury subpoena requesting documents in connection with

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

an investigation into money transfers, including related foreign exchange rates, from the United States to the Dominican Republic from 2004 through the date of subpoena. The Company is cooperating fully with the DOJ investigation. Due to the stage of the investigation, the Company is unable to predict the outcome of the investigation, or the possible loss or range of loss, if any, which could be associated with the resolution of any possible criminal charges or civil claims that may be brought against the Company. Should such charges or claims be brought, the Company could face significant fines, damage awards or regulatory consequences which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company and one of its subsidiaries are defendants in two purported class action lawsuits: James P. Tennille v. The Western Union Company and Robert P. Smet v. The Western Union Company, both of which are pending in the United States District Court for the District of Colorado. The original complaints asserted claims for violation of various consumer protection laws, unjust enrichment, conversion and declaratory relief, based on allegations that the Company waits too long to inform consumers if their money transfers are not redeemed by the recipients and that the Company uses the unredeemed funds to generate income until the funds are escheated to state governments. The Tennille complaint was served on the Company on April 27, 2009. The Smet complaint was served on the Company on April 6, 2010. On September 21, 2009, the Court granted the Company's motion to dismiss the Tennille complaint and gave the plaintiff leave to file an amended complaint. On October 21, 2009, Tennille filed an amended complaint. The Company moved to dismiss the Tennille amended complaint and the Smet complaint. On November 8, 2010, the Court denied the motion to dismiss as to the plaintiffs' unjust enrichment and conversion claims. On February 4, 2011, the Court dismissed plaintiffs' consumer protection claims. On March 11, 2011, the plaintiffs filed an amended complaint that adds a claim for breach of fiduciary duty, various elements to its declaratory relief claim and Western Union Financial Services, Inc. as a defendant. On April 25, 2011, the Company and Western Union Financial Services, Inc. filed a motion to dismiss the breach of fiduciary duty and declaratory relief claims. Western Union Financial Services, Inc. also moved to compel arbitration of the plaintiffs' claims and to stay the action pending arbitration. On November 21, 2011, the Court denied the motion to compel arbitration and the stay request. Both companies appealed the decision. On January 24, 2012, the United States Court of Appeals for the Tenth Circuit granted the companies' request to stay the District Court proceedings pending their appeal. The plaintiffs have not sought and the Court has not granted class certification. The Company and Western Union Financial Services, Inc. intend to vigorously defend themselves against both lawsuits. However, due to the preliminary stages of these lawsuits, the fact the plaintiffs have not quantified their damage demands, and the uncertainty as to whether they will ever be certified as class actions, the potential outcome cannot be determined.

During 2009, the Company recorded an accrual of \$71.0 million for an agreement and settlement with the State of Arizona and other states, which was paid in 2010. On February 11, 2010, the Company signed this agreement and settlement, which resolved all outstanding legal issues and claims with the State of Arizona and required the Company to fund a multi-state not-for-profit organization promoting safety and security along the United States and Mexico border, in which California, Texas and New Mexico are participating with Arizona. The accrual included amounts for reimbursement to the State of Arizona for its costs associated with this matter. In addition, as part of the agreement and settlement, the Company has made and expects to make certain investments in its compliance programs along the United States and Mexico border and a monitor has been engaged for those programs. The costs of the investments in the Company's programs and for the monitor are expected to reach up to \$23 million over the period from signing to 2013.

In the normal course of business, the Company is subject to claims and litigation. Management of the Company believes such matters involving a reasonably possible chance of loss will not, individually or in the aggregate, result in a material adverse effect on the Company's financial condition, results of operations and cash flows. The Company accrues for loss contingencies as they become probable and estimable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pursuant to the separation and distribution agreement with First Data in connection with the Spin-off, First Data and the Company are each liable for, and agreed to perform, all liabilities with respect to their respective businesses. In addition, the separation and distribution agreement also provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of the Company's business with the Company and financial responsibility for the obligations and liabilities of First Data's retained businesses with First Data. The Company also entered into a tax allocation agreement that sets forth the rights and obligations of First Data and the Company with respect to taxes imposed on their respective businesses both prior to and after the Spin-off as well as potential tax obligations for which the Company may be liable in conjunction with the Spin-off (see Note 10).

7. Investment Securities

Investment securities, classified within "Settlement assets" in the Consolidated Balance Sheets, consist primarily of highly-rated state and municipal debt securities, including variable rate demand notes. Variable rate demand note securities can be put (sold at par) typically on a daily basis with settlement periods ranging from the same day to one week, but that have varying maturities through 2050. Generally, these securities are used by the Company for short-term liquidity needs and are held for short periods of time, typically less than 30 days. The Company is required to hold specific highly-rated, investment grade securities and such investments are restricted to satisfy outstanding settlement obligations in accordance with applicable state and foreign country requirements. The substantial majority of the Company's investment securities are classified as available-for-sale and recorded at fair value. Investment securities are exposed to market risk due to changes in interest rates and credit risk. Western Union regularly monitors credit risk and attempts to mitigate its exposure by investing in highly-rated securities and through investment diversification. As of December 31, 2011, the majority of the Company's investment securities had credit ratings of "AA-" or better from a major credit rating agency.

On October 1, 2009 (the "Transition Date"), the Company assumed IPS's role as issuer of money orders and terminated the existing agreement whereby IPS paid the Company a fixed return of 5.5% on the outstanding money order balances. Following the Transition Date, the Company invested the cash received from IPS in highly-rated, investment grade securities, primarily tax exempt United States state and municipal debt securities, in accordance with applicable regulations.

Subsequent to the Transition Date, all revenue generated from the investment portfolio is being retained by the Company. IPS continues to provide the Company with clearing services necessary for payment of the money orders in exchange for the payment by the Company to IPS of a per-item processing fee. The Company no longer provides to IPS the services required under the original money order agreement or receives from IPS the fee for such services.

Unrealized gains and losses on available-for-sale securities are excluded from earnings and presented as a component of accumulated other comprehensive income or loss, net of related deferred taxes. Proceeds from the sale and maturity of available-for-sale securities during the years ended December 31, 2011, 2010 and 2009 were \$14.2 billion, \$14.7 billion and \$8.4 billion, respectively. The transition of the money order business from IPS in October 2009, as described above, increased the frequency of purchases and proceeds received by the Company in 2010 and 2011.

Gains and losses on investments are calculated using the specific-identification method and are recognized during the period in which the investment is sold or when an investment experiences an other-than-temporary decline in value. Factors that could indicate an impairment exists include, but are not limited to: earnings performance, changes in credit rating or adverse changes in the regulatory or economic environment of the asset.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

If potential impairment exists, the Company assesses whether it has the intent to sell the debt security, more likely than not will be required to sell the debt security before its anticipated recovery or expects that some of the contractual cash flows will not be received. The Company had no material other-than-temporary impairments during the periods presented.

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

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains/ (Losses)
December 31, 2011					
State and municipal debt securities (a)	\$ 858.5	\$ 866.5	\$ 10.4	\$ (2.4)	\$ 8.0
State and municipal variable rate demand notes	376.9	376.9	—	—	—
Corporate debt and other	88.7	88.6	0.6	(0.7)	(0.1)
	<u>\$ 1,324.1</u>	<u>\$ 1,332.0</u>	<u>\$ 11.0</u>	<u>\$ (3.1)</u>	<u>\$ 7.9</u>
December 31, 2010					
State and municipal debt securities (a)	\$ 844.1	\$ 849.1	\$ 7.0	\$ (2.0)	\$ 5.0
State and municipal variable rate demand notes	490.0	490.0	—	—	—
Agency mortgage-backed securities and other	29.9	30.0	0.1	—	0.1
	<u>\$ 1,364.0</u>	<u>\$ 1,369.1</u>	<u>\$ 7.1</u>	<u>\$ (2.0)</u>	<u>\$ 5.1</u>

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

There were no investments with a single issuer or individual securities representing greater than 10% of total investment securities as of December 31, 2011 and 2010.

The following summarizes contractual maturities of investment securities as of December 31, 2011 (in millions):

	Amortized Cost	Fair Value
Due within 1 year	\$ 180.0	\$ 180.5
Due after 1 year through 5 years	705.6	713.3
Due after 5 years through 10 years	115.8	114.6
Due after 10 years	322.7	323.6
	<u>\$ 1,324.1</u>	<u>\$ 1,332.0</u>

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay the obligations or the Company may have the right to put the obligation prior to its contractual maturity, as with variable rate demand notes. Variable rate demand notes, having a fair value of \$12.4 million, \$65.4 million,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

\$6.0 million and \$293.1 million are included in the “Due within 1 year,” “Due after 1 year through 5 years,” “Due after 5 years through 10 years” and “Due after 10 years” categories, respectively, in the table above.

8. Fair Value Measurements

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

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

December 31, 2011	Fair Value Measurement Using			Assets/Liabilities
	Level 1	Level 2	Level 3	at Fair Value
Assets:				
State and municipal debt securities	\$ —	\$ 866.5	\$ —	\$ 866.5
State and municipal variable rate demand notes	—	376.9	—	376.9
Corporate debt and other	0.1	88.5	—	88.6
Derivatives	—	124.8	—	124.8
Total assets	\$ 0.1	\$ 1,456.7	\$ —	\$ 1,456.8
Liabilities:				
Derivatives	\$ —	\$ 86.6	\$ —	\$ 86.6
Total liabilities	\$ —	\$ 86.6	\$ —	\$ 86.6

December 31, 2010	Fair Value Measurement Using			Assets/Liabilities
	Level 1	Level 2	Level 3	at Fair Value
Assets:				
State and municipal debt securities	\$ —	\$ 849.1	\$ —	\$ 849.1
State and municipal variable rate demand notes	—	490.0	—	490.0
Agency mortgage-backed securities and other	0.1	29.9	—	30.0
Derivatives	—	69.8	—	69.8
Total assets	\$ 0.1	\$ 1,438.8	\$ —	\$ 1,438.9
Liabilities:				
Derivatives	\$ —	\$ 80.9	\$ —	\$ 80.9
Total liabilities	\$ —	\$ 80.9	\$ —	\$ 80.9

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No non-recurring fair value adjustments were recorded during the years ended December 31, 2011 and 2010, except those associated with acquisitions, as disclosed in Note 3.

Other Fair Value Measurements

The carrying amounts for the Company's financial instruments, including cash and cash equivalents, settlement cash and cash equivalents, settlement receivables and settlement obligations approximate fair value due to their short maturities. The Company's borrowings had a carrying value and fair value of \$3,583.2 million and \$3,563.5 million, respectively, as of December 31, 2011 and had a carrying value and fair value of \$3,289.9 million and \$3,473.6 million, respectively, as of December 31, 2010 (see Note 15).

The fair value of the assets in the Trust, which holds the assets for the Company's defined benefit plan, is disclosed in Note 11.

9. Other Assets and Other Liabilities

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

	December 31,	
	2011	2010
Other assets:		
Derivatives	\$ 124.8	\$ 69.8
Prepaid expenses	54.5	50.1
Equity method investments	41.3	85.7
Other receivables	37.6	26.2
Amounts advanced to agents, net of discounts	34.1	25.3
Deferred customer set up costs	18.0	20.4
Debt issue costs	15.8	12.8
Accounts receivable, net	14.8	13.8
Receivables from First Data	3.6	24.1
Other	18.9	22.2
Total other assets	\$ 363.4	\$ 350.4
Other liabilities:		
Pension obligations	\$ 112.7	\$ 112.8
Derivatives	86.6	80.9
Deferred revenue	33.6	37.3
Other	40.7	23.5
Total other liabilities	\$ 273.6	\$ 254.5

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Receivable for securities sold

On September 15, 2008, Western Union requested redemption of its shares from the Reserve International Liquidity Fund, Ltd. (the “Fund”), a money market fund, totaling \$298.1 million. Western Union included the value of the receivable in “Other assets” in the Consolidated Balance Sheets. At the time the redemption request was made, the Company was informed by the Reserve Management Company, the Fund’s investment advisor, that the Company’s redemption trades would be honored at a \$1.00 per share net asset value despite losses the Fund had incurred on certain holdings resulting in the Fund subsequently reducing its net asset value. In 2009, the Company received partial distributions totaling \$255.5 million from the Fund and recorded a reserve of \$12 million, representing the estimated impact of a pro-rata distribution of the Fund. On December 31, 2010, the Company received a final distribution from the Fund totaling \$36.9 million. As a result of the final distribution, the Company recovered \$6.3 million of the related reserve, the impact of which is included in “Other income” in the Consolidated Statements of Income.

10. Income Taxes

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

	Year Ended December 31,		
	2011	2010	2009
Components of pre-tax income:			
Domestic	\$ 423.9	\$ 151.4	\$ 249.7
Foreign	850.7	993.8	881.8
	<u>\$1,274.6</u>	<u>\$1,145.2</u>	<u>\$1,131.5</u>

For the year ended December 31, 2011, the increase in domestic pre-tax income and decrease in foreign pre-tax income are primarily due to the current year pre-tax impact of the Company’s agreement with the United States Internal Revenue Service (“IRS Agreement”) resolving substantially all of the issues related to the Company’s restructuring of its international operations in 2003.

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

	Year Ended December 31,		
	2011	2010	2009
Federal	\$ 78.1	\$ 132.2	\$ 217.3
State and local	4.5	39.8	28.0
Foreign	26.6	63.3	37.4
	<u>\$ 109.2</u>	<u>\$ 235.3</u>	<u>\$ 282.7</u>

Domestic taxes have been incurred on certain pre-tax income amounts that were generated by the Company’s foreign operations. Accordingly, the percentage obtained by dividing the total federal, state and local tax provision by the domestic pre-tax income, all as shown in the preceding tables, may be higher than the statutory tax rates in the United States.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Year Ended December 31,		
	2011	2010	2009
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefits	2.0%	1.9%	1.5%
Foreign rate differential	(13.9)%	(15.3)%	(12.5)%
IRS Agreement	(16.1)%	—	—
Other	1.6%	(1.1)%	1.0%
Effective tax rate	<u>8.6%</u>	<u>20.5%</u>	<u>25.0%</u>

The decrease in the Company's effective tax rate for the year ended December 31, 2011 is primarily due to an agreement with the United States Internal Revenue Service ("IRS") resolving substantially all of the issues related to the Company's restructuring of its international operations in 2003, as described below, slightly offset by higher taxes associated with the Finint and Costa remeasurement gains. The tax rate for the year ended December 31, 2010 was impacted by a cumulative tax planning benefit from certain foreign acquisitions and the settlement with the IRS of certain issues relating to the 2002-2004 tax years. The Company continues to benefit from an increasing proportion of profits being foreign-derived, and therefore taxed at lower rates than its combined federal and state tax rates in the United States.

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

	Year Ended December 31,		
	2011	2010	2009
Current:			
Federal	\$ 36.2	\$ 103.6	\$ 235.8
State and local	0.6	30.1	26.0
Foreign	51.2	73.0	41.8
Total current taxes	<u>88.0</u>	<u>206.7</u>	<u>303.6</u>
Deferred:			
Federal	41.9	28.6	(18.5)
State and local	3.9	9.7	2.0
Foreign	(24.6)	(9.7)	(4.4)
Total deferred taxes	<u>21.2</u>	<u>28.6</u>	<u>(20.9)</u>
	<u>\$ 109.2</u>	<u>\$ 235.3</u>	<u>\$ 282.7</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Deferred tax assets related to:		
Reserves, accrued expenses and employee-related items	\$ 40.6	\$ 61.6
Pension obligations	40.0	38.7
Tax attribute carryovers	11.9	7.4
Other	<u>20.6</u>	<u>16.7</u>
Total deferred tax assets	<u>113.1</u>	<u>124.4</u>
Deferred tax liabilities related to:		
Intangibles, property and equipment	502.8	411.8
Other	<u>—</u>	<u>2.5</u>
Total deferred tax liabilities	<u>502.8</u>	<u>414.3</u>
Net deferred tax liability	<u>\$ 389.7</u>	<u>\$ 289.9</u>

Uncertain Tax Positions

The Company has established contingency reserves for a variety of material, known tax exposures. As of December 31, 2011, the total amount of tax contingency reserves was \$135.0 million, including accrued interest and penalties, net of related benefits. The Company's tax reserves reflect management's judgment as to the resolution of the issues involved if subject to judicial review. While the Company believes its reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed its related reserve. With respect to these reserves, the Company's income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e., new information) surrounding a tax issue, and (ii) any difference from the Company's tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in the Company's consolidated financial statements in future periods and could impact operating cash flows.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	<u>2011</u>	<u>2010</u>
Balance as of January 1,	\$ 618.7	\$ 477.2
Increases—positions taken in current period (a)	143.1	134.1
Increases—positions taken in prior periods (b)	34.1	33.4
Increases—acquisitions	9.7	—
Decreases—positions taken in prior periods	(27.9)	(21.8)
Decreases—settlements with taxing authorities	(650.9)	(0.8)
Decreases—lapse of applicable statute of limitations	(3.1)	(3.4)
Balance as of December 31, (c)	<u>\$ 123.7</u>	<u>\$ 618.7</u>

- (a) Includes recurring accruals for issues which initially arose in previous periods.
- (b) Changes to positions taken in prior periods relate to changes in estimates used to calculate prior period unrecognized tax benefits.
- (c) Balance at December 31, 2011, includes amounts related to a variety of U.S. federal and state and foreign tax matters.

In December 2011, the Company reached an agreement with the IRS resolving substantially all of the issues related to the Company's restructuring of its international operations in 2003. As a result of the IRS Agreement, the Company expects to make cash payments to the IRS and various state tax authorities in 2012 of approximately \$190 million, which are in addition to the \$250 million tax deposit (see below) the Company made with the IRS in 2010. This deposit limits the further accrual of interest charges with respect to the Company's related tax liabilities, to the extent of the deposit. Also as a result of the IRS Agreement, the Company recorded a tax benefit of \$204.7 million related to the adjustment of reserves associated with this matter.

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$115.6 million and \$555.5 million as of December 31, 2011 and 2010, respectively, excluding interest and penalties.

The Company recognizes interest and penalties with respect to unrecognized tax benefits in "Provision for income taxes" in its Consolidated Statements of Income, and records the associated liability in "Income taxes payable" in its Consolidated Balance Sheets. The Company recognized (\$4.0) million, \$6.9 million and \$11.0 million in interest and penalties during the years ended December 31, 2011, 2010 and 2009, respectively. The Company has accrued \$20.7 million and \$52.4 million for the payment of interest and penalties as of December 31, 2011 and 2010, respectively.

The Company has identified no uncertain tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within 12 months. The change in

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

unrecognized tax benefits during the year ended December 31, 2011 is substantially attributable to the settlement with the IRS discussed above. The unrecognized tax benefits accrual as of December 31, 2011, consists of federal, state and foreign tax matters.

The Company and its subsidiaries file tax returns for the United States, for multiple states and localities, and for various non-United States jurisdictions, and the Company has identified the United States and Ireland as its two major tax jurisdictions. The United States federal income tax returns of First Data, which include the Company, are eligible to be examined for the years 2003 through 2006. The Company's United States federal income tax returns since the Spin-off are also eligible to be examined. The IRS completed its examination of the United States federal consolidated income tax returns of First Data for 2003 and 2004, which included the Company, and issued a Notice of Deficiency in December 2008. The Notice of Deficiency alleged significant additional taxes, interest and penalties owed with respect to a variety of adjustments involving the Company and its subsidiaries, and the Company generally has responsibility for taxes associated with these potential Company-related adjustments under the tax allocation agreement with First Data executed at the time of the Spin-off. A substantial part of the alleged amounts due related to the Company's international restructuring, which took effect in the fourth quarter of 2003. In December 2011, the Company reached an agreement with the IRS resolving substantially all of the issues related to the Company's restructuring of its international operations in 2003, as noted above. An examination of the United States federal consolidated income tax returns of First Data that cover the Company's 2005 and pre-Spin-off 2006 taxable periods is ongoing, as is an examination of the Company's United States federal consolidated income tax returns for the 2006 post-Spin-off period through 2009. The Irish income tax returns of certain subsidiaries for the years 2007 and forward are eligible to be examined by the Irish tax authorities, although no examinations have commenced.

In the first quarter of 2010, the Company made a \$250 million tax deposit relating to United States federal tax liabilities, including those arising from the Company's 2003 international restructuring, which have been previously accrued in the Company's consolidated financial statements. The deposit was recorded as a reduction to "Income taxes payable" in the Consolidated Balance Sheets and a decrease in cash flows from operating activities in the Consolidated Statement of Cash Flows. Making the deposit limits the further accrual of interest charges with respect to such tax liabilities, to the extent of the deposit.

As of December 31, 2011, no provision had been made for United States federal and state income taxes on certain of the Company's outside tax basis differences, which primarily relate to accumulated foreign earnings of approximately \$3.7 billion, which are expected to be reinvested outside the United States indefinitely. Upon distribution of those earnings to the United States in the form of actual or constructive dividends, the Company would be subject to United States income taxes (subject to an adjustment for foreign tax credits), state income taxes and possible withholding taxes payable to various foreign countries. Such taxes could be significant. Determination of this amount of unrecognized deferred United States tax liability is not practicable because of the complexities associated with its hypothetical calculation.

Tax Allocation Agreement with First Data

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

Also under the tax allocation agreement, with respect to taxes and other liabilities that result from a final determination that is inconsistent with the anticipated tax consequences of the Spin-off (as set forth in the private letter ruling and relevant tax opinion) ("Spin-off Related Taxes"), the Company will be liable to First Data for

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

11. Employee Benefit Plans

Defined Contribution Plans

The Western Union Company Incentive Savings Plan ("401(k)") covers eligible employees on the United States payroll of the Company. Employees who make voluntary contributions to this plan receive up to a 4% Company matching contribution. All matching contributions are immediately vested.

The Company administers more than 25 defined contribution plans in various countries globally on behalf of approximately 1,300 employee participants as of December 31, 2011. Such plans have vesting and employer contribution provisions that vary by country.

In addition, the Company sponsors a non-qualified deferred compensation plan for a select group of highly compensated employees. The plan provides tax-deferred contributions, matching and the restoration of Company matching contributions otherwise limited under the 401(k).

The aggregate amount charged to expense in connection with all of the above plans was \$12.8 million, \$12.0 million and \$11.2 million during the years ended December 31, 2011, 2010 and 2009, respectively.

Defined Benefit Plan

On December 31, 2010, the Company merged its two frozen defined benefit pension plans into one plan ("Plan"). The Plan assets were held in a master trust and were identical in terms of their benefit entitlements and other provisions (except for participant eligibility requirements) and consequently, the financial effect of the merger was not significant.

The Plan had recorded unfunded pension obligations of \$112.7 million and \$112.8 million as of December 31, 2011 and 2010, respectively, included in "Other liabilities" in the Consolidated Balance Sheets. In both the years ended December 31, 2011 and 2010, the Company made contributions of approximately \$25 million to the Plan, including discretionary contributions of \$3 million and \$10 million, respectively. Due to the closure of one of its facilities in Missouri and an agreement with the Pension Benefit Guaranty Corporation, the Company funded \$4.1 million during 2009. The Company will be required to fund approximately \$20 million to the Plan in 2012 and may make a discretionary contribution of up to approximately \$5 million.

The Company recognizes the funded status of the Plan in its Consolidated Balance Sheets with a corresponding adjustment to "Accumulated other comprehensive loss," net of tax.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table provides a reconciliation of the changes in the Plan’s projected benefit obligation, fair value of assets and the funded status (in millions):

	<u>2011</u>	<u>2010</u>
Change in projected benefit obligation		
Projected benefit obligation as of January 1,	\$ 402.9	\$ 400.1
Interest cost	17.9	20.1
Actuarial loss	35.3	25.3
Benefits paid	(41.7)	(42.6)
Projected benefit obligation as of December 31,	<u>\$ 414.4</u>	<u>\$ 402.9</u>
Change in plan assets		
Fair value of plan assets as of January 1,	\$ 290.1	\$ 275.9
Actual return on plan assets	28.3	31.9
Benefits paid	(41.7)	(42.6)
Company contributions	25.0	24.9
Fair value of plan assets as of December 31,	<u>301.7</u>	<u>290.1</u>
Funded status of the plan as of December 31,	<u>\$ (112.7)</u>	<u>\$ (112.8)</u>
Accumulated benefit obligation as of December 31,	<u>\$ 414.4</u>	<u>\$ 402.9</u>

Differences in expected returns on plan assets estimated at the beginning of the year versus actual returns, and assumptions used to estimate the beginning of year projected benefit obligation versus the end of year obligation (principally discount rate and mortality assumptions) are, on a combined basis, considered actuarial gains and losses. Such actuarial gains and losses are recognized as a component of “Comprehensive income” and amortized to income over the average remaining life expectancy of the plan participants. Included in “Accumulated other comprehensive loss” as of December 31, 2011 is \$10.5 million (\$6.5 million, net of tax) of actuarial losses that are expected to be recognized in net periodic pension cost during the year ended December 31, 2012.

The following table provides the amounts recognized in the Consolidated Balance Sheets (in millions):

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Accrued benefit liability	\$ (112.7)	\$ (112.8)
Accumulated other comprehensive loss (pre-tax)	196.8	176.5
Net amount recognized	<u>\$ 84.1</u>	<u>\$ 63.7</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table provides the components of net periodic benefit cost for the Plan (in millions):

	Year Ended December 31,		
	2011	2010	2009
Interest cost	\$ 17.9	\$ 20.1	\$ 23.6
Expected return on plan assets	(21.3)	(20.4)	(24.7)
Amortization of actuarial loss	8.1	6.2	3.6
Net periodic benefit cost	<u>\$ 4.7</u>	<u>\$ 5.9</u>	<u>\$ 2.5</u>

The accrued loss related to the pension liability included in “Accumulated other comprehensive loss”, net of tax, increased \$12.5 million, \$3.9 million and \$11.3 million in 2011, 2010 and 2009, respectively.

The rate assumptions used in the measurement of the Company’s benefit obligation were as follows:

	2011	2010
Discount rate	3.72%	4.69%

The rate assumptions used in the measurement of the Company’s net cost were as follows:

	2011	2010	2009
Discount rate	4.69%	5.30%	6.26%
Expected long-term return on plan assets	7.00%	6.50%	7.50%

The Company measures the Plan’s obligations and annual expense using assumptions that reflect best estimates and are consistent to the extent that each assumption reflects expectations of future economic conditions. As the bulk of the pension benefits will not be paid for many years, the computation of pension expenses and benefits is based on assumptions about future interest rates and expected rates of return on plan assets. In general, pension obligations are most sensitive to the discount rate assumption, and it 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 Company employs a building block approach in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical risk, return, and co-variance relationships between equities, fixed-income securities, and alternative investments are considered consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Consideration is given to diversification, re-balancing and yields anticipated on fixed income securities held. Historical returns are reviewed within the context of current economic conditions to check for reasonableness and appropriateness. The Company then applies this rate against a calculated value for its plan assets. The calculated value recognizes changes in the fair value of plan assets over a five-year period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pension plan asset allocation as of December 31, 2011 and 2010, and target allocations based on investment policies, were as follows:

Asset Class	Percentage of Plan Assets as of Measurement Date	
	2011	2010
Equity investments	17%	31%
Debt securities	61%	69%
Alternative investments	22%	0%
	<u>100%</u>	<u>100%</u>
		Target Allocation
Equity investments		15%
Debt securities		60%
Alternative investments		25%

The assets of the Company's Plan are managed in a third-party Trust. The investment policy and allocation of the assets in the Trust are overseen by the Company's Investment Council. The Company employs a total return investment approach whereby a mix of equity, fixed income, and alternative investments are used in an effort to maximize the long-term return of plan assets. Risk tolerance is established through careful consideration of plan liabilities and plan funded status. The investment portfolio contains a diversified blend of equity, fixed-income, and alternative investments (e.g. hedge funds, royalty rights and private equity funds). Furthermore, equity investments are diversified across United States and non-United States stocks, as well as securities deemed to be growth, value, and small and large capitalizations. Alternative investments, the significant majority of which are hedge funds, are used in an effort to enhance long-term returns while improving portfolio diversification. Hedge fund strategy types include, but are not limited to: commodities/currencies, equity long-short, relative value, multi-strategy, event driven, and global-macro. The Plan holds derivative contracts directly which consist of standardized obligations to buy or sell United States treasury bonds or notes at predetermined future dates and prices which are transacted on regulated exchanges. Additionally, derivatives are held indirectly through funds in which the Plan is invested. Derivatives are used by the Plan to help reduce the Plan's exposure to interest rate volatility and to provide an additional source of return. Cash held by the Plan is used to satisfy margin requirements on the derivatives. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset and liability studies.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables reflect investments of the Trust that were measured and carried at fair value (in millions). For information on how the Company measures fair value, refer to Note 2.

<u>December 31, 2011</u>	<u>Fair Value Measurement Using</u>			<u>Total Assets</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>at</u> <u>Fair Value</u>
<u>Asset Class</u>				
Equity investments				
Domestic	\$ 28.1	\$ —	\$ —	\$ 28.1
International	—	22.4	—	22.4
Debt securities				
Corporate debt (a)	—	134.1	—	134.1
U.S. treasury bonds	39.8	—	—	39.8
U.S. government agencies	—	4.7	—	4.7
Other	—	3.0	—	3.0
Alternative investments				
Hedge funds (b)	—	52.8	—	52.8
Royalty rights and private equity (c)	—	—	13.6	13.6
Total investments of the Trust at fair value	\$ 67.9	\$ 217.0	\$ 13.6	\$ 298.5
Other assets				3.2
Total investments of the Trust	\$ 67.9	\$ 217.0	\$ 13.6	\$ 301.7

<u>December 31, 2010</u>	<u>Fair Value Measurement Using</u>			<u>Total Assets</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>at</u> <u>Fair Value</u>
<u>Asset Class</u>				
Equity investments				
Domestic	\$ 3.1	\$ 40.9	\$ —	\$ 44.0
International	—	45.2	—	45.2
Private equity	—	—	1.3	1.3
Debt securities				
Corporate debt (a)	—	117.3	—	117.3
U.S. treasury bonds	57.9	—	—	57.9
U.S. government agencies	—	6.8	—	6.8
Asset-backed	—	6.0	—	6.0
Other bonds	—	9.0	—	9.0
Total investments of the Trust at fair value	\$ 61.0	\$ 225.2	\$ 1.3	\$ 287.5
Other assets				2.6
Total investments of the Trust	\$ 61.0	\$ 225.2	\$ 1.3	\$ 290.1

(a) Substantially all corporate debt securities are investment grade securities.

(b) Hedge funds generally hold liquid and readily priceable securities, such as public equities, exchange-traded derivatives, and corporate bonds. Hedge funds themselves do not have readily available market quotations,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

and therefore are valued using the NAV per share provided by the investment sponsor or third party administrator. Funds investing in diverse hedge fund strategies (primarily commingled funds) with the following composition of underlying hedge fund investments within the pension plans at December 31, 2011: commodities/currencies (34%), equity long/short (20%), relative value (17%), multi-strategy (11%), event driven (10%), and global-macro (8%). There are no redemption restrictions, and redemptions can generally be done monthly or quarterly with required notice ranging from one to 45 days.

- (c) Diversified investments in royalty rights related to the sale of pharmaceutical and biotechnology products by third parties. Also included are private equity funds with a focus on venture capital and mezzanine financing strategies.

The maturities of debt securities as of December 31, 2011 range from less than one year to approximately 38 years with a weighted-average maturity of 15 years.

The following tables provide summaries of changes in the fair value of the Trust's Level 3 financial assets (in millions):

	Royalty Rights	Private Equity	Total
Balance, January 1, 2010	\$ —	\$ 2.0	\$ 2.0
Actual return on plan assets:			
Relating to assets still held as of the reporting date	—	(0.4)	(0.4)
Relating to assets sold during the period	—	0.2	0.2
Net purchases and sales	—	(0.5)	(0.5)
Balance, December 31, 2010	\$ —	\$ 1.3	\$ 1.3
Actual return on plan assets:			
Relating to assets still held as of the reporting date	—	(0.8)	(0.8)
Relating to assets sold during the period	—	0.9	0.9
Net purchases and sales	11.4	0.8	12.2
Balance, December 31, 2011	<u>\$ 11.4</u>	<u>\$ 2.2</u>	<u>\$ 13.6</u>

The estimated undiscounted future benefit payments are expected to be \$40.4 million in 2012, \$39.0 million in 2013, \$37.5 million in 2014, \$36.0 million in 2015, \$34.5 million in 2016 and \$147.2 million in 2017 through 2021.

