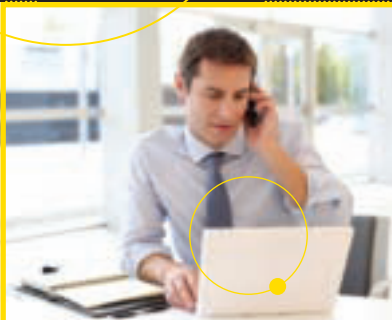
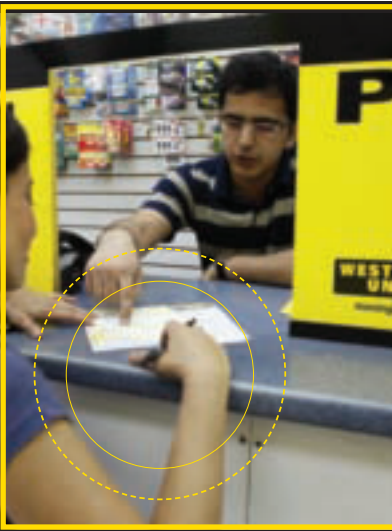




NOTICE OF 2014 ANNUAL MEETING
OF STOCKHOLDERS, PROXY STATEMENT
AND 2013 ANNUAL REPORT

**WESTERN
UNION** **WU**

MOVING MONEY FOR BETTER

A SNAPSHOT OF 2013

\$5.5 billion
in revenue

more than
100,000 b2b
customers

more than
500,000 agent
locations worldwide

\$1.1 billion cash flow
from operating activities



\$671 million
returned to shareholders
through dividends,
share repurchases

\$82 billion
principal moved
between consumers

29 transactions
per second on average

65% increase
in wu.com
money transfer transactions*

*Compared to a 41% increase in wu.com money transfer transactions in 2012. In 2013 wu.com money transfer transactions represented 3% of The Western Union Company's total revenue.

DEAR FELLOW SHAREHOLDERS,



Worldwide, many people have unmet financial service needs. At Western Union, it's our goal to meet those needs—through providing new, innovative solutions.

At Western Union, our customers are at the center of everything we do.

Our customers are people like Aurelia, who works a demanding job caring for elderly people in Italy so she can send money to her mother back home in Romania. They are people like George, who uses wu.com to send money every payday from the U.S. to multiple family members in the Philippines. They are people like Gary, a businessman in California who uses Western Union Business Solutions to pay invoices in Hungarian forints and euros.

While these stories are representative of the many people who use our services—millions of consumer money transfer senders and more than 100,000 business customers in 2013—our definition of a customer is much broader.

Our customers are travelers who lack options for accessing their money overseas. They are non-governmental organizations that have difficulty getting funds to the people and places that need it most. They are people who prefer using cash to pay their bills.

Worldwide, many people have unmet financial service needs. At Western Union, it's our goal to meet those needs—through providing new, innovative solutions.

No matter who our customer is, each has a voice. Our customers are telling us what they want, what they need.

We're listening, and we're taking action.

Our vision

Western Union has a strong foundation to deliver cross-border, cross-currency money transfer services to customers and businesses around the globe.

We have an extensive network, including more than 500,000 agent locations in more than 200 countries and territories. We have a strong global brand, tailored solutions for businesses, and compliance and regulatory capabilities that allow us to operate in a complex environment.

We have a growing digital business, and believe we are well-positioned to connect the digital and physical worlds for our customers.

Our vision is to be a recognized leader in providing innovative solutions, high service levels, and omni-channel integration for cross-border, cross-currency money transfer.

Last year, we continued to invest to improve our business for the future.

We focused our strategies on strengthening our consumer money transfer business, increasing customers and usage in business-to-business, and generating and deploying strong cash flow for our shareholders.

Strengthening our consumer-to-consumer business

In 2013, our 10,000 employees and the more than 1 million front-line associates at our agent locations continued a relentless pursuit of understanding our customers' needs, implementing a wide variety of changes in response.

Beginning in late 2012 and continuing in the first half of last year, we implemented a series of price reductions in key corridors to regain momentum with our customers. These actions delivered the transaction growth we expected, with significant improvement in the second half of 2013.

We also continued to expand our options for sending or receiving money, with more transactional websites, mobile money transfer services, and capabilities to move money directly to or from a bank account in certain countries.

At the end of 2013, we offered our services at more than 100,000 ATMs across the world. We now have 19 active mobile money transfer connections in 17 countries, wu.com transactional sites in more than 20 countries, and customers can use our mobile app in the U.S. and Australia to send money around the globe. In addition, we have agreements with more than 75 banks to offer our account-based money transfer service.

We continued to add strategic new agent relationships last year, including Banorte in Mexico, Alexandria Bank in Egypt, Riyad Bank in Saudi Arabia, and Walgreens in the U.S. We also renewed and expanded our agreement with La Banque Postale in Europe, one of our largest agents.

Consumer-to-consumer transactions increased 5% for the year, with 9% growth in the fourth quarter. Revenue declined 3%, as expected, primarily due to the pricing actions we began in late 2012. Electronic channels delivered strong growth, with revenue increasing 25% for the year, representing 5% of our overall revenue in 2013.

Increasing customers and usage in business-to-business

We're also listening to small- and medium-sized enterprises (SMEs), which have different—but equally important—needs than consumers.

Last year, we introduced a variety of new products and services, including a new cash management dashboard tool for SMEs, new services for non-governmental organizations and options and forwards products in additional markets.

We significantly expanded our services in India and Japan, and we increased offerings for cross-border tuition payments in several countries, including China, India and South Korea.

These services contributed to a 7% revenue increase in our Business Solutions segment last year, and allowed us to meet some of the real and growing needs of our customers to better manage their cash flows and foreign-currency exposures.

Business Solutions now offers cross-border payments in 32 countries and represented 7% of our overall revenue in 2013.

Generating and deploying strong cash flow for shareholders

One of the great qualities of our business model is our ability to generate strong cash flow. Although 2013 was an investment year, with pricing, compliance and other strategic investments, the company once again generated more than \$1 billion of cash flow from operating activities.

In 2013, Western Union returned \$671 million to shareholders through share repurchases and dividends.

Our commitment to customers and society

We are listening to our customers in other ways, too. We continue to implement compliance and fraud-prevention enhancements around the world to protect our customers and their hard-earned money. We believe this commitment will make us stronger over the long term.

We also are committed to giving back to the communities where our services are offered. In 2013, the Western Union Foundation gave approximately \$8 million to causes supporting education and disaster-relief efforts around the world.

The future

We remain focused on executing our strategic priorities to return our business to stronger revenue and profit growth.

We will continue to be proactive—anticipating, adapting to and addressing the ever-changing needs of our customers, always striving to stay one step ahead.

In 2014, this means continuing to strengthen our consumer money transfer business, with an emphasis on digital expansion, to drive strong growth in Business Solutions, and to generate and deploy strong cash flow for our shareholders.

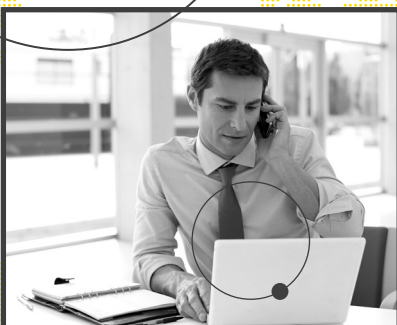
We have a clear vision and a solid foundation for growth. We have millions of loyal customers. And, we have passionate, hard-working colleagues around the globe. We are focused on executing our vision and creating long-term value for our shareholders.

Thank you for your commitment to Western Union and, most importantly, to our customers!



HIKMET ERSEK
President, Chief Executive Officer and Director

April 2, 2014



**WESTERN
UNION** **WU**

MOVING MONEY FOR BETTER



THE WESTERN UNION COMPANY

12500 East Belford Avenue
Englewood, CO 80112

April 2, 2014

Dear Stockholder:

You are cordially invited to attend the 2014 Annual Meeting of Stockholders (the "Annual Meeting") of The Western Union Company (the "Company"), to be held at 8:00 a.m., local time, on Friday, May 16, 2014, at 505 Fifth Avenue, 7th Floor, New York, NY 10017. A registration desk will open at 7:30 a.m.

The attached notice and Proxy Statement contain details of the business to be conducted at the Annual Meeting. In addition, the Company's 2013 Annual Report, which is being made available to you along with the Proxy Statement, contains information about the Company and its performance. Directors and officers of the Company will be present at the Annual Meeting.

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

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

Regards,

Hikmet Ersek
President, Chief Executive Officer and Director



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THE WESTERN UNION COMPANY

12500 East Belford Avenue
Englewood, CO 80112
(866) 405-5012

Notice of Annual Meeting of Stockholders

TO BE HELD MAY 16, 2014

NOTICE IS HEREBY GIVEN that the 2014 Annual Meeting of Stockholders (the "Annual Meeting") of The Western Union Company, a Delaware corporation (the "Company"), will be held at 8:00 a.m., local time, on Friday, May 16, 2014, at 505 Fifth Avenue, 7th Floor, New York, NY 10017, for the following purposes:

1. Elect Dinyar S. Devitre, Hikmet Ersek, Jack M. Greenberg, Betsy D. Holden, Linda Fayne Levinson, Frances Fragos Townsend, and Solomon D. Trujillo to serve as members of the Company's Board of Directors until the Company's 2015 Annual Meeting of Stockholders.
2. Hold an advisory vote to approve executive compensation.
3. Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014.
4. Vote on the stockholder proposals described in the accompanying Proxy Statement, if properly presented at the 2014 Annual Meeting.
5. Transact any other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

The Board of Directors recommends the following votes:

- **FOR** the election of all the nominees for the Board of Directors.
- **FOR** the approval of a resolution to approve, on an advisory basis, the compensation of the Company's named executive officers, as described in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure, set forth in the accompanying Proxy Statement.
- **FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014.
- **AGAINST** the stockholder proposals described in the accompanying Proxy Statement, if properly presented at the 2014 Annual Meeting.

Our stockholders of record on March 20, 2014 are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement that may take place. A list of stockholders entitled to vote at the Annual Meeting will be available for the examination by any stockholder at the Annual Meeting and for ten days prior to the Annual Meeting at our principal executive offices located at 12500 East Belford Avenue, Englewood, CO 80112.

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

Your vote is extremely important. We appreciate your taking the time to vote promptly. After reading the Proxy Statement, please vote, at your earliest convenience, by telephone or Internet, or request a proxy card to complete, sign, and date and return by mail. If you decide to attend the Annual Meeting and would prefer to vote by ballot, your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted. YOUR SHARES CANNOT BE VOTED UNLESS YOU VOTE BY: (i) TELEPHONE; (ii) INTERNET; (iii) REQUESTING A PAPER PROXY CARD TO COMPLETE, SIGN, AND DATE AND RETURN BY MAIL; OR (iv) ATTENDING THE ANNUAL MEETING AND VOTING IN PERSON. Please note that all votes cast via telephone or the Internet must be cast prior to 11:59 p.m., Eastern Time on Thursday, May 15, 2014.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "John R. Dye".

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

April 2, 2014

YOUR VOTE IS IMPORTANT

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

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Proxy Summary

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

2014 Annual Meeting of Stockholders

Date and Time: May 16, 2014 at 8:00 a.m. local time	Place: 505 Fifth Avenue, 7th Floor, New York, NY 10017
Record Date: March 20, 2014	

Meeting Agenda and Voting Matters

Item	Management Proposals	Board Vote Recommendation	Page Reference (for more detail)
1	Election of the Seven Directors Named in this Proxy Statement	FOR each director nominee	14
2	Advisory Vote to Approve Executive Compensation	FOR	72
3	Ratify the Appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014	FOR	74

Item	Stockholder Proposals	Board Vote Recommendation	Page Reference (for more detail)
4	Stockholder Proposal Regarding Stockholder Action by Written Consent	AGAINST	75
5	Stockholder Proposal Regarding Political Contributions	AGAINST	78
6	Stockholder Proposal Regarding New Board Committee	AGAINST	81

Members of Our Board of Directors

Director	Age	Director Since	Independent	Committee Memberships
Dinyar S. Devitre	66	2006	Yes	AC, CGC♦, CC
Hikmet Ersek	53	2010	No	CC ⁺
Richard A. Goodman	65	2012	Yes	AC♦, CBC
Jack M. Greenberg★	71	2006	Yes	CC♦
Betsy D. Holden	58	2006	Yes	CBC♦, CGC
Linda Fayne Levinson	72	2006	Yes	AC, CGC
Roberto G. Mendoza	68	2006	Yes	AC, CBC
Michael A. Miles, Jr.	52	2006	Yes	AC, CC
Wulf von Schimmelmann	67	2009	Yes	CGC
Frances Fragos Townsend	52	2013	Yes	CC
Solomon D. Trujillo	62	2012	Yes	CBC

★ - Chairman of the Board
AC - Audit Committee
CBC - Compensation and Benefits Committee
CGC - Corporate Governance and Public Policy Committee
CC - Compliance Committee
♦ - Committee Chair
⁺ - Non-voting Member

Information about our Board and Committees (Page 7)

	Number of Members	Independence	Number of Meetings During Fiscal Year 2013
Full Board	11	91%	8
Audit Committee	5	100%	11
Compensation and Benefits Committee	4	100%	6
Corporate Governance and Public Policy Committee	4	100%	9
Compliance Committee	5	100% of voting members	8

Governance Highlights (Page 15)

- ✓ Annual Election of Directors (approved by stockholders in 2012; phase-in began in 2013)
- ✓ Proxy Access
- ✓ Majority Vote in Standard Uncontested Elections
- ✓ Stockholder Right to Call Special Meetings
- ✓ No Stockholder Rights Plan ("Poison Pill")
- ✓ No Supermajority Voting Provisions in the Company's Organizational Documents
- ✓ Independent Board, except our Chief Executive Officer
- ✓ Independent Non-Executive Chairman
- ✓ Independent Board Committees
- ✓ Confidential Stockholder Voting
- ✓ Committee Authority to Retain Independent Advisors
- ✓ Robust Codes of Conduct
- ✓ Stock Ownership Guidelines for Senior Executives and Directors
- ✓ Prohibition on Pledging and Hedging of Company Stock by Senior Executives and Directors
- ✓ Stockholder Engagement

Core Components of Executive Compensation (Page 43)