12. Operating Lease Commitments

The Company leases certain real properties for use as customer service centers and administrative and sales offices. The Company also leases data communications terminals, computers and office equipment. Certain of these leases contain renewal options and escalation provisions. Total rent expense under operating leases, net of sublease income, was \$44.2 million, \$34.7 million and \$34.0 million during the years ended December 31, 2011, 2010 and 2009, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, 2011, the minimum aggregate rental commitments under all noncancelable operating leases, net of sublease income commitments aggregating \$2.0 million through 2016, were as follows (in millions):

<u>Year Ending December 31,</u>	
2012	\$ 38.8
2013	29.9
2014	23.1
2015	18.8
2016	13.0
Thereafter	19.1
Total future minimum lease payments	<u>\$ 142.7</u>

13. Stockholders' Equity

Accumulated other comprehensive loss

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

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The income tax effects allocated to and the cumulative balance of each component of accumulated other comprehensive loss were as follows (in millions):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Beginning balance, January 1	\$ (132.8)	\$ (127.3)	\$ (30.0)
Unrealized gains/(losses) on investment securities:			
Unrealized gains/(losses)	9.7	(0.5)	11.5
Tax (expense)/benefit	(3.6)	0.1	(4.3)
Reclassification of gains into earnings	(6.9)	(4.7)	(2.7)
Tax expense	2.6	1.8	1.0
Net unrealized gains/(losses) on investment securities	1.8	(3.3)	5.5
Unrealized gains/(losses) on hedging activities:			
Unrealized gains/(losses)	(5.2)	15.8	(43.6)
Tax (expense)/benefit	5.6	0.7	8.9
Reclassification of (gains)/losses into earnings	33.0	(23.0)	(32.9)
Tax expense/(benefit)	(6.4)	1.6	5.1
Net unrealized gains/(losses) on hedging activities	27.0	(4.9)	(62.5)
Foreign currency translation adjustments:			
Foreign currency translation adjustments	(3.7)	8.4	(21.6)
Tax (expense)/benefit	1.7	(1.8)	7.6
Reclassification of gains into earnings (a)	—	—	(23.1)
Tax expense (a)	—	—	8.1
Net foreign currency translation adjustments	(2.0)	6.6	(29.0)
Pension liability adjustments:			
Unrealized losses	(28.4)	(13.7)	(22.2)
Tax benefit	10.9	5.9	8.7
Reclassification of losses into earnings	8.1	6.2	3.6
Tax benefit	(3.1)	(2.3)	(1.4)
Net pension liability adjustments	(12.5)	(3.9)	(11.3)
Other comprehensive income/(loss)	14.3	(5.5)	(97.3)
Ending balance, December 31	<u>\$ (118.5)</u>	<u>\$ (132.8)</u>	<u>\$ (127.3)</u>

(a) The year ended December 31, 2009 includes the impact to the foreign currency translation account of the surrender of the Company's interest in FEXCO Group. See Note 3.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, the components of accumulated other comprehensive loss, net of tax, were as follows (in millions):

	2011	2010	2009
Unrealized gains on investment securities	\$ 4.9	\$ 3.1	\$ 6.4
Unrealized gains/(losses) on hedging activities	5.1	(21.9)	(17.0)
Foreign currency translation adjustment	(6.3)	(4.3)	(10.9)
Pension liability adjustment	(122.2)	(109.7)	(105.8)
	<u>\$ (118.5)</u>	<u>\$ (132.8)</u>	<u>\$ (127.3)</u>

Cash Dividends Paid

During 2011, the Company's Board of Directors declared quarterly cash dividends of \$0.08 per common share in the second through fourth quarters of 2011 and \$0.07 per share in the first quarter representing \$194.2 million in total dividends. Of this amount, \$49.6 million was paid on both December 30, 2011 and October 7, 2011, \$50.3 million was paid on June 30, 2011 and \$44.7 million was paid on March 31, 2011. During 2010, the Company's Board of Directors declared quarterly cash dividends of \$0.07 per common share in the fourth quarter and \$0.06 per common share in each of the first three quarters representing \$165.3 million in total dividends. Of this amount, \$45.8 million was paid on December 31, 2010, \$39.4 million was paid on October 14, 2010, \$39.6 million was paid on June 30, 2010 and \$40.5 million was paid on March 31, 2010. During the fourth quarter of 2009, the Company's Board of Directors declared an annual cash dividend of \$0.06 per common share representing \$41.2 million in total dividends, paid on December 30, 2009.

On February 7, 2012, the Company's Board of Directors declared a quarterly cash dividend of \$0.10 per share payable on March 30, 2012.

Share Repurchases

During the years ended December 31, 2011, 2010 and 2009, 40.3 million, 35.6 million and 24.8 million shares, respectively, have been repurchased for \$800.0 million, \$584.5 million and \$400.0 million, respectively, excluding commissions, at an average cost of \$19.83, \$16.44 and \$16.10 per share, respectively. As of December 31, 2011, \$615.5 million remains available under share repurchase authorizations approved by the Board of Directors through December 31, 2012.

14. Derivatives

The Company is exposed to foreign currency exchange risk resulting from fluctuations in exchange rates, primarily the euro, and to a lesser degree the British pound, Canadian dollar and other currencies, related to forecasted money transfer revenues and on money transfer settlement assets and obligations. The Company is also exposed to risk from derivative contracts written to its customers arising from its cross-currency business-to-business payments operations. Additionally, the Company is exposed to interest rate risk related to changes in market rates both prior to and subsequent to the issuance of debt. The Company uses derivatives to (a) minimize its exposures related to changes in foreign currency exchange rates and interest rates and (b) facilitate cross-currency business-to-business payments by writing derivatives to customers.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company executes derivatives with established financial institutions, with the substantial majority of these financial institutions having credit ratings of “A–” or better from a major credit rating agency. The Company also executes global business payments derivatives mostly with small and medium size enterprises. The primary credit risk inherent in derivative agreements represents the possibility that a loss may occur from the nonperformance of a counterparty to the agreements. The Company performs a review of the credit risk of these counterparties at the inception of the contract and on an ongoing basis. The Company also monitors the concentration of its contracts with any individual counterparty. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements, but takes action (including termination of contracts) when doubt arises about the counterparties’ ability to perform. The Company’s hedged foreign currency exposures are in liquid currencies; consequently, there is minimal risk that appropriate derivatives to maintain the hedging program would not be available in the future.

Foreign Currency—Consumer-to-Consumer

The Company’s policy is to use longer-term foreign currency forward contracts, with maturities of up to 36 months at inception and a targeted weighted-average maturity of approximately one year, to mitigate some of the risk that changes in foreign currency exchange rates compared to the United States dollar could have on forecasted revenues denominated in other currencies related to its business. As of December 31, 2011, the Company’s longer-term foreign currency forward contracts had maturities of a maximum of 24 months with a weighted-average maturity of approximately one year. These contracts are accounted for as cash flow hedges of forecasted revenue, with effectiveness assessed based on changes in the spot rate of the affected currencies during the period of designation. Accordingly, all changes in the fair value of the hedges not considered effective or portions of the hedge that are excluded from the measure of effectiveness are recognized immediately in “Derivative gains/(losses), net” within the Company’s Consolidated Statements of Income.

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

The aggregate equivalent United States dollar notional amounts of foreign currency forward contracts as of December 31, 2011 were as follows (in millions):

Contracts not designated as hedges:	
Euro	\$ 159.9
British pound	48.4
Other	142.6
Contracts designated as hedges:	
Euro	\$ 500.1
Canadian dollar	116.8
British pound	106.4
Other	117.0

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Foreign Currency—Global Business Payments

The Company writes derivatives, primarily foreign currency forward contracts and option contracts, mostly with small and medium size enterprises and derives a currency spread from this activity as part of its global business payments operations. The Company aggregates its global business payments foreign currency exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties (economic hedge contracts). The derivatives written are part of the broader portfolio of foreign currency positions arising from its cross-currency business-to-business payments operations, which primarily include spot exchanges of currency in addition to forwards and options. Foreign exchange revenues from the total portfolio of positions were \$154.6 million, \$105.0 million, and \$28.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. None of the derivative contracts used in global business payments operations are designated as accounting hedges. The duration of these derivative contracts is generally nine months or less.

The aggregate equivalent United States dollar notional amounts of foreign currency derivative customer contracts held by the Company in its global business payments operations as of December 31, 2011 were approximately \$3.3 billion. The significant majority of customer contracts are written in major currencies such as the euro, Canadian dollar, British pound, and Australian dollar.

The Company has forward contracts to offset foreign exchange rate fluctuations on a Canadian dollar denominated intercompany loan. These contracts, which are not designated as accounting hedges, had a notional amount of approximately 240 million and 245 million Canadian dollars as of December 31, 2011 and 2010, respectively.

Interest Rate Hedging—Corporate

The Company utilizes interest rate swaps to effectively change the interest rate payments on a portion of its notes from fixed-rate payments to short-term LIBOR-based variable rate payments in order to manage its overall exposure to interest rates. The Company designates these derivatives as fair value hedges utilizing the short-cut method, which permits an assumption of no ineffectiveness if certain criteria are met. The change in fair value of the interest rate swaps is offset by a change in the carrying value of the debt being hedged within the Company's "Borrowings" in the Consolidated Balance Sheets and "Interest expense" in the Consolidated Statements of Income has been adjusted to include the effects of interest accrued on the swaps.

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

As of December 31, 2011 and 2010, the Company held interest rate swaps in an aggregate notional amount of \$500.0 million and \$1,195.0 million, respectively. The aggregate notional amount held at December 31, 2011 related to notes due in 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Balance Sheet

The following table summarizes the fair value of derivatives reported in the Consolidated Balance Sheets as of December 31, 2011 and 2010 (in millions):

	Derivative Assets			Derivative Liabilities		
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value	
		2011	2010		2011	2010
Derivatives—hedges:						
Interest rate fair value hedges—Corporate	Other assets	\$ 4.4	\$ 8.0	Other liabilities	\$ —	\$ 1.6
Foreign currency cash flow hedges—Consumer-to-consumer	Other assets	37.0	14.7	Other liabilities	6.6	31.1
Total		<u>\$ 41.4</u>	<u>\$ 22.7</u>		<u>\$ 6.6</u>	<u>\$ 32.7</u>
Derivatives—undesignated:						
Foreign currency—Global business payments	Other assets	\$ 79.8	\$ 46.9	Other liabilities	\$ 67.6	\$ 36.2
Foreign currency—Consumer-to-consumer	Other assets	3.6	0.2	Other liabilities	12.4	12.0
Total		<u>\$ 83.4</u>	<u>\$ 47.1</u>		<u>\$ 80.0</u>	<u>\$ 48.2</u>
Total derivatives		<u>\$ 124.8</u>	<u>\$ 69.8</u>		<u>\$ 86.6</u>	<u>\$ 80.9</u>

The following table summarizes the net fair value of derivatives held as of December 31, 2011 and their expected maturities (in millions):

	Total	2012	2013	2014	Thereafter
Foreign currency undesignated hedges—Consumer-to-consumer	\$ (8.8)	\$ (4.8)	\$ (4.0)	\$ —	\$ —
Interest rate fair value hedges—Corporate	4.4	—	—	4.4	—
Foreign currency undesignated hedges—Global business payments	12.2	12.3	(0.1)	—	—
Foreign currency cash flow hedges—Consumer-to-consumer	30.4	15.4	15.0	—	—
Total	<u>\$ 38.2</u>	<u>\$ 22.9</u>	<u>\$ 10.9</u>	<u>\$ 4.4</u>	<u>\$ —</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Income Statement

The following tables summarize the location and amount of gains and losses of derivatives in the Consolidated Statements of Income segregated by designated, qualifying hedging instruments and those that are not, for the years ended December 31, 2011, 2010 and 2009 (in millions):

Fair Value Hedges

The following table presents the location and amount of gains/(losses) from fair value hedges for the years ended December 31, 2011, 2010 and 2009 (in millions):

Derivatives	Gain/(Loss) Recognized in Income on Derivatives				Hedged Items	Gain/(Loss) Recognized in Income on Related Hedged Item (a)			
	Income Statement Location	Amount				Income Statement Location	Amount		
		2011	2010	2009			2011	2010	2009
Interest rate contracts	Interest expense	\$ 11.8	\$ 13.3	\$ 12.9	Fixed-rate debt	Interest expense	\$ 12.6	\$ 10.5	\$ 11.1
Total gain		<u>\$ 11.8</u>	<u>\$ 13.3</u>	<u>\$ 12.9</u>			<u>\$ 12.6</u>	<u>\$ 10.5</u>	<u>\$ 11.1</u>

Cash Flow Hedges

The following table presents the location and amount of gains/(losses) from cash flow hedges for the years ended December 31, 2011, 2010 and 2009 (in millions):

Derivatives	Amount of Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)			Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b)				
	2011	2010	2009	Income Statement Location	Amount			Income Statement Location	Amount		
					2011	2010	2009		2011	2010	2009
Foreign currency contracts	\$ 16.4	\$ 20.0	\$ (43.6)	Revenue	\$ (30.3)	\$ 24.5	\$ 34.6	Derivative gains/(losses), net	\$ (10.2)	\$ (1.5)	\$ (1.2)
Interest rate contracts (c)	(21.6)	(4.2)	—	Interest expense	(2.7)	(1.5)	(1.7)	Interest expense	—	(0.1)	—
Total gain/(loss)	<u>\$ (5.2)</u>	<u>\$ 15.8</u>	<u>\$ (43.6)</u>		<u>\$ (33.0)</u>	<u>\$ 23.0</u>	<u>\$ 32.9</u>		<u>\$ (10.2)</u>	<u>\$ (1.6)</u>	<u>\$ (1.2)</u>

Undesignated Hedges

The following table presents the location and amount of net gains/(losses) from undesignated hedges for the years ended December 31, 2011, 2010 and 2009 (in millions):

Derivatives	Gain/(Loss) Recognized in Income on Derivatives (d)			
	Income Statement Location	Amount		
		2011	2010	2009
Foreign currency contracts (e)	Selling, general and administrative	\$ 5.9	\$ (1.0)	\$ (7.4)
Foreign currency contracts (f)	Derivative gains/(losses), net	21.9	0.6	(2.8)
Total gain/(loss)		<u>\$ 27.8</u>	<u>\$ (0.4)</u>	<u>\$ (10.2)</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (a) The 2011 gain of \$12.6 million is comprised of a loss in value on the debt of \$11.8 million and amortization of hedge accounting adjustments of \$24.4 million. The 2010 gain of \$10.5 million is comprised of a loss in value on the debt of \$13.3 million and amortization of hedge accounting adjustments of \$23.8 million. The 2009 gain of \$11.1 million is comprised of a loss in value on the debt of \$12.9 million and amortization of hedge accounting adjustments of \$24.0 million.
- (b) The portion of the change in fair value of a derivative excluded from the effectiveness assessment for foreign currency forward contracts designated as cash flow hedges represents the difference between changes in forward rates and spot rates.
- (c) The Company uses derivatives to hedge the forecasted issuance of fixed rate debt and records the effective portion of the derivative's fair value in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. These amounts are reclassified to "Interest expense" over the life of the related notes.
- (d) The Company uses foreign currency forward and option contracts as part of its business-to-business payments operations. These derivative contracts are excluded from this table as they are managed as part of a broader currency portfolio that includes non-derivative currency exposures. The gains and losses on these derivatives are included as part of the broader disclosure of portfolio revenue for this business discussed above.
- (e) The Company uses foreign currency forward contracts to offset foreign exchange rate fluctuations on settlement assets and obligations as well as certain foreign currency denominated positions. Foreign exchange gain/(loss) on settlement assets and obligations and cash balances were (\$20.5) million, (\$2.5) million and \$2.8 million in 2011, 2010 and 2009, respectively.
- (f) The derivative contracts used in the Company's revenue hedging program are not designated as hedges in the final month of the contract. Additionally, in the year ended December 31, 2011, the Company entered into derivative contracts, consisting of foreign currency forward contracts with maturities of less than one year, to reduce the economic variability related to the cash amounts used to fund acquisitions of businesses with purchase prices denominated in foreign currencies, primarily for the TGBP acquisition, and recorded a net gain of \$20.8 million in "Derivative gains/(losses), net."

An accumulated other comprehensive pre-tax gain of \$15.4 million related to the foreign currency forward contracts is expected to be reclassified into revenue within the next 12 months as of December 31, 2011. Approximately \$3.6 million of net losses on the forecasted debt issuance hedges are expected to be recognized in "Interest expense" within the next 12 months as of December 31, 2011. No amounts have been reclassified into earnings as a result of the underlying transaction being considered probable of not occurring within the specified time period.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. Borrowings

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

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Due in less than one year:		
Commercial paper	\$ 297.0	\$ —
5.400% notes (a)	—	696.3
Due in greater than one year (b):		
Floating rate notes due 2013 (c)	300.0	—
6.500% notes (effective rate of 5.5%) due 2014	500.0	500.0
5.930% notes due 2016 (d)	1,000.0	1,000.0
3.650% notes (effective rate of 4.4%) due 2018 (e)	400.0	—
5.253% notes due 2020 (d)	324.9	324.9
6.200% notes due 2036 (d)	500.0	500.0
6.200% notes due 2040 (d)	250.0	250.0
Other borrowings	8.8	5.9
Total borrowings at par value	<u>3,580.7</u>	<u>3,277.1</u>
Fair value hedge accounting adjustments, net (b)	23.9	36.6
Unamortized discount, net	(21.4)	(23.8)
Total borrowings at carrying value (f)	<u>\$ 3,583.2</u>	<u>\$ 3,289.9</u>

- (a) The 5.400% notes due in November 2011 ("2011 Notes") were repaid using the Company's cash, including cash generated from operations and proceeds from the Company's 2011 borrowings and commercial paper issuances.
- (b) The Company utilizes interest rate swaps designated as fair value hedges to effectively change the interest rate payments on a portion of its notes from fixed-rate payments to short-term LIBOR-based variable rate payments in order to manage its overall exposure to interest rates. The changes in fair value of these interest rate swaps result in an offsetting hedge accounting adjustment recorded to the carrying value of the related note. These hedge accounting adjustments will be reclassified as reductions to or increases in "Interest expense" over the life of the related notes, and cause the effective rate of interest to differ from the notes' stated rate.
- (c) On March 7, 2011, the Company issued \$300.0 million of aggregate principal amount of unsecured floating rate notes due March 7, 2013 ("2013 Notes"). Interest is payable quarterly at a per annum interest rate equal to three-month LIBOR plus 58 basis points (1.11% as of December 31, 2011) and is reset quarterly. See below for additional detail relating to the debt issuance.
- (d) The difference between the stated interest rate and the effective interest rate is not significant.
- (e) On August 22, 2011, the Company issued \$400.0 million of aggregate principal amount of 3.650% unsecured fixed rate notes due 2018 ("2018 Notes"). In anticipation of this issuance, the Company entered into interest rate lock contracts to fix the interest rate of the debt issuance, and recorded a loss on the

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

contracts of \$21.6 million, which increased the effective rate to 4.4%, in “Accumulated other comprehensive loss,” which will be amortized into “Interest expense” over the life of the 2018 Notes. See below for additional detail relating to the debt issuance.

(f) As of December 31, 2011, the Company’s weighted-average effective rate on total borrowings was approximately 4.8%.

The aggregate fair value of the Company’s borrowings, based on quotes from multiple banks, excluding the impact of related interest rate swaps, was \$3,563.5 million and \$3,473.6 million as of December 31, 2011 and 2010, respectively.

The Company’s maturities of borrowings at par value as of December 31, 2011 are \$300.0 million in 2012, \$300.0 million in 2013, \$500.0 million in 2014, \$1.0 billion in 2016 and approximately \$1.5 billion thereafter.

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

Commercial Paper Program

Pursuant to the Company’s commercial paper program, the Company may issue unsecured commercial paper notes in an amount not to exceed \$1.5 billion outstanding at any time, reduced to the extent of borrowings outstanding on the Company’s Revolving Credit Facility. The Commercial Paper Notes may have maturities of up to 397 days from date of issuance. The Company’s commercial paper borrowings as of December 31, 2011 had a weighted-average annual interest rate of approximately 0.6% and a weighted-average term of 9 days. During the year ended December 31, 2011, the average commercial paper balance outstanding was \$89.7 million and the maximum balance outstanding was \$784.1 million. Proceeds from the Company’s commercial paper borrowings were used for general liquidity. The Company had \$297.0 million of commercial paper outstanding as of December 31, 2011 and no commercial paper borrowings outstanding as of December 31, 2010.

Revolving Credit Facility

On September 23, 2011, the Company entered into a credit agreement which expires January 2017 providing for unsecured financing facilities in an aggregate amount of \$1.65 billion, including a \$250.0 million letter of credit sub-facility and a \$150.0 million swing line sub-facility (“Revolving Credit Facility”). The Revolving Credit Facility replaced the Company’s \$1.5 billion revolving credit facility that was set to expire in September 2012. Consistent with the prior facility, the Revolving Credit Facility contains certain covenants that, among other things, limit or restrict the Company’s ability to sell or transfer assets or merge or consolidate with another company, grant certain types of security interests, incur certain types of liens, impose restrictions on subsidiary dividends, enter into sale and leaseback transactions, or incur certain subsidiary level indebtedness, subject to certain exceptions. Also consistent with the prior facility, the Company is required to maintain compliance with a consolidated interest coverage ratio covenant. The Revolving Credit Facility supports borrowings under the Company’s \$1.5 billion commercial paper program.

Interest due under the Revolving Credit Facility is fixed for the term of each borrowing and is payable according to the terms of that borrowing. Generally, interest is calculated using a selected LIBOR rate plus an interest rate margin of 90 basis points. A facility fee of 10 basis points is also payable quarterly on the total facility, regardless of usage. Both the interest rate margin and facility fee percentage are based on certain of the Company’s credit ratings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of and during the year ended December 31, 2011, the Company had no outstanding borrowings under the Revolving Credit Facility. As of December 31, 2011, the Company had \$297.0 million of commercial paper borrowings outstanding, which left \$1,353.0 million remaining that was available to borrow on the Revolving Credit Facility.

Notes

On August 22, 2011, the Company issued \$400.0 million of aggregate principal amount of unsecured notes due August 22, 2018. Interest with respect to the 2018 Notes is payable semi-annually in arrears on February 22 and August 22 of each year, based on the fixed per annum interest rate of 3.650%. The 2018 Notes are subject to covenants that, among other things, limit or restrict the ability of the Company to sell or transfer assets or merge or consolidate with another company, and limit or restrict the Company's and certain of its subsidiaries' ability to incur certain types of security interests, or enter into certain sale and leaseback transactions. If a change of control triggering event occurs, holders of the 2018 Notes may require the Company to repurchase some or all of their notes at a price equal to 101% of the principal amount of their notes, plus any accrued and unpaid interest. The Company may redeem the 2018 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 35 basis points.

On March 7, 2011, the Company issued \$300.0 million of aggregate principal amount of unsecured floating rate notes due March 7, 2013. Interest with respect to the 2013 Notes is payable quarterly in arrears on each March 7, June 7, September 7 and December 7, beginning June 7, 2011, at a per annum interest rate equal to the three-month LIBOR plus 58 basis points (reset quarterly). The 2013 Notes are subject to covenants that, among other things, limit or restrict the ability of the Company to sell or transfer assets or merge or consolidate with another company, and limit or restrict the Company's and certain of its subsidiaries' ability to incur certain types of security interests, or enter into sale and leaseback transactions. If a change of control triggering event occurs, holders of the 2013 Notes may require the Company to repurchase some or all of their notes at a price equal to 101% of the principal amount of their notes, plus any accrued and unpaid interest.

On June 21, 2010, the Company issued \$250.0 million of aggregate principal amount of unsecured notes due June 21, 2040 ("2040 Notes"). Interest with respect to the 2040 Notes is payable semi-annually on June 21 and December 21 each year based on the fixed per annum interest rate of 6.200%. The 2040 Notes are subject to covenants that, among other things, limit or restrict the Company's and certain of its subsidiaries' ability to grant certain types of security interests or enter into sale and leaseback transactions. The Company may redeem the 2040 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 30 basis points.

On March 30, 2010, the Company exchanged \$303.7 million of aggregate principal amount of the 2011 Notes 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 interest rate of 5.253%. In connection with the exchange, note holders were given a 7% premium (\$21.2 million), which approximated market value at the exchange date, as additional principal. As this transaction was accounted for as a debt modification, this premium was not charged to expense. Rather, the premium, along with the offsetting hedge accounting adjustments, will be accreted into "Interest expense" over the life of the notes. The 2020 Notes are subject to covenants that, among other things, limit or restrict the Company's and certain of its subsidiaries' ability to grant certain types of security interests, incur debt (in the case of significant subsidiaries), or enter into sale and leaseback transactions. The Company may redeem the 2020 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 15 basis points.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The 2020 Notes were originally issued in reliance on exemptions from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”). On October 8, 2010, the Company exchanged the 2020 Notes for notes registered under the Securities Act, pursuant to the terms of the Registration Rights Agreement.

On February 26, 2009, the Company issued \$500.0 million of aggregate principal amount of unsecured notes due February 26, 2014 (“2014 Notes”). Interest with respect to the 2014 Notes is payable semi-annually on February 26 and August 26 each year based on the fixed per annum interest rate of 6.500%. The 2014 Notes are subject to covenants that, among other things, limit or restrict the Company’s and certain of its subsidiaries’ ability to grant certain types of security interests or enter into sale and leaseback transactions. The Company may redeem the 2014 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 50 basis points.

On November 17, 2006, the Company issued \$1.0 billion aggregate principal amount of 5.400% Notes due 2011 (“2011 Notes”) and \$500.0 million aggregate principal amount of 6.200% Notes due 2036 (“2036 Notes”). The 2011 Notes were redeemed upon maturity in November 2011.

Interest with respect to the 2036 Notes is payable semi-annually on May 17 and November 17 each year based on the fixed per annum interest rate of 6.200%. The 2036 Notes are subject to covenants that, among other things, limit or restrict the Company’s and certain of its subsidiaries’ ability to grant certain types of security interests, incur debt (in the case of significant subsidiaries), or enter into sale and leaseback transactions. The Company may redeem the 2036 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 25 basis points.

On September 29, 2006, the Company issued \$1.0 billion of aggregate principal amount of unsecured notes maturing on October 1, 2016 (“2016 Notes”). Interest on the 2016 Notes is payable semi-annually on April 1 and October 1 each year based on a fixed per annum interest rate of 5.930%. The 2016 Notes are subject to covenants that, among other things, limit or restrict the Company’s and certain of its subsidiaries’ ability to grant certain types of security interests, incur debt (in the case of significant subsidiaries) or enter into sale and leaseback transactions. The Company may redeem the 2016 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 20 basis points.

16. Stock Compensation Plans

Stock Compensation Plans

The Western Union Company 2006 Long-Term Incentive Plan

The Western Union Company 2006 Long-Term Incentive Plan (“2006 LTIP”) provides for the granting of stock options, restricted stock awards and units, unrestricted stock awards and other equity-based awards to employees who perform services for the Company. A maximum of 120.0 million shares of common stock may be awarded under the 2006 LTIP, of which 36.1 million shares are available as of December 31, 2011.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Restricted stock awards and units granted under the 2006 LTIP typically become 100% vested on the three year anniversary of the grant date, with the exception of restricted stock units granted to retirement eligible employees, which will vest on a prorated basis. The fair value of the awards granted is measured based on the fair value of the shares on the date of grant. Certain share unit grants do not provide for the payment of dividend equivalents. For those grants, the value of the grants is reduced by the net present value of the foregone dividend equivalent payments. The related compensation expense is recognized over the requisite service period which is the same as the vesting period.

In 2011, the compensation committee of the Company's Board of Directors granted the Company's executives and other key employees, long-term incentive awards under the 2006 LTIP which consisted of two-thirds performance based restricted stock unit awards and one-third stock option awards. The performance based restricted stock units are restricted stock awards. The grant date fair value is fixed and the amount of restricted stock units depends upon certain financial and strategic performance objectives being met over a two-year period plus an additional one-year vesting period after the two-year performance period. The actual number of performance based restricted stock units that the recipients receive ranges from 0% to 300% of the target number of stock units granted under the LTIP based on the achievement of the performance objectives. Additionally, in 2011, non-executive employees of the Company participating in the 2006 LTIP received annual equity grants of two-thirds restricted stock units and one-third stock option awards, or all restricted stock units depending on their employment grade level.

The Western Union Company 2006 Non-Employee Director Equity Compensation Plan

The Western Union Company 2006 Non-Employee Director Equity Compensation Plan ("2006 Director Plan") provides for the granting of equity-based awards to non-employee directors of the Company. Options granted under the 2006 Director Plan are issued with exercise prices equal to the fair market value of Western Union common stock at the grant date, have 10-year terms, and vest immediately. Since options and deferred stock units under this plan vest immediately, compensation expense is recognized on the date of grant based on the fair value of the awards when granted. Awards under the plan may be settled immediately unless the participant elects to defer the receipt of the common shares under applicable plan rules. A maximum of 1.5 million shares of common stock may be awarded under the 2006 Director Plan. As of December 31, 2011, the Company has awarded 1.0 million options and 0.3 million unrestricted stock units to non-employee directors of the Company.

Impact of Spin-Off to Stock-Based Awards Granted Under First Data Plans

At the time of the Spin-off, First Data converted stock options, restricted stock awards and restricted stock units (collectively, "Stock-Based Awards") of First Data stock held by Western Union and First Data employees. For Western Union employees, each outstanding First Data Stock-Based Award was converted to new Western Union Stock-Based Awards. For First Data employees, each outstanding First Data Stock-Based Award held prior to the Spin-off was converted into one replacement First Data Stock-Based Award and one Western Union Stock-Based Award. The new Western Union and First Data Stock-Based Awards maintained their pre-conversion aggregate intrinsic values, and, in the case of stock options, their ratio of the exercise price per share to their fair value per share.

All converted Stock-Based Awards, which had not vested prior to September 24, 2007, were subject to the terms and conditions applicable to the original First Data Stock-Based Awards, including change of control provisions which required full vesting upon a change of control of First Data. Accordingly, upon the completion of the acquisition of First Data on September 24, 2007 by an affiliate of Kohlberg Kravis Roberts & Co.'s, all of these

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

remaining converted unvested Western Union Stock-Based Awards vested. As a result of this accelerated vesting, there is no remaining unamortized compensation expense associated with such converted Stock-Based Awards.

After the Spin-off, the Company receives all cash proceeds related to the exercise of all Western Union stock options, recognizes all stock compensation expense and retains the resulting tax benefits relating to Western Union awards held by Western Union employees. First Data recognizes all stock-based compensation expense and retains all associated tax benefits for Western Union Stock-Based Awards held by First Data employees.

Stock Option Activity

A summary of Western Union stock option activity for the year ended December 31, 2011 was as follows (options and aggregate intrinsic value in millions):

	Year Ended December 31, 2011			
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1,	37.5	\$ 18.76		
Granted	1.8	20.85		
Exercised	(5.8)	17.10		
Cancelled/forfeited	(2.8)	20.40		
Outstanding at December 31,	<u>30.7</u>	\$ 19.05	4.3	\$ 26.4
Options exercisable as of December 31,	<u>25.4</u>	\$ 19.43	3.5	\$ 15.1

As of December 31, 2011, approximately 32% of outstanding options to purchase shares of common stock of the Company were held by employees of First Data.

The Company received \$98.8 million, \$44.1 million and \$23.9 million in cash proceeds related to the exercise of stock options during the years ended December 31, 2011, 2010 and 2009, respectively. Upon the exercise of stock options, shares of common stock are issued from authorized common shares.

The Company's calculated pool of excess tax benefits available to absorb write-offs of deferred tax assets in subsequent periods was approximately \$6.1 million as of December 31, 2011. The Company realized total tax benefits during the years ended December 31, 2011, 2010 and 2009 from stock option exercises of \$4.8 million, \$1.4 million and \$0.8 million, respectively.

The total intrinsic value of stock options exercised during the years ended December 31, 2011, 2010 and 2009 was \$20.6 million, \$8.2 million and \$8.6 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Restricted Stock Activity

A summary of Western Union activity for restricted stock units, performance based restricted stock units, and restricted stock awards for the year ended December 31, 2011 is listed below (awards/units in millions):

	Year Ended December 31, 2011	
	Number Outstanding	Weighted-Average Grant-Date Fair Value
Non-vested as of January 1,	2.7	\$ 15.34
Granted	2.1	19.59
Vested	(0.4)	20.92
Forfeited	(0.5)	16.94
Non-vested as of December 31,	<u>3.9</u>	<u>\$ 16.85</u>

Stock-Based Compensation

The following table sets forth the total impact on earnings for stock-based compensation expense recognized in the Consolidated Statements of Income resulting from stock options, restricted stock awards, restricted stock units, performance based restricted stock units and deferred stock units for the years ended December 31, 2011, 2010 and 2009 (in millions, except per share data).

	Year Ended December 31,		
	2011	2010	2009
Stock-based compensation expense	\$ (31.2)	\$ (35.9)	\$ (31.9)
Income tax benefit from stock-based compensation expense	9.8	11.6	9.9
Net income impact	<u>\$ (21.4)</u>	<u>\$ (24.3)</u>	<u>\$ (22.0)</u>
Earnings per share:			
Basic and Diluted	\$ (0.03)	\$ (0.04)	\$ (0.03)

As of December 31, 2011, there was \$17.4 million of total unrecognized compensation cost, net of assumed forfeitures, related to non-vested stock options which is expected to be recognized over a weighted-average period of 2.3 years, and there was \$34.7 million of total unrecognized compensation cost, net of assumed forfeitures, related to non-vested restricted stock units and performance based restricted stock units which is expected to be recognized over a weighted-average period of 2.1 years.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fair Value Assumptions

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

	Year Ended December 31,		
	2011	2010	2009
Stock options granted:			
Weighted-average risk-free interest rate	2.5%	2.7%	2.0%
Weighted-average dividend yield	1.4%	1.3%	0.2%
Volatility	31.0%	33.9%	46.3%
Expected term (in years)	5.8	5.8	5.6
Weighted-average grant date fair value	\$ 5.99	\$ 5.12	\$ 5.41

Expected volatility —For the Company’s executives and non-employee directors, the expected volatility for the 2011, 2010 and 2009 grants was 29.7%, 32.8% and 46.9%, respectively. The expected volatility for the Company’s non-executive employees was 31.9%, 34.5% and 46.0% for the 2011, 2010 and 2009 grants, respectively. The Company used a blend of implied and historical volatility. The Company’s implied volatility was calculated using the market price of traded options on Western Union’s common stock and the historical volatility represented a blend of Western Union and First Data (prior to the Spin-off) stock data.

Expected dividend yield —The Company’s expected annual dividend yield is the calculation of the annualized Western Union dividend divided by an average Western Union stock price on each respective grant date. The 2011 grants made prior to May 19, 2011 do not reflect the increase in dividend approved by the Board of Directors on this date. The 2010 and 2009 grants do not reflect the increase in dividends approved by the Board of Directors on December 8, 2010 and December 9, 2009, respectively, as all 2010 and 2009 grants were issued prior to that date.

Expected term —For 2011, 2010 and 2009, Western Union’s expected term was approximately 5 years for non-executive employees and approximately 7 years for executives and non-employee directors. The Company’s expected term of options was based upon, among other things, historical exercises (including the exercise history of First Data’s awards), the vesting term of the Company’s options and the options’ contractual term of ten years.

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

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

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

hold options, expected volatility and expected term may change which could change the grant-date fair value of future stock option awards and, ultimately, the recorded compensation expense.

17. Segments

As previously described in Note 1, the Company classifies its businesses into two reportable operating segments: consumer-to-consumer and global business payments. Operating segments are defined as components of an enterprise that engage in business activities, about which separate financial information is available that is evaluated regularly by the Company's CODM in deciding where to allocate resources and in assessing performance.

The consumer-to-consumer reporting segment is viewed as one global network where a money transfer can be sent from one location to another, around the world, including related transactions that can be initiated from our websites. The segment consists of three regions, which primarily coordinate agent network management and marketing activities. The CODM makes decisions regarding resource allocation and monitors performance based on specific corridors within and across these regions, but also reviews total revenue and operating profit of each region. These regions frequently interact on transactions with consumers and share processes, systems and licenses, thereby constituting one global consumer-to-consumer money transfer network. The regions and corridors generally offer the same services distributed by the same agent network, have the same types of customers, are subject to similar regulatory requirements, are processed on the same system and have similar economic characteristics, allowing the geographic regions to be aggregated into one reporting segment.

The global business payments segment processes payments from consumers or businesses to other businesses. The results of the Company's existing consumer-to-business operations, as well as the Company's existing Western Union Business Solutions business and recently acquired TGBP business, have been combined in this segment as these businesses are focused on facilitating payments. For further information on these global business payments segment acquisitions, see Note 3.

All businesses that have not been classified into consumer-to-consumer or global business payments are reported as "Other." These businesses primarily include the Company's money order and prepaid services businesses.

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

- The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.
- Corporate and other overhead is allocated to the segments primarily based on a percentage of the segments' revenue compared to total revenue.
- Expenses incurred in connection with mergers and acquisitions are included in "Other."
- Restructuring and related expenses of \$46.8 million and \$59.5 million for the years ended December 31, 2011 and 2010, respectively, were not allocated to the segments. The Company did not incur any material restructuring and related expenses in the year ended December 31, 2009. While these items were identifiable to the Company's segments, they were not included in the measurement of segment operating profit provided

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on restructuring and related activities, refer to Note 4.

- During the year ended December 31, 2009, the Company recorded an accrual of \$71.0 million for an agreement and settlement with the State of Arizona and other states. The agreement and settlement includes resolution of all outstanding legal issues and claims with the State and a multi-state agreement to fund a not-for-profit organization promoting safety and security along the United States and Mexico border. While this item was identifiable to the Company's consumer-to-consumer segment, it was not included in the measurement of segment operating profit provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on the settlement, refer to Note 6.
- All items not included in operating income are excluded from the segments.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the Company's reportable segment results for the years ended December 31, 2011, 2010 and 2009, respectively (in millions):

	Years Ended December 31,		
	2011	2010	2009
Revenues:			
Consumer-to-consumer:			
Transaction fees	\$ 3,580.2	\$ 3,434.3	\$ 3,373.5
Foreign exchange revenues	983.1	905.8	877.1
Other revenues	45.1	43.3	50.1
	<u>4,608.4</u>	<u>4,383.4</u>	<u>4,300.7</u>
Global business payments:			
Transaction fees	587.8	578.0	621.9
Foreign exchange revenues	168.1	113.0	33.2
Other revenues	28.8	30.7	36.6
	<u>784.7</u>	<u>721.7</u>	<u>691.7</u>
Other:			
Transaction fees	52.2	43.0	40.8
Other revenues	46.1	44.6	50.4
	<u>98.3</u>	<u>87.6</u>	<u>91.2</u>
Total consolidated revenues	<u>\$ 5,491.4</u>	<u>\$ 5,192.7</u>	<u>\$ 5,083.6</u>
Operating income/(loss):			
Consumer-to-consumer	\$ 1,316.0	\$ 1,243.3	\$ 1,175.5
Global business payments	140.4	122.5	171.9
Other	(24.6)	(6.2)	6.3
Total segment operating income	<u>\$ 1,431.8</u>	<u>\$ 1,359.6</u>	<u>\$ 1,353.7</u>
Agreement and settlement (Note 6)	—	—	(71.0)
Restructuring and related expenses (Note 4)	(46.8)	(59.5)	—
Total consolidated operating income	<u>\$ 1,385.0</u>	<u>\$ 1,300.1</u>	<u>\$ 1,282.7</u>
Assets:			
Consumer-to-consumer	\$ 4,644.6	\$ 5,014.3	\$ 4,602.5
Global business payments	2,866.3	1,452.7	1,419.0
Other	1,559.0	1,462.2	1,331.9
Total assets	<u>\$ 9,069.9</u>	<u>\$ 7,929.2</u>	<u>\$ 7,353.4</u>
Depreciation and amortization:			
Consumer-to-consumer	\$ 141.0	\$ 130.5	\$ 124.2
Global business payments	45.6	36.0	24.3
Other	4.7	8.5	5.7
Total segment depreciation and amortization	<u>\$ 191.3</u>	<u>\$ 175.0</u>	<u>\$ 154.2</u>
Restructuring and related expenses	1.3	0.9	—
Total depreciation and amortization	<u>\$ 192.6</u>	<u>\$ 175.9</u>	<u>\$ 154.2</u>
Capital expenditures:			
Consumer-to-consumer	\$ 138.4	\$ 85.3	\$ 71.6
Global business payments	20.1	21.5	16.7
Other	4.0	6.9	10.6
Total capital expenditures	<u>\$ 162.5</u>	<u>\$ 113.7</u>	<u>\$ 98.9</u>

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Years Ended December 31,		
	2011	2010	2009
Revenue:			
United States	\$ 1,568.6	\$ 1,516.0	\$ 1,584.9
International	3,922.8	3,676.7	3,498.7
Total	<u>\$ 5,491.4</u>	<u>\$ 5,192.7</u>	<u>\$ 5,083.6</u>
Long-lived assets:			
United States	\$ 152.1	\$ 159.4	\$ 161.1
International	46.0	37.1	43.2
Total	<u>\$ 198.1</u>	<u>\$ 196.5</u>	<u>\$ 204.3</u>

The consumer-to-consumer geographic split is determined based upon the region where the money transfer is initiated and the region where the money transfer is paid. For transactions originated and paid in different regions, the Company splits the revenue between the two regions, with each region receiving 50%. For money transfers initiated and paid in the same region, 100% of the revenue is attributed to that region. The geographic split of revenue above for global business payments is based upon the country where the transaction is initiated with 100% of the revenue allocated to that country. Long-lived assets, consisting of "Property and equipment, net," are presented based upon the location of the assets.

A significant majority of the Company's consumer-to-consumer transactions involve at least one non-United States location. Based on the method used to attribute revenue between countries described in the paragraph above, each individual country outside the United States accounted for less than 10% of revenue for the years ended December 31, 2011, 2010 and 2009. In addition, each individual agent or global business payments customer accounted for less than 10% of revenue during these periods.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2012 Changes in Reportable Segments

In connection with the acquisition of TGBP, recent management changes, and other key strategic initiatives, the Company will implement a new segment structure to assess performance and allocate resources, beginning in the first quarter of 2012. The changes in the Company's segment structure primarily relate to the separation of the Global Business Payments segment into two new reportable segments, Consumer-to-Business and Business Solutions. A summary of how the segments will be structured follows:

Segment	Description
Consumer-to-Consumer	Money transfer services between consumers, primarily through a global network of third-party agents.
Consumer-to-Business	Processing of payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses.
Business Solutions	Business-to-business payment solutions, primarily for cross-border, cross-currency transactions, including services provided under the Company's existing Western Union Business Solutions business and TGBP, which was acquired in November 2011.
Other	Businesses that have not been classified into one of the Company's other segments. These businesses primarily include the Company's money order and prepaid services businesses.

18. Quarterly Financial Information (Unaudited)

Summarized quarterly results for the years ended December 31, 2011 and 2010 were as follows (in millions, except per share data):

	Q1	Q2	Q3	Q4	Year Ended December 31, 2011
2011 by Quarter:					
Revenues	\$ 1,283.0	\$ 1,366.3	\$ 1,410.8	\$ 1,431.3	\$ 5,491.4
Expenses (a)	970.1	1,015.6	1,047.8	1,072.9	4,106.4
Operating income	312.9	350.7	363.0	358.4	1,385.0
Other expense, net (b)	38.2	17.3	49.1	5.8	110.4
Income before income taxes	274.7	333.4	313.9	352.6	1,274.6
Provision for/(benefit from) income taxes (c)	64.5	70.2	74.2	(99.7)	109.2
Net income	<u>\$ 210.2</u>	<u>\$ 263.2</u>	<u>\$ 239.7</u>	<u>\$ 452.3</u>	<u>\$ 1,165.4</u>
Earnings per share:					
Basic	\$ 0.32	\$ 0.42	\$ 0.38	\$ 0.73	\$ 1.85
Diluted	\$ 0.32	\$ 0.41	\$ 0.38	\$ 0.73	\$ 1.84
Weighted-average shares outstanding:					
Basic	646.9	631.1	624.9	619.4	630.6
Diluted	652.1	635.8	627.1	621.7	634.2

(a) Includes \$24.0 million in the first quarter, \$8.9 million in the second quarter and \$13.9 million in the third quarter of restructuring and related expenses. For more information, see Note 4.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (b) The second quarter includes a gain of \$29.4 million, recognized in connection with the remeasurement of the Company's former equity interest in Costa to fair value. The fourth quarter includes a net gain of \$20.8 million recorded on derivative contracts, consisting of foreign currency forward contracts with maturities of less than one year, entered into to reduce the economic variability related to the cash amounts used to fund acquisitions of businesses with purchase prices denominated in foreign currencies, primarily for the TGBP acquisition. The fourth quarter also includes a gain of \$20.5 million, recognized in connection with the remeasurement of the Company's former equity interest in Finint to fair value.
- (c) In December 2011, the Company reached an agreement with the IRS resolving substantially all of the issues related to the Company's restructuring of its international operations in 2003. As a result of the IRS Agreement, the Company recognized a tax benefit of \$204.7 million in the fourth quarter related to the adjustment of reserves associated with this matter.

<u>2010 by Quarter:</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year Ended December 31, 2010</u>
Revenues	\$ 1,232.7	\$ 1,273.4	\$ 1,329.6	\$ 1,357.0	\$ 5,192.7
Expenses (d)	916.9	962.4	978.4	1,034.9	3,892.6
Operating income	315.8	311.0	351.2	322.1	1,300.1
Other expense, net	39.8	38.7	42.6	33.8	154.9
Income before income taxes	276.0	272.3	308.6	288.3	1,145.2
Provision for income taxes	68.1	51.3	70.2	45.7	235.3
Net income	<u>\$ 207.9</u>	<u>\$ 221.0</u>	<u>\$ 238.4</u>	<u>\$ 242.6</u>	<u>\$ 909.9</u>
Earnings per share:					
Basic	\$ 0.30	\$ 0.33	\$ 0.36	\$ 0.37	\$ 1.37
Diluted	\$ 0.30	\$ 0.33	\$ 0.36	\$ 0.37	\$ 1.36
Weighted-average shares outstanding:					
Basic	681.9	669.3	659.1	655.4	666.5
Diluted	684.2	671.6	661.3	658.4	668.9

- (d) Includes \$34.5 million in the second quarter, \$14.0 million in the third quarter and \$11.0 million in the fourth quarter of restructuring and related expenses. For more information, see Note 4.

THE WESTERN UNION COMPANY

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

The following lists the condensed financial information for the parent company as of December 31, 2011 and 2010 and statements of operations and cash flows for each of the three years in the period ended December 31, 2011.

THE WESTERN UNION COMPANY

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

	December 31,	
	2011	2010
Assets		
Cash and cash equivalents	\$ 1.1	\$ 89.2
Property and equipment, net of accumulated depreciation of \$12.3 and \$10.6, respectively	32.6	30.9
Income tax deposit	250.0	250.0
Other assets	55.9	60.2
Investment in subsidiaries	4,708.8	3,805.3
Total assets	\$ 5,048.4	\$ 4,235.6
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	72.0	80.9
Payable to subsidiaries, net	99.7	285.1
Income taxes payable	406.1	—
Borrowings	3,574.4	3,283.9
Other liabilities	1.4	3.0
Total liabilities	4,153.6	3,652.9
Stockholders' equity:		
Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 2,000 shares authorized; 619.4 shares and 654.0 shares issued and outstanding at December 31, 2011 and 2010, respectively	6.2	6.5
Capital surplus	247.1	117.4
Retained earnings	760.0	591.6
Accumulated other comprehensive loss	(118.5)	(132.8)
Total stockholders' equity	894.8	582.7
Total liabilities and stockholders' equity	\$ 5,048.4	\$ 4,235.6

See Notes to Condensed Financial Statements.

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

	For the Years Ended December 31,		
	2011	2010	2009
Revenues	\$ —	\$ —	\$ —
Expenses	—	—	—
Operating income	—	—	—
Interest income	0.1	0.2	1.8
Interest expense	(181.0)	(168.7)	(157.3)
Other expense	(0.1)	(3.3)	—
Loss before equity in earnings of affiliates and income taxes	(181.0)	(171.8)	(155.5)
Equity in earnings of affiliates, net of tax	1,276.7	1,012.5	941.7
Income tax benefit	69.7	69.2	62.6
Net income	<u>\$ 1,165.4</u>	<u>\$ 909.9</u>	<u>\$ 848.8</u>

See Notes to Condensed Financial Statements.

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

	For the Years Ended December 31,		
	2011	2010	2009
Cash flows from operating activities			
Net cash provided by operating activities	\$ 698.1	\$ 631.6	\$ 505.0
Cash flows from investing activities			
Purchases of property and equipment	(4.2)	—	—
Capital contributed to subsidiary	—	—	(29.0)
Net cash used in investing activities	(4.2)	—	(29.0)
Cash flows from financing activities			
Advances to subsidiaries, net	(180.9)	(112.7)	(224.7)
Net proceeds from issuance of borrowings	696.3	247.0	496.6
Principal payments on borrowings	(696.3)	—	(500.0)
Net proceeds from/(repayments of) commercial paper	297.0	—	(82.8)
Proceeds from exercise of options	100.0	42.1	23.2
Cash dividends paid	(194.2)	(165.3)	(41.2)
Common stock repurchased	(803.9)	(581.4)	(400.2)
Net cash used in financing activities	(782.0)	(570.3)	(729.1)
Net change in cash and cash equivalents	(88.1)	61.3	(253.1)
Cash and cash equivalents at beginning of year	89.2	27.9	281.0
Cash and cash equivalents at end of year	<u>\$ 1.1</u>	<u>\$ 89.2</u>	<u>\$ 27.9</u>

See Notes to Condensed Financial Statements.

CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

**THE WESTERN UNION COMPANY
NOTES TO CONDENSED FINANCIAL STATEMENTS**

1. Basis of Presentation

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

2. Restricted Net Assets

Certain assets of the Parent’s subsidiaries totaling approximately \$230 million constitute restricted net assets, as there are legal or regulatory limitations on transferring such assets outside of the countries where the respective assets are located, or because they constitute undistributed earnings of affiliates of the Parent accounted for under the equity method of accounting. As of December 31, 2011, the Parent is in a stockholders’ equity position of \$894.8 million, and as such, the restricted net assets of the Parent’s subsidiaries currently exceeds 25% of the consolidated net assets of the Parent and its subsidiaries, thus requiring this Schedule I, “Condensed Financial Information of the Registrant.”

3. Related Party Transactions

Excess cash generated from operations of the Parent’s subsidiaries that is not required to meet certain regulatory requirements is paid periodically to the Parent and is reflected as “Payable to subsidiaries, net” in the Condensed Balance Sheets as of December 31, 2011 and 2010. The Parent’s subsidiaries periodically distribute excess cash balances to the Parent in the form of a dividend, although the amounts of such dividends may vary from year to year.

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

4. Commitments and Contingencies

The Parent had \$13.3 million in outstanding letters of credit and bank guarantees, including parental guarantees for subsidiaries, as of December 31, 2011 with expiration dates through 2012. The letters of credit and bank guarantees are primarily held in connection with credit-related dealings, which include, but are not limited to, derivatives and foreign exchange transactions. The Company expects to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of the Principal Executive Officer and Principal Financial Officer, have evaluated the effectiveness of our controls and procedures related to our reporting and disclosure obligations as of December 31, 2011, which is the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that, as of December 31, 2011, the disclosure controls and procedures were effective to ensure that information required to be disclosed by us, including our consolidated subsidiaries, in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported, as applicable, within the time periods specified in the rules and forms of the Securities and Exchange Commission, and are designed to ensure that information required to be disclosed by us in the reports that we file or submit are accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Management's report on Western Union's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934), and the related Report of Independent Registered Public Accounting Firm, are set forth under Item 8 of this Annual Report on Form 10-K. Management's annual report on internal control over financial reporting did not include an assessment of and conclusion on the effectiveness of internal control over financial reporting of Travelex Global Business Payments ("TGBP"), which was acquired on November 7, 2011 and is included in our consolidated financial statements as of December 31, 2011 and for the period from November 7, 2011 through December 31, 2011. The assets of TGBP, excluding goodwill and other intangible assets, net, constituted approximately 3% of our total assets as of December 31, 2011, and TGBP revenues constituted approximately 0.6% of our total revenues for the year ended December 31, 2011. Under guidelines established by the Securities and Exchange Commission, companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year following the acquisition while integrating the acquired company.

Changes in Internal Control over Financial Reporting

There has not been any change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except for the information required by this item with respect to our executive officers included in Item 1 of Part I of this Annual Report on Form 10-K and our Code of Ethics, the information required by this Item 10 is incorporated herein by reference to the discussion in “Proposals Submitted for Shareholder Vote—Proposal 1—Election of Directors,” “Board of Directors Information,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Corporate Governance—Committees of the Board of Directors” of our definitive proxy statement for the 2012 annual meeting of stockholders.

Code of Ethics

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

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the discussion in “Compensation Discussion and Analysis,” “Executive Compensation,” “Compensation of Directors,” and “Compensation and Benefits Committee Report” of our definitive proxy statement for the 2012 annual meeting of stockholders, provided that the Compensation and Benefits Committee Report shall not be deemed filed in this Form 10-K.

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

The information required by this Item 12 is incorporated herein by reference to the discussion in “Stock Beneficially Owned by Directors, Executive Officers and Our Largest Stockholders,” and “Equity Compensation Plan Information” of our definitive proxy statement for the 2012 annual meeting of stockholders.

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

The information required by this Item 13 is incorporated herein by reference to the discussion of “Corporate Governance—Independence of Directors” of our definitive proxy statement for the 2012 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference to the discussion in “Proposal 3—Ratification of Selection of Auditors” of our definitive proxy statement for the 2012 annual meeting of stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements (See Index to Consolidated Financial Statements on page 84 of this Annual Report on Form 10-K);
2. Financial Statement Schedule (See Index to Consolidated Financial Statements on page 84 of this Annual Report on Form 10-K);
3. The exhibits listed in the “Exhibit Index” attached to this Annual Report on Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE WESTERN UNION COMPANY (Registrant)

February 24, 2012

By: /s/ H IKMET E RSEK

**Hikmet Ersek, President and
Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Hikmet Ersek</u> Hikmet Ersek	President, Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2012
<u>/s/ Scott T. Scheirman</u> Scott T. Scheirman	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 24, 2012
<u>/s/ Amintore T.X. Schenkel</u> Amintore T.X. Schenkel	Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	February 24, 2012
<u>/s/ Jack M. Greenberg</u> Jack M. Greenberg	Non-Executive Chairman of the Board of Directors	February 24, 2012
<u>/s/ Dinyar S. Devitre</u> Dinyar S. Devitre	Director	February 24, 2012
<u>/s/ Richard A. Goodman</u> Richard A. Goodman	Director	February 24, 2012
<u>/s/ Betsy D. Holden</u> Betsy D. Holden	Director	February 24, 2012
<u>/s/ Linda Fayne Levinson</u> Linda Fayne Levinson	Director	February 24, 2012
<u>/s/ Roberto G. Mendoza</u> Roberto G. Mendoza	Director	February 24, 2012
<u>/s/ Michael A. Miles, Jr.</u> Michael A. Miles, Jr.	Director	February 24, 2012
<u>/s/ Dennis Stevenson</u> Dennis Stevenson	Director	February 24, 2012
<u>/s/ Wulf von Schimmelmann</u> Wulf von Schimmelmann	Director	February 24, 2012

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
2.1	Separation and Distribution Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto).
3.1	Amended and Restated Certificate of Incorporation of The Western Union Company (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 (registration no. 333-137665) and incorporated herein by reference thereto).
3.2	The Western Union Company By-laws, as amended on December 11, 2008 (filed as Exhibit 3.1(ii) to the Company's Current Report on Form 8-K filed on December 17, 2008 and incorporated herein by reference thereto).
4.1	Indenture, dated as of September 29, 2006, between The Western Union Company and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 2, 2006 and incorporated herein by reference thereto).
4.2	Form of 5.930% Note due 2016 (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 2, 2006 and incorporated herein by reference thereto).
4.3	Form of 5.930% Note due 2016 (filed as Exhibit 4.11 to the Company's Registration Statement on Form S-4 filed on December 22, 2006 and incorporated herein by reference thereto).
4.4	Supplemental Indenture, dated as of September 29, 2006, among The Western Union Company, First Financial Management Corporation and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed on October 2, 2006 and incorporated herein by reference thereto).
4.5	Second Supplemental Indenture, dated as of November 17, 2006, among The Western Union Company, First Financial Management Corporation and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.6 to the Company's Current Report on Form 8-K filed on November 20, 2006 and incorporated herein by reference thereto).
4.6	Third Supplemental Indenture, dated as of September 6, 2007, among The Western Union Company and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K filed on February 26, 2008 and incorporated herein by reference thereto).
4.7	Indenture, dated as of November 17, 2006, between The Western Union Company and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 20, 2006 and incorporated herein by reference thereto).
4.8	Form of 6.200% Note due 2036 (filed as Exhibit 4.14 to the Company's Registration Statement on Form S-4 filed on December 22, 2006 and incorporated herein by reference thereto).
4.9	Form of 6.50% Note due 2014 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on February 26, 2009 and incorporated herein by reference thereto).
4.10	Form of 6.200% Note due 2040 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 21, 2010 and incorporated herein by reference thereto).
4.11	Form of 5.253% 144A Note due 2020 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 2, 2010 and incorporated herein by reference thereto).
4.12	Form of 5.253% Note due 2020 (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-4 filed on August 5, 2010 and incorporated herein by reference thereto).

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- 4.13 Supplemental Indenture, dated as of September 6, 2007, among The Western Union Company and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.13 to the Company's Annual Report on Form 10-K filed on February 26, 2008 and incorporated herein by reference thereto).
- 4.14 Form of Floating Rate Note due 2013 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 7, 2011 and incorporated herein by reference thereto).
- 4.15 Form of 3.650% Note due 2018 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 22, 2011 and incorporated herein by reference thereto).
- 10.1 Tax Allocation Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto).
- 10.2 Employee Matters Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto).
- 10.3 Transition Services Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto).
- 10.4 Patent Ownership Agreement and Covenant Not to Sue, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto).
- 10.5 Settlement Agreement, dated as of February 11, 2010, by and between Western Union Financial Services, Inc. and the State of Arizona (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 16, 2010 and incorporated herein by reference thereto).
- 10.6 Form of Director Indemnification Agreement (filed as Exhibit 10.11 to the Company's Registration Statement on Form 10 (file no. 001-32903) and incorporated herein by reference thereto).*
- 10.7 The Western Union Company 2006 Long-Term Incentive Plan, as Amended and Restated Effective October 24, 2011.*
- 10.8 The Western Union Company 2006 Non-Employee Director Equity Compensation Plan, as Amended and Restated Effective December 31, 2008 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 3, 2008 and incorporated herein by reference thereto).*
- 10.9 The Western Union Company Non-Employee Director Deferred Compensation Plan, as Amended and Restated Effective December 31, 2008 (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K filed on February 19, 2009 and incorporated herein by reference thereto).*
- 10.10 The Western Union Company Severance/Change in Control Policy (Executive Committee Level), as Amended and Restated Effective September 15, 2011.*
- 10.11 The Western Union Company Senior Executive Annual Incentive Plan (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2007 and incorporated herein by reference thereto).*
- 10.12 The Western Union Company Supplemental Incentive Savings Plan, as Amended and Restated Effective January 1, 2010 (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.13 The Western Union Company Grandfathered Supplemental Incentive Savings Plan, as Amended and Restated Effective January 1, 2010 (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*

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- 10.14 Form of Unrestricted Stock Unit Award Agreement Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan, as Amended and Restated Effective February 17, 2009 (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.15 Form of Nonqualified Stock Option Award Agreement Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan, as Amended and Restated Effective February 17, 2009 (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.16 Form of Unrestricted Stock Unit Award Agreement for Non-Employee Directors Residing Outside the United States Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2010 and incorporated herein by reference thereto).*
- 10.17 Form of Nonqualified Stock Option Award Agreement for Non-Employee Directors Residing Outside the United States Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2010 and incorporated herein by reference thereto).*
- 10.18 Form of Unrestricted Stock Unit Award Agreement for Non-Employee Directors Residing in the United States Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2010 and incorporated herein by reference thereto).*
- 10.19 Form of Nonqualified Stock Option Award Agreement for Non-Employee Directors Residing in the United States Under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2010 and incorporated herein by reference thereto).*
- 10.20 Form of Restricted Stock Award Agreement for Executive Committee Members Residing in the United States Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2006 and incorporated herein by reference thereto).*
- 10.21 Form of Restricted Stock Unit Award Agreement for Executive Committee Members Residing Outside the United States Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2006 and incorporated herein by reference thereto).*
- 10.22 Form of Nonqualified Stock Option Award Agreement for Executive Committee Members Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2006 and incorporated herein by reference thereto).*
- 10.23 Amendment to Form of Nonqualified Stock Option Award Agreement for Executive Committee Members Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 5, 2008 and incorporated herein by reference thereto).*
- 10.24 Amendment to Form of Nonqualified Stock Option Award Agreement for Executive Committee Members under the 2002 First Data Corporation Long-Term Incentive Plan (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 5, 2008 and incorporated herein by reference thereto).*

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- 10.25 Amendment to Form of Nonqualified Stock Option Award Agreement for Executive Committee Members under the First Data Corporation 1992 Long-Term Incentive Plan (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 5, 2008 and incorporated herein by reference thereto).*
- 10.26 Form of Nonqualified Stock Option Award Agreement for Scott T. Scheirman Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2006 and incorporated herein by reference thereto).*
- 10.27 Form of Restricted Stock Award Agreement for Scott T. Scheirman Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.24 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2006 and incorporated herein by reference thereto).*
- 10.28 Form of Nonqualified Stock Option Award Agreement for Section 16 Officers (U.S.) Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K filed on February 25, 2011 and incorporated herein by reference thereto).*
- 10.29 Form of Nonqualified Stock Option Award Agreement for Section 16 Officers (Non - U.S.) Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K filed on February 25, 2011 and incorporated herein by reference thereto).*
- 10.30 Form of Restricted Stock Unit Award Agreement for Executive Committee Members Residing in the United States Under The Western Union Company 2006 Long-Term Incentive Plan, as Amended and Restated Effective December 8, 2009 (filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.31 Form of Restricted Stock Unit Award Agreement for Executive Committee Member Residing in Austria Under The Western Union Company 2006 Long-Term Incentive Plan, as Amended and Restated Effective December 8, 2009 (filed as Exhibit 10.28 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.32 Form of Restricted Stock Unit Award Agreement (Career Shares) for Executive Committee Members Residing in the United States Under The Western Union Company 2006 Long-Term Incentive Plan, as Amended and Restated Effective December 8, 2009 (filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.33 Form of Restricted Stock Unit Award Agreement (Career Shares) for Executive Committee Member Residing in Austria Under The Western Union Company 2006 Long-Term Incentive Plan, as Amended and Restated Effective December 8, 2009 (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.34 Form of Restricted Stock Unit Award Agreement (Career Shares) for Stewart A. Stockdale Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.35 Form of Cash Performance Grant Award Agreement for Executive Committee Members (filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K filed on February 19, 2009 and incorporated herein by reference thereto).*
- 10.36 Form of 2010 Cash Performance Grant Award Agreement for Executive Committee Members (filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*

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- 10.37 Form of Award Agreement under The Western Union Company Senior Executive Annual Incentive Plan for 2010 (filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.38 Form of Performance-Based Restricted Stock Unit Award Notice for Executive Committee Members Under The Western Union Company 2006 Long-Term Incentive Plan.*
- 10.39 Employment Contract, dated as of November 9, 2009, between Western Union Financial Services GmbH and Hikmet Ersek (filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.40 Expatriate Letter Agreement, dated as of November 9, 2009, between Western Union Financial Services GmbH, The Western Union Company and Hikmet Ersek (filed as Exhibit 10.36 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.41 First Amendment to Employment Contract and Expatriate Letter Agreement, dated as of October 7, 2010, between Western Union Financial Services GmbH, The Western Union Company and Hikmet Ersek (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q filed on November 5, 2010 and incorporated herein by reference thereto).*
- 10.42 Expatriate Letter Agreement, dated as of January 4, 2012, between Western Union, LLC and Rajesh K. Agrawal.*
- 10.43 Expatriate Letter Agreement, dated as of December 12, 2011, between Western Union, LLC and Robin S. Heller.*
- 10.44 Letter Agreement, dated May 22, 2008, between The Western Union Company and Stewart A. Stockdale (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on August 5, 2008 and incorporated herein by reference thereto).*
- 10.45 Letter Agreement, dated May 6, 2010, between The Western Union Company, Western Union LLC and Christina Gold (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2010 and incorporated herein by reference thereto).*
- 10.46 Letter Agreement, dated December 22, 2010, between The Western Union Company and Rajesh K. Agrawal, as terminated by the Letter Agreement, dated January 9, 2012, between The Western Union Company and Rajesh K. Agrawal.*
- 10.47 Credit Agreement, dated as of September 23, 2011, among The Western Union Company, the banks named therein, as lenders, Wells Fargo Bank, National Association, in its capacity as the swing line bank, Wells Fargo Bank, National Association, Citibank, N.A. and JPMorgan Chase Bank, N.A., in their respective capacities as issuing lenders, Citibank, N.A. and JPMorgan Chase Bank, N.A., as syndication agents, Bank of America, N.A., Barclays Bank PLC and U.S. Bank National Association, as documentation agents, and Wells Fargo Bank, National Association, as administrative agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 29, 2011 and incorporated herein by reference thereto).
- 10.48 Mutual Separation Agreement and Release, dated as of August 25, 2011, between Western Union, LLC and David Yates (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 3, 2011 and incorporated herein by reference thereto) (certain portions of this exhibit were granted confidential treatment by the Securities and Exchange Commission on February 8, 2012).*
- 12 Computation of Ratio of Earnings to Fixed Charges
- 14 The Western Union Company Code of Ethics for Senior Financial Officers, as Amended and Restated Effective December 9, 2009 (filed as Exhibit 14 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).

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21	Subsidiaries of The Western Union Company
23	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer of The Western Union Company Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer of The Western Union Company Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this report.

THE WESTERN UNION COMPANY
2006 LONG-TERM INCENTIVE PLAN
 (As Amended and Restated on October 24, 2011)

I. INTRODUCTION

1.1. Purposes. The purposes of The Western Union Company 2006 Long-Term Incentive Plan, as amended and restated on October 24, 2011, (the “Plan”) are (i) to advance the interests of The Western Union Company (the “Company”) by attracting and retaining high caliber employees, and other key individuals who perform services for the Company, a Subsidiary or an Affiliate, (ii) to align the interests of the Company’s stockholders and recipients of awards under this Plan by increasing the proprietary interest of such recipients in the Company’s growth and success and (iii) to motivate award recipients to act in the long-term best interests of the Company and its stockholders.

1.2. Definitions.

“**2006 LTIP**” shall mean The Western Union Company 2006 Long-Term Incentive Plan as adopted on September 28, 2006 by First Data in its capacity as the sole stockholder of the Company.