- Base Salary - Fixed compensation component payable in cash
- Annual Incentive Awards - Variable compensation component payable based on performance against annually established performance objectives
- Performance Based Restricted Stock Units - Stock units that vest based on the Company's achievement of financial performance objectives and are subject to a relative total shareholder return performance measure
- Stock Options - Nonqualified stock options that expire ten years after grant and become exercisable in 25% annual increments over a four-year vesting period

Key Features of Our Executive Compensation Program (Page 33)

What We Do:

- ✓ **Pay-for-performance.** A significant percentage of targeted annual compensation is delivered in the form of variable compensation that is connected to actual performance. For 2013, variable compensation comprised approximately 88% of the targeted annual compensation for the Chief Executive Officer and, on average, 78% of the targeted annual compensation for the other named executive officers.
- ✓ **Linkage between performance measures and strategic objectives.** Performance measures for incentive compensation are linked to both strategic and operating objectives designed to create long-term stockholder value and to hold executives accountable for their individual performance and the performance of the Company.
- ✓ **Emphasis on future pay opportunity vs. current pay.** In 2013, all of the long-term incentive awards delivered to our named executive officers were in the form of equity-based compensation and the Senior Executive Annual Incentive Plan (the "Annual Incentive Plan") design included a restricted stock unit component to be delivered if the Company achieved 2013 strategic objectives.
- ✓ **Outside compensation consultant.** The Compensation and Benefits Committee (the "Compensation Committee" or the "committee") retains its own compensation consultant to review the Company's executive compensation program and practices.
- ✓ **"Double trigger" in the event of a change-in-control.** In the event of a change-in-control, severance benefits are payable only upon a "double trigger."
- ✓ **Maximum payout caps for annual cash incentive compensation and performance-based restricted stock unit awards.**
- ✓ **"Clawback" Policy.** The Company may recover incentive compensation paid to an executive officer that was calculated based upon any financial result or performance metric impacted by fraud or misconduct of the executive officer.
- ✓ **Robust stock ownership guidelines.** Executives are required to hold stock equal to a multiple of five times salary for our Chief Executive Officer and two times salary for each other named executive officer. Fifty percent of after-tax shares received as equity compensation must be retained until an executive meets the stock ownership guideline.

What We Don't Do:

- ✗ **No change-in-control tax gross ups.** We do not provide change-in-control tax gross ups to individuals promoted or hired as executive officers after April 2009.
- ✗ **No repricing or buyout of underwater stock options.** None of our equity plans permit the repricing or buyout of underwater stock options or stock appreciation rights, except in connection with certain corporate transactions involving the Company.
- ✗ **Prohibition against employee and director pledging and hedging of Company securities.**
- ✗ **No dividends or dividend equivalents accrued or paid on performance-based restricted stock unit awards or time-based restricted stock unit awards.**

Recent Compensation Actions

In late 2012, the Company began implementing pricing and other strategic investments designed to position the Company for future growth. In evaluating the 2013 design of the Company's executive compensation program, the Compensation Committee considered that many of the strategic investments implemented by the Company beginning in late 2012 were expected to have a negative impact on 2013 financial performance. Accordingly, for 2013, many of the compensation decisions were designed to further align the program with the Company's mid- and long-term operating plans, increase participant accountability, and drive motivation and retention beyond 2013. These decisions included:

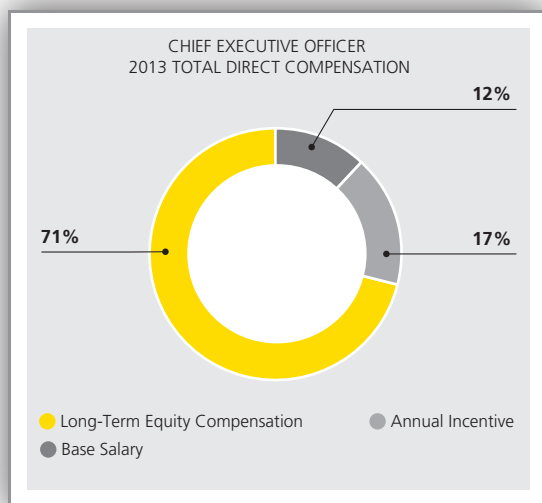
- **No Executive Base Salary Increases for 2013 or 2014:** There was no change in our named executive officers' base salary levels for 2013 or 2014 from levels effective March 2012.
- **No 2012 Chief Executive Officer Bonus:** Based on 2012 Company performance, our Chief Executive Officer did not receive a bonus in 2013.
- **2013 Annual Incentive Includes Restricted Stock Unit Component:** In 2013, we modified the Company's Annual Incentive Plan design to include individual and/or business unit performance objectives, and a restricted stock unit award to be granted based on the achievement of strategic objectives and a threshold operating income goal to further focus participants on the long-term performance of the Company.
- **2013 Long-Term Incentive Includes TSR Modifier:** We modified the Company's 2006 Long-Term Incentive Plan (the "Long-Term Incentive Plan") design to include 2013 and 2014 financial performance metrics, while still maintaining a longer-term perspective in the program with a total stockholder return ("TSR") payout modifier.
- **Realizable Compensation Lower than Reported Compensation:** Our named executive officers' realizable compensation has been lower than the compensation disclosed in our Summary Compensation Table for fiscal years 2011 to 2013. See the "2013 Realizable Compensation Table" on page 42.

Chief Executive Officer Compensation

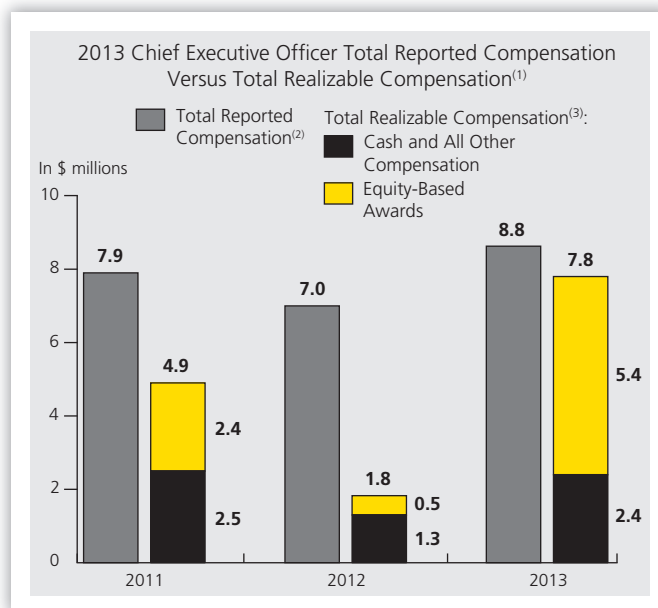
For 2013 performance, Mr. Ersek received a cash payout under the 2013 Annual Incentive Plan of 84% of target, as compared to no payout for 2012 performance. Because he is the leader of the Company, the Compensation Committee based Mr. Ersek's cash opportunity under the Annual Incentive Plan entirely on the achievement of corporate financial goals, as measured by total revenue and operating income. In 2013, the Compensation Committee adjusted the performance targets associated with these performance measures from the levels set in 2012 to reflect that many of the strategic actions implemented by the Company beginning in late 2012 were designed to position the Company for future growth, and were expected to have a negative impact on 2013 financial performance. The Company achieved revenue and operating income at 99.5% and 100.1% of target, respectively, for an overall cash payout achievement level of 84%.

Also, under the 2013 Annual Incentive Plan, Mr. Ersek had an opportunity to receive a restricted stock unit award for various levels of achievement of strategic performance objectives. Achievement of the Company's internal operating plan for these strategic objectives would result in a restricted stock unit payout equal to 25% of target and maximum achievement would result in a payout equal to 75% of target. Mr. Ersek substantially met key objectives in support of the Company's 2013 strategic objectives, as demonstrated by consumer-to-consumer transaction growth, revenue growth in electronic channels, and growth in business-to-business revenue described under "-Executive Summary-Business Overview", and "-The Western Union Executive Compensation Program – Annual Incentive Compensation," below in the Compensation Discussion and Analysis. Accordingly, the committee certified a restricted stock unit award payout under the 2013 Annual Incentive Plan of 17% of target, based on the Company's achievement of its strategic performance goals (versus a payout of 25% of target that would have been paid had the Company achieved its internal plan for its strategic performance goals).

The following chart demonstrates that variable, performance-based pay elements comprised approximately 88% of the targeted 2013 annual compensation for Mr. Ersek (consisting of target payout opportunity under the Annual Incentive Plan and stock option and performance-based restricted stock unit components under the Long-Term Incentive Plan). Pay is based on the annual base salary and target incentive opportunities applicable to Mr. Ersek as of December 31, 2013.



Since a significant portion of Mr. Ersek's compensation is both performance-based and "at risk," we are providing the following supplemental graph to demonstrate the difference between the compensation granted to Mr. Ersek as required to be reported by the Securities and Exchange Commission (the "SEC") rules in the 2013 Summary Compensation Table, and the compensation "realizable" by him for 2011 to 2013. For each of the years reported, the compensation "realizable" by Mr. Ersek is lower than the amount required to be reported by the SEC in the Summary Compensation Table.



- (1) This graph and the total realizable compensation reported in this graph provides supplemental information regarding the compensation paid to Mr. Ersek and should not be viewed as a substitute for the 2013 Summary Compensation Table.
- (2) As reported in the Total column of the 2013 Summary Compensation Table.
- (3) Amounts reported in the calculation of total realizable compensation include (a) annualized base salary, (b) actual bonus payments made to Mr. Ersek in each of the years shown under the Company's Annual Incentive Plan, (c) the value realized from the exercise of stock options and for unexercised stock options, the difference between the exercise price and the closing stock price on December 31, 2013, each reported in the year granted, (d) the value realized upon vesting of restricted stock units or performance-based restricted stock units and the value of unvested restricted stock units or performance-based restricted stock unit awards based on the closing stock price on December 31, 2013, each reported in the year granted, and (e) amounts reported in the All Other Compensation Table for the respective years.

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Proxy Statement

The Board of Directors ("Board of Directors" or "Board") of The Western Union Company ("Western Union" or the "Company") is soliciting your proxy to vote at the 2014 Annual Meeting of Stockholders (the "Annual Meeting") to be held on May 16, 2014 at 8:00 a.m., local time, and any adjournment or postponement of that meeting. The meeting will be held at 505 Fifth Avenue, 7th Floor, New York, NY 10017.

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

The Notice of Internet Availability of Proxy Materials was first mailed on or before April 2, 2014 to all stockholders of record as of March 20, 2014 (the "Record Date"). The only voting securities of the Company are shares of

the Company's common stock, \$0.01 par value per share (the "Common Stock"), of which there were 538,854,385 shares outstanding as of the Record Date. The closing price of the Company's Common Stock on the Record Date was \$16.50 per share.

The Company's Annual Report to Stockholders, which contains consolidated financial statements for the year ended December 31, 2013, accompanies this Proxy Statement. You also may obtain a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2013 that was filed with the SEC, without charge, by writing to Investor Relations, The Western Union Company, 12500 East Belford Avenue, Mailstop M231R, Englewood, CO 80112. **If you would like to receive a copy of any exhibits listed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, please call (866) 405-5012 or submit a request in writing to Investor Relations at the above address, and the Company will provide you with the exhibits upon the payment of a nominal fee (which fee will be limited to the expenses we incur in providing you with the requested exhibits).** The Company's Annual Report on Form 10-K and these exhibits are also available in the "Investor Relations" section of www.wu.com.

The Proxy Process and Stockholder Voting

WHY DID I RECEIVE THESE MATERIALS?

Our Board of Directors has made these materials available to you on the Internet or, upon your request, has delivered printed versions of these materials to you by mail, in connection with the Board's solicitation of proxies for use at our Annual Meeting, which will take place on May 16, 2014, or any adjournment or postponement thereof. Our stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement.

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

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

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

In addition to furnishing proxy materials electronically, we take advantage of the SEC's "householding" rules to reduce the delivery cost of materials. Under such rules, only one Notice of Internet Availability of Proxy Materials or, if you have requested paper copies, only one set of proxy materials are delivered to multiple stockholders sharing an address unless we have received contrary instructions from one or more of the stockholders. If you are a stockholder sharing an address and wish to receive a separate Notice of Internet Availability of Proxy Materials or copy of the proxy materials, you may so request by contacting the Broadridge Householding Department by phone at 1-800-542-1061 or by mail to Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717. A separate copy will be promptly provided following receipt of your request, and you will receive separate materials in the future. If you currently share an address with another stockholder but are nonetheless receiving separate copies of the materials, you may request delivery of a single copy in the future by contacting the Broadridge Householding Department at the number or address shown above.

DOES MY VOTE MATTER?

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

HOW DO I VOTE?

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

The telephone and Internet voting facilities will close at 11:59 p.m., Eastern Time, on May 15, 2014.

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

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

Shares held in The Western Union Company Incentive Savings Plan—For shares held in The Western Union Company Incentive Savings Plan, that plan’s trustee will vote such shares as directed. If no direction is given on how to vote such shares to the trustee by mail on or before May 13, 2014 or by Internet or phone by 11:59 p.m. (Eastern Time) on May 13, 2014, the trustee will vote your shares held in that plan in the same proportion as the shares for which it receives instructions from all other participants in the plan.

HOW MANY VOTES ARE REQUIRED TO APPROVE A PROPOSAL?

The Company's By-Laws (the "By-Laws") require directors to be elected by the majority of votes cast with respect to such director in uncontested elections (the number of shares voted "for" a director must exceed the number of votes cast "against" that director). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

The advisory vote to approve executive compensation (Proposal 2), the ratification of Ernst & Young LLP's appointment as independent registered public accounting firm (Proposal 3), the stockholder proposal regarding allowing stockholders to take action by written consent (Proposal 4), and the stockholder proposal regarding political contributions (Proposal 5) each require the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote thereon. The stockholder proposal regarding creation of a Board Committee on Human Rights (Proposal 6) requires the affirmative vote of the holders of a majority of the outstanding Common Stock of the Company entitled to vote thereon.

WHAT IS THE EFFECT OF NOT VOTING?