“**Affiliate**” shall mean any entity of which the Company owns or controls, directly or indirectly, less than 50% but at least 20% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

“**Agreement**” shall mean the written agreement evidencing an award hereunder between the Company and the recipient of such award and shall include any terms and conditions that may apply to such award.

“**Board**” shall mean the Board of Directors of the Company.

“**Bonus Stock**” shall mean shares of Common Stock that are not subject to a Restriction Period or Performance Measures.

“**Bonus Stock Award**” shall mean an award of Bonus Stock.

“**Bonus Stock Unit**” shall mean the right to receive one share of Common Stock that is not subject to a Restriction Period or Performance Measures.

“**Bonus Stock Unit Award**” shall mean an award of Bonus Stock Units under this Plan.

“**Cause**” shall mean the willful and continued failure to substantially perform the duties assigned by the Company, a Subsidiary or an Affiliate (other than a failure resulting from the award recipient’s Disability), the willful engaging in conduct which is demonstrably injurious to the Company, a Subsidiary or an Affiliate (monetarily or otherwise), any act of dishonesty, the commission of a felony, the continued failure to meet performance standards, excessive absenteeism, or a significant violation of any statutory or common law duty of loyalty to the Company, a Subsidiary or an Affiliate.

“**Change in Control**” shall mean:

(a) the acquisition by any individual, entity or group (a “**Person**”), including any “person” within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, of beneficial ownership within the meaning of Rule 13d-3 promulgated under the Exchange Act, of 35% or more of either (i) the then outstanding shares of common stock of the Company (the “**Outstanding Common Stock**”) or (ii) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors (the “**Outstanding Voting Securities**”); excluding, however, the following: (A) any acquisition directly from the Company (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from the Company), (B) any acquisition by the Company, (C) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any

corporation controlled by the Company or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii), and (iii) of subsection (c) of this definition; provided further, that for purposes of clause (B), if any Person (other than the Company or any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company) shall become the beneficial owner of 35% or more of the Outstanding Common Stock or 35% or more of the Outstanding Voting Securities by reason of an acquisition by the Company, and such Person shall, after such acquisition by the Company, become the beneficial owner of any additional shares of the Outstanding Common Stock or any additional Outstanding Voting Securities and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control;

(b) The cessation of individuals, who constitute the Board (the “Incumbent Board”) as of the date this Plan is adopted by the Board, to constitute at least a majority of such Incumbent Board; provided that any individual who becomes a director of the Company subsequent to the date this Plan is approved by the Board whose election, or nomination for election by the Company’s stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed a member of the Incumbent Board; and provided further, that any individual who was initially elected as a director of the Company as a result of an actual or threatened solicitation by a Person other than the Board for the purpose of opposing a solicitation by any other Person with respect to the election or removal of directors, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall not be deemed a member of the Incumbent Board;

(c) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Corporate Transaction”); excluding, however, a Corporate Transaction pursuant to which (i) all or substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding Common Stock and the Outstanding Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Common Stock and the Outstanding Voting Securities, as the case may be, (ii) no Person (other than: the Company; any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; the corporation resulting from such Corporate Transaction; and any Person which beneficially owned, immediately prior to such Corporate Transaction, directly or indirectly, 35% or more of the Outstanding Common Stock or the Outstanding Voting Securities, as the case may be) will beneficially own, directly or indirectly, 35% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding securities of such corporation entitled to vote generally in the election of directors and (iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(d) the consummation of a plan of complete liquidation or dissolution of the Company.

“Code” shall mean the United States Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

“Committee” shall mean the Compensation and Benefits Committee of the Board or its delegate, or any other committee comprised entirely of “non-employee” directors within the meaning of Section 16 of the Exchange Act that the Board may designate to administer this Plan.

“Common Stock” shall mean the common stock of the Company.

“Company” has the meaning specified in Section 1.1.

“Corporate Transaction” shall have the meaning set forth in the definition of “Change in Control” in this Section 1.2.

“**Disability**” shall mean the inability of the holder of an award to perform substantially such holder’s duties and responsibilities due to a physical or mental condition (i) that would entitle such holder to benefits under the Company’s Long-Term Disability Plan (or similar disability plan of the Company, a Subsidiary or an Affiliate in which such holder is a participant) or if the Committee deems it relevant, any disability rights provided as a matter of local law or (ii) if such holder is not eligible for long-term disability benefits under any plan sponsored by the Company, a Subsidiary, or an Affiliate, that would, as determined by the Committee, entitle such holder to benefits under the Company’s Long-Term Disability Plan if such holder were eligible therefor. In the case of Incentive Stock Options, the term “Disability” shall have the same meaning as “Permanent and Total Disability” as such term is defined in this Section 1.2.

“**Employee Matters Agreement**” shall mean the agreement entered into by the Company and First Data as of September 29, 2006.

“**Exchange Act**” shall mean the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Fair Market Value**” shall mean the closing price of a share of Common Stock as reported on the New York Stock Exchange trading on a “when issued” basis or in the New York Stock Exchange Composite Transactions, as the case may be, on the date as of which such value is being determined; provided, however, that if there shall be no reported transactions for such date, Fair Market Value shall be based on the appropriate closing price on the next preceding date for which transactions were reported; and provided further that if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or method as the Committee, in the good faith exercise of its discretion, shall at such time deem appropriate. Notwithstanding the preceding sentence, solely for purposes of determining an award holder’s tax payment obligations under Section 5.5, in lieu of the definition of Fair Market Value in the preceding sentence, the Committee may determine that Fair Market Value shall mean the average of the high and low transaction prices of a share of Common Stock as reported in the New York Stock Exchange Composite Transactions on the date as of which such value is being determined or, if there shall be no reported transactions for such date, on the next preceding date for which transactions were reported.

“**Family Entity**” shall mean a trust in which one or more Family Members have more than fifty percent of the beneficial interest, a foundation in which the award holder and/or one or more Family Members control the management of assets and any other entity in which the award holder and/or one or more Family Members own more than fifty percent of the voting interests.

“**Family Member**” shall mean an award holder’s spouse, parent, child, stepchild, grandchild, sibling, mother or father-in-law, son or daughter-in-law, stepparent, grandparent, former spouse, niece, nephew or brother or sister-in-law, including adoptive relationships, or any person sharing the award holder’s household (other than a tenant or employee).

“**First Data**” shall mean First Data Corporation, including any subsidiary or affiliate thereof. A subsidiary of First Data Corporation shall mean any entity of which First Data Corporation owns or controls, directly or indirectly, 50% or more of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power). An affiliate of First Data Corporation shall mean any entity of which First Data Corporation owns or controls, directly or indirectly, less than 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

“**Incentive Stock Option**” shall mean an option to purchase shares of Common Stock that meets the requirements of Section 422 of the Code, or any successor provision, which is intended by the Committee to constitute an Incentive Stock Option.

“**Incumbent Board**” shall have the meaning set forth in the definition of “Change in Control” in this Section 1.2.

“**Mature Shares**” shall mean previously-acquired shares of Common Stock for which the holder thereof has good title, free and clear of all liens and encumbrances and which such holder either (i) has held for at least six months or (ii) has purchased on the open market.

“**Nonqualified Stock Option**” shall mean an option (including a Purchased Stock Option) to purchase shares of Common Stock which is not an Incentive Stock Option.

“**Outstanding Common Stock**” shall have the meaning set forth in the definition of “Change in Control” in this Section 1.2.

“**Outstanding Voting Securities**” shall have the meaning set forth in the definition of “Change in Control” in this Section 1.2.

“**Performance Grant**” shall mean an award conferring a right, contingent upon the attainment of specified Performance Measures within a specified Performance Period, to receive shares of Common Stock, Restricted Stock, Restricted Stock Units, cash, or any combination thereof, as determined by the Committee or as evidenced in the Agreement relating to such Performance Grant.

“**Performance Measures**” shall mean the criteria and objectives that may be established by the Committee, which must be satisfied or met (i) as a condition to the exercisability of all or a portion of a Stock Option or SAR, (ii) as a condition to the grant of a Stock Award or (iii) during the applicable Restriction Period or Performance Period as a condition to the holder’s receipt, in the case of a Stock Award, of the shares of Common Stock subject to such award and/or of payment with respect to such award, or, in the case of a Performance Grant, of the shares of Common Stock, Restricted Stock or Restricted Stock Units subject to such award and/or of payment with respect to such award. Such criteria and objectives may include one or more of the following: the attainment by a share of Common Stock of a specified value within or for a specified period of time, earnings per share, earnings before interest expense and taxes, return to stockholders (including dividends), return on equity, earnings, revenues, cash flow or cost reduction goals, operating income, pretax return on total capital, economic value added, or any combination of the foregoing. Such criteria and objectives may relate to results obtained by the individual, the Company, a Subsidiary, an Affiliate, or any business unit or division thereof, or may apply to results obtained relative to a specific industry or a specific index. If the Committee desires that compensation payable pursuant to any award subject to Performance Measures be “qualified performance-based compensation” within the meaning of Section 162(m) of the Code, the Performance Measures (i) shall be established by the Committee no later than the end of the first quarter of the Performance Period or Restriction Period, as applicable (or such other time designated by the United States Internal Revenue Service) and (ii) shall satisfy all other applicable requirements imposed under United States Treasury Regulations promulgated under Section 162(m) of the Code, including the requirement that such Performance Measures be stated in terms of an objective formula or standard.

“**Performance Period**” shall mean any period designated by the Committee or specified in an Agreement during which the Performance Measures applicable to a Performance Grant shall be measured.

“**Permanent and Total Disability**” shall have the meaning set forth in Section 22(e)(3) of the Code or any successor thereto.

“**Person**” shall have the meaning set forth in the definition of “Change in Control” set forth in this Section 1.2.

“**Plan**” shall have the meaning set forth in Section 1.1.

“**Plan Share Limit**” shall have the meaning set forth in Section 1.5.

“**Post-Termination Exercise Period**” shall mean the period specified in or pursuant to Section 2.3(a), Section 2.3(b), Section 2.3(d) or Section 2.3(e) following termination of employment with or service to the Company during which a Stock Option or SAR may be exercised.

“**Purchased Stock Option**” shall mean a Nonqualified Stock Option that is sold to eligible individuals at a price determined by the Committee, has an exercise price equal to the Fair Market Value of the Common Stock subject to such Stock Option on the date such Stock Option is sold to the eligible individual, and contains such additional terms and conditions as the Committee deems appropriate.

“**Related Employment**” shall mean the employment or performance of services by an individual for an employer that is neither the Company nor a Subsidiary nor an Affiliate, provided that (i) such employment or performance of services is undertaken by the individual at the request of the Company, a Subsidiary or an Affiliate, (ii) immediately prior to undertaking such employment or performance of services, the individual was employed by or performing service for the Company, a Subsidiary, or an Affiliate or was engaged in Related Employment and (iii) such employment or performance of services is in the best interests of the Company as determined by the Committee and is recognized by the Committee, in its discretion, as Related Employment. The death or Disability of an individual or his or her involuntary termination of employment during a period of Related Employment shall be treated, for purposes of this Plan, as if the death, Disability or involuntary termination had occurred while the individual was employed by or performing services for the Company, a Subsidiary or an Affiliate.

“**Replacement and Substitute Award**” shall mean a Stock Option, Restricted Stock Award, or Restricted Stock Unit Award granted in connection with the spin-off of the Company to certain current and former employees and directors of First Data pursuant to the terms of the Employee Matters Agreement.

“**Restricted Stock**” shall mean shares of Common Stock which are subject to a Restriction Period.

“**Restricted Stock Award**” shall mean an award of Restricted Stock under this Plan.

“**Restricted Stock Unit**” shall mean the right to receive one share of Common Stock or the Fair Market Value thereof in cash, which shall be contingent upon the expiration of a specified Restriction Period and subject to such additional restrictions as may be contained in the Agreement relating thereto. The Committee shall specify in the Agreement whether a Restricted Stock Unit Award shall be payable in Common Stock, cash, or any combination thereof.

“**Restricted Stock Unit Award**” shall mean an award of Restricted Stock Units under this Plan.

“**Restriction Period**” shall mean any period designated by the Committee during which (i) the Common Stock subject to a Restricted Stock Award may not be sold, transferred, assigned, pledged, hypothecated or otherwise encumbered or disposed of, except as provided in this Plan or the Agreement relating to such award or (ii) the vesting conditions applicable to a Restricted Stock Unit Award shall remain in effect.

“**Retirement**” shall mean an employee’s termination of employment with or service to the Company (other than a termination by reason of death or Disability or for Cause) on or after (i) age 65, or (ii) age 55, provided the employee has completed at least 10 Years of Service.

“**SAR**” shall mean the right to receive, upon exercise, shares of Common Stock (which may be Restricted Stock), cash or a combination thereof with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock on the date of exercise over the base price of such SAR, multiplied by the number of such SARs which are exercised.

“**Stock Award**” shall mean a Restricted Stock Award, a Restricted Stock Unit Award, a Bonus Stock Award or a Bonus Stock Unit Award.

“**Stock Option**” shall mean a Nonqualified Stock Option or an Incentive Stock Option.

“**Subsidiary**” shall mean any entity of which the Company owns or controls, directly or indirectly, 50% or more of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

“**Tax Date**” shall have the meaning set forth in Section 5.5.

“**Ten Percent Holder**” shall have the meaning set forth in Section 2.1(a).

“**Years of Service**” shall mean (i) the number of years of service credited to an individual under the Company’s Incentive Savings Plan (“ISP”) or (ii) if the individual is not eligible to participate in the ISP, the number

of such individual's years of service, computed as if the individual had been eligible to participate in the ISP while employed by the Company or a Subsidiary, provided, however, that unless otherwise provided in the Agreement, the computed number of years of service shall not include any period of an individual's employment with an Affiliate.

1.3. Administration. This Plan shall be administered by the Committee. The Committee may grant any one or a combination of the following awards under this Plan to eligible persons: (i) Stock Options (in the form of Nonqualified Stock Options or Incentive Stock Options), (ii) SARs, (iii) Restricted Stock Awards, (iv) Restricted Stock Unit Awards, (v) Bonus Stock Awards, (vi) Bonus Stock Unit Awards and (vii) Performance Grants.

The Committee shall, subject to the terms of this Plan, select eligible persons for participation in this Plan and determine the form, amount and timing of each award to such persons, the exercise price or base price associated with the award, the time and conditions of exercise or settlement of the award and all other terms and conditions of the award, including, without limitation, the form of the Agreement evidencing the award.

The Committee shall, subject to the terms of this Plan, interpret this Plan and the application thereof, establish, amend and revoke rules and regulations it deems necessary or desirable for the administration of this Plan, adopt sub-plans applicable to specific Subsidiaries, Affiliates or locations and may impose, incidental to the grant of an award, conditions with respect to the award, such as limiting competitive employment or other activities to the extent permitted under local law. The Committee may require, as a condition to the issuance, exercise, settlement or acceptance of an award under this Plan, that the award recipient agree to mandatory arbitration to settle any disputes relating to such award. All such interpretations, rules, regulations and conditions shall be final, binding and conclusive.

In exercising its power and authority hereunder with respect to Replacement and Substitute Awards held by current and former employees (other than Business Employees, as such term is defined in the Employee Matters Agreement) and directors of First Data (and their respective transferees), the Company shall (i) act in good faith and (ii) cooperate with and give due regard to any information provided by First Data. In addition, with respect to such Replacement and Substitute Awards, the Company shall not, without the prior written consent of the First Data Compensation Committee, take any discretionary action to accelerate vesting of any such awards.

To the extent permitted by applicable law, the Committee may delegate some or all of its power and authority hereunder to another entity or committee, a member of the Board, or one or more officers of the Company as the Committee deems appropriate; provided, however, that the Committee may not delegate its power and authority to another entity or committee, a member of the Board, or one or more officers of the Company with regard to (i) the grant of an award to any person who is a "covered employee" within the meaning of Section 162(m) of the Code or who, in the Committee's judgment, is likely to be a covered employee at any time during the period an award hereunder to such employee would be outstanding, (ii) the selection for participation in this Plan of an officer or other person subject to Section 16 of the Exchange Act or decisions concerning the timing, pricing or amount of an award to such an officer or other person, and (iii) any decision regarding the impact of a Change in Control on awards issued under the Plan.

No member of the Committee, and no entity, committee, member of the Board or officer to whom the Committee delegates any of its power and authority hereunder, shall be liable for any act, omission, interpretation, construction or determination made in connection with this Plan in good faith, and the members of the Committee and such entities, committees, members of the Board or officers shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including attorneys' fees) arising therefrom to the full extent permitted by law.

A majority of the Committee shall constitute a quorum. The acts of the Committee shall be either (i) acts of a majority of the members of the Committee present at any meeting at which a quorum is present or (ii) acts approved in writing by all of the members of the Committee without a meeting.

1.4. Eligibility. All employees of the Company, Subsidiaries and Affiliates and other individuals who perform services for the Company, a Subsidiary or an Affiliate are eligible to receive awards under this Plan, as the Committee in its sole discretion may select from time to time. In connection with the spin-off of the Company, certain current and former employees and directors of First Data will receive Replacement and Substitute Awards.

The Committee's selection of a person to participate in this Plan at any time shall not require the Committee to select such person to participate in this Plan at any other time.

1.5. Shares Available

(a) Plan Share Limit. Subject to adjustment as provided in Section 5.7, 120,000,000 shares of Common Stock shall be available under this Plan (the "Plan Share Limit").

(b) Deductions. Shares of Common Stock subject to Stock Options and SARs shall apply against and reduce the Plan Share Limit as one share for every one share subject thereto. Shares of Common Stock subject to Stock Awards and Performance Grants shall apply against and reduce the Plan Share Limit as one share for every one share subject thereto or payable pursuant thereto; provided, however, that if and during any period when more than 30,000,000 of the shares of Common Stock available under the Plan Share Limit are subject to Stock Awards and Performance Grants, the remaining shares of Common Stock available under the Plan Share Limit shall be reduced by three shares for every one share awarded pursuant to Stock Awards and Performance Grants in excess of 30,000,000 of the Plan Share Limit. Dividend equivalents paid in cash with respect to awards shall not apply against or reduce the Plan Share Limit.

(c) Increases. The Plan Share Limit, as reduced pursuant to Section 1.5(b), shall be increased (but not above the number of shares set forth in Section 1.5(a)) by shares of Common Stock subject to an outstanding award that are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such award. The Plan Share Limit shall not be increased by (i) shares of Common Stock delivered or withheld to pay all or a portion of the exercise price of an award, (ii) shares of Common Stock delivered or withheld to satisfy all or a portion of the tax withholding obligations relating to an award, (iii) shares subject to a SAR that is exercised, whether or not shares of Common Stock are issued to the Participant upon exercise of the SAR, or (iv) shares of Common Stock that are repurchased by the Company with the proceeds from the exercise of an award. Increases in the Plan Share Limit pursuant to this Section 1.5(c) shall be made in a manner consistent with the Plan Share Limit deductions in effect at the time such increase occurs under Section 1.5(b).

(d) Performance-based Compensation. To the extent necessary for an award to be qualified performance-based compensation under Section 162(m) of the Code, the maximum aggregate number of shares of Common Stock with respect to which Stock Options, SARs, Stock Awards or Performance Grants may be issued to any individual during a calendar year shall be one-half of one percent of the total number of outstanding shares of Common Stock of the Company as of the preceding December 31st. The maximum amount of cash payable during a calendar year to any person in connection with a Performance Grant shall be \$8,000,000.

(e) Source of Shares. Shares of Common Stock shall be made available from authorized but unissued shares, treasury shares, reacquired shares, or any combination thereof.

1.6 Employment. Unless otherwise expressly provided herein, references to "employment" with the Company or "employment with or service to the Company" shall mean the employment with or service to the Company, a Subsidiary or an Affiliate, including transfers of employment between the Company, a Subsidiary and an Affiliate, approved leaves of absence, and Related Employment.

II. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

2.1. Stock Options. The Committee may, in its discretion, grant Stock Options to such eligible persons as may be selected by the Committee. An Incentive Stock Option may not be granted to any person who is not an employee of the Company or any parent or subsidiary (as defined in Section 424 of the Code). Each Incentive Stock Option shall be granted within ten years of the date this Plan is adopted by the Board. To the extent the aggregate Fair Market Value (determined as of the date of grant) of shares of Common Stock with respect to which options designated as Incentive Stock Options are exercisable for the first time by a participant during any calendar year (under this Plan or any other plan of the Company, or any parent or subsidiary as defined in Section 424 of the Code) exceeds the amount (currently \$100,000) established by the Code, such options shall constitute Nonqualified Stock Options.

Stock Options shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable:

(a) Number of Shares and Purchase Price. The number of shares of Common Stock subject to a Stock Option shall be determined by the Committee. The purchase price per share of Common Stock purchasable upon exercise of a Stock Option shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of such Stock Option; provided, however, that if an Incentive Stock Option shall be granted to any person who, at the time such Incentive Stock Option is granted, owns capital stock possessing more than ten percent of the total combined voting power of all classes of capital stock of the Company (or of any parent or subsidiary as defined in Section 424 of the Code) (a “Ten Percent Holder”), the purchase price per share of Common Stock shall be the price (currently 110% of Fair Market Value) required by the Code in order to constitute an Incentive Stock Option.

(b) Option Period and Exercisability. The period during which a Stock Option may be exercised shall be determined by the Committee; provided, however, that no Stock Option shall be exercised later than ten years after its date of grant; provided further, that if an Incentive Stock Option shall be granted to a Ten Percent Holder, such Incentive Stock Option shall not be exercised later than five years after its date of grant. The Committee may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant of a Stock Option or to the exercisability of all or a portion of a Stock Option. The Committee shall determine whether a Stock Option shall become exercisable in cumulative or non-cumulative installments and in part or in full at any time. An exercisable Stock Option, or portion thereof, may be exercised only with respect to whole shares of Common Stock.

(c) Method of Exercise. A Stock Option may be exercised (i) by giving written notice to the Company specifying the number of whole shares of Common Stock to be purchased and accompanied by payment therefor in full (or arrangement made for such payment to the Company’s satisfaction) either (A) in cash, (B) by delivery (either actual delivery or by attestation procedures established by the Company) of Mature Shares having an aggregate Fair Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise, (C) except as may be prohibited by applicable law, in cash by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise, or (D) by a combination of (A) and (B), in each case to the extent set forth in the Agreement relating to the Stock Option, and (ii) by executing such documents as the Company may reasonably request. Any fraction of a share of Common Stock which would be required to pay such purchase price shall be disregarded and the remaining amount due shall be paid in cash by the optionee. No certificate or other indicia of ownership representing Common Stock shall be delivered until the full purchase price therefor, and any withholding taxes thereon, as described in Section 5.5, have been paid (or arrangement made for such payment to the Company’s satisfaction).

(d) Minimum Vesting Period. Except as provided in this subsection or as otherwise provided under the Plan, no Stock Option award may become exercisable in full until three years from the date such Stock Option was granted and no portion of a Stock Option award may become exercisable until one year from the date such Stock Option was granted. The limitations of the preceding sentence shall not apply in the case of a Stock Option that becomes exercisable as a result of the attainment of a specified Performance Measure or in the case of a Stock Option granted as an employee recognition award, a retention award, or to a newly hired employee; provided that except as provided for under the Plan no portion of any such Stock Option may become exercisable until six months from the date the Stock Option was granted. The exceptions in the preceding sentence to the general minimum vesting provisions of this subsection, other than the exception applying to a Stock Option that becomes exercisable as a result of the attainment of a specified Performance Measure, are intended to be applied only in special circumstances as determined by the Committee (or its delegate).

(e) Repricing and Discounting. Subject to Section 5.7, the repricing or discounting of Stock Options is expressly disallowed under this Plan.

2.2. Stock Appreciation Rights. The Committee may, in its discretion, grant SARs to such eligible persons as may be selected by the Committee.

SARs shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable:

(a) Number of SARs and Base Price. The number of SARs subject to an award shall be determined by the Committee. The base price of an SAR shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date such SAR is granted.

(b) Exercise Period and Exercisability. The Agreement relating to an award of SARs shall specify whether such award may be settled in shares of Common Stock (including shares of Restricted Stock) or cash or a combination thereof. The period for the exercise of an SAR shall be determined by the Committee; provided, however, that no SAR shall be exercised later than ten years after its date of grant. The Committee may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant of an SAR or to the exercisability of all or a portion of an SAR. The Committee shall determine whether an SAR may be exercised in cumulative or non-cumulative installments and in part or in full at any time. An exercisable SAR, or portion thereof, may be exercised only with respect to a whole number of SARs. If an SAR is exercised for shares of Restricted Stock, a certificate or certificates or other indicia of ownership representing such Restricted Stock shall be issued in accordance with Section 3.2(c) and the holder of such Restricted Stock shall have such rights of a stockholder of the Company as determined pursuant to Section 3.2(d). Prior to the exercise of an SAR for shares of Common Stock, including Restricted Stock, the holder of such SAR shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject to such SAR and shall have rights as a stockholder of the Company in accordance with Section 5.10.

(c) Method of Exercise. An SAR may be exercised (i) by giving written notice to the Company specifying the whole number of SARs which are being exercised and (ii) by executing such documents as the Company may reasonably request.

(d) Minimum Vesting Period. Except as provided in this subsection or as otherwise provided under the Plan, no SAR award may become exercisable in full until three years from the date such SAR was granted and no portion of a SAR award may become exercisable until one year from the date such SAR was granted. The limitations of the preceding sentence shall not apply in the case of a SAR that becomes exercisable as a result of the attainment of a specified Performance Measure or in the case of a SAR granted as an employee recognition award, a retention award, or to a newly hired employee; provided that except as provided for under the Plan no portion of any such SAR may become exercisable until six months from the date the SAR was granted. The exceptions in the preceding sentence to the general minimum vesting provisions of this subsection, other than the exception applying to a SAR that becomes exercisable as a result of the attainment of a specified Performance Measure, are intended to be applied only in special circumstances as determined by the Committee (or its delegate).

(e) Repricing and Discounting. Subject to Section 5.7, the repricing or discounting of SARs is expressly disallowed under this Plan.

2.3. Termination of Employment or Service

(a) Disability. Unless otherwise specified in the Agreement, if the employment with or service to the Company of the holder of a Stock Option or SAR terminates by reason of Disability, each Stock Option and SAR held by such holder shall become fully vested and exercisable and may thereafter be exercised by such holder (or such holder's legal representative or similar person) until the date which is one year after the effective date of such holder's termination of employment or service, or if earlier, the expiration date of the term of such Stock Option or SAR.

(b) Retirement.

(i) Stock Options and SARs Granted on and after January 31, 2011. Effective for Stock Options and SARs granted under the Plan on and after January 31, 2011, unless otherwise specified in the Agreement, if the employment with or service to the Company of the holder of a Stock Option or SAR terminates by reason of Retirement, each Stock Option and SAR held by such holder, to the extent not already vested, shall vest on a prorated basis on the effective date of the holder's termination of employment or service. Such prorated vesting shall be calculated on a grant-by-grant basis by multiplying the unvested portion of each such Stock Option and SAR award by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the effective date of the holder's termination of employment or service and the denominator of which is the number of days between the grant date and the date the Stock Option or SAR award would have become fully vested and exercisable

had the holder not terminated his or her employment or service. Unless otherwise specified in the Agreement, a vested Stock Option and SAR held by such holder may be exercised by the holder (or such holder's legal representative or similar person) until the date which is two years after the effective date of such holder's termination of employment or service, or if earlier, the expiration date of the term of such Stock Option or SAR.

(ii) Stock Options and SARs Granted Prior to January 31, 2011. Effective for Stock Options and SARs granted under the Plan prior to January 31, 2011, unless otherwise specified in the Agreement, if the employment with or service to the Company of the holder of a Stock Option or SAR terminates by reason of Retirement, each Stock Option and SAR held by such holder shall continue to vest in accordance with its terms, and to the extent vested, may thereafter be exercised by such holder (or such holder's legal representative or similar person) until the date which is four years after the effective date of such holder's termination of employment or service, or if earlier, the expiration date of the term of such Stock Option or SAR.

(c) Death. Unless otherwise specified in the Agreement, if the employment with or service to the Company of the holder of a Stock Option or SAR terminates by reason of death, each Stock Option and SAR held by such holder shall become fully vested and exercisable and may thereafter be exercised by such holder's executor, administrator, legal representative, beneficiary or similar person until the date which is one year after the date of death, or if earlier, the expiration date of the term of such Stock Option or SAR.

(d) Involuntary Termination Without Cause. Unless otherwise specified in the Agreement, and except as provided in Section 5.8, if the employment with or service to the Company of the holder of a Stock Option or SAR is terminated by the Company, a Subsidiary or an Affiliate without Cause, each Stock Option and SAR held by such holder shall cease to vest, and to the extent already vested, may thereafter be exercised by such holder (or such holder's legal representative or similar person) until the date which is three months after such involuntary termination, or if earlier, the expiration date of the term of such Stock Option or SAR.

(e) Termination for Cause. If the employment with or service to the Company of the holder of a Stock Option or SAR is terminated for Cause, each Stock Option and SAR held by such holder shall cease to vest, and to the extent already vested, may thereafter be exercised by such holder (or such holder's legal representative or similar person) until the close of the New York Stock Exchange (if open) on the date of such holder's termination of employment or service. If the New York Stock Exchange is closed at the time of such holder's termination of employment, then such Stock Option or SAR shall be forfeited at the time such holder's employment is terminated and shall be canceled by the Company.

(f) Other Termination. Unless otherwise specified in the Agreement, if the employment with or service to the Company of the holder of a Stock Option or SAR terminates for any reason other than Disability, Retirement, death, involuntary termination without Cause, or termination for Cause, each Stock Option and SAR held by such holder shall cease to vest, and to the extent already vested, may thereafter be exercised by such holder (or such holder's legal representative or similar person) until the close of the New York Stock Exchange (if open) on the date which is the thirtieth (30th) day following such holder's termination of employment or service. If the New York Stock Exchange is closed on such date, then such Stock Option or SAR shall be forfeited and shall be canceled by the Company effective with the close of the New York Stock Exchange on the next following day in which the New York Stock Exchange is open.

(g) Death Following Termination of Employment or Service. Unless otherwise specified in the Agreement, if the holder of a Stock Option or SAR dies during the applicable Post-Termination Exercise Period, each Stock Option and SAR held by such holder shall be exercisable only to the extent that such Stock Option or SAR is exercisable on the date of such holder's death and may thereafter be exercised by the holder's executor, administrator, legal representative, beneficiary or similar person until the date which is one year after the date of death, or if earlier, the expiration date of the term of such Stock Option or SAR.

III. STOCK AWARDS

3.1. Stock Awards. The Committee may, in its discretion, grant Stock Awards to such eligible persons as may be selected by the Committee. The Agreement relating to the Stock Award shall specify whether the Stock Award is a Restricted Stock Award, a Restricted Stock Unit Award, a Bonus Stock Award or a Bonus Stock Unit Award.

3.2. Terms of Stock Awards. Stock Awards shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable.

(a) Number of Shares and Other Terms. The number of shares of Common Stock subject to a Stock Award and the Performance Measures (if any) and the Restriction Period applicable to a Restricted Stock Award or a Restricted Stock Unit Award shall be determined by the Committee.

(b) Vesting and Forfeiture. The Agreement relating to a Restricted Stock Award or Restricted Stock Unit Award shall provide, in the manner determined by the Committee, in its discretion, and subject to the provisions of this Plan, for the vesting of the shares of Common Stock subject to such award, in the case of a Restricted Stock Award, or for the vesting of the Restricted Stock Unit Award itself, in the case of a Restricted Stock Unit Award, (i) if specified Performance Measures are satisfied or met during the specified Restriction Period or (ii) if the holder of such award remains continuously in the employment of or service to the Company during the specified Restriction Period, and for the forfeiture of all or a portion of the shares of Common Stock subject to such award in the case of a Restricted Stock Award, or for the forfeiture of the Restricted Stock Unit Award itself, in the case of a Restricted Stock Unit Award, (x) if specified Performance Measures are not satisfied or met during the specified Restriction Period or (y) if the holder of such award does not remain continuously in the employment of or service to the Company during the specified Restriction Period.

Bonus Stock Awards and Bonus Stock Unit Awards shall not be subject to any Performance Measures or Restriction Periods.

(c) Share Certificates/Indicia of Ownership. During the Restriction Period, a certificate or certificates or other indicia of ownership representing a Restricted Stock Award may be registered in the holder's name or a nominee name at the discretion of the Company and may bear a legend, in addition to any legend which may be required pursuant to Section 5.6, indicating that the ownership of the shares of Common Stock represented thereby is subject to the restrictions, terms and conditions of this Plan and the Agreement relating to the Restricted Stock Award. As determined by the Committee, all certificates or other indicia of ownership registered in the holder's name shall be deposited with the Company, together with stock powers or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate by the Company, which would permit transfer to the Company of all or a portion of the shares of Common Stock subject to the Restricted Stock Award in the event such award is forfeited in whole or in part. Upon termination of any applicable Restriction Period (and the satisfaction or attainment of any applicable Performance Measures), upon the grant of a Bonus Stock Award, or upon the settlement of a Bonus Stock Unit Award, in each case subject to the Company's right to require payment of any taxes in accordance with Section 5.5, a certificate or certificates evidencing ownership, or such other indicia of ownership as determined by the Committee, of the requisite number of shares of Common Stock shall be delivered to the holder of such award.

(d) Rights with Respect to Restricted Stock Awards. Unless otherwise set forth in the Agreement relating to a Restricted Stock Award, and subject to the Committee's right to cause such Award to be cancelled pursuant to an adjustment under Section 5.7, the holder of such award shall have all rights as a stockholder of the Company, including voting rights, the right to receive dividends and the right to participate in any capital adjustment applicable to all holders of Common Stock; provided, however, that unless the Committee determines otherwise, a distribution with respect to shares of Common Stock, including a regular cash dividend, shall be deposited with the Company and replaced with additional Restricted Stock Awards with a Fair Market Value equal to such distribution and otherwise subject to the same restrictions as the shares of Common Stock with respect to which such distribution was made.

(e) Rights and Provisions Applicable to Restricted Stock Unit Awards. The Agreement relating to a Restricted Stock Unit Award shall specify whether the holder thereof shall be entitled to receive, on a current or deferred basis, dividend equivalents, or the deemed reinvestment of any deferred dividend equivalents, with respect to the number of shares of Common Stock subject to such award. Prior to the settlement of a Restricted Stock Unit Award, the holder thereof shall not have any rights as a stockholder of the Company with respect to the shares of Common Stock subject to such award, except to the extent that the Committee, in its sole discretion, may grant dividend equivalents on Restricted Stock Unit Awards which are settled in shares of Common Stock. No shares of Common Stock and no certificates or other indicia of ownership representing shares of Common Stock that are

subject to a Restricted Stock Unit Award shall be issued upon the grant of a Restricted Stock Unit Award. Instead, shares of Common Stock subject to Restricted Stock Unit Awards and the certificates or other indicia of ownership representing such shares of Common Stock shall only be distributed at the time of settlement of such Restricted Stock Unit Awards in accordance with the terms and conditions of this Plan and the Agreement relating to such Restricted Stock Unit Award.

(f) Minimum Restriction Period. Except as provided in this subsection or as otherwise provided under the Plan, the Restriction Period applicable to a Restricted Stock Award or Restricted Stock Unit Award may not lapse in full until three years from the date such award was granted and no portion of the Restriction Period applicable to a Restricted Stock Award or Restricted Stock Unit Award may lapse until one year from the date such award was granted. The limitations of the preceding sentence shall not apply in the case of a Restricted Stock Award or Restricted Stock Unit Award that vests as a result of the attainment of a specified Performance Measure or in the case of a Restricted Stock Award or Restricted Stock Unit Award granted as a founder's grant, an employee recognition award, a retention award, or to a newly hired employee; provided that except as provided for under the Plan the minimum Restriction Period applicable to such award shall be six months. The exceptions in the preceding sentence to the general minimum vesting provisions of this subsection, other than the exception applying to a Restricted Stock Award or Restricted Stock Unit Award that vests as a result of the attainment of a specified Performance Measure, are intended to be applied only in special circumstances as determined by the Committee (or its delegate).

(g) Rights and Provisions Applicable to Bonus Stock Unit Awards. The Agreement relating to a Bonus Stock Unit Award shall specify whether the holder thereof shall be entitled to receive, on a current or deferred basis, dividend equivalents, or the deemed reinvestment of any deferred dividend equivalents, with respect to the number of shares of Common Stock subject to such award. Prior to the settlement of a Bonus Stock Unit Award, the holder thereof shall not have any rights as a stockholder of the Company with respect to the shares of Common Stock subject to such award, except to the extent that the Committee, in its sole discretion, may grant dividend equivalents on Bonus Stock Unit Awards. No shares of Common Stock and no certificates or other indicia of ownership representing shares of Common Stock that are subject to a Bonus Stock Unit Award shall be issued upon the grant of a Bonus Stock Unit Award. Instead, shares of Common Stock subject to Bonus Stock Unit Awards and the certificates or other indicia of ownership representing such shares of Common Stock shall only be distributed at the time of settlement of such Bonus Stock Unit Awards in accordance with the terms and conditions of this Plan and the Agreement relating to such Bonus Stock Unit Award.

3.3. Termination of Employment or Service

(a) Disability and Death. Unless otherwise set forth in the Agreement relating to a Stock Award, if the employment with or service to the Company of the holder of such award terminates by reason of Disability or death, the Restriction Period shall terminate as of the effective date of such holder's termination of employment or service and all Performance Measures applicable to such award shall be deemed to have been satisfied at the maximum level.

(b) Retirement.

(i) In the case of Restricted Stock Unit Awards granted under the Plan on and after January 31, 2011 which are not subject to Performance Measures, unless otherwise set forth in the Agreement, if the employment with or service to the Company of the holder of such award terminates by reason of Retirement, a prorated portion of such Restricted Stock Unit Award shall vest and be settled on the date on which the holder's employment with or service to the Company terminates, and the remaining portion of such award shall be forfeited by such holder and canceled by the Company. Such proration shall be calculated on a grant-by-grant basis by multiplying the number of Restricted Stock Units by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the effective date of the holder's termination of employment or service and the denominator of which is the number of days between the grant date and the date the Restriction Period applicable to the Restricted Stock Unit Award would have lapsed in full.

(ii) In the case of Restricted Stock Unit Awards granted under the Plan on and after January 31, 2011 which are subject to Performance Measures, unless otherwise set forth in the Agreement, if the employment with or service to the Company of the holder of such award terminates by reason of Retirement, a prorated portion of the amount of such Restricted Stock Unit Award which is actually earned, based upon satisfaction of the Performance Measures during the applicable performance period, shall vest and be settled on the later of (i) date on which the

holder's employment with or service to the Company terminates or (ii) as soon as practicable following the end of the applicable performance period, and in no event later than March 15 of the calendar year following the calendar year in which the applicable performance period ends, and the remaining portion of such award shall be forfeited by such holder and canceled by the Company. Such proration shall be calculated on a grant-by-grant basis by multiplying the number of Restricted Stock Units by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the effective date of the holder's termination of employment or service and the denominator of which is the number of days between the grant date and the date the Restriction Period applicable to the Restricted Stock Unit Award would have lapsed in full.

(c) Other Termination. Unless otherwise set forth in the Agreement relating to a Stock Award, and except as provided in Section 3.3(b) and Section 5.8, if the employment with or service to the Company of the holder of a Stock Award terminates for any reason other than Disability or death, the portion of such award which is subject to a Restriction Period on the effective date of such holder's termination of employment or service shall be immediately forfeited by such holder and canceled by the Company.

IV. PERFORMANCE GRANTS

4.1. Performance Grants. The Committee may, in its discretion, make Performance Grants to such eligible persons as may be selected by the Committee.

4.2. Terms of Performance Grants. Performance Grants shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable.

(a) Amount of Performance Grant and Performance Measures. The Agreement shall set forth the amount of the Performance Grant and a description of the Performance Measures and the Performance Period applicable to such Performance Grant, as determined by the Committee in its discretion.

(b) Vesting and Forfeiture. The Agreement shall provide, in the manner determined by the Committee in its discretion, for the vesting of a Performance Grant, if specified Performance Measures are satisfied during the specified Performance Period, and for the forfeiture of all or a portion of such award, if specified Performance Measures are not satisfied during the specified Performance Period.

(c) Settlement of Vested Performance Grants. The Agreement (i) shall specify whether a Performance Grant may be settled in shares of Common Stock, Restricted Stock, Restricted Stock Units, cash or a combination thereof and (ii) may specify whether the holder thereof shall be entitled to receive, on a current or deferred basis, dividend equivalents, and, if determined by the Committee, interest on or the deemed reinvestment of any deferred dividend equivalents, with respect to the number of shares of Common Stock subject to such award, if any. If a Performance Grant is settled in shares of Restricted Stock, a certificate or certificates or other indicia of ownership representing such Restricted Stock shall be issued in accordance with Section 3.2(c) and the holder of such Restricted Stock shall have such rights of a stockholder of the Company as determined pursuant to Section 3.2(d). Prior to the settlement of a Performance Grant in shares of Common Stock or Restricted Stock the holder of such award shall have no rights as a stockholder of the Company with respect to any shares of Common Stock subject to such award and shall have rights as a stockholder of the Company in accordance with Section 5.10.

(d) Minimum Performance Period. The minimum Performance Period for any Performance Grant is one year from the date such grant is made.

4.3. Termination of Employment or Service.

(a) Disability, Retirement and Death. Unless otherwise set forth in the Agreement, if the employment with or service to the Company of the holder of a Performance Grant terminates during the Performance Period by reason of Disability, Retirement or death, the Performance Period shall continue and the holder, or the holder's executor, administrator, legal representative, beneficiary or similar person, as applicable, shall be entitled to a prorated award. Such prorated award shall be equal to the value of the award at the end of the Performance Period multiplied by a fraction, the numerator of which shall equal the number of days such holder was employed with or performing services for the Company during the Performance Period and the denominator of which shall equal the

number of days in the Performance Period; provided, however, that such holder, or such holder's executor, administrator, legal representative, beneficiary or similar person, as applicable, shall not be entitled to payment or distribution of such Performance Grant earlier than the date set forth in the Agreement.

(b) **Other Termination.** Unless otherwise set forth in the Agreement, if the employment with or service to the Company of the holder of a Performance Grant terminates during the Performance Period for any reason other than Disability, Retirement or death, each Performance Grant that is not vested shall be immediately forfeited.

V. GENERAL

5.1. Effective Date and Term of Plan. This Plan shall be submitted to the stockholders of the Company for approval and, if approved, shall become effective as of September 28, 2006, the date on which the 2006 LTIP was approved by First Data in its capacity as sole stockholder of the Company. This Plan shall terminate on the tenth anniversary of the date of approval of the Plan by the Board or Committee, or if earlier when shares of Common Stock are no longer available for the grant, exercise or settlement of awards, unless terminated earlier by the Board or the Committee. Termination of this Plan shall not affect the terms or conditions of any award granted prior to termination. If this Plan is not approved by the stockholders of the Company, this Plan shall be null and void and the 2006 LTIP shall remain in full force and effect.

5.2. Amendments. The Board or the Committee may amend or terminate this Plan, and except as provided in Sections 2.1(e) and 2.2(e), the Committee may amend outstanding awards under this Plan in any manner as it shall deem advisable in its sole discretion, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including Section 162(m) and Section 422 of the Code and the rules of the New York Stock Exchange; provided, however, that no amendment of the Plan shall be made without stockholder approval if such amendment would increase the maximum number of shares of Common Stock available under this Plan (subject to Section 5.7). No amendment of the Plan or an outstanding award may impair the rights of a holder (the determination of which shall be made by the Committee in its sole discretion) of an outstanding award without the consent of such holder.

5.3. Agreement. The Company may condition an award holder's right (a) to exercise, vest or settle the award and (b) to receive delivery of shares, on the execution and delivery to the Company of the Agreement and the completion of other requirements, including, but not limited to, the execution of a nonsolicitation agreement by the recipient and delivery thereof to the Company. Notwithstanding anything contained herein to the contrary, the Committee may approve an Agreement that, upon the termination of an award holder's employment or service, provides that, or may, in its sole discretion based on a review of all relevant facts and circumstances, otherwise take action regarding an Agreement such that (i) any or all outstanding Stock Options and SARs shall become exercisable in part or in full, (ii) all or a portion of the Restriction Period applicable to any outstanding Stock Award shall lapse, (iii) all or a portion of the Performance Period applicable to any outstanding Performance Grant shall lapse and (iv) the Performance Measures applicable to any outstanding award (if any) shall be deemed to be satisfied at the maximum or any other level.

5.4. Transferability of Stock Options. Stock Options may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by the holder thereof, except by will or the laws of descent and distribution; provided, however, that unless otherwise specified in the Agreement, as long as the holder continues employment with or service to the Company, such holder may transfer Stock Options to a Family Member or Family Entity without consideration; provided, however, in the case of a transfer of Stock Options to a limited liability company or a partnership which is a Family Entity, such transfer may be for consideration consisting solely of an equity interest in the limited liability company or partnership to which the transfer is made. Any transfer of Stock Options shall be in a form acceptable to the Committee, shall be signed by the holder and shall be effective only upon written acknowledgement by the Committee of its receipt and acceptance of such notice. If a Stock Option is transferred to a Family Member or to a Family Entity, such Stock Option may not thereafter be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by such Family Member or Family Entity except by will or the laws of descent and distribution.

5.5. Tax Withholding. The Company shall have the right to require, as of the grant, vesting, or exercise of an award, the sale of any shares of Common Stock, the receipt of any dividends or the payment of any cash pursuant to an award made hereunder, payment by the holder of such award of any federal, state, local or other income, social

insurance, payroll or other tax-related items which may be required to be withheld or paid in connection with such award. An Agreement may provide that (i) the Company shall withhold whole shares of Common Stock which would otherwise be delivered to a holder having an aggregate Fair Market Value determined as of the date the obligation to withhold or pay taxes arises in connection with an award (the “Tax Date”) in the amount necessary to satisfy any such obligation, or withhold an amount of cash which would otherwise be payable to a holder, including withholding from wages or other cash compensation otherwise due to the holder, in the amount necessary to satisfy any such obligation or (ii) the holder may satisfy any such obligation by any of the following means: (A) a cash payment to the Company, (B) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of Common Stock having an aggregate Fair Market Value, determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (C) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the Tax Date, or withhold an amount of cash which would otherwise be payable to a holder, equal to the amount necessary to satisfy any such obligation, (D) a cash payment to the Company by a broker-dealer acceptable to the Company to whom the holder has submitted an irrevocable notice of exercise (in the case of a Stock Option) or an irrevocable notice of sale (in the case of a Stock Award), in each case to the extent set forth in the Agreement relating to an award, or (E) any combination of (A) and (B). Shares of Common Stock to be delivered or withheld may not have an aggregate Fair Market Value in excess of the amount determined by applying the minimum statutory withholding rate, provided that any fraction of a share of Common Stock which would be required to satisfy such an obligation may be rounded up to the nearest whole share.

5.6. Restrictions on Shares. Each award made hereunder shall be subject to the requirement that if at any time the Company determines that the listing, registration or qualification of the shares of Common Stock subject to such award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the vesting, exercise or settlement of such award or the delivery of shares thereunder, such award shall not vest, be exercised or settled and such shares shall not be delivered unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. In addition, the Committee may condition the grant of an award on compliance with certain listing, registration or other qualifications applicable to the award under any law or any obligation to obtain the consent or approval of a governmental body. The Company may require that certificates or other indicia of ownership evidencing shares of Common Stock delivered pursuant to any award made hereunder bear a legend indicating that the sale, transfer or other disposition thereof by the holder is prohibited except in compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder.

5.7. Adjustment. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a regular cash dividend, the number, class and kind of securities (including, for this purpose, securities of any other entity that is a party to any such transaction) available under this Plan, the maximum number of securities available for Stock Awards and Performance Grants, the number, class and kind of securities (including, for this purpose, securities of any other entity that is a party to any such transaction) subject to each outstanding Stock Option and the purchase price per security, the terms of each outstanding Stock Option, the maximum number of securities with respect to which Stock Options or SARs (or a combination thereof), or Stock Awards or Performance Grants may be made or granted during any calendar year to any person, the number, class and kind of securities (including, for this purpose, securities of any other entity that is a party to any such transaction) subject to each outstanding SAR and the base price per SAR, the terms of each outstanding SAR, the number, class and kind of securities (including, for this purpose, securities of any other entity that is a party to any such transaction) subject to each outstanding Stock Award or Performance Grant, and the terms of each outstanding Stock Award or Performance Grant shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding Stock Options and SARs without an increase in the aggregate purchase price or base price. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive. If any such adjustment would result in a fractional security being (a) available under this Plan, such fractional security shall be disregarded, or (b) subject to an award under this Plan, the Company shall pay the holder of such award, in connection with the adjustment or first vesting, exercise or settlement of such award in whole or in part occurring after such adjustment, as the Committee may determine, an amount in cash determined by multiplying (i) the fraction of such security (rounded to the nearest hundredth) by (ii) the excess, if any, of (A) the Fair Market Value on the vesting, exercise or settlement date over (B) the exercise or base price, if any, of such award.

5.8. Change in Control.

(a) **Awards Granted On and After February 17, 2009.** Effective for awards granted under the Plan on and after February 17, 2009, if an award holder's employment is terminated by the Company, a Subsidiary or an Affiliate without Cause (or otherwise terminates for an eligible reason according to the terms of the Company severance policy applicable to the holder as of the effective date of a Change in Control) during the period commencing on and ending twenty-four months after the effective date of the Change in Control, then effective on the holder's date of termination of employment (i) each outstanding Stock Option and SAR held by such holder shall become fully vested and exercisable, and (ii) the Restriction Period applicable to each outstanding Stock Award held by such holder shall lapse; provided, however, that awards that will vest or become exercisable or payable only if specified Performance Measures are attained and awards that provide for a deferral of compensation within the meaning of Code § 409A shall vest or be exercisable or payable in accordance with the applicable Agreements, subject to the terms of the Plan. All other awards granted under the Plan to such holder, including Performance Grants, shall vest or be exercisable or payable, if at all, in accordance with the applicable Agreements, subject to the terms of the Plan. Notwithstanding any provision of this Plan to the contrary, each Stock Option or SAR granted to such holder shall remain exercisable by the holder (or his or her legal representative or similar person) until the earlier of (y) the end of the severance period applicable to the holder under the Company severance policy (if any) applicable to the holder as of the effective date of a Change in Control or, if later, the end of the otherwise applicable Post-Termination Exercise Period, or (z) the expiration date of the term of the Stock Option or SAR.

(b) **Awards Granted Prior to February 17, 2009.** Effective for awards granted under the Plan prior to February 17, 2009, as of the effective date of a Change in Control (i) each outstanding Stock Option and SAR shall become fully vested and exercisable, (ii) the Restriction Period applicable to each outstanding Stock Award shall lapse, (iii) the Performance Period applicable to any outstanding Performance Grant shall lapse, and (iv) the Performance Measures applicable to any outstanding award shall be deemed to be satisfied at the target level (or if greater, at the performance level actually attained). Notwithstanding any provision of this Plan to the contrary, each Stock Option or SAR granted to a holder whose employment is terminated for an eligible reason according to the terms of the Company severance policy applicable to the holder as of the effective date of a Change in Control during the period commencing on and ending twenty-four months after the effective date of the Change in Control shall remain exercisable by such holder (or his or her legal representative or similar person) until the earlier of (y) the end of the severance period applicable to the holder under such severance policy or, if later, the end of the otherwise applicable Post-Termination Exercise Period, or (z) the expiration date of the term of the Stock Option or SAR.

5.9. No Right of Participation or Employment. No person shall have any right to participate in this Plan. Neither this Plan nor any award made hereunder shall confer upon any person any right to continued employment by the Company, any Subsidiary or any Affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any Affiliate of the Company to terminate the employment of any person at any time without liability hereunder.

5.10. Rights as Stockholder. No person shall have any right as a stockholder of the Company with respect to any shares of Common Stock or other equity security of the Company which is subject to an award hereunder unless and until such person becomes a stockholder of record with respect to such shares of Common Stock or equity security.

5.11. Designation of Beneficiary. If permitted by the Committee, the holder of an award may file with the Committee a written designation of one or more persons as such holder's beneficiary or beneficiaries (both primary and contingent) in the event of the holder's death. To the extent an outstanding Stock Option or SAR granted hereunder is exercisable, such beneficiary or beneficiaries shall be entitled to exercise such Stock Option or SAR to the extent permitted under local law.

Each beneficiary designation shall become effective only when filed in writing with the Committee during the holder's lifetime on a form prescribed by the Committee. The spouse of a married holder domiciled in a community property jurisdiction shall join in any designation of a beneficiary other than such spouse. The filing with the Committee of a new beneficiary designation shall cancel all previously filed beneficiary designations.

If a holder fails to designate a beneficiary, or if all designated beneficiaries of a holder predecease the holder, then each outstanding Stock Option and SAR hereunder held by such holder, to the extent exercisable, may be exercised by such holder's executor, administrator, legal representative or similar person.

5.12. Governing Law . This Plan, each award hereunder and the related Agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

5.13. Replacement and Substitute Awards . Notwithstanding anything in this Plan to the contrary, any Stock Option or Stock Award that is intended to be a Replacement or Substitute Award granted in connection with the spin-off of the Company shall be subject to the same terms and conditions as the original First Data award to which it relates; provided, however that such awards shall be administered by the Committee.

5.14. Foreign Employees . The Committee may adopt, amend or rescind rules, procedures or sub-plans relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures and to foster and promote achievement of the purposes of this Plan. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules, procedures and sub-plans with provisions that limit or modify rights on death, Disability or Retirement or on termination of employment; available methods of exercise or settlement of an award; payment of income, social insurance contributions and payroll taxes; the withholding procedures and handling of any stock certificates or other indicia of ownership which vary with local requirements. The Committee may also adopt rules, procedures or sub-plans applicable to particular Subsidiaries, Affiliates or locations. The rules of such sub-plans may take precedence over other provisions of this Plan, with the exception of Sections 1.5 and 5.2, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan.

5.15. Termination of Employment or Service . Unless otherwise determined by the Committee, an award holder employed by or providing service to an entity that is a Subsidiary or an Affiliate under this Plan shall be deemed to have terminated employment with or service to the Company for purposes of this Plan on the date that such entity ceases to be a Subsidiary or an Affiliate hereunder.

5.16 Code Section 409A . Notwithstanding anything in this Plan to the contrary (for purposes of this Section 5.16, “Plan” shall include all Agreements under the Plan), the Plan will be construed, administered or deemed amended as necessary to comply with the requirements of Section 409A of the Code to avoid taxation under Section 409A(a)(1) of the Code to the extent subject to Section 409A of the Code. The Committee, in its sole discretion, shall determine the requirements of Section 409A of the Code applicable to the Plan and shall interpret the terms of the Plan consistently therewith. Under no circumstances, however, shall the Company or any Subsidiary or Affiliate or any of its or their employees, officers, directors, service providers or agents have any liability to any person for any taxes, penalties or interest due on amounts paid or payable under the Plan, including any taxes, penalties or interest imposed under Section 409A of the Code. Any payments to award holders pursuant to this Plan are also intended to be exempt from Section 409A of the Code to the maximum extent possible, first, to the extent such payments are scheduled to be paid and are in fact paid during the short-term deferral period, as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and then, if applicable, under the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii), and for this purpose each payment shall be considered a separate payment such that the determination of whether a payment qualifies as a short-term deferral shall be made without regard to whether other payments so qualify and the determination of whether a payment qualifies under the separation pay exemption shall be made without regard to any payments which qualify as short-term deferrals. To the extent any amounts under this Plan are payable by reference to an award holder’s “termination of employment,” such term shall be deemed to refer to the award holder’s “separation from service,” within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Plan, if an award holder is a “specified employee,” as defined in Section 409A of the Code, as of the date of the award holder’s separation from service, then to the extent any amount payable under this Plan (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon the award holder’s separation from service and (iii) under the terms of this Plan would be payable prior to the six-month anniversary of the award holder’s separation from service, such payment shall be delayed until the earlier to occur of (a) the six-month anniversary of the separation from service or (b) the date of the award holder’s death.

THE WESTERN UNION COMPANY
SEVERANCE/CHANGE IN CONTROL POLICY

(Executive Committee Level)

Amended and Restated Effective September 15, 2011

1. Purpose

This severance/change in control policy (the "Policy") is maintained by The Western Union Company, a Delaware corporation ("Western Union"), to enable Western Union to offer a form of income protection to its Eligible Executives in the event their employment with the Company is involuntarily terminated other than for Cause or, in the event of a Change in Control, if their employment terminates involuntarily other than for Cause or for Good Reason during the twenty-four months following the Change in Control.

This Policy shall constitute a "welfare plan" within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and shall be construed in a manner consistent with such intent.

2. Effective Date

This Policy was originally adopted as of September 29, 2006 (the "Effective Date"). The Policy is hereby amended and restated effective September 15, 2011.

3. Definitions

Base Salary means the Eligible Executive's current annualized rate of base cash compensation as paid on each regularly scheduled payday for the Eligible Executive's regular work schedule as of his or her Termination Date, including any before-tax contributions that are deducted for Company benefit plan purposes. Base Salary shall not include taxable or nontaxable fringe benefits or awards, vacation, performance awards, bonus, commission or other incentive pay, or any payments which are not made on each regular payday, regardless of how such payments may be characterized.

Board means the Board of Directors of Western Union.

Cause means the willful and continued failure by an Eligible Executive to substantially perform the duties assigned by the Company (other than a failure resulting from Disability), the willful engagement by an Eligible Executive in conduct which is demonstrably injurious to the Company (monetarily or otherwise), any act of dishonesty, the commission of a felony, the continued failure by an Eligible Executive to meet performance standards, an Eligible Executive's excessive absenteeism or a significant violation by an Eligible Executive of any statutory or common law duty of loyalty to the Company.

Change in Control means

- (a) the acquisition by any individual, entity or group (a "Person"), including any "person" within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, of beneficial ownership within the meaning of Rule 13d-3 promulgated under the Exchange Act, of 35% or more of either (i) the then outstanding shares of common stock of Western Union (the "Outstanding Common Stock") or (ii) the combined voting power of the then outstanding securities of Western Union entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); excluding, however, the following: (A) any acquisition directly from Western Union (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from Western Union), (B) any acquisition by Western Union, (C) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by Western Union or any corporation controlled by Western Union or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii), and (iii) of subsection (c) of this definition; provided further, that for purposes of clause (B), if any Person (other than Western Union or any employee benefit plan (or related trust) sponsored or maintained by Western Union or any corporation controlled by Western Union) shall become the beneficial owner of 35% or more of the Outstanding Common Stock or 35% or more of the Outstanding Voting Securities by reason of an acquisition by Western Union, and such Person shall, after such acquisition by Western Union, become the beneficial owner of any

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additional shares of the Outstanding Common Stock or any additional Outstanding Voting Securities and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control;

- (b) the cessation of individuals who constitute the Board (the “Incumbent Board”) as of the date this Policy is adopted by the Committee, to constitute at least a majority of such Incumbent Board; provided that any individual who becomes a director of Western Union subsequent to the date this Policy is adopted by the Committee whose election, or nomination for election by Western Union’s stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed a member of the Incumbent Board; and provided further, that any individual who was initially elected as a director of Western Union as a result of an actual or threatened solicitation by a Person other than the Board for the purpose of opposing a solicitation by any other Person with respect to the election or removal of directors, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall not be deemed a member of the Incumbent Board;
- (c) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of Western Union (a “Corporate Transaction”); excluding, however, a Corporate Transaction pursuant to which (i) all or substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding Common Stock and the Outstanding Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns Western Union or all or substantially all of Western Union’s assets either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Common Stock and the Outstanding Voting Securities, as the case may be, (ii) no Person (other than Western Union; any employee benefit plan (or related trust) sponsored or maintained by Western Union or any corporation controlled by Western Union; the corporation resulting from such Corporate Transaction; and any Person which beneficially owned, immediately prior to such Corporate Transaction, directly or indirectly, 35% or more of the Outstanding Common Stock or the Outstanding Voting Securities, as the case may be) will beneficially own, directly or indirectly, 35% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding securities of such corporation entitled to vote generally in the election of directors and (iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or
- (d) the consummation of a plan of complete liquidation or dissolution of Western Union.

Committee means the Compensation and Benefits Committee of the Board or its delegate or successor.

Company means Western Union, including any of its 50% or more owned or controlled subsidiaries or any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise, including, without limitation, any successor due to a Change in Control) to substantially all of the business or assets of Western Union, except that for purposes of Section 16, the definition of Change in Control, and other provisions where the context so requires, Company means Western Union or any such successor.

Disability means the inability of the Eligible Executive to substantially perform such Eligible Executive’s duties and responsibilities due to a physical or mental condition (i) that would entitle such Eligible Executive to benefits under the Company’s long-term disability plan under which he or she is covered or, if the Committee deems it relevant, any disability rights provided as a matter of local law or (ii) if such Eligible Executive is not eligible for long-term disability benefits under any plan sponsored by the Company, that would, as determined by the

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Committee, entitle such Eligible Executive to benefits under the Company's long-term disability plan if the Eligible Executive were eligible therefor.

Eligible Executive means, effective prior to October 1, 2008, an individual who is designated by Western Union as an insider for purposes of Section 16 of the Exchange Act and who is a member of Western Union's Executive Committee on the earlier of his or her Termination Date or the date of a Change in Control. Effective October 1, 2008, Eligible Executive means an individual who is designated by Western Union as an insider for purposes of Section 16 of the Exchange Act and who is the Chief Executive Officer of Western Union or is an Executive Vice President of Western Union who reports directly to the Chief Executive Officer on the earlier of his or her Termination Date or the date of a Change in Control, provided that individuals who were Eligible Executives as defined under this Policy as of September 30, 2008 shall remain eligible for this Policy (other than individuals who have waived their eligibility for this Policy in writing).

Exchange Act means the Securities Exchange Act of 1934, as amended.

Good Reason means any one or more of the following: (i) action by the Company resulting in a material diminution of the Eligible Executive's titles or positions with the Company, (ii) a reduction in the Eligible Executive's Base Salary or bonus opportunity, or (iii) action by the Company to require an increase of more than fifty (50) miles in the Eligible Executive's commute to the Eligible Executive's current principal work location without the executive's consent. Within 30 days after the Eligible Executive becomes aware of one or more actions or inactions described in the preceding sentence, the Eligible Executive shall deliver written notice to the Company of the action(s) or inaction(s) (the "Good Reason Notice"). The Company shall have 30 days after the Good Reason Notice is delivered to cure the particular action(s) or inaction(s). If the Company so effects a cure, the Good Reason Notice will be deemed rescinded and of no further force and effect.

Severance Benefits means the benefits payable to an Eligible Executive pursuant to this Policy, other than the Change in Control benefits payable pursuant to Sections 7(c)(ii)(b) and 8 hereof.

Severance Period means with respect to Western Union's Chief Executive Officer, the 36 consecutive month period commencing on the executive's Termination Date, and with respect to all other Eligible Executives, the 24 consecutive month period commencing on the Eligible Executive's Termination Date. Notwithstanding the foregoing, solely for purposes of determining the period during which cash severance pay under Section 7(a)(i) is payable to an Eligible Executive hired on or after February 24, 2011 who has been employed by the Company for less than 24 months as of the Termination Date, Severance Period shall mean the number of months of severance pay the Eligible Executive is entitled to receive under the second paragraph of Section 7(a)(i).

Termination Date means the date on which the Eligible Executive's employment with the Company terminates for a reason set forth under Section 5.

4. Eligibility

All Eligible Executives hired prior to February 24, 2011 who have been on the Company's payroll for at least three months are eligible to receive benefits according to the terms of this Policy. Eligible Executives hired prior to February 24, 2011 are not eligible for any benefits under this Policy during the first three months of their employment. All Eligible Executives hired on or after February 24, 2011 are eligible to receive benefits according to the terms of this Policy upon the commencement of their employment.

5. Eligible Termination Reasons

- (a) Prior to the occurrence of a Change in Control, action by the Company to involuntarily terminate the employment of an Eligible Executive with the Company, but not including a separation from service on account of death, Disability or for Cause.

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- (b) After the occurrence of a Change in Control, (i) action by the Company to involuntarily terminate the employment of an Eligible Executive with the Company, but not including a separation from service on account of death, Disability or for Cause, or (ii) voluntary separation from service from the Company by an Eligible Executive for Good Reason during the twenty-four (24) month period commencing on the date of the Change in Control.

An Eligible Executive shall not be entitled to any benefits under this Policy upon a separation from service for an eligible termination reason under this Section 5 if the Eligible Executive becomes employed by any subsidiary or affiliate of Western Union (as determined under Internal Revenue Code (“Code”) Section 414(b) or (c), but substituting a 50 percent ownership level for the 80 percent ownership level therein) immediately following his or her termination of employment from the Company by which the Eligible Executive is employed.

6. Non-Eligible Termination Reasons

A non-eligible termination reason is any reason for an Eligible Executive’s separation from service by or from the Company that is not an eligible termination reason described in Section 5.

7. Severance and Change in Control Benefits. The provisions of this Section 7 are subject, without limitation, to the provisions of Section 9 hereof.

- (a) Post-Termination Payments. If an Eligible Executive’s employment with the Company is terminated after the Effective Date for any reason set forth in Section 5, the Company shall pay to the Eligible Executive the following amounts in accordance with Section 10:

- (i) Severance Pay. An amount equal to 2 multiplied by the sum of (1) 100% of the Eligible Executive’s Base Salary and (2) the percentage of the Eligible Executive’s Base Salary established as the target bonus for the Eligible Executive under the Company’s Senior Executive Annual Incentive Plan (or the bonus plan then applicable to the Eligible Executive), for the year in which the Termination Date occurs. If an Eligible Executive’s target bonus for the year in which the Termination Date occurs has not been established at the time an amount is payable under this subsection 7(a)(i), then such amount shall be calculated using the Eligible Executive’s annual target bonus for the immediately preceding year, or, if no such prior year target bonus exists with respect to the Eligible Executive, the prior year target bonus established for a similarly situated Eligible Executive, as determined by the Committee. (The reference to the Eligible Executive’s target bonus for the year in which the Termination Date occurs in this subsection 7(a)(i) is solely for purposes of calculating the Eligible Executive’s severance pay, and shall not give the Executive any right to be paid an amount for the year in which the Termination Date occurs under the Company’s Senior Executive Annual Incentive Plan (or the bonus plan then applicable to the Eligible Executive)).