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

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

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

If you own your shares through a broker and you don't vote, your broker may vote your shares in its discretion on some "routine matters." With respect to other proposals, however, your broker may not be able to vote your shares for you. With respect to these proposals, the aggregate number of unvoted shares is reported as the "broker non-vote." "Broker non-vote" shares are counted toward the quorum requirement. "Broker non-vote" shares will have the same effect as a vote against Proposal 6. With respect to each of the other proposals, a "broker non-vote" share will not affect the determination of whether the matter is approved. The Company believes that the proposal to ratify Ernst & Young LLP's appointment as independent registered public accounting firm (Proposal 3) set forth in this Proxy Statement is a routine matter on which brokers will be permitted to vote any unvoted shares.

Other than Proposal 3, the Company believes that all other proposals set forth in this Proxy Statement are not considered routine matters and brokers will not be able to vote on behalf of their clients if no voting instructions have been furnished. Please vote your shares on all proposals.

Proxy Statement and Proxy Process

PROXY STATEMENT

HOW ARE ABSTENTIONS TREATED?	Whether you own your shares as a Registered Holder or through a broker, abstentions are counted toward the quorum requirement and are counted as votes “against” a proposal, other than the proposal for the election of directors.
IF I OWN MY SHARES THROUGH A BROKER, HOW IS MY VOTE RECORDED?	Brokers typically own shares of Common Stock for many stockholders. In this situation, the Registered Holder on the Company’s stock register is the broker or its nominee. This often is referred to as holding shares in “Street Name.” The “Beneficial Owners” do not appear in the Company’s stockholder register. If you hold your shares in Street Name, and elect to vote via telephone or the Internet, your vote will be submitted to your broker. If you request paper Proxy Cards and elect to vote by mail, the accompanying return envelope is addressed to return your executed Proxy Card to your broker. Shortly before the meeting, each broker totals the votes submitted by telephone, Internet, or mail by the Beneficial Owners for whom it holds shares, and submits a Proxy Card reflecting the aggregate votes of such Beneficial Owners.
IS MY VOTE CONFIDENTIAL?	In accordance with the Company’s Corporate Governance Guidelines, the vote of any stockholder will not be revealed to anyone other than a non-employee tabulator of votes or an independent election inspector, except (i) as necessary to meet applicable legal and stock exchange listing requirements, (ii) to assert claims for or defend claims against the Company, (iii) to allow the Inspectors of Election to certify the results of the stockholder vote, (iv) in the event a proxy, consent, or other solicitation in opposition to the voting recommendation of the Board of Directors takes place, (v) if a stockholder has requested that his or her vote be disclosed, or (vi) to respond to stockholders who have written comments on Proxy Cards.
CAN I REVOKE MY PROXY AND CHANGE MY VOTE?	Yes. You have the right to revoke your proxy at any time prior to the time your shares are voted. If you are a Registered Holder, your proxy can be revoked in several ways: (i) by timely delivery of a written revocation delivered to the Corporate Secretary, (ii) by timely submission of another valid proxy bearing a later date (including through any alternative voting procedure described on the Notice of Internet Availability of Proxy Materials or Proxy Card), or (iii) by attending the Annual Meeting and giving the Inspectors of Election notice that you intend to vote your shares in person. If your shares are held by a broker, you must contact your broker in order to revoke your proxy.
WILL ANY OTHER BUSINESS BE TRANSACTED AT THE MEETING? IF SO, HOW WILL MY PROXY BE VOTED?	Management does not know of any business to be transacted at the Annual Meeting other than those matters described in this Proxy Statement. The period specified in the Company’s By-Laws for submitting additional proposals to be considered at the Annual Meeting has passed and there are no such proposals to be considered. However, should any other matters properly come before the Annual Meeting, and any adjournments and postponements thereof, shares with respect to which voting authority has been granted to the Proxies will be voted by the Proxies in accordance with their judgment.
WHO COUNTS THE VOTES?	Votes will be counted and certified by the Inspectors of Election, who are employees of Wells Fargo Bank, N.A., the Company’s Transfer Agent and Registrar. If you are a Registered Holder, your telephone or Internet vote is submitted, or your executed Proxy Card is returned, directly to Wells Fargo for tabulation. As noted above, if you hold your shares through a broker, your broker returns a single Proxy Card to Wells Fargo on behalf of its clients.

HOW MUCH DOES THE PROXY SOLICITATION COST?

The Company has engaged the firm of MacKenzie Partners, Inc., 105 Madison Avenue, New York, NY 10016, to assist in distributing and soliciting proxies for a fee of \$15,000, plus expenses. However, the proxy solicitor fee is only a small fraction of the total cost of the proxy process. The largest expense in the proxy process is printing and mailing the proxy materials. The Company will also reimburse brokers, fiduciaries, and custodians for their costs in forwarding proxy materials to Beneficial Owners of our Common Stock. Proxies also may be solicited on behalf of the Company by directors, officers, or employees of the Company in person or by mail, telephone, or facsimile transmission. No additional compensation will be paid to such directors, officers, or employees for soliciting proxies. The Company will bear the entire cost of solicitation of proxies, including the preparation, assembly, printing, and mailing of the Notice of Internet Availability of Proxy Materials, and this Proxy Statement and the accompanying Proxy Card, Notice of Meeting, and Annual Report to Stockholders.

Important Notice Regarding the Availability of Proxy Materials

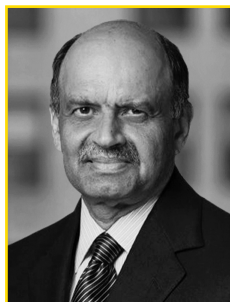
The Company's Proxy Statement and Annual Report to Stockholders are available at www.proxydocs.com/wu for Registered Holders and at www.proxyvote.com for Beneficial Owners. To access such materials, you will need the control/identification numbers provided to you in your Notice of Internet Availability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

Board of Directors Information

In accordance with applicable Delaware law, the business of the Company is managed under the direction of its Board of Directors. Pursuant to the Company's Amended and Restated Certificate of Incorporation, the Board of Directors is to consist of not less than one nor more than 15 directors. At the Company's 2012 Annual Meeting of Stockholders, the Company's stockholders approved an amendment to the Company's Amended and Restated Certificate of Incorporation to declassify the Board of Directors such that each director will be elected to a one-year term beginning with the directors elected at the 2013 Annual Meeting of Stockholders. During 2013, the Board of Directors met eight times (not including committee meetings). Each of the directors attended at least 75% of the aggregate number of meetings of the Board and Board committees on which they served during 2013.

Board of Directors Members

Dinyar S. Devitre



PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS

Special Advisor to General Atlantic LLC since June 2008. Mr. Devitre served as Senior Vice President and Chief Financial Officer of Altria Group, Inc. from March 2002 until March 2008. From 2001 to 2002, Mr. Devitre served as a private business consultant and from 1998 to 2001, he was Executive Vice President at Citibank in Europe. He started with the Altria Group companies in 1970 and served in a variety of positions, including President Philip Morris, Asia, Chairman and Chief Executive Officer Philip Morris, Japan, and Senior Vice President, Corporate Planning, Philip Morris Companies, Inc. from 1995 to 1998. Mr. Devitre was a director of Kraft Foods Inc. from September 2002 to May 2007, and is a director of SABMiller plc and Altria Group, Inc. Mr. Devitre's term expires in 2014.

Age 66

Director Since 2006

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

Mr. Devitre brings to the Board experience as the chief financial officer of a large United States-based multinational company, as an executive and director of large consumer goods corporations subject to regulation in multiple jurisdictions and as an executive of a financial services company. Mr. Devitre has experience with complex capital structures and related issues. Mr. Devitre also provides the Board with diversity in viewpoint and international business experience as a native of India who has lived and worked in many countries.

Hikmet Ersek

**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS**

President and Chief Executive Officer of the Company since September 2010. Prior to taking this position, Mr. Ersek had served as our Chief Operating Officer since January 2010. From December 2008 to December 2009, Mr. Ersek served as the Company's Executive Vice President and Managing Director, Europe, Middle East, Africa and Asia Pacific Region. 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. Before joining Western Union in September 1999, Mr. Ersek was with GE Capital and Europay/MasterCard specializing in European payment systems and consumer finance. Mr. Ersek's term expires in 2014.

Age 53

Director Since 2010

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

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

Richard A. Goodman

**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS**

Executive Vice President, Global Operations of PepsiCo Inc. ("PepsiCo") from March 2010 to December 2011. Prior to that, Mr. Goodman was PepsiCo's Chief Financial Officer from October 2006. From 2003 until October 2006, Mr. Goodman was Senior Vice President and Chief Financial Officer of PepsiCo International. Mr. Goodman served as Senior Vice President and Chief Financial Officer of PepsiCo Beverages International from 2001 to 2003, and as Vice President and General Auditor of PepsiCo from 2000 to 2001. Before joining PepsiCo in 1992, Mr. Goodman was with W.R. Grace & Co. in a variety of senior financial positions. Mr. Goodman is a director of Johnson Controls Inc., Toys "R" Us, Inc., and Kindred Healthcare, Inc. Mr. Goodman's term expires in 2015.

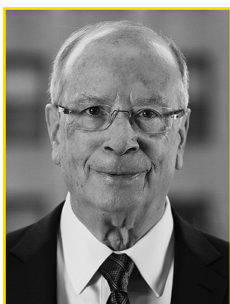
Age 65

Director Since 2012

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

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

Jack M. Greenberg

**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS**

Non-Executive Chairman of the Board of Directors. Mr. Greenberg was Chairman (from May 1999) and Chief Executive Officer (from August 1998) of McDonald's Corporation until December 2002. Mr. Greenberg joined McDonald's Corporation as Executive Vice President and Chief Finance Officer and as a member of the Board of Directors in 1982. He served as a director of First Data from 2003 to 2006 and as a director of Abbott Laboratories from 2001 to 2007. Mr. Greenberg is a director of The Allstate Corporation, Hasbro, Inc., Innerworkings, Inc., where he serves as Chairman of the Board, Manpower Inc. and Quintiles Transnational Holdings Inc. Mr. Greenberg's term expires in 2014.

Age 71

Director Since 2006

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

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

Betsy D. Holden

**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS**

Senior Advisor to McKinsey & Company since April 2007. Ms. Holden served as President, Global Marketing and Category Development of Kraft Foods Inc. from January 2004 through June 2005, Co-Chief Executive Officer of Kraft Foods Inc. from March 2001 until December 2003, and President and Chief Executive Officer of Kraft Foods North America from May 2000 until December 2003. Ms. Holden began her career at General Foods in 1982. She currently serves as a director of Catamaran Corporation and Diageo plc. Ms. Holden's term expires in 2014.

Age 58

Director Since 2006

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

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

Linda Fayne Levinson

**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS**

An advisor to professionally funded, privately held ventures. Ms. Fayne Levinson was Non-Executive Chair of the Board of Connexus, Inc., formerly VendareNetblue, a privately held online marketing company until May 2010 when it was merged with Epic Advertising. From 1997 until May 2004, Ms. Fayne Levinson was a partner at GRP Partners, a venture capital firm, investing in early stage technology companies in the financial services, internet media and online retail sectors. Earlier in her career, Ms. Fayne Levinson was an executive at American Express and a partner at McKinsey & Company. She is a director of NCR Corporation, Jacobs Engineering Group Inc., Ingram Micro, Inc., and Hertz Global Holdings Inc. Ms. Fayne Levinson's term expires in 2014.

Age 72

Director Since 2006

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

Ms. Fayne Levinson provides a combination of consumer payments business experience with that of emerging technology and online retail services companies. She also provides general management experience from her time at American Express, strategic experience as a former McKinsey partner, and investment experience from her time as a venture capital investor. Each of these areas is central to the Company's business. Ms. Fayne Levinson also has substantial experience with respect to executive compensation matters and corporate governance.

Roberto G. Mendoza

**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS**

Senior Managing Director of Atlas Advisors LLC, an independent global investment banking firm, since March 2010. Previously, Mr. Mendoza co-founded Deming Mendoza & Co., LLC, a corporate finance advisory firm, and served as one of its partners from February 2009 to March 2010. Mr. Mendoza served as Non-Executive Chairman of Trinsum Group from February 2007 to November 2008. In January 2007, Trinsum Group was formed as a result of a merger of Marakon Associates and Integrated Finance Limited, a financial advisory company which Mr. Mendoza co-founded and of which he served as Chairman of the Board and Managing Director from 2002 to February 2007. He also served as Managing Director of Goldman Sachs Services from September 2000 to February 2001. From 1967 to 2000, Mr. Mendoza held positions at J.P. Morgan & Co. Inc., serving from 1990 to 2000 as director and Vice Chairman of the Board. Mr. Mendoza served as Chairman of Egg plc from May 2000 to February 2006, and as a director of Prudential plc from May 2000 to May 2007, and of PARIS RE Holdings Limited from January 2007 to September 2009. He currently serves as a director of PartnerRe Ltd. and Manpower Inc. Mr. Mendoza's term expires in 2015.

Age 68

Director Since 2006

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

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

Michael A. Miles, Jr.

**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS**

Advisory Director of Berkshire Partners, a private equity firm, since March 2013. Previously, Mr. Miles was President of Staples, Inc. from January 2006 and Chief Operating Officer from September 2003. Prior to that, Mr. Miles was Chief Operating Officer, Pizza Hut for Yum! Brands, Inc. from January 2000 to August 2003. From 1996 to 1999, he served Pizza Hut as Senior Vice President of Concept Development & Franchise. Mr. Miles' term expires in 2015.

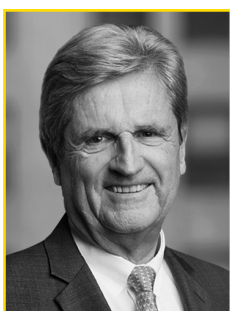
Age 52

Director Since 2006

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

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

Wulf von Schimmelmann

**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS**

Chief Executive Officer of Deutsche Postbank AG, a Germany-based financial services provider, from 1999 to June 2007. Before that, Mr. von Schimmelmann was a member of the Board of Managing Directors at BHF-Bank in Frankfurt am Main, where he was responsible for investment banking, payment transactions, and corporate customers. Mr. von Schimmelmann is Chair of the Supervisory Board of Deutsche Post AG, a member of the Supervisory Board of Maxingvest AG and Allianz Deutschland AG, and a director of Accenture plc. and Thomson Reuters International. Mr. von Schimmelmann served as Chair of the Supervisory Board of BAWAG P.S.K. from 2007 to 2009, and as a member of the Supervisory Board of Deutsche Telekom AG from 2006 to 2009. Mr. von Schimmelmann's term expires in 2014 and he has declined to stand for re-election.