Notwithstanding the foregoing, in the case of an Eligible Executive hired on or after February 24, 2011 who, as of the Termination Date, has been employed by the Company for less than 24 months, the amount of severance pay otherwise payable under the foregoing provisions of this subsection shall be reduced. Such reduced severance pay shall be determined by dividing the amount calculated under the first sentence of this subsection 7(a)(i) by 24 (or by 36, if the Eligible Executive is Western Union’s Chief Executive Officer) to determine the Eligible Executive’s monthly severance pay. If the Eligible Executive has been employed by the Company for 12 months or less as of the Termination Date, the Eligible Executive shall be eligible to receive 12 months of severance pay. If the Eligible Executive has been employed by the Company for more than 12 months but less than 24 months as of the Termination Date, the Eligible Executive shall be eligible to receive one month of severance pay for each completed month of employment with the Company.

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- (ii) Bonus for Year of Termination . Subject to the Committee's certification that the applicable performance goals for the year in which the Termination Date occurs have been achieved, an amount equal to the lesser of (1) the maximum bonus which could have been paid to the Eligible Executive under the Company's Senior Executive Annual Incentive Plan (or the bonus plan then applicable to the Eligible Executive) for the year in which the Termination Date occurs based on actual performance for such year and (2) a prorated amount (equal to the product of (A) the Eligible Executive's target bonus for the year in which the Termination Date occurs and (B) the ratio of the number of days the Eligible Executive was employed by the Company during such year up to and including the Termination Date to 365) of the Eligible Executive's target bonus under the Company's Senior Executive Annual Incentive Plan (or the bonus plan then applicable to the Eligible Executive) for the year in which the Termination Date occurs.

- (b) Continued Benefits Coverage . If an Eligible Executive's employment with the Company terminates after the Effective Date for any reason set forth in Section 5, the Eligible Executive and his or her eligible dependents shall be given the opportunity to elect continued group health coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") with respect to all group health plans that are subject to COBRA in which the Eligible Executive and his or her dependents were participating immediately prior to such termination. Provided that the Eligible Executive (and/or his or her dependents) timely elects such coverage, the Company shall pay to the Eligible Executive, as an additional Severance Benefit, a lump sum approximately equal to the difference in cost between COBRA premiums and active employee premiums for 18 months of COBRA coverage as calculated by the Company in its discretion as of the Termination Date, which payment shall constitute taxable income to the Eligible Executive and which shall be paid in a lump sum in accordance with Section 10.

An Eligible Executive shall not be entitled to receive any perquisites after the Termination Date. The Eligible Executive's continued group health coverage under this subsection shall cease as of the date the Eligible Executive becomes eligible to receive such benefits under a subsequent employer's benefit program, to the extent permitted under COBRA. Eligible Executives receiving Severance Benefits under this Policy are not eligible to continue contributions to the Company's qualified retirement plans or nonqualified deferred compensation program.

- (c) Long-Term Incentive Awards
 - (i) Non-Change in Control .
 - a. Long-Term Incentive Awards Granted On and After February 17, 2009 . Effective for awards granted on and after February 17, 2009 under The Western Union Company 2006 Long-Term Incentive Plan (or a successor plan) (the "LTIP") to an individual who is an Eligible Executive on the date the award is granted, if the Eligible Executive's employment with the Company is terminated for an eligible termination reason described in Section 5(a), then the unvested portion of awards held by the Eligible Executive that are eligible to become fully vested and exercisable or payable contingent upon the Eligible Executive's continued employment and the passage of time (whether or not the Company or the Eligible Executive have attained any specified performance goals) ("Time Vested Awards"), other than awards classified by the Committee at the time of grant as "Career Shares" (if applicable to the Eligible Executive) and awards that provide for a deferral of compensation within the meaning of Code Section 409A, shall vest on a prorated basis effective on the Eligible Executive's Termination Date. Such prorated vesting shall be calculated on a grant-by-grant basis by multiplying the unvested portion of each such award by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the Eligible Executive's Termination Date and the denominator of which is the number of days between the grant date and the date the award would have become fully vested had the Eligible Executive not terminated his or her employment. Solely for awards granted prior to February 24, 2011 which are subject to a graduated vesting schedule, the foregoing

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calculation shall be performed as if each vesting tranche of the award was a separate grant. Fractions of a share resulting from the calculations shall be rounded to the nearest whole share. The vested portion of any nonqualified stock option and stock appreciation right awards held by an Eligible Executive on his or her Termination Date (and which were granted while an Eligible Executive), including any portion that had previously become vested and the prorated portion that vests effective on the Eligible Executive's Termination Date in accordance with this subsection, shall be exercisable until the end of the Eligible Executive's Severance Period (or, if earlier, the expiration of the original term of the award) but not thereafter. Notwithstanding the foregoing, if, at the time of an Eligible Executive's termination of employment, the Eligible Executive has satisfied the applicable age or age and service requirement for "Retirement" under the LTIP, the following rules shall apply: (i) all outstanding nonqualified stock options held by the Eligible Executive which were granted prior to February 24, 2011 shall continue to vest in accordance with the terms of the applicable award agreement, and to the extent vested, shall be exercisable in accordance with their terms until the date which is four years after the Eligible Executive's Termination Date (or, if earlier, the expiration of the original term of the award) but not thereafter, and (ii) all outstanding nonqualified stock options or stock appreciation rights held by the Eligible Executive which were granted on or after February 24, 2011 shall vest, to the extent not already vested, on a prorated basis (calculated in the manner described above in this subsection for awards granted on or after February 24, 2011) effective on the Eligible Executive's Termination Date, and all such vested nonqualified stock options and stock appreciation rights shall be exercisable in accordance with their terms until the earlier of (A) the date which is two years after the Eligible Executive's Termination Date or the end of the Eligible Executive's Severance Period (if the award was granted while an Eligible Executive), whichever is later, or (B) the expiration of the original term of the award.

If an Eligible Executive's employment with the Company is terminated during a performance period for an eligible termination reason described in Section 5(a), any cash Performance Grants (as defined in the LTIP) awarded to the Eligible Executive under the LTIP (if applicable) with respect to such performance period shall be payable on a prorated basis based upon actual performance results at the end of the applicable performance period as determined by the Committee in its sole discretion, and shall be paid at the time specified in the applicable award (and if applicable, deferral) agreement. Such prorated payment shall be calculated on a grant-by-grant basis by multiplying the Performance Grant award the Eligible Executive would have received had the Eligible Executive remained employed (based upon actual performance results at the end of the applicable performance period as determined by the Committee) by a fraction, the numerator of which shall equal the number of days such Participant was employed with the Company during the Performance Period and the denominator of which is the number of days in the performance period. All other outstanding awards granted to the Eligible Executive under the LTIP on and after February 17, 2009, and any Time Vested Awards that provide for a deferral of compensation within the meaning of Code Section 409A, shall be payable, if at all, in accordance with the terms of the LTIP and the applicable award (and, if applicable, deferral) agreements.

- b. Long-Term Incentive Awards Granted Prior to February 17, 2009. Effective for awards granted prior to February 17, 2009 under the LTIP to an individual who is an Eligible Executive on the date the award is granted, if the Eligible Executive's employment with the Company is terminated for an eligible termination reason described in Section 5(a), all outstanding nonqualified stock options held by the Eligible Executive shall (1) if, at the time of an Eligible Executive's termination of employment, the Eligible Executive has satisfied the applicable age or age and service requirement for "Retirement" under the LTIP, continue to vest in accordance with the terms of the applicable award agreement, and to the extent vested, shall be exercisable in accordance with their terms until the date which is four years after the effective date of the Eligible Executive's termination of employment (or, if

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earlier, the expiration of the original term of the award) but not thereafter or (2) in all other cases, continue to vest solely on account of the passage of time during the Eligible Executive's Severance Period and, to the extent vested, shall be exercisable in accordance with their terms until the end of the Eligible Executive's Severance Period (or, if earlier, the expiration of the original term of the award) but not thereafter. All Stock Awards (as defined in the LTIP) held by an Eligible Executive (and which were granted while an Eligible Executive) whose employment with the Company is terminated for an eligible termination reason described in Section 5(a) shall vest on a prorated basis effective on the Eligible Executive's Termination Date. Such prorated vesting shall be calculated on a grant-by-grant basis by multiplying the number of unvested shares subject to each Stock Award by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the Eligible Executive's Termination Date and the denominator of which is the number of days between the grant date and the date the shares would have become fully vested had the Eligible Executive not terminated his or her employment. Fractions of a share resulting from the calculations shall be rounded to the nearest whole share.

(ii) Change in Control.

- a. Long-Term Incentive Awards Granted On and After February 17, 2009. Effective for awards granted on and after February 17, 2009 under the LTIP to an individual who is an Eligible Executive on the date the award is granted, if the Eligible Executive's employment with the Company terminates for an eligible termination reason described in Section 5 (b) during the 24-month period commencing on the effective date of a Change in Control, then Time Vested Awards held by the Eligible Executive (including but not limited to grants of nonqualified stock options, stock appreciation rights, restricted stock awards, and restricted stock unit awards), other than awards that provide for a deferral of compensation within the meaning of Code Section 409A, shall become fully vested and exercisable or payable effective on the Eligible Executive's Termination Date. In the event this subsection applies, nonqualified stock options and stock appreciation rights granted to an Eligible Executive (while an Eligible Executive) shall be exercisable until the later of (1) the date specified in the applicable award agreement or (2) the end of the Eligible Executive's Severance Period (or, if earlier, the expiration of the original term of the award) but not thereafter. If an Eligible Executive's employment with the Company terminates for an eligible termination reason described in Section 5(b) after the 24-month period commencing on the effective date of a Change in Control, then the unvested portion of Time Vested Awards held by the Eligible Executive (which were granted while an Eligible Executive), other than awards that provide for a deferral of compensation within the meaning of Code Section 409A, shall vest on a prorated basis effective on the Eligible Executive's Termination Date, and such prorated vesting shall be calculated in the manner described in Section 7(c)(i)a above. The vested portion of any nonqualified stock option and stock appreciation right awards held by such an Eligible Executive on his or her Termination Date (and which were granted while an Eligible Executive), including any portion that had previously become vested and the prorated portion that vests effective on the Eligible Executive's Termination Date in accordance with this subsection, shall be exercisable until the later of (1) the date specified in the applicable award agreement or (2) the end of the Eligible Executive's Severance Period (or, if earlier, the expiration of the original term of the award) but not thereafter.

In the event of a Change in Control, any cash Performance Grants awarded to an Eligible Executive under the LTIP (if applicable) shall be converted into restricted cash (representing only a contingent, unfunded and unsecured obligation of the Company) as of the effective date of the Change in Control, such conversion to be based upon target performance if less than 50% of the performance period has elapsed as of the effective date of the Change in Control, or based upon actual performance results as determined by the

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Committee in its sole discretion if 50% or more of the performance period has elapsed as of the effective date of the Change in Control. If the Eligible Executive's employment with the Company terminates for an eligible termination reason described in Section 5(b) during the 24-month period commencing on the effective date of a Change in Control, then such restricted cash shall be paid to the Eligible Executive in a lump sum within 30 days following the six month anniversary of the Eligible Executive's separation from service (or, if different, on the date specified in the applicable award and, if applicable, deferral agreement). In the event of a Change in Control, all other outstanding awards granted to the Eligible Executive under the LTIP, and any awards that provide for a deferral of compensation within the meaning of Code Section 409A, shall be payable, if at all, in accordance with the terms of the LTIP and the applicable award (and, if applicable, deferral) agreements.

- b. Long-Term Incentive Awards Granted Prior to February 17, 2009 . In the event of a Change in Control, all outstanding awards granted prior to February 17, 2009 under the LTIP to an individual who is an Eligible Executive on the date the award is granted shall become fully vested and exercisable or payable as of the effective date of the Change in Control. In the event this subsection applies, if the Eligible Executive's employment with the Company terminates for an eligible termination reason described in Section 5(b) during the 24-month period beginning on the effective date of the Change in Control, then nonqualified stock options granted to the Eligible Executive (while an Eligible Executive) shall remain exercisable until the later of (1) the date specified in the applicable award agreement or (2) the end of the Eligible Executive's Severance Period (or, if earlier, the expiration of the original term of the award) but not thereafter.
- (d) Legal Fees . Effective for Termination Dates occurring on or after the date of a Change in Control, if after exhausting the administrative remedies provided for in Section 20 herein, an Eligible Executive commences litigation regarding a bona fide claim for damages or other relief arising as a result of a claim for benefits under the Policy, and as a result thereof, whether by judgment or settlement, becomes entitled to receive benefits in an amount greater than prior to such litigation, the Company shall reimburse the reasonable legal fees and related expenses that are incurred by the Eligible Executive in connection with such litigation. Any such reimbursement shall be paid as soon as practicable following the resolution of the litigation, and in no event later than March 15 of the calendar year following the calendar year in which the resolution of such litigation occurs.

8. Certain Additional Payments

- (a) In the event it is determined that any payments or benefits provided by the Company to or on behalf of an Eligible Executive who first became an Eligible Executive before April 30, 2009 (whether pursuant to the terms of this Policy or otherwise) (any such payments or benefits being referred to in this Section as "Payments"), but determined without taking into account any additional payments required under this Section, would be subject to the excise tax imposed by Code Section 4999, or any interest or penalties are incurred by the Eligible Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, collectively referred to herein as the "Excise Tax"), then the Eligible Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount so that after payment by the Eligible Executive of all federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any federal, state or local income taxes (and any interest and penalties imposed with respect thereto) and the Excise Tax imposed upon the Gross-Up Payment, the Eligible Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing, if it is determined that the Eligible Executive otherwise would be entitled to a Gross-Up Payment, but that the Payments to the Eligible Executive do not exceed 110% of the amount which is one dollar less than the smallest amount that would give rise to any Excise Tax (the "Reduced Amount"), then no Gross-Up Payment shall be made to the Eligible Executive and the Payments shall be reduced to the Reduced Amount. In such event, the

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reduction will occur in the following order: (i) reduction of cash payments; (ii) cancellation of accelerated vesting of equity awards; and (iii) reduction of other employee benefits. If acceleration of vesting of compensation from an Eligible Executive's equity awards is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant unless the Eligible Executive elects in writing a different order for cancellation. Any Gross-Up Payment made pursuant to this Section 8(a) shall be made to the Eligible Executive no later than December 31 of the year following the year in which any Excise Tax is remitted to the taxing authority. No Gross-Up Payment shall be made pursuant to this Section 8(a) to any Eligible Executive who first becomes an Eligible Executive on or after April 30, 2009, and, in addition, Payments to such an Eligible Executive shall be reduced to the Reduced Amount (in the order described above), if such reduction would provide the Eligible Executive a greater net after-tax amount (after taking into account federal, state, local and social security taxes).

- (b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be used in arriving at such determination, shall be made by the independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control (the "Accounting Firm"). In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint another nationally recognized independent registered public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). The Accounting Firm shall provide its calculations, together with detailed supporting documentation, to the Company and the Eligible Executive within fifteen (15) calendar days after the date on which the Eligible Employee's right to Payment is triggered (if requested at that time by the Company or the Eligible Executive) or such other time as agreed between the Company and the Eligible Executive. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Eligible Executive within five business days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Eligible Executive, it shall furnish the Eligible Executive with a written opinion that no Excise Tax will be imposed. Any good faith determination by the Accounting Firm shall be binding upon the Company and the Eligible Executive. As a result of the uncertainty in the application of Code Section 4999 at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 8(c) and the Eligible Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Eligible Executive. If the related Excise Taxes have been remitted to the taxing authority by the Eligible Executive, the Company shall reimburse the Eligible Executive for the Underpayment no later than December 31 of the year following the year in which the Excise Taxes were remitted to the taxing authority.
- (c) The Eligible Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable, but no later than 10 business days after the Eligible Executive is informed in writing of such claim, and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Eligible Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Eligible Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Eligible Executive in writing prior to the expiration of such period that it desires to contest such claim, the Eligible Executive shall:

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- (i) give the Company any information reasonably requested by the Company relating to such claim;
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;
- (iii) cooperate with the Company in good faith in order effectively to contest such claim; and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred by the Eligible Executive in connection with such contest and shall indemnify and hold the Eligible Executive harmless, on an after-tax basis, for any Excise Tax or federal, state or local income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Eligible Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Eligible Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided further, that if the Company directs the Eligible Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Eligible Executive on an interest-free basis and shall indemnify and hold the Eligible Executive harmless, on an after-tax basis, from any Excise Tax or federal, state or local income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Eligible Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Eligible Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. Any payment or cost owed to the Eligible Executive pursuant to this Section 8(c) shall be made no later than December 31 of the year following the year in which the related taxes are remitted to the taxing authority or, if no taxes are paid, the end of the taxable year following the year in which such contest is finally resolved.

- (d) If, after the receipt by the Eligible Executive of an amount advanced by the Company pursuant to Section 8(c), the Eligible Executive becomes entitled to receive, and receives, any refund with respect to such claim, the Eligible Executive shall (subject to the Company's complying with the requirements of Section 8(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Eligible Executive of an amount advanced by the Company pursuant to Section 8(c), a determination is made that the Eligible Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Eligible Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. Requirement of Release and Restrictive Covenant

The provision of Severance Benefits under this Policy is conditioned upon the Eligible Executive timely signing an Agreement and Release (in a form satisfactory to the Company) which will include restrictive covenants and a

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comprehensive release of all claims. In this Agreement and Release, the Eligible Executive will be asked to release the Company and its directors, officers, employees and agents from any and all claims the Eligible Executive may have against them, including but not limited to any contract, tort, or wage and hour claims, and any claims under Title VII, the ADEA, the ADA, ERISA, and other federal, state, local or foreign laws. Under the Agreement and Release, the Eligible Executive must also agree not to solicit business similar to any business offered by the Company from any Company customer, not to advise any entity to cancel or limit its business with the Company, not to recruit, solicit, or encourage any employee to leave their employment with the Company, not to perform the same or substantially the same functions or job duties that the Eligible Executive performed for the Company for any business enterprise engaging in activities that compete with the business activities of the Company, not to disclose any of Company's trade secrets or confidential information, and not to disparage the Company or its employees in any way. These obligations are in addition to any other non-solicitation, noncompete, nondisclosure, or confidentiality agreements the Eligible Executive may have executed while employed by Company. No Severance Benefits will commence under this Policy prior to the eighth day following the date on which the Company has received the Eligible Executive's fully executed Agreement and Release.

10. Method of Payment of Severance Benefits Under Sections 7(a) and 7(b)

- (a) Severance Benefits payable hereunder to an Eligible Executive pursuant to Section 7(a)(i) of this Policy on account of a separation from service for an eligible termination reason under Section 5(a) shall be paid in substantially equal installments consistent with the Company's payroll practice during the Eligible Executive's Severance Period and shall be paid in full no later than the end of such period. The bonus for the year in which the Termination Date occurs payable hereunder to an Eligible Executive pursuant to Section 7(a)(ii) of this Policy on account of a separation from service for an eligible termination reason under Section 5(a) shall be paid to the Eligible Executive in a lump sum cash payment at the same time as bonus payments for such year are paid to other executives under the Company's Senior Executive Annual Incentive Plan (or other bonus plan applicable to the Eligible Executive for such year). The cash payment referenced in Section 7(b) of this Policy shall be made in a lump sum on or as soon as practicable after the first date on which the Eligible Executive begins to receive severance payments in accordance with the first sentence of this Section 10(a), and in no event later than March 15 of the calendar year following the calendar year in which the Eligible Executive's separation from service occurs.
- (b) Severance Benefits payable hereunder to an Eligible Executive pursuant to Sections 7(a) and 7(b) of this Policy on account of a separation from service for an eligible termination reason under Section 5(b) shall be paid, if the Change in Control which makes Section 5(b) applicable constitutes a "change in control event" under Treasury Regulation §1.409A-3(i)(5), in a lump sum within 30 days following the Eligible Executive's separation from service, and, if such Change in Control does not constitute a "change in control event" under Treasury Regulation §1.409A-3(i)(5), in the manner set forth in Section 10(a). In determining the amount of the lump sum, Section 7(a)(ii) shall be applied without regard to clause (1) and without regard to the requirement in Section 7(a)(ii) that the Committee certify that the applicable performance goals for the year in which the Termination Date occurs have been achieved.
- (c) If an Eligible Executive dies after becoming eligible for Severance Benefits and executing an Agreement and Release but before full receipt of Severance Benefits, the remaining Severance Benefits, if any, will be paid to the Eligible Executive's estate in one lump sum upon the Eligible Executive's death. If an Eligible Executive dies after becoming eligible for Severance Benefits but prior to executing an Agreement and Release, his or her estate or representative may not execute an Agreement and Release and no Severance Benefits will be paid under this Policy. All payments will be net of amounts withheld with respect to taxes, offsets, or other obligations.

11. Offsets

- (a) **Non-duplication of Benefits**. The Company may, in its discretion and to the extent permitted under applicable law, offset against the Eligible Executive's Severance Benefits under this Policy any other

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severance, termination, or similar benefits payable to the Eligible Executive by the Company, including, but not limited to any amounts paid under any employment agreement or other individual contractual arrangement, amounts paid pursuant to federal, state, or local workers' notification or office closing requirements, or statutory severance benefits or payments made on account of notice periods during which the Eligible Executive is released from further duties as provided pursuant to the law of any country or political subdivision thereof.

- (b) **Debts and Property** . The Company also may, in its discretion and to the extent permitted under applicable law, offset against the Eligible Executive's Severance Benefits under this Policy the value of unreturned property and any outstanding loan, debt or other amount the Eligible Executive owes to the Company. The entire amount of any offset taken pursuant to this Section 11(b) shall not exceed \$5,000 in any taxable year, and the offset shall be taken at the same time and in the same amount as such amount would have been otherwise due from the Eligible Executive.
- (c) **Overpayment** . The Company may recover any overpayment of Severance Benefits made to an Eligible Executive or an Eligible Executive's estate under this Policy or, to the extent permitted by applicable law, offset any other overpayment made to the Eligible Executive against any Severance Benefits or other amount the Company owes the Eligible Executive or the Eligible Executive's estate.

12. Outplacement

In the Committee's sole and absolute discretion, Eligible Executives who are eligible for Severance Benefits under the Policy also may be eligible for outplacement services selected by the Company. Eligibility for and the scope of any outplacement services will be determined in the sole discretion of the Committee. Under no circumstances shall any Eligible Executive be eligible to receive a cash payment or any other benefit in lieu of outplacement services.

Any outplacement services provided under this Section 12 must be provided to the Eligible Employee no later than December 31 of the second calendar year following the calendar year in which the Termination Date occurs.

13. Re-employment and Other Employment

In the event an Eligible Executive is re-employed by the Company prior to the commencement of or within the Severance Period, the payment of any Severance Benefits payable with respect to the prior termination immediately will cease and such Severance Benefits shall no longer be payable under this Policy.

Subject to Section 9 of this Policy, if an Eligible Executive obtains employment (other than with the Company) while receiving Severance Benefits, the Eligible Executive shall continue to receive any remaining cash Severance Benefits in accordance with the payment schedule then in effect, but, except as otherwise required under applicable law, he or she will no longer be eligible to receive continued benefits under Section 7(b) of this Policy as of the date the Eligible Executive becomes eligible to receive such benefits under a subsequent employer's benefit programs.

14. Funding

This Policy is not funded, and payment of benefits hereunder shall be made solely from the general assets of the Company. An Eligible Executive entitled to benefits hereunder shall have only the rights of a general creditor of the Company.

15. Administration

This Policy shall be administered by the Committee, which as the Named Fiduciary shall have the absolute discretion and exclusive right to interpret, construe and administer the Policy and to make final determinations on all questions arising under the Policy, including but not limited to questions concerning eligibility for, the amount

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of and receipt of Policy benefits. All decisions of the Committee will be conclusive, final and binding upon the parties. Notwithstanding the foregoing, upon the occurrence of a Change in Control, determinations of the Committee hereunder shall be subject to *de novo* judicial review.

16. Amendment or Termination of the Policy

Western Union reserves the right to amend or terminate this Policy at any time in its sole discretion, provided, however, that during the period commencing upon the earliest of (a) the signing of a definitive agreement that, if consummated, would result in a Change in Control, (b) the filing of a tender offer with the Securities and Exchange Commission that, if accepted, would result in a Change in Control, or (c) the election of a director to the Board who is not a member of the Incumbent Board (each, a "Triggering Event") and ending upon the earlier of (x) the date on which the Committee in its sole discretion determines that the Triggering Event will not actually result in a Change in Control, or (y) the 36-month anniversary of the Change in Control, the Company shall not amend or terminate this Policy as it applies to an Eligible Executive without the consent of such affected Eligible Executive. Notwithstanding the foregoing, this Policy may be amended at any time, without the consent of any Eligible Executive, as necessary or desirable to comply with the requirements, or avoid the application, of Code Section 409A.

17. Limitation on Individually Negotiated Severance Arrangements

As of the Effective Date, this Policy is intended to be the sole source of severance and change in control benefits for Eligible Executives. Absent prior Committee approval (or absent prior Board approval, in the case of the Chief Executive Officer of Western Union or a person being considered for promotion or hire as the Chief Executive Officer of Western Union), no individual agreement shall be entered into with any Eligible Executive or any person being considered for promotion or hire as an Eligible Executive which would provide severance or change in control-type benefits.

18. Section 409A

Notwithstanding any provision of this Policy, the Policy will be construed, administered or deemed amended as necessary to comply with the requirements of Code Section 409A to avoid taxation under Code Section 409A(a)(1) to the extent subject to Code Section 409A. The Committee, in its sole discretion shall determine the requirements of Code Section 409A applicable to the Policy and shall interpret the terms of the Policy consistently therewith. Under no circumstances, however, shall the Company or any affiliate or any of its or their employees, officers, directors, service providers or agents have any liability to any person for any taxes, penalties or interest due on amounts paid or payable under the Policy, including any taxes, penalties or interest imposed under Code Section 409A. The payments to Eligible Executives pursuant to this Policy are also intended to be exempt from Code Section 409A to the maximum extent possible, first, to the extent such payments are scheduled to be paid and are in fact paid during the short-term deferral period, as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and then under the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii), and for this purpose each payment shall be considered a separate payment such that the determination of whether a payment qualifies as a short-term deferral shall be made without regard to whether other payments so qualify and the determination of whether a payment qualifies under the separation pay exemption shall be made without regard to any payments which qualify as short-term deferrals. To the extent any amounts under this Policy are payable by reference to an Eligible Executive's "termination of employment," such term shall be deemed to refer to the Eligible Executive's "separation from service," within the meaning of Code Section 409A. Notwithstanding any other provision in this Policy, if an Eligible Executive is a "specified employee," as defined in Section 409A of the Code, as of the date of the Eligible Executive's separation from service, then to the extent any amount payable under this Policy (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Code Section 409A, (ii) is payable upon the Eligible Executive's separation from service and (iii) under the terms of this Policy would be payable prior to the six-month anniversary of the Eligible Executive's separation from service, such payment shall be delayed until the earlier to occur of (a) the six-month anniversary of the separation from service or (b) the date of the Eligible Executive's death.

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19. Miscellaneous

No Eligible Executive shall vest in any entitlement to or eligibility for benefits under this Policy until he or she has satisfied all requirements for eligibility and the conditions required to receive the benefits specified in this Policy have been satisfied. No interest shall accrue on any benefit to which an Eligible Executive may be entitled under this Policy. No benefits hereunder, whether or not in pay status, shall be subject to any pledge or assignment, and no creditor may attach or garnish any Eligible Executive's Policy benefits. This Policy does not create any contract of employment or right to employment for any period of time. Employment with the Company is at-will, and may be terminated by either the Company or the Eligible Executive at any time for any reason.

20. Review Procedure

Executives eligible to receive benefits under this Policy will be notified of such eligibility as soon as administratively practicable after the event occurs which gives rise to the provision of Policy benefits. If an executive who believes he or she is eligible to receive Policy benefits does not receive such notice or disagrees with the amount of benefits set forth in such notice, or if an executive is informed that he or she is not eligible for benefits under this Policy, the executive (or his or her legal representative) may file a written claim for benefits with the Company's senior human resources executive or such other officer or body designated by the Committee for this purpose. The written claim must include the facts supporting the claim, the amount claimed, and the executive's name and mailing address.

If the claim is denied in part or in full, the Company's senior human resources executive (or other designated officer or body) will notify the executive by mail no later than 90 days after receipt of the written claim. If special circumstances require an extension of time for processing the claim, the executive will be notified in writing before the end of the initial 90-day period. If the claim is denied, the notice of denial will state the specific reasons for the denial, the provisions of the Policy on which the denial is based, a description of any additional information or material required by the Committee to consider the claim (if applicable), as well as an explanation as to why such information or material is necessary, an explanation of the Policy's review procedures and the time limits applicable to such procedures, as well as a statement of the executive's right to bring a civil action under ERISA Section 502(a) in the event of an adverse determination upon review.

An executive (or his or her legal representative) may appeal a denial by filing a written appeal with the Committee. The written appeal must be received no later than 60 days after the executive or legal representative received the notice of denial. During the same 60-day period, the executive or legal representative may have reasonable access to relevant documents, records, or other information and may submit written comments and supporting documents, records and other materials to the Committee. A document, record, or other information shall be considered relevant to the claim if such document, record, or other information (i) was relied upon in making the benefit determination, (ii) was submitted, considered, or generated in the course of making the benefit determination, without regard to whether such document, record, or other information was relied upon in making the benefit determination, or (iii) demonstrates compliance with the administrative processes and safeguards designed to ensure and verify that benefit claim determinations are made in accordance with the Policy and that, where appropriate, the Policy provisions have been applied consistently with respect to similarly situated executives or designated beneficiaries.

The Committee will review the appeal and notify the executive or legal representative by mail of its final decision within 60 days. If special circumstances require an extension of time for processing the claim, the executive will be notified in writing before the end of the initial 60-day period. If the claim is denied, the notice of denial will state the reason for the denial, references to the specific Sections of the Policy on which the denial is based, a statement that the executive may receive, upon request and free of charge, copies of all documents and information relevant to the appeal, a description of the Policy's claims and appeals procedures, and a statement of the executive's right to bring an action under Section 502 of ERISA.

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Rights Under the Employee Retirement Income Security Act (ERISA)

As a participant in the Policy, an Eligible Executive is entitled to certain rights and protections under ERISA which provides that all Policy participants shall be entitled to:

Receive Information About The Policy And Benefits

The executive may examine, without charge, at the Policy administrator's office and at other specified locations such as worksites, all documents governing the policy and a copy of the latest annual report (Form 5500 Series) filed with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

The executive may obtain, upon written request to the Policy administrator, copies of documents governing the operation of the Policy including copies of the latest annual report (Form 5500 Series). The Policy administrator may make a reasonable charge for the copies.

The executive may receive a summary of the Policy's annual financial report. The Policy administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Policy Fiduciaries

In addition to creating rights for Policy participants, ERISA imposes duties upon the people who are responsible for the operation of the Policy. The people who operate the Policy, called "fiduciaries" of the Policy, have a duty to do so prudently and in the interest of the Policy participants and beneficiaries. No one, including an executive's employer or any other person, may fire an executive or otherwise discriminate against an executive in any way to prevent such executive from obtaining a welfare benefit or exercising his or her rights under ERISA.

Enforcement of Rights

If an executive's claim for benefits is denied or ignored, in whole or in part, the executive has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps that can be taken to enforce the above rights. For example, if an executive requests a copy of Policy documents or the latest annual report from the Policy and does not receive them within 30 days, the executive may file suit in a Federal court. In such a case, the court may require the Policy administrator to provide the materials, and pay the executive up to \$110 a day until the executive receives the materials, unless the materials were not sent because of reasons beyond the control of the Policy administrator. If an executive has a claim for benefits which is denied or ignored, in whole or in part, he or she may file suit in a state or Federal Court. If it should happen that the fiduciaries misuse Policy money, or if an executive is discriminated against for asserting his or her rights, the executive may seek assistance from the U.S. Department of Labor, or may file a suit in a Federal court. The court will decide who should pay court costs and legal fees. If the executive is successful the court may order the person the executive has sued to pay these costs and fees. If the executive loses, the court may order the executive to pay these costs and fees, for example, if it finds the executive's claim is frivolous.

Assistance With Questions

An executive who has questions about the Policy should contact the Policy administrator. If an executive has any questions about this statement or about his or her rights under ERISA, or if the executive needs assistance in obtaining documents from the Policy administrator, he or she should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in a telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200

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Constitution Avenue, NW, Washington, D.C. 20210. The executive may also obtain certain publications about his or her rights and responsibilities under ERISA by calling the publication's hotline of the **Employee Benefits Security Administration**.

ADDITIONAL INFORMATION

The details on the following chart are provided for the Eligible Executive's information and possible use.

Name of Policy	Type of Policy	Policy Year:
The Western Union Company Severance/ Change in Control Policy (Executive Committee Level)	Welfare	1/1 - 12/31

Type of Policy Administration

Self-Administered

Policy Sponsor

The Western Union Company
12500 E. Belford Avenue
Englewood, CO 80112

Policy Administrator

Compensation and Benefits Committee of the Board of Directors
c/o The Western Union Company
Office of the General Counsel
12500 E. Belford Avenue
Englewood, CO 80112

Agent for Service of Legal Process

The Western Union Company
Office of the General Counsel
12500 E. Belford Avenue
Englewood, CO 80112

In addition, service of legal process may be made upon the Policy administrator.

Identification Number (Policy Sponsor)

20-4531180

Identification Number (Policy)

506

THIS DESCRIPTION OF THE WESTERN UNION COMPANY SEVERANCE/CHANGE IN CONTROL POLICY FOR EXECUTIVE COMMITTEE-LEVEL PARTICIPANTS SERVES AS THE OFFICIAL POLICY DOCUMENT AND AS THE LEGAL SUMMARY PLAN DESCRIPTION.

THE WESTERN UNION COMPANY
PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD NOTICE

Pursuant to The Western Union Company 2006 Long-Term Incentive Plan (the "Plan"), _____ ("Executive") has been granted the Performance-Based Restricted Stock Unit Award described below (the "Award"). Certain terms and conditions of the Award are set forth immediately below in this Award Notice. Other terms and conditions are set forth in the Performance-Based Restricted Stock Unit Award Agreement which is appended to this Award Notice. The Award Notice and the Performance-Based Restricted Stock Unit Award Agreement are together the "Agreement" which is made and entered into between The Western Union Company, a Delaware corporation ("the Company"), and Executive as of the Grant Date. Capitalized terms not otherwise defined in this Award Notice are defined in the Plan or the Performance-Based Restricted Stock Unit Award Agreement.

Grant Date: _____
Target Award: ____ shares of Common Stock
Maximum Award: ____ shares of Common Stock
Performance Period: _____
Performance Measure: _____
Vesting Date: Third anniversary of Grant Date

THE WESTERN UNION COMPANY,
a Delaware corporation

By: _____
Name: _____
Title: _____

(U.S. — Section 16 Officers)

**THE WESTERN UNION COMPANY 2006 LONG-TERM INCENTIVE PLAN
PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT —
TERMS AND CONDITIONS — SECTION 16 OFFICERS**

1. Pursuant to The Western Union Company 2006 Long-Term Incentive Plan (the “Plan”), The Western Union Company (the “Company”) hereby grants to you (“Executive”) an award of Restricted Stock Units (the “Units”), in the amount specified in your Award Notice (which forms part of this Agreement) as of the Grant Date specified in your Award Notice, related to shares of the Company’s common stock (“Shares”), subject to the terms and conditions set forth in this Agreement and the Plan. The terms of the Plan are hereby incorporated in this Agreement by this reference and made a part hereof. Capitalized terms not defined herein shall have the same definitions as set forth in the Plan.
2. Each Unit shall provide for the issuance and transfer to Executive of one Share upon lapse of the restrictions set forth in paragraph 3 below and subject to the satisfaction of the Performance Measure during the Performance Period set forth in the Award Notice and the Committee’s determination of the amount of the Award payable to Executive in accordance with Exhibit A. Upon issuance and transfer of Shares to Executive following the Restricted Period (as defined herein), Executive shall have all rights incident to ownership of such Shares, including but not limited to voting rights and the right to receive dividends.
3. Subject to other provisions of this Agreement and the terms of the Plan, on the third anniversary of the Grant Date, subject to the satisfaction of the Performance Measure during the Performance Period set forth in the Award Notice and the Committee’s determination of the amount of the Award payable to Executive in accordance with Exhibit A, all restrictions on the Units shall lapse and the number of Shares subject to the Units determined by the Committee to be transferred to Executive in accordance with Exhibit A shall be issued and transferred to Executive. Effective on and after such date, subject to applicable laws and Company policies, Executive may hold, assign, pledge, sell, or transfer the Shares transferred to Executive in Executive’s discretion. The three year period in which the Units may be forfeited by Executive is defined as the “Restricted Period.”

Notwithstanding the foregoing provisions in this paragraph 3, you will forfeit all rights to the Units unless you accept these Terms and Conditions either through on-line electronic acceptance (if permitted by the Company) or by signing and returning to the Company a copy of these Terms and Conditions prior to the third anniversary of the Grant Date. Signed copies of these Terms and Conditions should be sent to the attention of: Western Union Stock Plan Administration, 12500 E. Belford Avenue, M21B2, Englewood, Colorado 80112. In addition, notwithstanding any other provision of the Plan or this Agreement, in order for the restrictions on the Units to lapse, you must execute and return to the Company or accept electronically an updated restrictive covenant agreement (and exhibits) if requested by the Company which may contain certain noncompete, nonsolicitation and/or nondisclosure provisions. Failure to execute or electronically accept such an agreement prior to the third anniversary of the Grant Date will cause the Units to be forfeited.

Prior to the issuance and transfer of Shares upon vesting, the Units will represent only an unfunded and unsecured obligation of the Company. Any Shares determined by the Committee to be transferred to Executive in accordance with Exhibit A shall be issued and transferred to Executive as soon as administratively practicable after the end of the Restricted Period, and in no event later than March 15 of the calendar year immediately following the year in which the Restricted Period ends. If at any time the Company determines, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental authority is necessary or desirable as a condition to the issuance and transfer of Shares to the Executive (or his or her estate), such issuance and transfer will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained.

4. Executive may elect to satisfy his or her obligation to advance the amount of any required income or other withholding taxes (the “Required Tax Payments”) incurred in connection with the issuance and transfer of the Shares by any of the following means: (1) a cash payment to the Company, (2) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of Common Stock having an aggregate Fair Market Value, determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (3) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered to Executive having an aggregate Fair Market Value, determined as of the Tax Date, or withhold an amount of cash

(U.S. — Section 16 Officers)

which would otherwise be payable to Executive, equal to the amount necessary to satisfy any such obligation, (4) a cash payment to the Company by a broker-dealer acceptable to the Company to whom Executive has submitted an irrevocable notice of sale, or (5) any combination of (1) and (2). Shares of Common Stock to be delivered or withheld may not have an aggregate Fair Market Value in excess of the amount determined by applying the minimum statutory withholding rate.

5. The Units may not be sold, assigned, transferred, pledged, or otherwise disposed of, except by will or the laws of descent and distribution, while subject to restrictions. If Executive or anyone claiming under or through Executive attempts to make any such sale, transfer, assignment, pledge or other disposition of Units in violation of this paragraph 5, such attempted violation shall be null, void, and without effect.
6. Executive shall forfeit Executive's right to any unvested Units if Executive's continuous employment with the Company or a Subsidiary or Affiliate terminates for any reason during the Restricted Period (except solely by reason of a period of Related Employment or as set forth in paragraphs 7 and 9).
7. If Executive's employment with the Company terminates for any reason, other than voluntary termination by Executive, death, Disability, Retirement or for Cause, and paragraph 9 does not apply, Executive shall be entitled to a prorated Award. Such prorated Award shall be equal to the amount of the Award which is actually earned, based upon satisfaction of the Performance Measure during the Performance Period (as certified by the Committee in writing) and the Committee's determination of the amount of the Award payable to Executive in accordance with Exhibit A, multiplied by a fraction, the numerator of which shall equal the number of days Executive was employed with the Company during the Restricted Period and the denominator of which shall equal the number of days in the Restricted Period.

If Executive's employment with the Company terminates by reason of death or Disability, the Award shall be paid, to the extent earned, based upon satisfaction of the Performance Measure during the Performance Period (as certified by the Committee in writing) and the Committee's determination of the amount of the Award payable to Executive in accordance with Exhibit A, to Executive or Executive's executor, administrator, legal representative, beneficiary or similar person (together, the "Beneficiary"), as the case may be, as if Executive had remained employed with the Company through the end of the Restricted Period.

If Executive's employment with the Company terminates by reason of Retirement, Executive shall be entitled to a prorated Award. Such prorated Award shall be equal to the amount of the Award which is actually earned, based upon satisfaction of the Performance Measure during the Performance Period (as certified by the Committee in writing) and the Committee's determination of the amount of the Award payable to Executive in accordance with Exhibit A, multiplied by a fraction, the numerator of which shall equal the number of days Executive was employed with the Company during the Restricted Period and the denominator of which shall equal the number of days in the Restricted Period.

If Executive's employment with the Company is terminated voluntarily by Executive (except for an Eligible Termination Reason described in Section 5(b) of the Severance/Change in Control Policy applicable to members of the Company's Executive Committee at the time of a Change in Control) or is terminated by the Company for Cause, Executive's Award shall, except to the extent vested as of the date of termination, be immediately forfeited.

8. During the Restricted Period, Executive (and any person succeeding to Executive's rights pursuant to the Plan) will have no ownership interest or rights in Shares underlying the Units, including no rights to receive dividends or other distributions made or paid with respect to such Shares or to exercise voting or other shareholder rights with respect to such Shares. Executive shall not be entitled to receive dividend equivalents in connection with this Award.
9. If Executive is eligible to participate in the Severance/Change in Control Policy applicable to members of the Company's Executive Committee at the time of a Change in Control and Executive's employment with the Company, a Subsidiary or an Affiliate terminates for an eligible reason under such policy during the 24-month period commencing on the effective date of the Change in Control, then, subject to the terms of such policy, the Award shall be paid to Executive, to the extent earned, based upon satisfaction of the Performance Measure during the Performance Period (as certified by the Committee in writing) and in accordance with Exhibit A, as if Executive had remained employed with the Company through the end of the Restricted Period.
10. The terms of this Agreement may be amended from time to time by the Committee in its sole discretion in any manner that it deems appropriate; provided, however, that no such amendment shall adversely affect in a material

(U.S. — Section 16 Officers)

manner any right of Executive under this Agreement without Executive's written consent.

11. Any action taken or decision made by the Company, the Board, or the Committee or its delegates arising out of or in connection with the construction, administration, interpretation or effect of the Plan or this Agreement shall lie within its sole and absolute discretion, as the case may be, and shall be final, conclusive and binding on Executive and all persons claiming under or through Executive. By accepting this grant of Units or other benefit under the Plan, Executive and each person claiming under or through Executive shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee or its delegates.
12. This grant of Units is discretionary, non-binding for future years and there is no promise or guarantee that such grants will be offered to Executive in future years.
13. The validity, construction, interpretation, administration and effect of these Terms and Conditions and the Plan and rights relating to the Plan and to this Agreement, shall be governed by the substantive laws, but not the choice of law rules, of the State of Delaware.
14. If one or more provisions of this Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Agreement to be construed as to foster the intent of this Agreement and the Plan.
15. Executive acknowledges that Executive has read the Company's Clawback Policy. In consideration of the grant of the Units, Executive agrees to abide by the Company's Clawback Policy and any determinations of the Board pursuant to the Clawback Policy. Without limiting the foregoing, and notwithstanding any provision of this Agreement to the contrary, if the Board determines that any Incentive Compensation (as defined in the Company's Clawback Policy) received by or paid to Executive resulted from any financial result or performance metric that was impacted by Executive's misconduct or fraud and that compensation should be recovered from Executive (such amount being recovered, the "Clawbacked Compensation"), then upon such determination, the Board may recover such Clawbacked Compensation by (a) cancelling all or any portion of the unvested Units (the "Clawbacked Portion") and, in such case, the Clawbacked Portion of the unvested Units shall automatically and without further action of the Company be cancelled, (b) requiring Executive to deliver to the Company shares of Common Stock acquired upon the vesting of the Units (to the extent held by Executive), (c) requiring Executive to repay to the Company any net proceeds resulting from the sale of shares of Common Stock acquired upon the vesting of the Units or (d) any combination of the remedies set forth in clauses (a), (b) or (c). The foregoing remedies are in addition to and separate from any other relief available to the Company due to Executive's misconduct or fraud. Any determination by the Board with respect to the foregoing shall be final, conclusive and binding upon Executive and all persons claiming through Executive.
16. To the extent any amounts under this Agreement are payable by reference to Executive's "termination of employment," such term shall be deemed to refer to Executive's "separation from service," within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Agreement, if Executive is a "specified employee," as defined in Section 409A of the Code, as of the date of Executive's separation from service, then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Executive's separation from service and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of Executive's separation from service, such payment shall be delayed until the earlier to occur of (a) the six-month anniversary of the separation from service or (b) the date of Executive's death.

I hereby confirm that the foregoing and the documents attached hereto are hereby in all respects accepted and agreed to by the undersigned as of the date of this Agreement:

Signature: _____
Date: _____

Printed Name: _____

(U.S. — Section 16 Officers)

EXHIBIT A

(U.S. — Section 16 Officers)

EXPATRIATE LETTER AGREEMENT – US
BASED
PERSONAL & CONFIDENTIAL



January 4, 2012

Rajesh K. Agrawal
6929 South Odessa Street
Aurora, CO 80016

Dear Raj:

This Letter Agreement will serve to confirm our mutual understanding of the terms and conditions applicable to your assignment ("Assignment") to London, UK (the "Host Country") where you will serve as EVP and President, Western Union Business Solutions, reporting to Hikmet Ersek, CEO. During the Assignment you will remain employed by Western Union, LLC ("the Company"), but you will be providing services to Travelex Global Business Payments Limited. The Assignment will be subject to your obtaining the required Host Country entry documents or visas and your acceptance of the terms and conditions outlined in this Letter Agreement. The duration of your Assignment will not exceed 24 months unless express written authorization to extend the Assignment is approved by the CEO and the EVP of Human Resources of The Western Union Company. Your Assignment is expected to begin on or about January 1, 2012. Your home city and country is Aurora, Colorado, USA.

The terms and conditions in this Letter Agreement will be in effect for this Assignment only, subject to the paragraph titled Other Agreements and Survivability. Your Assignment will be subject to the terms of the Expatriate Policy (the "Expatriate Policy") and the Tax Equalization Policy, as either may be amended by the Company from time to time in its sole discretion, but if there is any conflict between the terms of the Expatriate Policy or the Tax Equalization Policy and this Letter Agreement, the terms of this Letter Agreement will govern. The costs associated with your Assignment will be subject to a Secondment Agreement between Western Union Company, LLC and Western Union International, LTD.

1. **Compensation**

A. **Base Salary:** Effective November 7, 2011 your base compensation will consist of an annualized base salary of \$405,000 USD gross or \$33,750 USD per month. You will remain on the United States Payroll during the length of your Assignment.

- B. Annual Incentive Plan:** Throughout 2011 you will continue to be eligible to participate in the Company's Performance Incentive Plan in accordance with its terms and conditions, with a blended target incentive bonus of 64% of your annualized base salary. During the period of January 1, 2011 through November 6, 2011, your target incentive bonus under the Plan is 60% of your annualized base salary. During the remainder of 2011, your target incentive bonus under the Plan is 100% of your annualized base salary.

Effective for 2012, you will be eligible to participate in The Western Union Company's Senior Executive Annual Incentive Plan ("Plan") in accordance with its terms and conditions, and as determined by the Compensation and Benefits Committee of the Board of Directors of The Western Union Company (the "Compensation Committee"). Pursuant to the Plan, you may, but are not guaranteed to, receive an incentive bonus in an amount to be determined by the Compensation Committee in its sole discretion, in addition to your base salary, if all Plan criteria are satisfied and if specified levels of performance are attained. You acknowledge the discretionary character of such payments, in particular that such payments are determined by the Compensation Committee in its sole discretion and are also contingent upon attainment of specified levels of performance. You further acknowledge that eligibility for any such payments is contingent upon your executing an acknowledgement and acceptance of the terms and conditions applicable to your participation in the Plan. You acknowledge that participation in the Plan during any one year confers no rights upon you or any obligations on The Western Union Company to continue the Plan, or to make any payments of any kind, in succeeding years, even if the repeated payments are in the same or similar amount as in the previous year.

Your target incentive bonus for the 2012 calendar year under the Plan will be 100% of your base salary, or such other percentage or amount as is determined by the Compensation Committee. Your target incentive bonus under the Plan may change from year to year in the Compensation Committee's sole discretion.

Payment of incentive bonuses, if any, will be made to you in the first quarter of the following year (e.g. the 2011 bonus payment, if any, will be made in the first quarter of the 2012 calendar year).

- C. Equity Compensation:** During your Assignment, you will remain eligible to participate in The Western Union Company 2006 Long-Term Incentive Plan ("LTIP"). Your target annual long-term incentive grant value for 2012 will be \$850,000 USD, or such other amount as is determined by the Compensation Committee. Your target annual grant value under the LTIP may change from year to year in the Compensation Committee's sole discretion. All equity awards to you under the LTIP require the approval of the Compensation Committee and the acceptance by you of the terms and conditions of the award agreements. All your rights and obligations with respect to any LTIP awards granted to you are subject to the terms and conditions of the LTIP as well as the terms and conditions of the applicable award agreements.

2. **Benefits**

- A. Health Insurance Plans:** You will be enrolled in the CIGNA International Expatriate Plan. Western Union's International Benefits team will assist you in enrollment and answer any questions you may have regarding the program. Once enrolled you will have access to the CIGNA International Expatriate Plan online Member Services Center. This online resource offers a wide range of automated tools and information designed to help you use and understand your global benefits. Your CIGNA International Expatriate Plan administrator contact, Karen Thompson, Director Health and Life Benefits, can be contacted at +1.720.332.5354 or at karen.thompson@westernunion.com.
- B. Work Schedules/Holidays/Vacation:** You will observe the work schedule in effect at your place of Assignment and will accrue vacation based on the Expatriate Policy (the greater of your U.S. vacation schedule or four weeks). Holidays will be observed in accordance with company business practices in the United Kingdom.

3. **Relocation Benefits**

You will be eligible for relocation benefits during the term of your Assignment as outlined below, provided that you are performing services in accordance with this Assignment or as otherwise directed by the Company on the date the relocation benefit or payment is scheduled to be made. Upon receipt of your signed acceptance of this Letter Agreement, Weichert Relocation Resources, Inc. (WRRR), Western Union's designated relocation company, will contact you to begin administering the relocation program. Amounts included below may constitute taxable income to you, but generally will not be taken into account as "compensation" for purposes of other company benefit plans. **You should take no action relating to your relocation until you have been contacted by your Relocation Specialist.**

- A. Relocation Allowance:** A relocation allowance of \$5,000.00 USD net will be paid to you immediately prior to your Assignment departure date. This amount will also be paid on your return provided you complete the course of your Assignment or return at a different time by mutual agreement with the Company. This amount will be paid to you as soon as administratively possible following your return to the U.S. (but in no event later than 60 days following the date you return to the U.S.).
- B. Work Permits/Visas:** If legal work authorization is required, it must be granted before you depart for the Host Country. WRRR will coordinate assistance for you to obtain the proper visas/work permits for you and your family. To the extent that you pay any visas or passport filing/application fees personally, you will be reimbursed.
- C. Mobility Bonus:** You will receive a payment equal to one (1) month's base pay, less taxes, for each 12 months of your Assignment (pro-rated for periods of less than 12 months). The first payment of \$33,750 USD will be paid immediately prior to your departure, and subsequent payments will be made on or as soon as administratively practicable following each succeeding anniversary of your departure date.

- D. International Service Allowance (Goods & Services Allowance):** During the term of your Assignment, you will receive an International Service Allowance. The allowance has currently been calculated at \$4,595.67 USD per month, which will be paid monthly, beginning with the month you move into your permanent residence. This allowance is intended to help compensate you for the higher cost of goods and services in London. The Goods and Service Allowance will increase to \$6,224.83 USD per month when your family joins you in 2012.

The monthly International Service Allowance will be reviewed on any change to your personal/family status in London. In the absence of any status change, the allowance will be reviewed twice annually, and may be adjusted in the Company's sole discretion to reflect an increase or decrease.

- E. Present Housing Arrangements:** Given your intended period of Assignment, the Company strongly recommends that you retain your present home. Should you choose to sell your home, all costs associated with that sale are your responsibility. Should you choose to keep your present home, the Company will reimburse you a monthly amount up to \$500.00 USD to cover incidental expenditures related to its maintenance and upkeep. You will need to submit to Weichert Relocation supporting documentation (i.e., copies of receipts/invoices) to substantiate the incidental maintenance expenses you incur. If you rent/lease a residence at the time you are offered and accept the Assignment, the Company will pay the costs associated with the 'early termination' of your current lease agreement.

- F. Shipment and Storage of Household Goods/Personal Effects:** WRRl will be authorized to assist with the move of your household belongings to your new location. To expedite delivery of your goods, you will be entitled to an air shipment of up to 500 pounds (not to exceed 80 cubic feet) for items you need immediately at your new location. The remainder will be shipped via surface transportation. Your surface shipment allowance will be 5,000 pounds, not to exceed 715 cubic feet. If your spouse/partner is joining you on Assignment, the amount is raised to 7,500 pounds, not to exceed 1,070 cubic feet. Additional dependants will raise your allowance by 200 pounds, not to exceed 30 cubic feet, per dependant. When necessary, the Company will pay for storage and insurance for the remainder of your household goods during the time of your Assignment. The cost of Company-paid storage will be for reasonable and customary household and personal goods. In no event will excess food supplies, firewood, building supplies, farm machinery, cars, vans, boats, trailers, or airplanes be stored at the Company expense. Responsibility for costs of storing items not listed here will be determined on a case-by-case basis, at the Company's discretion.

- G. Automobile Shipment/Sale:** Because the Company will not pay for shipment or storage of your car(s) you will need to make arrangements to sell your car(s) or leave it/them with someone while you are overseas. Should you incur a forced sale loss on your car(s), the Company will partially reimburse you for this loss. The amount eligible for reimbursement will be the difference between the sales price of the car and the market value (based on published local data), up to a maximum of \$2,500 USD up to two cars. You must, however, secure more than one bid for your car and reimbursement will be based on the highest bid. If you choose to sell to a family member, you must secure bids from two dealers or private parties who are not members of your family as a basis for the forced sale loss reimbursement calculation. If the car is leased at the time you accept the move and you are assessed a penalty for early lease cancellation, the Company will reimburse for this cost.
- H. Household Pets:** The shipment of pets is strongly discouraged. In all likelihood, your Host Country will have very stringent animal quarantine regulations and a further quarantine period may be required for pets returning home from a foreign country. However, if you choose to take your pets with you on Assignment, the Company will pay for the cost of transporting up to two pets from your Home Country to your Host Country. Coordination, compliance with applicable laws, and costs other than transportation are your responsibility.
- I. Transportation to the Host Country:** The Company will reimburse the cost of a one-way business class ticket from the original location to the new location for you and your immediate family members. You will be reimbursed by submitting an expense report to WRRRI. This process will be explained in your consultation call with WRRRI, which will take place shortly after your acceptance and signature of this Letter Agreement.
- J. Temporary Living Expenses:** The Company will reimburse you for reasonable temporary living expenses while your goods are in transit for up to a total of 60 days after you are required to vacate your regular U.S. residence and or upon arrival in the Host Country.
- K. Destination Services:** WRRRI will coordinate with a Company designated vendor to assist you with house hunting and information/familiarization in the host location. The Company will pay up to the local equivalent of \$7,500 USD in agency fees.
- L. Housing Allowance:** The Company will provide and pay for the rental of an apartment in an area within reasonable commuting distance to the London office, not to exceed \$20,463 USD per month (exclusive of utilities) with a Utility Allowance not to exceed an average of \$1,179 USD per month. If you elect housing which results in a cost in excess of this allowance, you agree to pay the difference.

- M. Cross-Cultural Training/Language Training:** If required and approved, the Company will pay for and provide cross-cultural training assistance to you and your family as it relates to knowledge, awareness, and skills in understanding cultural differences in either a one or two day program. The Company will also, if required and approved, provide either in-house language training or training through an external vendor. Language training for you and your family will be for up to 60 hours, depending on the required proficiency level.
- N. Automobile:** The Company may select and provide you with an automobile deemed appropriate for your use in the Host Country. Insurance, maintenance, taxes, and registration costs for this vehicle will be borne by the Company. Fuel expenses are your responsibility. A local transportation allowance may be provided in lieu of an assigned automobile. If any Company-provided automobile is considered taxable income to you, it will not be taken into account as "compensation" for purposes of other Company benefit plans.
- o. Home Leave:** The Company will pay the round trip airfare for you and your family to visit the U.S. three (3) times during each twelve-month period. Any days absent from work for specified home leave will count as vacation days. If you have dependent children attending a college or university outside the Host Country, the Company will pay for three roundtrips each year between the Host Country and the airport serving the college or university, in place of and not in addition to the home leave trip.
- P. Education:** Primary and secondary schooling: Local public (government funded) schools may not meet the needs for an education process which will prepare your children for re-entry into your local U.S. school system. The Company will pay the cost of private schooling for the local Host Country international schools that are adequate in the opinion of the Company. If you arrange for private schooling in excess of this, the difference in cost will be your responsibility.

4. Tax Reimbursement/Tax Services:

During your Assignment, you will continue to be responsible for payment of U.S. Federal and state income taxes as if you remained in the U.S. in your home state. You will also be subject to UK income taxes on the income you earn while on Assignment. The Company's Tax Equalization Policy is intended to minimize the effect of higher UK income tax rates and leave you in a net after-tax position substantially equivalent to what you would experience if you were subject only to U.S. Federal and state income taxes during this period.

The process of calculating and withholding your income tax liability requires the Company to estimate your hypothetical U.S. Federal and state income tax liability, based on your total U.S. taxable income earned during the year for services provided to the Company (which includes base salary, bonus, mobility and other expatriate allowances, the vesting of restricted stock awards and stock option exercises). This hypothetical tax liability will be withheld from your pay and will reduce your take-home pay ratably throughout the year. Actual withholding for U.S. based employment taxes (FICA and FUTA) will also continue during your Assignment.

PricewaterhouseCoopers will assist in the filing of your U.S. Federal and state and foreign income tax returns. When your actual U.S. Federal and state tax returns are completed, PricewaterhouseCoopers will calculate your final theoretical (U.S.) tax liability. This amount will be similar to the hypothetical tax previously withheld, but will be revised to incorporate facts and amounts as reported in your actual U.S. income tax returns. This theoretical tax amount for the year involved is the amount you are responsible to pay. If the hypothetical tax amount previously withheld exceeds this amount, you will be refunded the excess within 60 days after completion of the tax equalization settlement calculation. If the hypothetical tax amount withheld is insufficient to cover this liability, you will be responsible to pay the difference to the Company within 60 days after completion of the tax equalization settlement. The Company will be responsible for payment of actual U.S. Federal and state and UK income taxes over and above your final theoretical U.S. tax liability as calculated by PricewaterhouseCoopers. Remittance of actual tax amounts to either or both U.S. and UK tax authorities will be coordinated by the Company and PricewaterhouseCoopers.

If your employment terminates for any reason during your Assignment, tax equalization will end as of the date of termination and the theoretical U.S. tax will be calculated based as if you repatriated on the date of termination.

In no event shall the payments referenced in this paragraph 5 be made later than the deadline specified in the Western Union Tax Equalization Policy.

PricewaterhouseCoopers services are limited to tax advice directly related to your Assignment and do not extend to personal tax advice or financial planning.

5. Processing and Use of Employee Information:

To manage the personal and employment administration aspects of your Assignment, the Company will need to process personal data relating to you. Therefore, the Company informs you that your personal data including the sensitive data if collected by the Company (the "Data"), which you provided to the Company or that it otherwise acquired in the course of the ordinary activity will be processed for correct execution, management and performance of this Agreement in force between you and the Company. The Data might be communicated, in connection with the above-mentioned purposes, to the Company, its subsidiaries, Affiliates, parent, and/or to third party service providers, also outside the European Union, which provide assistance and consultancy or other services to the Company, with particular reference, but without limitation, to accounting, administrative, legal, tax and financial issues. Such data processing will be performed by means of either manual, electronic or network instruments, or in any other manner that can ensure a safe processing and avoid any unauthorized access. A list of the subjects to whom your Data are or might be communicated will be made available upon request at the Company's offices.

By executing this Agreement, you expressly authorize the transfer, also in non-EU countries, of your Data to the Company, its subsidiaries, Affiliates, parent, and/or third parties indicated above for the purposes listed in this Section. The Data will be kept secure and confidential in accordance with Company policy

and national legislation. The Company will regularly update your Data with your assistance and at your request. You will retain the right of access to your Data and the right to have incorrect Data corrected. The Data provided will not be used for any marketing purposes.

6. Code of Conduct and Compliance with Laws

You agree that you are bound by the provisions of The Western Union Company Code of Conduct (“Code of Conduct”) and other rules, regulations and policies, as the Code of Conduct, rules, regulations and policies may be amended from time to time.

You also agree to perform all aspects of your job in accordance with all applicable laws, both in the U.S. and the UK to strictly follow all workplace safety rules, to protect the property of the Company, to maintain the highest standards of personal and professional ethics, to actively participate in training arranged by the Company, and to continue to develop and improve your professional skills.

7. Termination

If the Company terminates your Assignment while you are abroad, you will be repatriated in accordance with the terms of the Expatriate Policy. If you are living in Company-paid leased housing, you agree to vacate the housing within 30 days of your termination of employment. Termination of employment will require immediate settlement of all outstanding tax, travel and other advances.

8. Employment at Will

This Letter Agreement does not constitute a contract or promise of employment for any specific period or duration. You remain an employee “at will” and either you or the Company may terminate the employment relationship at any time, with or without cause or notice.

9. Severability and Governing Law

In the event any provision of this Letter Agreement is deemed unenforceable, you agree that a court of competent jurisdiction shall have jurisdiction to reform such provision to the extent necessary to cause it to be enforceable to the maximum extent permitted by law. The provisions in this Letter Agreement are severable, and if any provision is determined to be prohibited or unenforceable in any jurisdiction, the remaining provisions shall nevertheless be binding and enforceable. The parties agree that the laws of Colorado shall apply to this Letter Agreement, without respect to its rules concerning conflict of laws. By signing this Letter Agreement, you consent to the exclusive jurisdiction of the U.S. Federal District Court in Denver, Colorado, in connection with the resolution of any disputes related to your employment, this Letter Agreement, or your Assignment. To the extent that you have or may have legal rights under the laws of UK you agree that you waive any such rights.

10. Amendments

Any modifications to the terms of this Letter Agreement must be memorialized in writing and signed by both you and the Company.

11. Other Agreements and Survivability

You acknowledge that this Letter Agreement is supplemental to, and does not supersede, any non-solicitation, non-compete, non-disclosure, confidentiality or other agreement that you may have signed while employed with the Company, its parent, The Western Union Company, and their affiliates and subsidiaries. In addition to this paragraph, the following paragraphs survive the termination of this Letter Agreement: Processing and Use of Employee Information; Code of Conduct and Compliance with Laws; Termination; Employment at Will, Severability and Governing Law; and Other Agreements and Survivability.

12. Paragraph Headings

The paragraph headings in this Letter Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

We are providing you a copy of the Expatriate Policy with this Letter Agreement. If you have any questions regarding the information in that Policy, please contact Eileen Gibson, Global Mobility at (720) 332-0283 or (314) 825-2408.

Your assignment counselor at WRRRI is also available to answer any questions that you may have regarding your relocation. You will be contacted by WRRRI shortly, but for your reference or should you have any immediate questions, Geraldine Briscoe will be your point of contact. She can be reached at +1.973.290.5725 or gbriscoe@wrrri.com

13. Confidentiality

You acknowledge that the terms of this Letter Agreement are strictly confidential, and you agree not to disclose, communicate or otherwise publicize the terms to anyone (except for your immediate family, professional advisors and the relevant tax authorities).

14. Post Contractual Non-Compete

For a period of twelve months from the termination of your employment relationship with the Company, you may not engage in any activity, whether independently or otherwise, in the Company's line of business.

Sincerely,

A handwritten signature in black ink, appearing to be "John A. [unclear]", written over a horizontal line.

Hikmet Ersek
Chief Executive Officer

I hereby agree and accept this Assignment under the terms and conditions set forth in this Letter Agreement and the Company's policies as described in the Expatriate Policy, a copy of which I have received, read, and understand. I also understand that this Letter Agreement is not a contract of employment and that my employment with the Company is at will and may be terminated by me or the Company at any time.



Rajesh K Agrawal

January 4, 2012
Date

A signed copy of this document (PDF or paper copy) should be sent to Eileen Gibson, W.U. Global Mobility at Eileen.Gibson@westernunion.com for relocation services to be initiated.

EXPATRIATE LETTER AGREEMENT – US BASED
PERSONAL & CONFIDENTIAL



December 12, 2011

Robin S. Heller
9489 South Bellmore Lane
Highlands Ranch, CO 80126

Dear Robin:

This Letter Agreement will serve to confirm our mutual understanding of the terms and conditions applicable to your assignment ("Assignment") to London, UK (the "Host Country") where you will continue to serve as Executive Vice President, Operations for The Western Union Company reporting to Hikmet Ersek, CEO. During the Assignment you will remain employed by Western Union, LLC, ("the Company") but you will be providing services to Travelex Global Business Payments Limited. The Assignment will be subject to your obtaining the required Host Country entry documents or visas and your acceptance of the terms and conditions outlined in this Letter Agreement. The duration of your Assignment will not exceed 24 months unless express written authorization to extend the Assignment is approved by the CEO and the EVP of Human Resources of The Western Union Company. Your Assignment began October 1, 2011. Your home city and country is Highlands Ranch, Colorado, USA.