Age 67

Director Since 2009

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

Mr. von Schimmelmann brings to the Board experience as a chief executive officer of a large German multinational company. He has experience running a consumer-focused financial services business which was also an agent of the Company. This provides a perspective to the Board of one of the Company's largest external constituent groups. Mr. von Schimmelmann has also operated in highly regulated financial services industries in a European jurisdiction. He also provides the viewpoint of a European who has also worked in the United States.

Frances Fragos Townsend

**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS**

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

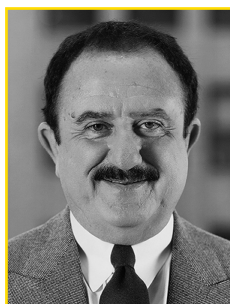
Age 52

Director Since 2013

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

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

Solomon D. Trujillo

**PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE AND DIRECTORSHIPS**

Founded Trujillo Group Investments, LLC, and has served as chairman since July 2003. Mr. Trujillo also served as the Chief Executive Officer and as director of Telstra Corporation Limited, Australia's largest media-communications enterprise, from July 2005 to June 2009. From February 2003 to March 2004, Mr. Trujillo was Orange SA's Chief Executive Officer. Before that, Mr. Trujillo was Chairman, President and Chief Executive Officer of Graviton, Inc. from January 2001 until January 2003. Mr. Trujillo is a director of Target Corporation, WPP plc, and ProAmerica Bank. Mr. Trujillo's term expires in 2014.

Age 62

Director Since 2012

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

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

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

Director Qualifications Matrix

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

Director	Leadership			Financial		International		Diversity		
	CEO Experience	CFO Experience	Regulated Industry/ Government	Financial Literacy	Eligible for Audit Committee Qualified Expert	Emerging Markets	Global Operational Experience	Gender	Ethnicity	Geographic
Dinyar S. Devitre	X	X	X	X	X		X	M	X	X
Hikmet Ersek	X		X	X		X	X	M		X
Richard A. Goodman		X		X	X		X	M		
Jack M. Greenberg	X	X	X	X	X	X	X	M		
Betsy D. Holden	X		X	X			X	F		
Linda Fayne Levinson	X		X	X				F		
Roberto G. Mendoza			X	X			X	M	X	X
Michael A. Miles, Jr.				X			X	M		
Wulf von Schimmelfmann	X		X	X			X	M		X
Frances Fragos Townsend			X					F		
Solomon D. Trujillo	X		X	X		X	X	M	X	X

Proposal 1

Election of Directors

The Board of Directors was previously divided into three classes. At the Company's 2012 Annual Meeting of Stockholders, the Company's stockholders approved a proposal to amend the Company's Amended and Restated Certificate of Incorporation to declassify the Board of Directors such that each director standing for election or re-election will be elected to a one-year term beginning with the directors elected at the 2013 Annual Meeting of Stockholders. The terms of office of Mr. Devitre, Mr. Ersek, Mr. Greenberg, Ms. Holden, Ms. Fayne Levinson, Mr. von Schimmelmann, Ms. Fragos Townsend, and Mr. Trujillo expire at the 2014 Annual Meeting of Stockholders. Mr. von Schimmelmann has declined to stand for re-election. Upon the recommendation of the Corporate Governance and Public Policy Committee, the Board of Directors appointed Ms. Fragos Townsend as a director in August 2013, subject to election by the stockholders at the 2014 Annual Meeting. Ms. Fragos Townsend was originally recommended to the Corporate Governance and Public Policy Committee by a search firm. Mr. Devitre, Mr. Ersek, Mr. Greenberg, Ms. Holden, Ms. Fayne Levinson, and Mr. Trujillo have been nominated for re-election, and Ms. Fragos Townsend has been nominated for election, through the 2015 Annual Meeting of Stockholders, or until a successor is elected and qualified. (See the "Board of Directors Information" section of this Proxy Statement for information concerning all directors.) In the case of a vacancy, the Board of Directors may elect another director as a replacement, may leave the vacancy unfilled or may reduce the number of directors.

If re-elected or elected, as applicable, the terms of Mr. Devitre, Mr. Ersek, Mr. Greenberg, Ms. Holden, Ms. Fayne Levinson, Ms. Fragos Townsend, and Mr. Trujillo will expire at the 2015 Annual Meeting of Stockholders. The terms of Mr. Goodman, Mr. Mendoza, and Mr. Miles also expire at the 2015 Annual Meeting of Stockholders. At the 2015 Annual Meeting of Stockholders, and at subsequent Annual Meetings of Stockholders, all directors will be elected on an annual basis for one-year terms.

The Company's By-Laws require directors to be elected by the majority of votes cast with respect to such director in uncontested elections (the number of shares voted "for" a director must exceed the number of votes cast "against" that director). In a contested election (a situation in which

the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

Under the Company's By-Laws, if an incumbent director is not elected, the director will promptly tender his or her resignation to the Board of Directors. The Corporate Governance and Public Policy Committee will make a recommendation to the Board of Directors as to whether to accept or reject the resignation of such incumbent director, or whether other action should be taken. The Board of Directors will act on the resignation, taking into account the Corporate Governance and Public Policy Committee's recommendation, and publicly disclose (by a press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days following certification of the election results. If such incumbent director's resignation is not accepted by the Board of Directors, such director will continue to serve until the next annual meeting and until his or her successor is duly elected or his or her earlier resignation or removal.

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



THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE TO RE-ELECT MR. DEVITRE, MR. ERSEK, MR. GREENBERG, MS. HOLDEN, MS. FAYNE LEVINSON AND MR. TRUJILLO, AND TO ELECT MS. FRAGOS TOWNSEND, AS DIRECTORS TO SERVE UNTIL THE 2015 ANNUAL MEETING OF STOCKHOLDERS OR UNTIL THEIR RESPECTIVE SUCCESSORS ARE ELECTED AND QUALIFIED.

Corporate Governance

Summary of Corporate Governance Practices

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

- ✓ **Annual election of directors (approved by stockholders in 2012; phase-in began in 2013).**
- ✓ **Proxy access.** Our By-Laws permit qualifying stockholders or groups of qualifying stockholders that have each beneficially owned at least 3% of the Company's Common Stock for three years to nominate up to an aggregate of 20% of the members of the Board and have information and supporting statements regarding those nominees included in the Company's proxy statement.
- ✓ **Majority vote standard in uncontested elections.** Each director must be elected by a majority of votes cast, rather than by a plurality.
- ✓ **Stockholder right to call special meetings.**
- ✓ **No stockholder rights plan ("poison pill").**
- ✓ **No supermajority voting provisions in the Company's organizational documents.**
- ✓ **Independent Board, except our Chief Executive Officer.** Our Board is comprised of all independent directors, except our Chief Executive Officer.
- ✓ **Independent non-executive chairman.** The Chairman of the Board of Directors, Jack Greenberg, is a non-executive independent director.
- ✓ **Independent Board committees.** Each of the Audit, Compensation, and Corporate Governance and Public Policy Committees is made up of independent directors, and all voting members of the Compliance Committee are independent. Each standing committee operates under a written charter that has been approved by the Board.
- ✓ **Confidential stockholder voting.** The Company's Corporate Governance Guidelines provide that the vote of any stockholder will not be revealed to anyone other than a non-employee tabulator of votes or an independent election inspector, except as set forth therein.
- ✓ **Committee authority to retain independent advisors.** Each of the Audit, Compensation, Compliance, and Corporate Governance and Public Policy Committees has the authority to retain independent advisors.
- ✓ **Robust codes of conduct.** The Company is committed to operating its business with honesty and integrity and maintaining the highest level of ethical conduct. These absolute values are embodied in our Code of Conduct and require that every customer, employee, agent and member of the public be treated accordingly. The Company Code of Conduct applies to all employees, but the Company's senior financial officers are also subject to an additional code of ethics, reflecting the Company's commitment to maintaining the highest standards of ethical conduct. In addition, the Board of Directors is subject to a Director's Code of Conduct.
- ✓ **Stock ownership guidelines for senior executives and directors.** Significant stock ownership requirements for our senior executives and directors strongly link the interests of management and the Board with those of stockholders.
- ✓ **Prohibition on pledging and hedging of Company stock by senior executives and directors.** As noted below in "Compensation of Directors-Prohibition on Pledging and Hedging of the Company's Securities" and "Compensation Discussion and Analysis-The Western Union Executive Compensation Program-*Prohibition on Pledging and Hedging of the Company's Securities*," the Company's insider trading policy prohibits the Company's executive officers and directors from pledging the Company's securities or engaging in hedging or short-term speculative trading of the Company's securities, including, without limitation, short sales or put or call options involving the Company's securities.
- ✓ **Stockholder engagement.** The Company regularly engages with its stockholders to better understand their perspectives.

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

Independence of Directors

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

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

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

Board Leadership Structure and Role in Risk Oversight

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

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

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

represent many of the most significant risks the Company faces. During the Audit Committee's discussion of risk, the Company's Chief Executive Officer, General Counsel, Chief Financial Officer, Chief Compliance Officer, and Chief Internal Auditor present information and participate in discussions with the Audit Committee regarding risk and risk management.

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

Committees of the Board of Directors

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

Director	Audit	Corporate Governance & Public Policy	Compensation & Benefits	Compliance
Dinyar S. Devitre	X	X♦		X
Hikmet Ersek				X (non-voting)
Richard A. Goodman	X♦		X	
Jack M. Greenberg ★				X♦
Betsy D. Holden		X	X♦	
Linda Fayne Levinson	X	X		
Roberto G. Mendoza	X		X	
Michael A. Miles, Jr.	X			X
Wulf von Schimmelmann		X		
Frances Fragos Townsend				X
Solomon D. Trujillo			X	

★—Chairman of the Board

♦—Committee Chair

In February 2014, the Board approved resolutions appointing Ms. Fragos Townsend as Chair of the Compliance Committee in place of Mr. Greenberg, who will cease serving as a member of the Compliance Committee but continue to attend its meetings in his role as Chairman of the Board of Directors. The Board also approved resolutions appointing Ms. Fragos Townsend as a member of the Corporate Governance and Public Policy Committee. These changes are subject to, and will be effective upon the date of, the election by the stockholders of Ms. Fragos Townsend and the re-election by the stockholders of Mr. Greenberg as directors at the 2014 Annual Meeting of Stockholders.

Board and Committee Governing Documents

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

Audit Committee



Richard A. Goodman
Committee Chair

Additional Committee Members: Dinyar S. Devitre, Linda Fayne Levinson, Roberto G. Mendoza and Michael A. Miles, Jr.

Meetings Held in 2013: 11

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

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

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

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

Compensation and Benefits Committee



Betsy D. Holden
Committee Chair

Additional Committee Members: Richard A. Goodman, Roberto G. Mendoza, and Solomon D. Trujillo

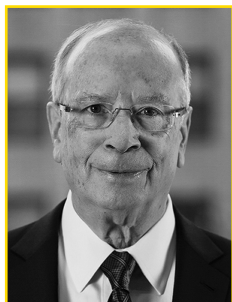
Meetings Held in 2013: 6

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

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

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

Compliance Committee

**Jack M. Greenberg***Committee Chair and Chairman of the Board*

Additional Committee Members: Dinyar S. Devitre, Hikmet Ersek (non-voting member), Michael A. Miles, Jr., and Frances Fragos Townsend

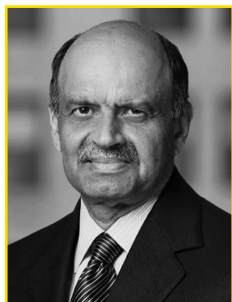
Meetings Held in 2013: 8

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

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

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

Corporate Governance and Public Policy Committee



Dinyar S. Devitre
Committee Chair

Additional Committee Members: Betsy D. Holden, Linda Fayne Levinson, and Wulf von Schimmelmann

Meetings Held in 2013: 9

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

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

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

Chief Executive Officer Succession Planning

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

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

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

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

Communications with the Board of Directors

Any stockholder or other interested party who desires to contact the non-management directors or the other members of the Company's Board of Directors may do so by writing to: The Western Union Company, Board of Directors, 12500 East Belford Avenue, Mailstop M21A2, Englewood, CO 80112. Communications that are intended specifically for non-management directors should be

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

Board Attendance at Annual Stockholders' Meeting

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

Nine of our ten members of the Board of Directors serving at the time attended the Company's 2013 Annual Meeting of Stockholders.

Presiding Director of Non-Management Director Meetings

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

Nomination of Directors

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

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

Director Qualifications

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

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

Stockholder Nominees

Stockholders may submit nominations for director candidates by giving notice to the Secretary of the Company at 12500 East Belford Avenue, Mailstop M21A2, Englewood, CO 80112. The requirements for the submission of such stockholder nominations are set forth in Article II of the Company's By-Laws, which are available on the Company's website, www.wu.com.

Submission of Stockholder Proposals

Stockholder proposals, including stockholder director nominations, requested to be included in the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders must be received by the Company not later than December 3, 2014 and comply with the requirements of Rule 14a-8, if applicable, and the Company's By-laws. Even if a proposal is not submitted in time to be considered for inclusion in the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders, a proper stockholder proposal or director

nomination may still be considered at the Company's 2015 Annual Meeting of Stockholders, but only if the proposal or nomination is received by the Company no sooner than January 16, 2015 and no later than February 15, 2015 and otherwise complies with the Company's By-Laws. All proposals or nominations a stockholder wishes to submit at the meeting should be directed to Corporate Secretary, The Western Union Company, 12500 East Belford Avenue, Mailstop M21A2, Englewood, CO 80112.

Code of Ethics

The Company's Director's Code of Conduct, Code of Ethics for Senior Financial Officers, Reporting Procedure for Accounting and Auditing Concerns, Professional Conduct Policy for Attorneys, and the Code of Conduct are available without charge through the "Investor Relations, Corporate Governance" portion of the Company's website, www.wu.com, or by writing to the attention

of: Investor Relations, The Western Union Company, 12500 East Belford Avenue, Mailstop M231R, Englewood, CO 80112. In the event of an amendment to, or a waiver from, the Company's Code of Ethics for Senior Financial Officers, the Company intends to post such information on its website, www.wu.com.

Compensation of Directors

The following table provides information regarding the compensation of our outside directors for 2013. Hikmet Ersek, our President and Chief Executive Officer, does not receive additional compensation for his service as a director. Since January 1, 2011, our outside directors have not received an increase in their annual Board retainer or annual equity grant value.

2013 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$000)	Stock Awards (\$000) (2)	Option Awards (\$000) (3)	All Other Compensation (\$000) (4)	Total (\$000) (5)
Jack M. Greenberg	125.0	175.0	175.0	15.0	490.0
Dinyar S. Devitre	120.0	—	130.0	25.0	275.0
Richard A. Goodman	110.0	65.0	65.0	25.0	265.0
Betsy D. Holden	110.0	130.0	—	28.0	268.0
Linda Fayne Levinson	95.0	130.0	—	25.0	250.0
Roberto G. Mendoza	95.0	65.0	65.0	—	225.0
Michael A. Miles, Jr.	95.0 ⁽¹⁾	130.0	—	25.0	250.0
Wulf von Schimmelfmann	85.0	130.0	—	—	215.0
Frances Fragos Townsend ⁽⁶⁾	29.3	22.6	22.6	—	74.5
Solomon D. Trujillo	85.0	65.0	65.0	—	215.0

Footnotes:

- (1) Mr. Miles elected to receive his annual retainer fees for 2013 in the form of equity compensation as described below under “-Equity Compensation.”
- (2) The amounts in this column represent the value of stock units granted to each director as annual equity grants. Stock awards consist of fully vested stock units that are settled in shares of Common Stock and may be subject to a deferral election consistent with Internal Revenue Code Section 409A. The amounts shown in this column are valued based on the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation (“FASB ASC Topic 718”). See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 for a discussion of the relevant assumptions used in calculating these amounts.
- (3) The amounts in this column represent the value of options granted to each director as annual equity grants. The amounts shown in this column are valued based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 for a discussion of the relevant assumptions used in calculating these amounts.
- (4) All Other Compensation represents matches under the Company’s gift matching program that the Company made in 2013. Outside directors are eligible to participate in the Company’s gift matching program on the same terms as Western Union’s executive officers and employees. As noted below, contributions made or directed to be made to an eligible organization, up to an aggregate amount of \$25,000 per calendar year, will be matched by the Company. Matching contributions to various charities were made in 2013 on behalf of the following directors: Messrs. Devitre, Goodman, Greenberg and Miles and Ms. Holden and Ms. Fayne Levinson. Contributions up to \$100,000 per calendar year that a director makes to The Western Union Foundation without designating a recipient organization will be matched by the Company \$2 for \$1 contributed. In 2013, a match of \$3,000 was made by the Company to The Western Union Foundation on behalf of Ms. Holden.

- (5) As of December 31, 2013, each individual who served as an outside director during 2013 had outstanding the following number of stock units and options:

Name	Stock Units	Options
Jack M. Greenberg	23,555	396,079 ^(A)
Dinyar S. Devitre	21,365	149,196
Richard A. Goodman	11,948	20,441
Betsy D. Holden	44,545	53,980
Linda Fayne Levinson	37,756	143,253
Roberto G. Mendoza	30,566	135,636
Michael A. Miles, Jr.	71,216	53,980
Wulf von Schimmelmann	32,785	26,789
Frances Fragos Townsend	1,282	5,503
Solomon D. Trujillo	8,174	20,441

(A) Includes 138,701 options received pursuant to a conversion of First Data option awards to Western Union option awards.

- (6) Ms. Fragos Townsend was appointed to the Board, effective August 27, 2013. Ms. Fragos Townsend's 2013 director compensation was prorated based on her period of service as a non-employee director during 2013.

Cash Compensation

In 2013, each outside director (other than our Non-Executive Chairman) received the following cash compensation for service on our Board and committees of our Board:

- an annual Board retainer fee of \$85,000; and
- an annual committee chair retainer fee of \$25,000 for the chairperson of each of the Audit Committee, the Compensation Committee, and the Corporate Governance and Public Policy Committee of our Board, and a \$10,000 committee member retainer fee for each other member of the Audit Committee of our Board.

Equity Compensation

The 2013 outside director equity awards were granted pursuant to our 2006 Non-Employee Director Equity Compensation Plan and the Long-Term Incentive Plan. All director equity awards will be settled in shares of Common Stock. The purpose of these awards is to advance the interest of Western Union and its stockholders by encouraging increased stock ownership by our outside directors and by helping the Company attract, motivate, and retain highly qualified outside directors.

Each outside director, except for our non-United States resident director, has the option of electing to receive such director's annual retainer fees described above in the form of (a) all cash, (b) a combination of cash, fully vested stock options, and fully vested stock units, (c) all fully vested stock options, (d) all fully vested stock units, (e) a combination of 75% fully vested stock options and 25% fully vested stock units, (f) a combination of 50% fully vested stock options and 50% fully vested stock units, or (g) a combination of 75% fully vested stock units and 25% fully vested stock options. Each outside director may also elect to receive such director's annual equity grant in the form of any of the above alternatives, other than alternatives that include cash.

Each outside director (other than our Non-Executive Chairman) is eligible to receive an annual equity grant with a value of \$130,000 for service on our Board and committees of our Board.

Compensation of Our Non-Executive Chairman

Our Non-Executive Chairman receives the following compensation in lieu of the compensation described above for our other outside directors:

- an annual retainer fee of \$125,000; and
- an annual equity grant with a value of \$350,000.

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

Charitable Contributions

Outside directors may participate in the Company’s gift matching program on the same terms as Western Union’s executive officers and employees. Under this program, contributions up to \$100,000 per calendar year that the director makes to the Western Union Foundation (the “Foundation”) without designating a recipient organization will be matched by the Company \$2 for every \$1 contributed. Contributions made or directed to be made to an eligible organization, as defined in the program, up to an aggregate amount of \$25,000 per calendar year will be equally matched by the Company through the Foundation.

Reimbursements

Directors are reimbursed for their expenses incurred in attending Board, committee and stockholder meetings, including those for travel, meals, and lodging.

Indemnification Agreements

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

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

Equity Ownership Guidelines

Each outside director is expected to maintain an equity investment in Western Union equal to five times his or her annual cash retainer, which must be achieved within five years of the director’s initial election to the Board. The holdings that generally may be counted toward achieving the equity investment guidelines include outstanding stock awards or units, shares obtained through stock option exercise, shares owned jointly with or separately by the director’s spouse, shares purchased on the open market and outstanding stock options received in lieu of cash retainer fees. As of March 20, 2014, all outside directors have met or, within the applicable period, are expected to meet, these equity ownership guidelines.

Prohibition on Pledging and Hedging of the Company’s Securities

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

Report of the Audit Committee

The Audit Committee of the Board of Directors of the Company oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the consolidated financial statements and the reporting process, including the systems of internal controls. The Company's independent registered public accounting firm is responsible for auditing those consolidated financial statements and expressing an opinion as to whether they present fairly, in all material respects, the Company's consolidated financial position, results of operations, and cash flows in conformity with United States generally accepted accounting principles.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements of the Company set forth in the Company's 2013 Annual Report to Stockholders and the Company's Annual Report on Form 10-K for the year ended December 31, 2013 with management of the Company. The Audit Committee also discussed with Ernst & Young LLP, independent registered public accounting firm for the Company, the matters required to be discussed under Auditing Standard No. 16, "Communications with Audit Committees," issued by the Public Company Accounting Oversight Board (United States). The Auditing Standard No. 16 communications include, among other items, matters relating to the conduct of an audit of the Company's consolidated financial statements under the standards of the Public Company Accounting Oversight Board (United States).

The Audit Committee has received the written disclosures from Ernst & Young LLP required by Public Company Accounting Oversight Board Ethics and Independence Rule 3526, "Communication with Audit Committees Concerning Independence," regarding Ernst & Young LLP's independence, has considered the compatibility of non-audit services with the auditors' independence, and has discussed with Ernst & Young LLP their independence from the Company.

In reliance on the review and discussions described above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the Securities and Exchange Commission.

Audit Committee

Richard A. Goodman (Chairperson)
Dinyar S. Devitre
Linda Fayne Levinson
Roberto G. Mendoza
Michael A. Miles, Jr.

Compensation and Benefits Committee Report

The Compensation and Benefits Committee has reviewed and discussed the Company's Compensation Discussion and Analysis with management and, based on such review and discussion, the Compensation and Benefits Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement and its Annual Report on Form 10-K.

Compensation and Benefits Committee

Betsy D. Holden (Chairperson)

Richard A. Goodman

Roberto G. Mendoza

Solomon D. Trujillo

Compensation Discussion and Analysis

Executive Summary

Business Overview

The Western Union Company provides people and businesses with fast, reliable, and convenient ways to send money and make payments around the world. Western Union offers its services in more than 200 countries and territories. Our business is complex: our regulatory environment is disparate and developing; our consumers are different from those addressed by traditional financial services firms; and our agent and client relationships are numerous and varied. Managing these complexities is at the center of Western Union's success, and our leadership must be capable of supporting our Company's goals amid this complexity.

In late 2012, the Company began implementing pricing and other strategic investments designed to position the Company for future growth, and which were expected to, and did, have a negative impact on 2013 financial performance. The Company's 2013 financial results were also impacted by increased compliance-related expenses.

Selected 2013 results are as follows:

- TSR of 30.6% compared to -23.5% in 2012;
- Revenue of \$5.5 billion, down 2% from 2012;
- Operating income of \$1.1 billion, down 17% from 2012;
- Operating income margin of 20.0%, compared to 23.5% in 2012; and
- Cash flow from operations of \$1.1 billion, down 8% from 2012.

Please see our 2013 Annual Report on Form 10-K for more information regarding our performance.

The Company's 2013 strategies were focused on strengthening our consumer money transfer business, increasing customers and usage in our business-to-business payments business, and generating and deploying strong cash flow for our stockholders. The performance goals and objectives under our Annual Incentive Plan were designed to support these strategies and the Compensation Committee adjusted the performance targets from the levels set in 2012 to reflect the Company's expected 2013 financial performance. See pages 44-47 for more details regarding these targets.

In evaluating the 2013 results and compensation decisions, the Compensation Committee considered that the Company's named executive officers substantially met key objectives in support of the 2013 strategies and that the 2013 strategic investments produced the following positive results:

- Consumer-to-consumer transaction growth increased to 5%, compared to 2% growth in 2012, with growth accelerating in the second half of the year;
- Continued investments also helped deliver 25% revenue growth in electronic channels;
- Execution of key strategies contributed to a 7% increase in business-to-business revenue; and
- The Company generated \$1.1 billion of cash flow from operating activities, with over \$670 million returned to stockholders through dividends and stock repurchases.

Recent Compensation Actions

For 2013, many of the compensation decisions were designed to further align the program with the Company's mid- and long-term operating plans, increase participant accountability, and drive motivation and retention beyond 2013. These decisions included:

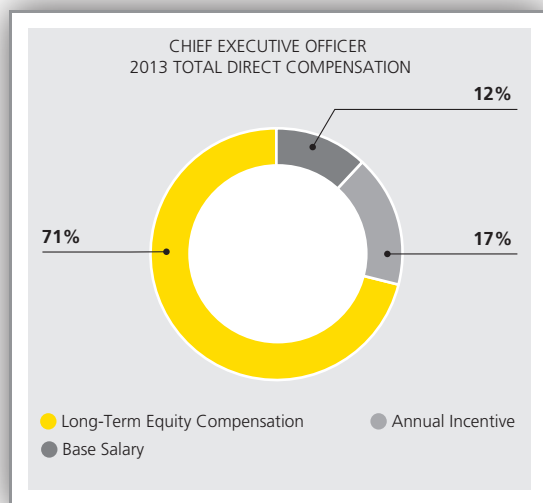
- **No Executive Base Salary Increases for 2013 or 2014:** There was no change in our named executive officers' base salary levels for 2013 or 2014 from levels effective March 2012.
- **No 2012 Chief Executive Officer Bonus:** Based on 2012 Company performance, our Chief Executive Officer did not receive a bonus in 2013.
- **2013 Annual Incentive Includes Restricted Stock Unit Component:** In 2013, we modified the Company's Annual Incentive Plan design to include individual and/or business unit performance objectives, and a restricted stock unit award to be granted based on the achievement of strategic objectives and a threshold operating income goal to further focus participants on the long-term performance of the Company.
- **2013 Long-Term Incentive Includes TSR Modifier:** We modified the Long-Term Incentive Plan design to include 2013 and 2014 financial performance metrics, while still maintaining a longer-term perspective in the program with a TSR payout modifier.
- **Realizable Compensation Lower than Reported Compensation:** Our named executive officers' realizable compensation has been lower than the compensation disclosed in our Summary Compensation Table for fiscal years 2011 to 2013. See the "2013 Realizable Compensation Table" on page 42.

Chief Executive Officer Compensation

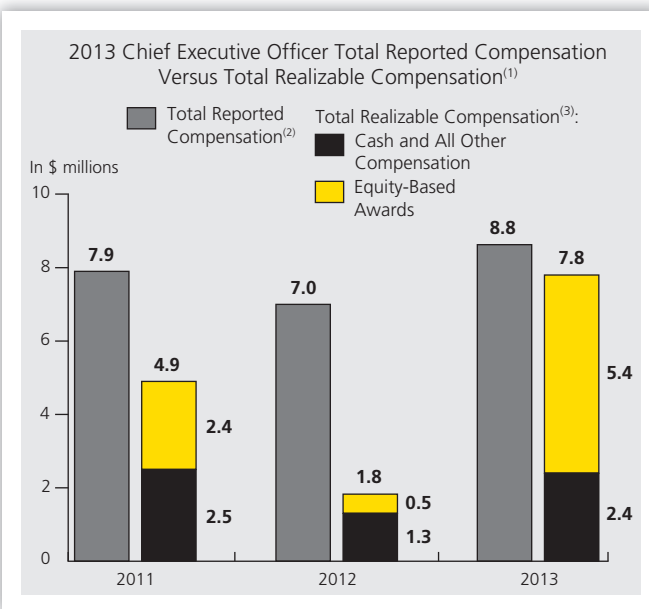
For 2013 performance, Mr. Ersek received a cash payout under the 2013 Annual Incentive Plan of 84% of target, as compared to no payout for 2012 performance. Because he is the leader of the Company, the Compensation Committee based Mr. Ersek's cash opportunity under the Annual Incentive Plan entirely on the achievement of corporate financial goals, as measured by total revenue and operating income. In 2013, the Compensation Committee adjusted the performance targets associated with these performance measures from the levels set in 2012 to reflect that many of the strategic actions implemented by the Company beginning in late 2012 were designed to position the Company for future growth, and were expected to have a negative impact on 2013 financial performance. The Company achieved revenue and operating income at 99.5% and 100.1% of target, respectively, for an overall cash payout achievement level of 84%.