The terms and conditions in this Letter Agreement will be in effect for this Assignment only, subject to the paragraph titled Other Agreements and Survivability. Your Assignment will be subject to the terms of the Expatriate Policy (the "Expatriate Policy") and the Tax Equalization Policy, as either may be amended by the Company from time to time in its sole discretion, but if there is any conflict between the terms of the Expatriate Policy and the Tax Equalization Policy and this Letter Agreement, the terms of this Letter Agreement will govern. The costs associated with your Assignment will be subject to a Secondment Agreement between Western Union Company, LLC and Western Union International, LTD.

1. Compensation

A. Base Salary: Your base compensation will consist of an annualized base salary of \$437,750.00 USD gross or \$36,479.16 USD per month. You will remain on the United States Payroll during the length of your Assignment.

- B. Senior Executive Annual Incentive Plan:** During this Assignment you will continue to be eligible to participate in The Western Union Company's Senior Executive Annual Incentive Plan ("Plan") in accordance with its terms and conditions, and as determined by the Compensation and Benefits Committee of the Board of Directors of The Western Union Company (the "Compensation Committee"). Pursuant to the Plan, you may, but are not guaranteed to, receive an incentive bonus in an amount to be determined by the Compensation Committee in its sole discretion, in addition to your base salary, if all Plan criteria are satisfied and if specified levels of performance are attained. You acknowledge the discretionary character of such payments, in particular that such payments are determined by the Compensation Committee in its sole discretion and are also contingent upon attainment of specified levels of performance. You further acknowledge that eligibility for any such payments is contingent upon your executing an acknowledgement and acceptance of the terms and conditions applicable to your participation in the Plan. You acknowledge that participation in the Plan during any one year confers no rights upon you or any obligations on The Western Union Company to continue the Plan, or to make any payments of any kind, in succeeding years, even if the repeated payments are in the same or similar amount as in the previous year.

Your target incentive bonus for the 2011 calendar year under the Plan is 75% of your annualized base salary. Your target incentive bonus, if any, may change from year to year in the Compensation Committee's sole discretion. Payment of the incentive bonus, if any, will be made to you in the first quarter of the following year (e.g. the 2011 Plan payment, if any, will be made in the first quarter of the 2012 calendar year).

- C. Equity Compensation:** During your Assignment, you will remain eligible to participate in The Western Union Company 2006 Long-Term Incentive Plan ("LTIP"). All equity awards to you under the LTIP require the approval of the Compensation Committee and the acceptance by you of the terms and conditions of the award agreements. All your rights and obligations with respect to any LTIP awards granted to you are subject to the terms and conditions of the LTIP as well as the terms and conditions of the applicable award agreements.

2. **Benefits**

- A. Health Insurance Plans:** You will be enrolled in the CIGNA International Expatriate Plan. Western Union's International Benefits team will assist you in enrollment and answer any questions you may have regarding the program. Once enrolled you will have access to the CIGNA International Expatriate Plan online Member Services Center. This online resource offers a wide range of automated tools and information designed to help you use and understand your global benefits. Your CIGNA International Expatriate Plan administrator contact, Karen Thompson, Director Health and Life Benefits, can be contacted at +1.720.332.5354 or at karenthompson@westemunion.cpm.

B. Work Schedules/Holidays/Vacation: You will observe the work schedule in effect at your place of Assignment and will accrue vacation based on the Expatriate Policy (the greater of your U.S. vacation schedule or four weeks). Holidays will be observed in accordance with company business practices in the United Kingdom.

3. Relocation Benefits

You will be eligible for relocation benefits during the term of your Assignment as outlined below, provided that you are performing services in accordance with this Assignment or as otherwise directed by the Company on the date the relocation benefit or payment is scheduled to be made. Upon receipt of your signed acceptance of this Letter Agreement, Weichert Relocation Resources, Inc. (WRRRI), Western Union's designated relocation company, will contact you to begin administering the relocation program. Amounts included below may constitute taxable income to you, but generally will not be taken into account as "compensation" for purposes of other company benefit plans. **You should take no action relating to your relocation until you have been contacted by your Relocation Specialist.**

- A. Relocation Allowance:** A relocation allowance of \$5,000.00 USD net will be paid to you immediately prior to your Assignment departure date. This amount will also be paid on your return provided you complete the course of your Assignment or return at a different time by mutual agreement with the Company. This amount will be paid to you as soon as administratively possible following your return to the U.S. (but in no event later than 60 days following the date you return to the U.S.).
- B. Work Permits/Visas:** If legal work authorization is required, it must be granted before you depart for the Host Country. WRRRI will coordinate assistance for you to obtain the proper visas/work permits for you and your family. To the extent that you pay any visas or passport filing/application fees personally, you will be reimbursed.
- C. Mobility Bonus:** You will receive a payment equal to one (1) month's base pay, less taxes, for each 12 months of your Assignment (pro-rated for periods of less than 12 months). The first payment of \$36,479.16 USD will be paid immediately prior to your departure, and subsequent payments will be made on or as soon as administratively practicable following each succeeding anniversary of your departure date.
- D. International Service Allowance (Goods & Services Allowance):** During the term of your Assignment, you will receive an International Goods and Service Allowance equal to \$4,769.42 USD per month which will be paid monthly, beginning with the month you move into your permanent residence in London. This allowance is intended to help compensate you for the higher cost of goods and services in England. The Goods and Service Allowance will increase to \$6,047.83 USD per month when your family joins you in 2012.

The monthly International Service Allowance will be reviewed on any change to your personal/family status in London. In the absence of any status change, the allowance will be reviewed twice annually, and may be adjusted in the Company's sole discretion to reflect an increase or decrease.

- E. Present Housing Arrangements:** Given your intended period of Assignment, the Company strongly recommends that you retain your present home. Should you choose to sell your home, all costs associated with that sale are your responsibility. Should you choose to keep your present home, the Company will reimburse you a monthly amount up to \$500.00 USD to cover incidental expenditures related to its maintenance and upkeep. You will need to submit to Weichert Relocation supporting documentation (i.e., copies of receipts/invoices) to substantiate the incidental maintenance expenses you incur. If you rent/lease a residence at the time you are offered and accept the Assignment, the Company will pay the costs associated with the 'early termination' of your current lease agreement.
- F. Shipment and Storage of Household Goods/Personal Effects:** WRR1 will be authorized to assist with the move of your household belongings to your new location. To expedite delivery of your goods, you will be entitled to an air shipment of up to 500 pounds (not to exceed 80 cubic feet) for items you need immediately at your new location. The remainder will be shipped via surface transportation. Your surface shipment allowance will be 5,000 pounds, not to exceed 715 cubic feet. If your spouse/partner is joining you on Assignment, the amount is raised to 7,500 cubic feet, not to exceed 1,070 cubic feet. Additional dependants will raise your allowance by 200 pounds, not to exceed 30 cubic feet, per dependant. When necessary, the Company will pay for storage and insurance for the remainder of your household goods during the time of your Assignment. The cost of Company-paid storage will be for reasonable and customary household and personal goods. In no event will excess food supplies, firewood, building supplies, farm machinery, cars, vans, boats, trailers, or airplanes be stored at the Company expense. Responsibility for costs of storing items not listed here will be determined on a case-by-case basis, at the Company's discretion.
- G. Automobile Shipment/Sale:** Because the Company will not pay for shipment or storage of your car(s) you will need to make arrangements to sell your car(s) or leave it/them with someone while you are overseas. Should you incur a forced sale loss on your car(s), the Company will partially reimburse you for this loss. The amount eligible for reimbursement will be the difference between the sales price of the car and the market value (based on published local data), up to a maximum of \$2,500 USD up to two cars. You must, however, secure more than one bid for your car and reimbursement will be based on the highest bid. If you choose to sell to a family member, you must secure bids from two dealers or private parties who are not members of your family as a basis for the forced sale loss reimbursement calculation. If the car is leased at the time you accept the move and you are assessed a penalty for early lease cancellation, the Company will reimburse for this cost.

- H. Household Pets:** The shipment of pets is strongly discouraged. In all likelihood, your Host Country will have very stringent animal quarantine regulations and a further quarantine period may be required for pets returning home from a foreign country. However, if you choose to take your pets with you on Assignment, the Company will pay for the cost of transporting up to two pets from your Home Country to your Host Country. Coordination, compliance with applicable laws, and costs other than transportation are your responsibility.
- I. Transportation to the Host Country:** The Company will reimburse the cost of a one-way business class ticket from the original location to the new location for you and your immediate family members. You will be reimbursed by submitting an expense report to WRRRI. This process will be explained in your consultation call with WRRRI, which will take place shortly after your acceptance and signature of this Letter Agreement.
- J. Temporary Living Expenses:** The Company will reimburse you for reasonable temporary living expenses while your goods are in transit for up to a total of 60 days after you are required to vacate your regular U.S. residence and or upon arrival in the Host Country.
- K. Destination Services:** WRRRI will coordinate with a Company designated vendor to assist you with house hunting and information/familiarization in the host location. The Company will pay up to the local equivalent of \$7,500 USD in agency fees.
- L. Housing Allowance:** The Company will provide and pay for the rental of an apartment in an area within reasonable commuting distance to the London office, not to exceed \$19,621 USD per month (exclusive of utilities) with a Utility Allowance not to exceed an average of \$1,091 USD per month. If you elect housing which results in a cost in excess of this allowance, you agree to pay the difference.
- M. Cross-Cultural Training/Language Training:** If required and approved, the Company will pay for and provide cross-cultural training assistance to you and your family as it relates to knowledge, awareness, and skills in understanding cultural differences in either a one or two day program. The Company will also, if required and approved, provide either in-house language training or training through an external vendor. Language training for you and your family will be for up to 60 hours, depending on the required proficiency level.
- N. Automobile:** The Company may select and provide you with an automobile deemed appropriate for your use in the Host Country. Insurance, maintenance, taxes, and registration costs for this vehicle will be borne by the Company. Fuel expenses are your responsibility. A local transportation allowance may be provided in lieu of an assigned automobile. If any Company-provided automobile is considered taxable income to you, it will not be taken into account as "compensation" for purposes of other Company benefit plans.

- O. Home Leave:** The Company will pay the round trip airfare for you and your family to visit the U.S. twice during each twelve-month period. Any days absent from work for specified home leave will count as vacation days. If you have dependent children attending a college or university outside the Host Country, the Company will pay for two roundtrips each year between the Host Country and the airport serving the college or university, in place of and not in addition to the home leave trip.
- P. Education:** Primary and secondary schooling: Local public (government funded) schools may not meet the needs for an education process which will prepare your children for re-entry into your local U.S. school system. The Company will pay the cost of private schooling for the local Host Country international schools that are adequate in the opinion of the Company. If you arrange for private schooling in excess of this, the difference in cost will be your responsibility.

4. Tax Reimbursement/Tax Services

During your Assignment, you will continue to be responsible for payment of U.S. Federal and state income taxes as if you remained in the U.S. in your home state. You will also be subject to UK income taxes on the income you earn while on Assignment. The Company's Tax Equalization Policy, as may be amended by the Company from time to time in its sole discretion, is intended to minimize the effect of higher UK income tax rates and leave you in a net after-tax position substantially equivalent to what you would experience if you were subject only to U.S. Federal and state income taxes during this period.

The process of calculating and withholding your income tax liability requires the Company to estimate your hypothetical U.S. Federal and state income tax liability, based on your total U.S. taxable income earned during the year for services provided to the Company (which includes base salary, bonus, mobility and other expatriate allowances, the vesting of restricted stock awards and stock option exercises). This hypothetical tax liability will be withheld from your pay and will reduce your take-home pay ratably throughout the year. Actual withholding for U.S. based employment taxes (FICA and FUTA) will also continue during your Assignment.

PricewaterhouseCoopers will assist in the filing of your U.S. Federal and state and foreign income tax returns. When your actual U.S. Federal and state tax returns are completed, PricewaterhouseCoopers will calculate your final theoretical (U.S.) tax liability. This amount will be similar to the hypothetical tax previously withheld, but will be revised to incorporate facts and amounts as reported in your actual U.S. income tax returns. This theoretical tax amount for the year involved is the amount you are responsible to pay. If the hypothetical tax amount previously withheld exceeds this amount, you will be refunded the excess within 60 days after completion of the tax equalization settlement calculation. If the hypothetical tax amount withheld is insufficient to cover this liability, you will be responsible to pay the difference to the Company within 60 days after completion of the tax equalization settlement. The Company will be responsible for payment of actual U.S. Federal and state and UK income taxes over and above your final theoretical U.S. tax liability as calculated by

PricewaterhouseCoopers. Remittance of actual tax amounts to either or both U.S. and UK tax authorities will be coordinated by the Company and PricewaterhouseCoopers.

If your employment terminates for any reason during your Assignment, tax equalization will end as of the date of termination and the theoretical U.S. tax will be calculated based as if you repatriated on the date of termination.

In no event shall the payments referenced in this paragraph 5 be made later than the deadline specified in the Western Union Tax Equalization Policy.

PricewaterhouseCoopers services are limited to tax advice directly related to your Assignment and do not extend to personal tax advice or financial planning.

5. Processing and Use of Employee Information

To manage the personal and employment administration aspects of your Assignment, the Company will need to process personal data relating to you. Therefore, the Company informs you that your personal data including the sensitive data if collected by the Company (the "Data"), which you provided to the Company or that it otherwise acquired in the course of the ordinary activity will be processed for correct execution, management and performance of this Agreement in force between you and the Company. The Data might be communicated, in connection with the above-mentioned purposes, to the Company, its subsidiaries, Affiliates, parent, and/or to third party service providers, also outside the European Union, which provide assistance and consultancy or other services to the Company, with particular reference, but without limitation, to accounting, administrative, legal, tax and financial issues. Such data processing will be performed by means of either manual, electronic or network instruments, or in any other manner that can ensure a safe processing and avoid any unauthorized access. A list of the subjects to whom your Data are or might be communicated will be made available upon request at the Company's offices. By executing this Agreement, you expressly authorize the transfer, also in non-EU countries, of your Data to the Company, its subsidiaries, Affiliates, parent, and/or third parties indicated above for the purposes listed in this Section. The Data will be kept secure and confidential in accordance with Company policy and national legislation. The Company will regularly update your Data with your assistance and at your request. You will retain the right of access to your Data and the right to have incorrect Data corrected. The Data provided will not be used for any marketing purposes.

6. Code of Conduct; and Compliance with Laws

You agree that you are bound by the provisions of The Western Union Company Code of Conduct ("Code of Conduct") and other rules, regulations and policies, as the Code of Conduct, rules, regulations and policies may be amended from time to time.

You also agree to perform all aspects of your job in accordance with all applicable laws, both in the U.S. and the UK to strictly follow all workplace safety rules, to protect the property of the Company, to maintain the highest standards of personal and professional ethics, to actively participate in training arranged by the Company, and to continue to develop and improve your professional skills.

7. Termination

If the Company terminates your Assignment while you are abroad, you will be repatriated in accordance with the terms of the Expatriate Policy. If you are living in Company-paid leased housing, you agree to vacate the housing within 30 days of your termination of employment. Termination of employment will require immediate settlement of all outstanding tax, travel and other advances.

8. Employment at Will

This Letter Agreement does not constitute a contract or promise of employment for any specific period or duration. You remain an employee "at will" and either you or the Company may terminate the employment relationship at any time, with or without cause or notice.

9. Severability, and Governing Law

In the event any provision of this Letter Agreement is deemed unenforceable, you agree that a court of competent jurisdiction shall have jurisdiction to reform such provision to the extent necessary to cause it to be enforceable to the maximum extent permitted by law. The provisions in this Letter Agreement are severable, and if any provision is determined to be prohibited or unenforceable in any jurisdiction, the remaining provisions shall nevertheless be binding and enforceable. The parties agree that the laws of Colorado shall apply to this Letter Agreement, without respect to its rules concerning conflict of laws. By signing this Letter Agreement, you consent to the exclusive jurisdiction of the U.S. Federal District Court in Denver, Colorado, in connection with the resolution of any disputes related to your employment, this Letter Agreement, or your Assignment. To the extent that you have or may have legal rights under the laws of UK you agree that you waive any such rights.

10. Amendments

Any modifications to the terms of this Letter Agreement must be memorialized in writing and signed by both you and the Company.

11. Entire Agreement and Survivability

You acknowledge that this Letter Agreement is supplemental to, and does not supersede, any non-solicitation, non-compete, non-disclosure, confidentiality or other agreement that you may have signed while employed with the Company, its parent The Western Union Company, and their affiliates and subsidiaries. In addition to this paragraph, the following paragraphs survive the termination of this Letter Agreement: Processing and Use of Employee Information; Code of Conduct and Compliance with Laws; Termination; Severance; Employment at Will, Severability and Governing Law; and Other Agreements and Survivability.

12. Paragraph Headings

The paragraph headings in this Letter Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

We are providing you a copy of the Expatriate Policy with this Letter Agreement. If you have any questions regarding the information in that Policy, please contact Eileen Gibson, Global Mobility at (720) 332-0283 or (314) 825-2408.

Your assignment counselor at WRRRI is also available to answer any questions that you may have regarding your relocation. You will be contacted by WRRRI shortly, but for your reference or should you have any immediate questions Geraldine Briscoe will be your point of contact. She can be reached at +1.973.290.5725 or gbriscoe@wrrri.com

13. Confidentiality

You acknowledge that the terms of this Expatriate Letter Agreement are strictly confidential, and you agree not to disclose, communicate or otherwise publicize the terms to anyone (except for your immediate family, professional advisors and the relevant tax authorities).

14. Post Contractual Non-Compete

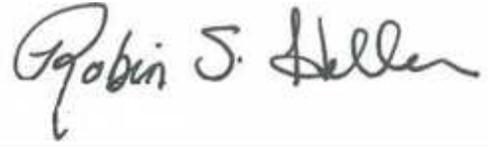
For a period of 12 months from the termination of your employment relationship with the Company, you may not engage in any activity, whether independently or otherwise, in the Company's line of business.

Sincerely,



Hikmet Ersek
Chief Executive Officer

I hereby agree and accept this Assignment under the terms and conditions set forth in this Letter Agreement and the Company's policies as described in the Expatriate Policy, a copy of which I have received, read, and understand. I also understand that this Letter Agreement is not a contract of employment and that my employment with the Company is at will and may be terminated by me or the Company at any time.



Robin S. Heller

12-20-11

Date

A signed copy of this document (PDF or paper copy) should be sent to Eileen Gibson, W.U. Global Mobility at Eileen.Gibson@westernunion.com for relocation services to be initiated.



Grover N. Wray | Executive Vice President, Human Resources

December 22, 2010

Mr. Raj Agrawal

6929 South Odessa Street
Aurora, CO 80016

Dear Raj:

In the event of your termination of employment for an eligible reason under the terms of The Western Union Company Severance Policy (Banded Executive Level) (the "Policy"), you will be eligible to receive severance pay equal to the sum of your current annual base salary and your current annual target bonus (the "Severance Pay"). The Severance Pay will be payable in 24 semi-monthly installments consistent with the Company's payroll practices during the twelve month period beginning on your termination date. In addition, you will be eligible to receive termination pay equal to 50 percent of the total gross amount of your Severance Pay (the "Termination Pay"). The Termination Pay will be payable in 12 semi-monthly installment payments consistent with the Company's payroll practices beginning on the first payroll date following your final installment of Severance Pay. In order to receive the Severance Pay and the Termination Pay, you will be required to sign an Agreement and Release (in a form satisfactory to the Company and standard for a U.S. executive at your level) which will include restrictive covenants and a comprehensive release of all claims. In the event you become eligible to receive the Severance Pay and Termination Pay, you also will be eligible to receive a prorated payment of your total target bonus under the Company's Performance Incentive Plan ("Bonus Plan") for the year of your termination (prorated through the number of days you are employed in such year), less lawful withholding and subject to the terms of the Bonus Plan.

The terms of this letter will be construed, administered or deemed amended as necessary to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") to avoid taxation under Code Section 409A(a)(1) to the extent subject to Code Section 409A. However, under no circumstances will The Western Union Company or its subsidiaries or affiliates or any of their employees, officers, directors, service providers or agents have any liability to you for any taxes, penalties or interest due on amounts paid or payable under this letter, including any taxes, penalties or interest imposed under Code Section 409A. The Severance Pay and the Termination Pay are intended to be exempt from Code Section 409A to the maximum extent possible, first, to the extent such payments are scheduled to be paid and are in fact paid during the short-term deferral period, as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and then under the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii), and for this purpose each payment shall be considered a separate payment such that the determination of whether a payment qualifies as a short-term deferral shall

| 12500 East Belford Avenue | Englewood, Colorado 80112 | 720.332.5995 | 720.332.8211 fax

be made without regard to whether other payments so qualify and the determination of whether a payment qualifies under the separation pay exemption shall be made without regard to any payments which qualify as short-term deferrals. To the extent any amounts under this letter are payable by reference to your "termination of employment," such term shall be deemed to refer to your "separation from service," within the meaning of Code Section 409A. Notwithstanding the foregoing, if you are a "specified employee," as defined in Section 409A of the Code, as of the date of your separation from service, then to the extent any amount payable under this letter (i) constitutes the payment of nonqualified deferred compensation within the meaning of Code Section 409A, (ii) is payable upon your separation from service and (iii) under the terms of this letter would be payable prior to the six-month anniversary of your separation from service, such payment shall be delayed until the six-month anniversary of your separation from service.

Sincerely,



12/22/10

Grover N. Wray
EVP Human Resources

Date

I hereby agree to and accept the terms of this letter agreement.



12/23/2010

Raj Agrawal, SWP GM WUBS

Date

cc: Sally Sommers
Steve Christofferson
Dennis Leonard



January 9, 2012

Rajesh K. Agrawal
6929 South Odessa Street
Aurora, CO 80016

Dear Raj:

This shall serve to confirm that, effective as of the date of this letter, your agreement with The Western Union Company dated December 22, 2010 (and signed by you on December 23, 2010) (the "Agreement") addressing certain severance and termination pay matters is terminated and shall have no further force or effect.

Please acknowledge your acceptance of the termination of the Agreement in accordance with the terms of this letter by signing where indicated below.

Sincerely,

A handwritten signature in cursive script that reads "Paula Larson".

Paula Larson
Executive Vice President, Human Resources
The Western Union Company

I hereby acknowledge and agree that, effective as of the date of this letter, the Agreement is terminated and shall have no further force or effect.

A handwritten signature in cursive script that reads "Rajesh K. Agrawal".

Rajesh K. Agrawal

1/15/2012

Date

THE WESTERN UNION COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(unaudited)
(in millions)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Earnings:					
Income before income taxes	\$ 1,274.6	\$ 1,145.2	\$ 1,131.5	\$ 1,238.7	\$ 1,222.4
Fixed charges	182.9	178.0	172.8	184.8	204.1
Other adjustments	<u>2.6</u>	<u>(3.1)</u>	<u>(0.9)</u>	<u>(4.6)</u>	<u>1.2</u>
Total earnings (a)	<u>\$ 1,460.1</u>	<u>\$ 1,320.1</u>	<u>\$ 1,303.4</u>	<u>\$ 1,418.9</u>	<u>\$ 1,427.7</u>
Fixed charges:					
Interest expense	\$ 181.9	\$ 169.9	\$ 157.9	\$ 171.2	\$ 189.0
Other adjustments	<u>1.0</u>	<u>8.1</u>	<u>14.9</u>	<u>13.6</u>	<u>15.1</u>
Total fixed charges (b)	<u>\$ 182.9</u>	<u>\$ 178.0</u>	<u>\$ 172.8</u>	<u>\$ 184.8</u>	<u>\$ 204.1</u>
Ratio of earnings to fixed charges (a/b)	8.0	7.4	7.5	7.7	7.0

For purposes of calculating the ratio of earnings to fixed charges, earnings have been calculated by adding income before income taxes, fixed charges included in the determination of income before income taxes and distributions from equity method investments, and then subtracting income from equity method investments. Fixed charges consist of interest expense and an estimated interest portion of rental expenses and income tax contingencies, which are included as a component of income tax expense.

LIST OF THE WESTERN UNION COMPANY SUBSIDIARIES

(as of December 31, 2011)

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
A. Serviban S.A.	Peru
American Rapid Corporation	Delaware, USA
Angelo Costa International Ltd.	Ireland
Angelo Costa Spain S.A.	Spain
Banco Western Union do Brasil S.A.	Brazil
Cambitur International, S.A.	Spain
CHL Management Services Limited Partnership	Canada
Custom House (Retail) Ltd.	Canada
Custom House (NZ) Ltd.	New Zealand
Custom House (Online) Ltd.	Canada
Custom House (USA) Ltd.	Washington, USA
Custom House Currency Exchange (Australia) Pty. Limited	Australia
Custom House Currency Exchange (Singapore) Pte. Limited	Singapore
Custom House Holdings (USA) Ltd.	Washington, USA
Custom House Financial (UK) Limited	United Kingdom
Custom House S.p.A.	Italy
Custom House ULC	Canada
Custom House Ventures ULC	Canada
Custom House Financial Ltd.	Canada
E Commerce Group Products Inc.	New York, USA
E Commerce Group, Inc.	New York, USA
Western Union Holding (Bermuda) Ltd.	Bermuda
Western Union (Bermuda) Holding Finance Ltd.	Bermuda
Western Union Management (Bermuda) Limited	Bermuda
Finint Partecipazioni SRL	Italy
Finint SRL	Italy
Finint UK Ltd.	United Kingdom
First Financial Management Corporation	Georgia, USA
Global Collection Services, S.A.	Argentina
Grant Financial Group, Inc.	California, USA
Grupo Dinámico Empresarial, S.A. de C.V.	Mexico
LawNet, Inc.	New York, USA
LegalTech, Inc.	New York, USA
MSR Marketing Services GmbH	Austria
MT Caribbean Holdings SRL	Barbados
MT Global Holdings Ltd.	Bermuda
MT Group Ltd.	Bermuda
MT Holdings (Bermuda) Ltd.	Bermuda
MT International Holdings, Ltd.	Bermuda
MT International Operations Ltd.	Bermuda
MT International Operations Partnership	Bermuda
MT Network Holdings Ltd.	Bermuda
MT Payment Services Operations EU/EEA Limited	Ireland
MT Processing Holdings Ltd.	Bermuda

MT Worldwide Holdings Ltd.	Bermuda
On Time AG	Switzerland
Operaciones Internacionales OV, S. de R.L. de C.V.	Mexico
Orlandi de Mexico S.A. de C.V.	Mexico
PayBills.com Inc.	New York, USA
Paymap Inc.	Delaware, USA
Red Global SA	Argentina
RII Holdings, Inc.	Delaware, USA
Ruesch Holdings, Inc.	Delaware, USA
Ruesch International, Inc.	Delaware, USA
Ruesch International LLC	Delaware, USA
Servicio Electrónico de Pago S.A.	Argentina
Servicio Integral de Envios, S. de R.L. de C.V.	Mexico
Servicios de Apoyo GDE, S.A. de C.V.	Mexico
Societe Financiere de Paiements S.A.S.	France
SpeedPay, Inc.	New York, USA
The Western Union Real Estate Holdings LLC	Delaware, USA
Transfer Express de Panama S.A.	Panama
Travelex Financial Services Malta Limited	Malta
Travelex GBP Australia Pty Limited	Australia
Travelex GBP Hong Kong Limited	Hong Kong
Travelex GBP Investments Ltd.	United Kingdom
Travelex GBP Japan KK	Japan
Travelex GBP Prague, SRO	Czech Republic
Travelex GBP (SA) Limited	United Kingdom
Travelex Global Business Payments, Inc.	Delaware, USA
Travelex Global Business Payments Limited	United Kingdom
Travelex Global Financial Services (Singapore) Pte Ltd.	Singapore
Travelex Malta Holdings Limited	Malta
Travelex Malta Limited	Malta
Travelex Payments Limited	United Kingdom
Travelex Singapore Pte Limited	Singapore
Union del Oeste de Costa Rica SRL	Costa Rica
Vigo Remittance Canada Company	Nova Scotia, Canada
Vigo Remittance Corp.	Delaware, USA
Vigo Remittance España SA	Spain
Vigo UK Limited	United Kingdom
Western Union Acquisition Partnership	Australia
Western Union Benelux MT Ltd.	Ireland
Western Union Chile Limitada	Chile
Western Union Communications, Inc.	Delaware, USA
Western Union Corretora de Cambio S.A.	Brazil
Western Union Deutschland GbR	Germany
Western Union do Brasil Participacoes Limitada	Brazil
Western Union do Brasil Servicos e Participacoes Ltda.	Brazil
Western Union (Hellas) International Holdings S.A.	Greece
Western Union Holding (Bermuda) Ltd. & Co. OG	Austria
Western Union Financial Holdings L.L.C.	New York, USA
Western Union Financial Services Argentina SRL	Argentina
Western Union Financial Services (Australia) PTY Ltd.	Australia
Western Union Financial Services (Belgium) SPRL	Belgium
Western Union Financial Services (Canada), Inc.	Ontario, Canada

Western Union Financial Services Eastern Europe LLC	Delaware, USA
Western Union Financial Services International (France) SARL	France
Western Union Financial Services GmbH	Austria
Western Union Financial Services (Hong Kong) Limited	Hong Kong
Western Union Financial Services (Italia) SRL	Italy
Western Union Financial Services (Korea) Inc.	Korea
Western Union Financial Services (Luxembourg) SARL	Luxembourg
Western Union Financial Services, Inc.	Colorado, USA
Western Union GB Limited	United Kingdom
Western Union Global Network Pte. Limited	Singapore
Western Union Holdings, Inc.	Georgia, USA
Western Union International Bank GmbH	Austria
Western Union International Ltd.	Ireland
Western Union Ireland Holdings Limited	Ireland
Western Union Italy Holdings SRL	Italy
Western Union, LLC	Colorado, USA
Western Union (Malaysia) SBN BHD	Malaysia
Western Union Morocco SARL	Morocco
Western Union MT East	Russian Federation
Western Union Network (Bermuda) Limited	Bermuda
Western Union Network (Canada) Company	Nova Scotia, Canada
Western Union Network (France) SAS	France
Western Union Network (Ireland) Limited	Ireland
Western Union Northern Europe GmbH	Germany
Western Union Online Limited	Ireland
Western Union Operations (UK) Ltd.	United Kingdom
Western Union Overseas Limited	Ireland
Western Union Peru SAC	Peru
Western Union Payment Services Ireland Limited	Ireland
Western Union Payment Services Network (Canada) ULC	Canada
Western Union Payment Services Network EU/EEA Limited	Ireland
Western Union Payment Services UK Limited	United Kingdom
Western Union Processing Ltd.	Ireland
Western Union Processing Lithuania, UAB	Lithuania
Western Union Provision of Marketing & Advertising Services (Hellas) MEPE	Greece
Western Union Regional Panama S.A.	Panama
Western Union Retail Services Belgium	Belgium
Western Union Retail Services Norway AS	Norway
Western Union Retail Services Ireland Limited	Ireland
Western Union Retail Services GB Limited	United Kingdom
Western Union Retail Services RO SRL	Romania
Western Union Retail Services Spain S.A.	Spain
Western Union Retail Services SRL	Italy
Western Union Retail Services Sweden AB.	Sweden
Western Union Retail Services Switzerland AG	Switzerland
Western Union Holding (Netherlands) C.V.	Netherlands
Western Union Luxembourg Holdings 1 SARL	Luxembourg
Western Union Luxembourg Holdings 2 SARL	Luxembourg
Western Union Luxembourg Holdings 3 SARL	Luxembourg
Western Union Luxembourg Holdings 4 SARL	Luxembourg
Western Union Services, Inc.	Maryland, USA
Western Union Services India Private Limited	India

Western Union Services (Philippines) Inc.
Western Union Services Singapore Private Limited
Western Union Services S.L.
Western Union Services (Spain) S.L.
Western Union Settlement Holdings Limited
Western Union Singapore Limited
Western Union Support Services (Nigeria) Limited
Western Union Consulting Services (Beijing), Co., Ltd.
WU BP Peru SRL

Philippines
Singapore
Spain
Spain
Ireland
Bermuda
Nigeria
China
Peru

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statements (Form S-3 Nos. 333-170967 and 333-170410) of The Western Union Company, and
- (2) Registration Statement (Form S-8 No. 333-137665) pertaining to The Western Union Company 2006 Long-Term Incentive Plan, The Western Union Company 2006 Non-Employee Director Equity Compensation Plan, and The Western Union Company Supplemental Incentive Savings Plan;

of our reports dated February 24, 2012, with respect to the consolidated financial statements and schedule and the effectiveness of internal control over financial reporting of The Western Union Company included in this Annual Report (Form 10-K) of The Western Union Company for the year ended December 31, 2011.

/s/ Ernst & Young LLP

Denver, Colorado
February 24, 2012

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Hikmet Ersek, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Western Union Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ H IKMET E RSEK

Hikmet Ersek
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Scott T. Scheirman, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Western Union Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ S COTT T. S CHEIRMAN

Scott T. Scheirman
Executive Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The certification set forth below is being submitted in connection with the Annual Report of The Western Union Company on Form 10-K for the period ended December 31, 2011 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Hikmet Ersek and Scott T. Scheirman certify that, to the best of each of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of The Western Union Company.

Date: February 24, 2012

/s/ H IKMET E RSEK

Hikmet Ersek
President and Chief Executive Officer

Date: February 24, 2012

/s/ S COTT T. S CHEIRMAN

Scott T. Scheirman
Executive Vice President and Chief Financial Officer