Also, under the 2013 Annual Incentive Plan, Mr. Ersek had an opportunity to receive a restricted stock unit award for various levels of achievement of strategic performance objectives. Achievement of the Company's internal operating plan for these strategic objectives would result in a restricted stock unit payout equal to 25% of target and maximum achievement would result in a payout equal to 75% of target. Mr. Ersek substantially met key objectives in support of the Company's 2013 strategic objectives, as demonstrated by consumer-to-consumer transaction growth, revenue growth in electronic channels, and growth in business-to-business revenue described under "-Executive Summary – Business Overview" above, and under "-The Western Union Executive Compensation Program – Annual Incentive Compensation," below. Accordingly, the committee certified a restricted stock unit award payout under the 2013 Annual Incentive Plan of 17% of target, based on the Company's achievement of its strategic performance goals (versus a payout of 25% of target that would have been paid had the Company achieved its internal plan for its strategic performance goals).

The following chart demonstrates that variable, performance-based pay elements comprised approximately 88% of the targeted 2013 annual compensation for Mr. Ersek (consisting of target payout opportunity under the Annual Incentive Plan and stock option and performance-based restricted stock unit components under the Long-Term Incentive Plan). Pay is based on the annual base salary and target incentive opportunities applicable to Mr. Ersek as of December 31, 2013.



Since a significant portion of Mr. Ersek's compensation is both performance-based and "at risk," we are providing the following supplemental graph to demonstrate the difference between the compensation granted to Mr. Ersek as required to be reported by the SEC rules in the 2013 Summary Compensation Table, and the compensation "realizable" by him for 2011 to 2013. For each of the years reported, the compensation "realizable" by Mr. Ersek is lower than the amount required to be reported by the SEC in the Summary Compensation Table.



- (1) This graph and the total realizable compensation reported in this graph provides supplemental information regarding the compensation paid to Mr. Ersek and should not be viewed as a substitute for the 2013 Summary Compensation Table.
- (2) As reported in the Total column of the 2013 Summary Compensation Table.
- (3) Amounts reported in the calculation of total realizable compensation include (a) annualized base salary, (b) actual bonus payments made to Mr. Ersek in each of the years shown under the Company's Annual Incentive Plan, (c) the value realized from the exercise of stock options and for unexercised stock options, the difference between the exercise price and the closing stock price on December 31, 2013, each reported in the year granted, (d) the value realized upon vesting of restricted stock units or performance-based restricted stock units and the value of unvested restricted stock units or performance-based restricted stock unit awards based on the closing stock price on December 31, 2013, each reported in the year granted, and (e) amounts reported in the All Other Compensation Table for the respective years.

Executive Compensation Framework

The Compensation Committee reviews on an ongoing basis the Company's executive compensation and benefits programs to evaluate whether they support the Company's compensation philosophy and objectives, as described in "Establishing and Evaluating Executive Compensation-Our Executive Compensation Philosophy and Objectives" below, and serve the interests of our stockholders. The Company's practices include the following, each of which reinforces our executive compensation philosophy and objectives:

What We Do:

- ✓ **Pay-for-performance.** A significant percentage of targeted annual compensation is delivered in the form of variable compensation that is connected to actual performance. For 2013, variable compensation comprised approximately 88% of the targeted annual compensation for the Chief Executive Officer and, on average, 78% of the targeted annual compensation for the other named executive officers.
- ✓ **Linkage between performance measures and strategic objectives.** Performance measures for incentive compensation are linked to both strategic and operating objectives designed to create long-term stockholder value and to hold executives accountable for their individual performance and the performance of the Company.
- ✓ **Emphasis on future pay opportunity vs. current pay.** In 2013, all of the long-term incentive awards delivered to our named executive officers were in the form of equity-based compensation and the Annual Incentive Plan included a restricted stock unit component to be delivered if the Company achieved 2013 strategic objectives.
- ✓ **Outside compensation consultant.** The Compensation Committee retains its own compensation consultant to review the Company's executive compensation program and practices.
- ✓ **"Double trigger" in the event of a change-in-control.** In the event of a change-in-control, severance benefits are payable only upon a "double trigger."
- ✓ **Maximum payout caps for annual cash incentive compensation and performance-based restricted stock unit awards.**
- ✓ **"Clawback" Policy.** The Company may recover incentive compensation paid to an executive officer that was calculated based upon any financial result or performance metric impacted by fraud or misconduct of the executive officer.
- ✓ **Robust stock ownership guidelines.** Executives are required to hold stock equal to a multiple of five times salary for our Chief Executive Officer and two times salary for each other named executive officer. Fifty percent of after-tax shares received as equity compensation must be retained until an executive meets the stock ownership guideline.

What We Don't Do:

- ✗ **No change-in-control tax gross ups.** We do not provide change-in-control tax gross ups to individuals promoted or hired as executive officers after April 2009.
- ✗ **No repricing or buyout of underwater stock options.** None of our equity plans permit the repricing or buyout of underwater stock options or stock appreciation rights, except in connection with certain corporate transactions involving the Company.
- ✗ **Prohibition against employee and director pledging and hedging of Company securities.**
- ✗ **No dividends or dividend equivalents accrued or paid on performance-based restricted stock unit awards or time-based restricted stock unit awards.**

2013 Say On Pay Vote

As noted above, in its compensation review process, the committee considers whether the Company's executive compensation and benefits program serves the interests of the Company's stockholders. In that respect, as part of its on-going review of the Company's executive compensation program, the Compensation Committee considered the approval by more than 97% of the

votes cast for the Company's "say on pay" vote at the Company's 2013 Annual Meeting of Stockholders. The committee determined that the Company's executive compensation philosophy, compensation objectives, and compensation elements continued to be appropriate and did not make any specific changes to the Company's executive compensation program in response to the 2013 "say on pay" vote.

Stockholder Engagement

In early 2014, the committee chair and certain members of management held discussions regarding executive compensation matters with stockholders who collectively held over 25% of the Company's outstanding Common Stock as of December 31, 2013. The committee and management found the discussions to be very helpful in their ongoing evaluation of the Company's executive compensation program, and intend to continue to obtain this feedback in the future.

2014 Plan Design

As part of its ongoing review of the executive compensation program during 2013, and based on input from the Compensation Committee's compensation consultant and the stockholder feedback described above, the Compensation Committee determined that several compensation program elements would be implemented in 2014 in order to further enhance the Company's pay-for-performance philosophy and further align the interests of executives with those of our stockholders. Accordingly, in February 2014, the Compensation Committee approved such elements including the following:

- **Created Standalone TSR Performance-Based Restricted Stock Units:** We replaced the TSR modifier from our 2013 Long-Term Incentive Plan design with a standalone relative TSR metric in order to enhance focus on stockholder returns. These performance-based restricted stock units require the Company to achieve 60th percentile relative TSR performance versus the S&P 500 Index over a three-year performance period in order to earn target payout, with 30th percentile relative TSR performance resulting in threshold payout and 90th percentile relative TSR resulting in maximum payout.
- **Increased Performance Period for Performance-Based Restricted Stock Units:** We increased the performance period of our financial performance-based restricted stock units so that they will be subject to a three-year total performance period, versus the two-year performance period used in prior years.
- **Diversified Long-Term Incentive Plan Mix and Increased Weighting of At-Risk Awards:** We increased the percentage of our annual equity grants that has vesting provisions that are strictly performance-based and are at-risk. For 2014, awards under the Long-Term Incentive Plan will consist of 80% performance-based restricted stock units (60% financial performance-based restricted stock units (incorporating both revenue growth and profit) and 20% TSR performance-based restricted stock units) and 20% stock options, as compared to 67% performance-based restricted stock units and 33% stock options in 2013.
- **Established Goals Exceeding Performance During Prior Three Years:** The financial performance target objectives for the 2014 compensation program are set at constant currency growth rates that are higher than the Company's average annual constant currency results achieved over 2011 through 2013. The 2014 Annual Incentive Plan financial performance target objectives are also set higher than the constant currency financial performance target objectives and actual results under the 2013 Annual Incentive Plan. (Target objectives are not projections of future performance.) For the 2014 Annual Incentive Plan, performance at 184% of the target revenue growth rate and at 200% of the target operating income growth rate is required for a maximum payout equal to 150% of the target award. Further, the Company's relative TSR performance rank versus the S&P 500 Index over a 2014-2016 performance period that is required to earn a target payout under the terms of the 2014 TSR performance-based restricted stock units is higher than the Company's annual relative TSR performance versus the S&P 500 Index in each of 2011, 2012, and 2013.

We believe these elements further align the executive compensation program with evolving executive compensation practices, market trends, and investor preferences, and will support the Company's future growth and strategic plans.

The Compensation Committee has approved the compensation amounts and award targets described below in "-Compensation of Our Named Executive Officers – 2014 Compensation."

Other Corporate Governance Practices

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

Governance Highlights

- ✓ Annual Election of Directors (approved by stockholders in 2012; phase-in began in 2013)
- ✓ Proxy Access
- ✓ Majority Vote in Standard Uncontested Elections
- ✓ Stockholder Right to Call Special Meetings
- ✓ No Stockholder Rights Plan ("Poison Pill")
- ✓ No Supermajority Voting Provisions in the Company's Organizational Documents
- ✓ Independent Board, except our Chief Executive Officer
- ✓ Independent Non-Executive Chairman
- ✓ Independent Board Committees
- ✓ Confidential Stockholder Voting
- ✓ Committee Authority to Retain Independent Advisors
- ✓ Robust Codes of Conduct
- ✓ Stock Ownership Guidelines for Senior Executives and Directors
- ✓ Prohibition on Pledging and Hedging of Company Stock by Senior Executives and Directors
- ✓ Stockholder Engagement

Establishing and Evaluating Executive Compensation

Introduction

This Compensation Discussion and Analysis describes how the Board's Compensation Committee determined 2013 executive compensation, the elements of our executive compensation program and the compensation of each of our named executive officers. The information provided should be read together with the information presented in the "Executive Compensation" section of this Proxy Statement. For 2013, the named executive officers were:

- Hikmet Ersek, President and Chief Executive Officer (September 2010 to present)
- Scott T. Scheirman, Executive Vice President, Chief Financial Officer (September 2006 through December 2013)
- Rajesh K. Agrawal, Executive Vice President and Interim Chief Financial Officer (January 2014 to present), Executive Vice President (November 2011 through December 2013) and President, Western Union Business Solutions (August 2011 through December 2013)
- J. David Thompson, Executive Vice President, Global Operations (November 2012 to present) and Chief Information Officer (April 2012 to present)
- John R. Dye, Executive Vice President, General Counsel and Secretary (November 2011 to present)

Our Executive Compensation Philosophy and Objectives

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

goals. To ensure that the Company’s incentive compensation program is aligned with the Company’s overall executive compensation philosophy and objectives, the Compensation Committee has adopted the key principles identified in the table below.

Objectives	Corresponding Principles
- Align executive goals with stockholder interests - Hold executives accountable and reward them for results - Attract, retain, and motivate outstanding executive talent	- Structure metrics, goal-setting and incentive payouts to result in enterprise value creation. - Share a reasonable portion of the Company’s financial results with employees, both on upside and downside performance. - Establish sufficient linkage between incentive payouts and individual and business unit performance. - Set performance goals and operating plan to retain and motivate leadership to achieve superior results.

The Board of Directors and the Compensation Committee

The Board of Directors oversees the goals and objectives of the Company and of the Chief Executive Officer, evaluates succession planning with respect to the Chief Executive Officer and evaluates the Chief Executive Officer’s performance. The Compensation Committee supports the Board by establishing the Company’s general compensation philosophies and overseeing the development and implementation of the Company’s compensation and benefits policies. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers, sets the compensation levels of each of the Executive Vice Presidents and approves the compensation of the Chief Executive Officer, with the ratification by the independent directors of the Board. The Compensation Committee’s responsibilities under its charter are further described in the “Corporate Governance” section of this Proxy Statement. While not members of the Compensation Committee, the Chairman of the Board and the Chief Executive Officer attended all but one of the meetings of the Compensation Committee in 2013 to contribute to and understand the committee’s oversight of and decisions relating to executive compensation. The Chief Executive Officer did not attend portions of the meetings relating to his compensation. The Compensation Committee regularly conducts executive sessions without management present.

The committee also engages in an ongoing dialog with the Chief Executive Officer and the Compensation Committee’s compensation consultant in the evaluation and establishment of the elements of our executive compensation program. The committee also received input from the Chief Human Resources Officer in making executive compensation decisions.

Compensation Consultants

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

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

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

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

During 2013, the Company also retained the services of Towers Watson to assist the Company in evaluating the Company's annual and long-term incentive programs. Specifically, Towers Watson was instructed to review the incentive design to assist the Company in developing a program that would increase the executives' focus on growth, strategic business drivers and individual accountability. The Compensation Committee evaluated the findings of Towers Watson in its review of the 2013 incentive program design. The Compensation Committee has assessed the independence of Towers Watson pursuant to the NYSE rules and the Company concluded that Towers Watson's work did not raise any conflict of interest.

Setting 2013 Compensation

In late 2012, the Compensation Committee, working with the Compensation Consultant and the Chief Executive Officer, engaged in a detailed review of the Company's executive compensation programs to evaluate whether the design and levels of each compensation element were:

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

Specifically in evaluating the 2013 design of the Company's executive compensation programs, the Compensation Committee considered that many of the strategic actions implemented by the Company in 2013 were designed to position the Company for future

growth, and were expected to have a negative impact on 2013 financial performance. For 2013, a number of changes were made to the Company's executive compensation program to further align the program with the Company's mid- and long-term operating plans, increase participant accountability, and drive motivation and retention beyond 2013. These changes included:

- Modifying the Company's Annual Incentive Plan design to include individual and/or business unit performance objectives;
- Adding a restricted stock unit award to the Annual Incentive Plan to be granted based on the achievement of strategic objectives and a threshold operating income goal; and
- Modifying the Long-Term Incentive Plan design to include 2013 and 2014 financial performance metrics while still maintaining a longer-term perspective in the program with a TSR payout modifier.

In early 2013, Mr. Ersek presented to the Compensation Committee his evaluation of each of the then serving Executive Vice Presidents and the level of his or her salary, annual bonus targets under the Annual Incentive Plan, and long-term incentive award targets under the Long-Term Incentive Plan. Mr. Ersek based his assessments on each executive's performance and relative contributions to the Company's success, the performance of the executive's respective business unit or functional area, employee retention considerations, compensation history and internal equity. Mr. Ersek also reviewed with the committee tally sheets that presented comprehensive historical and current compensation data for each of the Company's executive officers. Please see "*-Use of Tally Sheets*" below for a description of this tool. The Compensation Consultant participated in the committee meetings to provide peer group and market data regarding executive compensation. Please see "*-Market Comparison*" for a discussion of the use of peer group and market data.

In early 2013, Mr. Ersek also submitted a self-evaluation to the Compensation Committee. The committee shared Mr. Ersek's goals for the year and his self-evaluation with the independent members of the Board of Directors, who then evaluated Mr. Ersek's performance in 2012 based on his actual performance versus such goals. In setting Mr. Ersek's compensation, the committee considered this

evaluation, market data regarding chief executive officer compensation levels provided by the Compensation Consultant, and a tally sheet of Mr. Ersek's historical and current compensation data. No member of management, including Mr. Ersek, made any recommendations regarding Mr. Ersek's compensation or participated in the portions of the Compensation Committee meeting or in the meeting of the independent directors of the Board during which Mr. Ersek's compensation was determined and ratified.

Market Comparison

For 2013, the Compensation Committee considered market pay practices when setting executive compensation, but did not target the specific compensation elements or total compensation against the market data. Instead, the committee used market data to assess the overall competitiveness and reasonableness of the Company's executive compensation program. In evaluating 2013 market data, the committee considered both peer group proxy data and compensation survey data, but did not assign a specific weight to either data source. While the Compensation Committee considers relevant market pay practices when setting executive compensation, it does not believe it appropriate to

establish compensation levels based only on market practices. The Compensation Committee believes that compensation decisions are complex and require a deliberate review of Company performance and peer compensation levels. The factors that influence the amount of compensation awarded include market competition for a particular position, an individual's experience and past performance inside or outside the Company, compensation history, role and responsibilities within the Company, tenure with the Company and associated institutional knowledge, long-term potential with the Company, contributions derived from creative and innovative thinking and leadership, money transfer or financial services industry expertise, past and future performance objectives and value of the position within the Company.

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

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

The peer group used for evaluating 2013 compensation decisions consisted of the companies below, which is the same peer group used for evaluating 2012 compensation decisions. The Compensation Consultant compiled compensation information from the peer group based on the publicly filed documents of each member of the peer group.

	2012 Revenues (in Millions)	2012 Operating Income (in Millions)	Employees (as of 12/31/12)	Market Capitalization (in Millions) (as of 12/31/12)
Ameriprise Financial	\$10,263	\$1,585	12,235	\$12,991
Automatic Data Processing	\$10,920	\$1,977	57,000	\$27,638
Charles Schwab	\$4,979	\$1,485	13,800	\$18,310
CME Group	\$2,953	\$1,752	2,600	\$16,893
Comerica	\$2,681	\$1,088	8,967	\$5,806
Discover Financial Services	\$8,984	\$4,239	13,009	\$19,459
eBay	\$14,072	\$2,919	31,500	\$65,991
Fidelity National Information Services	\$5,808	\$1,079	35,000	\$10,206
Fiserv	\$4,458	\$1,069	20,000	\$10,574
Global Payments	\$2,309	\$409	3,796	\$3,573
Intuit	\$4,223	\$1,110	8,500	\$17,622
MasterCard	\$7,391	\$3,957	7,500	\$61,171
MoneyGram	\$1,341	\$176	2,490	\$769
NASDAQ OMX	\$3,108	\$730	2,506	\$4,128
Northern Trust	\$4,194	\$2,063	14,200	\$12,028
State Street	\$10,125	\$4,774	29,660	\$22,040
Total Systems Services	\$1,871	\$359	8,600	\$4,002
Visa	\$10,720	\$6,424	8,500	\$101,414
75th Percentile	\$8,984	\$2,063	14,200	\$19,459
Median	\$4,719	\$1,535	10,601	\$14,942
25th Percentile	\$2,953	\$1,069	7,500	\$5,806
Western Union	\$5,665	\$1,330	9,000	\$7,786

All data was compiled by the Compensation Consultant who obtained peer company financial market intelligence from Capital IQ Compustat. The data generally represents revenue and operating income for the most recent four quarters available to the Compensation Consultant at the time the Compensation Consultant compiled the data in January 2013. Other than for the Company, operating income may reflect measures not in conformity with Generally Accepted Accounting Principles.

In October 2013, the Compensation Consultant was asked to re-evaluate the Company's peer group with respect to revenue, operating income, number of employees, market capitalization, and other factors. Based on this review of the members of the peer group in December 2013, the committee approved the deletion from the peer group of Visa and MasterCard, primarily due to the size of their revenue, operating income and market capitalization in relation to the Company. The revised peer group will be used for evaluating 2014 compensation decisions.

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

In some instances, survey data is a useful complement to the peer group proxy data. To assist the committee in its review of the general industry compensation survey data, the Compensation Consultant extracts compensation information from the surveys with respect to companies with annual revenues ranging from \$3 billion to \$10 billion. For the 2013 compensation review, the Compensation Consultant compiled compensation data from the following general industry compensation surveys: 2012 U.S. Mercer Benchmark Database-Executive (which included data from 21 companies with annual revenues between \$5 billion and \$10 billion); Equilar Top 25 (which included custom data from 14 of the companies in the Company's peer group described above: Ameriprise Financial, Automatic Data Processing, Charles Schwab, CME Group, Discover Financial Services, eBay, Fidelity National Information Services, Global Payments, MasterCard, MoneyGram, NASDAQ OMX, State Street, Total Systems Services, and Visa); 2012 Hewitt Total

Compensation Measurement Database (which included data from 50 companies with annual revenues between \$5 billion and \$10 billion); and 2012 Towers Watson U.S. Compensation Data Bank General Industry Executive Database (which included data from 102 companies with annual revenues between \$3 billion and \$6 billion).

Use of Tally Sheets

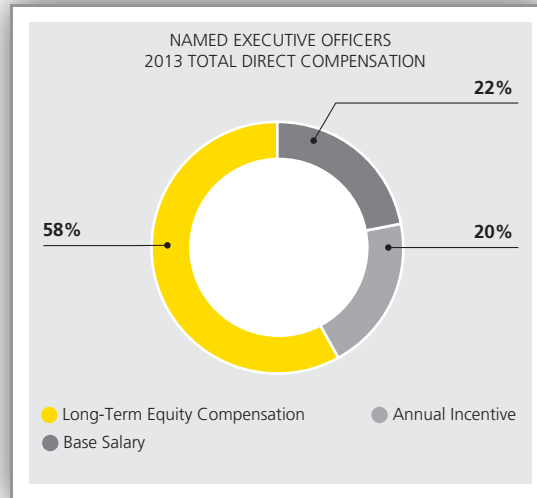
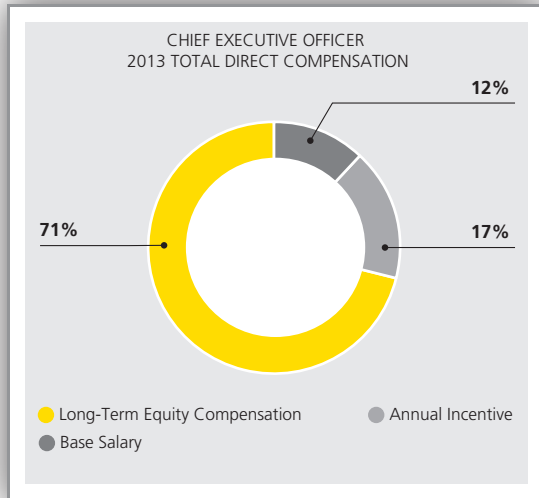
The Compensation Committee reviews tally sheets that present comprehensive data on the total compensation package for each of the Company's executives. These tally sheets include historical and current compensation data, valuations of future equity vesting, value of option exercises in the past five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

The Western Union Executive Compensation Program

Pay-For-Performance

The principal components of the 2013 executive compensation program were annual base salary, annual incentives in the form of cash and restricted stock unit awards, and long-term incentive awards in the form of stock options and performance-based restricted stock units. The Compensation Committee designed the 2013 executive compensation program so that performance-based pay elements (cash and restricted stock unit components under the Annual Incentive Plan and stock option and performance-based restricted stock unit components under the Long-Term Incentive

Plan) constituted a significant portion of the executive compensation awarded, determined at target levels. The following charts demonstrate that these variable pay elements comprised approximately 88% of the targeted annual compensation for the Chief Executive Officer and, on average, 78% of the targeted annual compensation for the other named executive officers. For purposes of these charts, the percentage of targeted annual compensation was determined based on the annual base salary and target incentive opportunities applicable to the named executive officer as of December 31, 2013.



Since a significant portion of the compensation of our named executive officers is both performance-based and “at risk,” we are providing the following supplemental table to demonstrate the difference between the compensation granted to our named executive officers, as required to be reported by SEC rules in the 2013 Summary Compensation Table, and the compensation “realizable” by such named executive officers for the 2011 to 2013 fiscal years. While the manner for reporting equity compensation as “realizable” compensation differs from

the SEC rules relating to the reporting of compensation in the 2013 Summary Compensation Table, we believe this table serves as a useful supplement to the 2013 Summary Compensation Table. The 2013 Realizable Compensation Table and the total realizable compensation reported in the table provides supplemental information regarding the compensation paid to the named executive officers and should not be viewed as a substitute for the 2013 Summary Compensation Table.

2013 REALIZABLE COMPENSATION TABLE

Name	Year	Proxy Reported Compensation (\$000) ⁽¹⁾	Total Realizable Compensation (\$000) ⁽²⁾	Realizable as a % of Reported
Hikmet Ersek	2013	8,757.5	7,843.1	90%
	2012	6,992.2	1,758.0	25%
	2011	7,872.4	4,928.4	63%
Scott T. Scheirman	2013	3,034.3	2,656.4	88%
	2012	2,463.2	981.9	40%
	2011	3,130.8	2,139.6	68%
Rajesh K. Agrawal	2013	3,360.5	3,156.1	94%
	2012	2,706.2	1,605.8	59%
	2011	1,667.8	1,459.2	87%
J. David Thompson	2013	2,233.9	2,040.1	91%
	2012	3,426.5	2,566.2	75%
	2011	N/A	N/A	N/A
John R. Dye	2013	2,280.5	2,117.4	93%
	2012	2,320.8	1,686.0	73%
	2011	N/A	N/A	N/A

Footnotes:

- (1) As reported in the Total column of the 2013 Summary Compensation Table.
- (2) Amounts reported in the calculation of total realizable compensation include (a) annualized base salary, (b) actual bonus payments made to each eligible executive in each of the years shown under the Company's Annual Incentive Plan, (c) the value realized from the exercise of stock options and for unexercised stock options, the difference between the exercise price and the closing stock price on December 31, 2013, each reported in the year granted, (d) the value realized upon vesting of restricted stock units or performance-based restricted stock units and the value of unvested restricted stock units or performance-based restricted stock unit awards based on the closing stock price on December 31, 2013, each reported in the year granted, and (e) amounts reported in the All Other Compensation Table for the respective years. In connection with his separation from the Company and pursuant to the Separation Agreement and Release between Scott T. Scheirman, Western Union, LLC, and The Western Union Company dated January 16, 2014 (the "Separation Agreement"), Mr. Scheirman forfeited his restricted stock unit award under the 2013 Annual Incentive Plan.

Elements of 2013 Executive Compensation Program

The following table lists the material elements of the Company's 2013 executive compensation program. The committee believes that the design of the Company's executive compensation program balances fixed and

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

Element	Key Characteristics	Why We Pay This Element	How We Determine Amount	2013 Decisions
Base salary	Fixed compensation component payable in cash. Reviewed annually and adjusted when appropriate.	Establish a pay foundation at competitive levels to attract and retain talented executives.	Experience, job scope, responsibilities, market data, and individual performance.	None of our named executive officers received a salary increase in 2013 from levels established in March 2012 (or, if later, the executive's hire date). See pages 53-56.
Annual incentive awards	Variable compensation component payable based on performance against annually established performance objectives. 2013 annual incentive award includes cash and restricted stock unit components.	Motivate and reward executives for performance on key financial, strategic and/or individual objectives over the year. Hold our executives accountable, with payouts varying from target based on actual performance against pre-established and communicated performance goals.	Cash Component: Participants are eligible to receive a cash payout ranging from 0% to 125% of target based on the achievement of corporate financial and individual/business unit goals, except for Mr. Ersek whose cash award is payable based entirely on the achievement of corporate financial goals. Restricted Stock Unit Component: Participants are eligible to receive a restricted stock unit award ranging from 0% to 75% of target based on the achievement of a threshold operating income goal and strategic performance objectives, creating upside opportunity that is delivered as a deferred equity award; or a downside modification of the cash component.	Cash Component: Based on the achievement of corporate financial and/or individual/business unit goals, the committee certified a cash payout amount ranging from 80% to 92% of target for the named executive officers. Restricted Stock Unit Component: Based on the achievement of strategic performance objectives, the committee certified a restricted stock unit award payout equal to 17% of target (versus a payout of 25% of target that would have been paid had the Company achieved its internal plan for its strategic performance goals). See pages 44-47 and 53-56.

Element	Key Characteristics	Why We Pay This Element	How We Determine Amount	2013 Decisions
Performance-based restricted stock units	Performance-based restricted stock units vest based on the Company's achievement of financial performance objectives and are subject to a relative TSR performance measure.	Coupled with stock options, aligns the interests of executives with those of our stockholders by focusing the executives on long-term objectives over a multi-year period. Hold our executives accountable, with payouts varying from target based on actual performance against pre-established and communicated performance goals.	Company performance on financial measures over 2013-2014 performance period: - 2013 revenue and operating income compared to 2013 Plan; and - 2014 revenue and operating income growth compared to 2013. Payout subject to a +/- modifier based on the Company's TSR performance relative to the TSR of the S&P 500 Index over 2013-2015.	Performance-based restricted stock units represent 67% of the long-term grant value, reflecting the Company's emphasis on tying long-term incentive awards to the Company's financial and TSR performance. See pages 47-50 and 53-56.
Stock options	Nonqualified stock options that expire ten years after grant and become exercisable in 25% annual increments over a four-year vesting period.	Coupled with performance-based restricted stock units, aligns the interests of executives with those of our stockholders by focusing the executives on long-term objectives over a multi-year period, including stock price growth.	Market practice and individual performance.	Stock options represent 33% of the long-term grant value, reflecting the Company's emphasis on tying long-term incentive awards to the Company's stock price. See pages 47-48.

Each of Western Union's 2013 executive compensation program elements is described in further detail below and individual compensation decisions are discussed in "-Compensation of Our Named Executive Officers."

Base Salary

Our philosophy is that base salaries should meet the objectives of attracting and retaining the executives needed to lead the business. Base salary is a fixed compensation component payable in cash. In setting base salary levels, the committee considered the peer group and survey data as well as the performance of the individual executive. None of the named executive officers received a base salary increase in 2013 or 2014 from the levels established in March 2012 (or, if later, the executive's date of hire). Please see "-Compensation of Our Named Executive Officers" for further information regarding the 2013 base salary levels.

Annual Incentive Compensation

Our Annual Incentive Plan is designed to motivate and reward executive officers for achieving short-term performance objectives. The Annual Incentive Plan design is intended to provide annual incentive awards that qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code. Participants in the Annual Incentive Plan in 2013 were Mr. Ersek and the Company's Executive Vice Presidents, which included all of the named executive officers.

Compensation under the Annual Incentive Plan is intended to be a significant component of an executive's total compensation opportunity in a given year, helping create a "pay for performance" culture. Annual Incentive Plan compensation holds executives accountable and rewards them based on the Company's performance. As noted earlier, in 2013 the Company made strategic investments intended to position the Company for future growth, which were expected to have a negative impact on 2013 financial performance. Accordingly, the Compensation

Committee adjusted the performance targets under the Annual Incentive Plan from the levels set in 2012 to reflect the Company's expected 2013 financial performance.

The Compensation Committee believes the design of the 2013 Annual Incentive Plan appropriately motivated participants to achieve the Company's short-term performance objectives, while also focusing participants on the long-term performance of the Company through the use of the restricted stock unit award.

Target payout opportunities under the Annual Incentive Plan are expressed as a percentage of a participant's annual base salary. Actual payouts with respect to the cash component

could have ranged from 0% to 125% of target based on financial performance (with up to a 25% reduction in the payout level if the 2013 strategic objectives were not obtained) and payouts with respect to the restricted stock unit component could have ranged from 0% to 75% of target based on strategic performance. The following table sets forth each named executive officer's 2013 target award opportunity and the weighting of the corporate and individual/business unit measures used in determining the cash payout level. Each named executive officer's 2013 target award opportunity was unchanged from the level established for the executive in 2012.

Cash Component: Weighting of Corporate/Individual/Business Unit Measures

Executive	Target Award Opportunity	Corporate	Individual/Business Unit
Hikmet Ersek	\$1,500,000	100.0%	—
Scott T. Scheirman	\$556,046	75.0%	25.0%
Rajesh K. Agrawal	\$405,000	50.0%	50.0%
J. David Thompson	\$450,000	75.0%	25.0%
John R. Dye	\$400,000	75.0%	25.0%

Financial Performance Metrics. As it had in previous years, the Compensation Committee set the executives' 2013 annual incentive compensation cash award targets for financial performance by establishing a grid based on the Company's revenue and operating income. These performance measures were used in order to tie annual incentive compensation to measures of the Company's financial performance the committee deemed meaningful to and readily accessible by our investors.

The Compensation Committee established the grid metrics and corresponding payout percentages based upon input from management regarding the Company's expected performance in the upcoming year, which included the impact of the Company's strategic initiatives as well as

external factors on the Company, such as increasing competition. For 2013, the committee designed the grid to encourage strong, focused performance by our executives. The 2013 grid provided a payout of 90% of target in cash if the Company achieved its internal operating plan for operating income and revenue (revenue of approximately \$5.6 billion and operating income of approximately \$1.1 billion), with a maximum payout level of 125% of target if revenue and operating income were at least equal to 102% and 104%, respectively, of the 2013 operating plan. Within the grid, a higher rate of increase for one metric could counterbalance a lower rate of increase for the other metric. For 2013, the grid range for the revenue and operating income performance goals as well as the 2013 achievement was as follows:

	Target Range	Results	Achievement (%)
Total Revenue	\$5,466M-\$5,760M	\$5,618M	99.5%
Operating Income	\$1,075M-\$1,194M	\$1,149M	100.1%
Overall Achievement			84%

When the grid was established and consistent with prior years, the committee determined that the effect of currency fluctuations on revenue and operating income performance should be excluded from the

payout calculation, as committee members believed compensation should not be based on factors outside of the control of our executives. In addition, pursuant to the Annual Incentive Plan and subject to compliance

with Section 162(m) of the Internal Revenue Code, the Compensation Committee retained discretion to adjust the performance results against the performance objectives for major nonrecurring and non-operating expense and income items based on the facts and circumstances involved. Accordingly, for 2013, the committee approved adjustments to reflect a reclassification relating to certain interest income from Argentina and certain costs associated with productivity and cost-savings initiatives. These adjustments resulted in a modification to the payout calculation of one percentage point.

Individual and Business Unit Performance Objectives. As noted above, other than for Mr. Ersek, a portion of the cash component of the 2013 annual incentive awards was subject to the achievement of individual and/or, business unit performance objectives. These objectives varied by named executive officer and included: increase in new investor ownership; operating cash flow objectives; total Company expenses as compared to the Company's operating plan objectives; regulatory and compliance initiatives; execution of various information technology infrastructure projects; customer growth; cost savings initiatives; and fraud prevention objectives. In the case of Mr. Agrawal, his individual/business unit objectives were based on Western Union Business Solutions and included: existing and new revenue growth; revenue retention; customer growth; and EBITDA growth. Weighting for each individual and business unit performance objective ranged from 10% to 30% of the cash component bonus opportunity allocated to individual and/or business unit performance. The committee believes the performance objectives established for each of the named executive officers are indicators of the executive's success in fulfilling the executive's responsibilities to the Company

and support the Company's strategic operating plan. The performance levels of the objectives were designed to be achievable, but required strong and consistent performance by the executive. Please see "-Compensation of Our Named Executive Officers" for a discussion of the annual incentive payouts received by each named executive officer, including a discussion of the individual performance factors considered by the committee in determining each named executive officer's payout levels.

Strategic Performance Objectives. Participants in the 2013 Annual Incentive Plan had an opportunity to receive a restricted stock unit award, with the value of the restricted stock unit award ranging from 0% to 75% of target for various levels of achievement of strategic performance objectives. In the event the Company failed to achieve the 2013 strategic objectives, the cash component of the 2013 annual incentive awards would be reduced by up to 25%. Achievement of the Company's internal operating plan for these strategic objectives would result in a restricted stock unit payout equal to 25% of target and maximum achievement of these strategic objectives would result in a restricted stock unit payout equal to 75% of target. This program design was also intended to drive motivation and retention beyond 2013 by delivering the award as restricted stock units. The restricted stock units will vest in increments of 30% and 70%, respectively, on the first and second anniversaries of the grant date, subject to continued employment on each such vesting date and the Company's achievement of a 2014 threshold operating income goal of \$500 million.

The committee established the performance objectives described below for the grant of the restricted stock unit component based upon key strategic initiatives that supported the Company's strategic operating plan.

Performance levels of the objectives were designed to be achievable, but required the coordinated, cross-functional focus and effort of the executives. The strategic

performance objectives, their respective weightings as well as the performance assessment for the 2013 Annual Incentive Plan awards are as follows:

2013 Annual Incentive Plan Strategic Performance Goals	2013 Actual Performance
Currency adjusted growth in revenue originating from wu.com (weighting 25%)	Between threshold and target performance goals
Currency adjusted growth in the amount of money sent by consumers via wu.com (weighting 10%)	Below the threshold performance goal
Currency adjusted revenue growth in Western Union Business Solutions (weighting 25%)	Above the target performance goal
Currency adjusted EBITDA growth in Western Union Business Solutions (weighting 10%)	Above the target performance goal
Growth in the amount of principal received into electronic accounts (i.e., bank accounts, prepaid accounts) (weighting 15%)	Above the target performance goal
The number of locations that are enabled with the functionality to provide cash in and/or cash out for pre-paid cards (weighting 15%)	At the threshold performance goal
Performance Level Achievement	17%

Based on the achievement of the strategic performance objectives, the committee certified a restricted stock unit award payout equal to 17% of target (versus a payout of 25% of target that would have been paid had the Company achieved its internal plan for its strategic performance goals), and did not reduce the cash component of the 2013 annual incentive awards. Please see “-Compensation of Our Named Executive Officers” for further information regarding the payouts received by each named executive officer based upon the Company’s achievement of the corporate and strategic objectives and the named executive officer’s achievement of his individual and/or business unit objectives.

Long-Term Incentive Compensation

The Long-Term Incentive Plan allows the Compensation Committee to award various forms of long-term incentive grants, including stock options, performance-based equity and performance-based cash awards. The Compensation Committee has sole discretion in selecting participants for long-term incentive grants and the Compensation Committee approves all equity grants made to our senior executives. When making regular annual equity grants, the Compensation Committee’s practice is to approve them during the first quarter of each year as part of

the annual compensation review. Among other factors, the Compensation Committee considers dilution of the Company’s outstanding shares when making such grants. The grant date of the regular annual equity grants is the date upon which the committee approves the award.

2013 Annual Long-Term Incentive Awards. In February 2013, the Compensation Committee granted the Chief Executive Officer and the Executive Vice Presidents long-term incentive awards under the Long-Term Incentive Plan. The awards consisted of 33% stock option awards and 67% performance-based restricted stock units. The committee believed that the mix of stock options and performance-based restricted stock units was appropriate because the two forms of awards together represented a balanced reflection of stockholder returns and financial performance. The stock options vest in 25% annual increments over four years and have a 10-year term. The performance-based restricted stock unit awards are described in greater detail below.

The Compensation Committee’s objectives for the 2013 long-term incentive awards were to:

- Align the interests of our executives with the interests of our stockholders by focusing on objectives that result in stock price appreciation through the use of stock options;

- Increase cross-functional executive focus in the coming years on key performance metrics through performance-based restricted stock unit awards; and
- Retain the services of executives through multi-year vesting provisions.

The 2013 performance-based restricted stock unit awards will vest if and only to the extent that specific performance goals for revenues and operating income are met during the performance period. The 2013 grid provides for a payout of 95% of target if the Company achieves its internal operating plan for revenues and operating income during the performance period. Because in 2013 the Company was implementing key strategic actions, the Compensation Committee approved 2013 and 2014 financial performance metrics, while still maintaining a longer-term perspective in the program with a TSR payout modifier. Given the difficulty at the time of forecasting multi-year financial results, the Compensation Committee believed that it was appropriate to use shorter-term financial objectives as key indicators of the Company's execution of its 2013 strategic plan.

Under the terms of the performance-based restricted stock unit awards, as much as 150% of the targeted performance-based restricted stock unit awards may be earned based on the Company's performance with respect to the two performance objectives described above, with 50% of the award determined based on 2013 performance and the other 50% based on 2014 growth as compared to 2013. Further, the 2013 performance-based restricted stock unit awards include a relative TSR performance measure that may increase or decrease the payout of the award by up to 33% based on the Company's TSR performance relative to the TSR of the S&P 500 Index over the 2013-2015 performance period. No adjustment will be made to the award payout level if the Company's TSR performance is between the 40th and 60th percentile of the TSR performance of the S&P 500 Index over the 2013-2015 performance period. The 2013 performance-based restricted stock unit awards include a maximum payout of 200% of the targeted awards based on achieving maximum revenue and operating income performance objectives and relative TSR performance in

the top quartile of the S&P 500 Index, as compared to the maximum payout of 300% of the targeted performance-based restricted stock unit awards used in prior years.

The performance objectives for payment of the 2013 performance-based restricted stock unit awards and their respective weightings were:

- 2013 revenue and operating income (each weighted 50%), measured against the Company's 2013 strategic operating plan (weighting 50%); and
- Targeted annual constant currency growth rate for revenue and operating income (each weighted 50%), comparing 2014 actual performance against 2013 actual performance (weighting 50%).

Given the focus in 2013 on revenue and operating income performance, the committee determined that it was appropriate to use revenue and operating income metrics in the design of both the Annual Incentive Plan and Long-Term Incentive Plan. Accordingly, 2013 revenue and operating income performance was measured using the same grid that was used for purposes of the Annual Incentive Plan, but with an extension of the grid to a 150% payout level (based on achieving revenue and operating income equal to or greater than approximately \$5.9 billion and \$1.2 billion, respectively) rather than the maximum cash payout level of 125% under the Annual Incentive Plan. Please see page 45 for the 2013 revenue and operating income payout grid. Under the Annual Incentive Plan, the committee supplemented these performance metrics with the addition of strategic and individual/business unit performance objectives, while in the Long-Term Incentive Plan the metrics were supplemented with a TSR modifier. The committee viewed these additional performance metrics as complementary to the revenue and operating income objectives as well as the Company's strategic operating plan. For 2014, the performance-based restricted stock units will vest based on the growth rate for revenue and operating income as compared to 2013.

Similar to the Annual Incentive Plan, when the financial performance objectives were established, the committee determined that the effect of currency fluctuations on

revenue and operating income over the course of the year should be excluded from the award calculation, as it believed compensation should not be based on factors outside of the control of our executives.

The following table sets forth each named executive officer's threshold, target and maximum award opportunities with respect to the 2013 performance-based restricted stock units:

Executive	2013 Performance-Based Restricted Stock Unit Award Opportunity		
	Threshold	Target	Maximum
Hikmet Ersek	71,429	271,429	571,430
Scott T. Scheirman ⁽¹⁾	20,938	79,563	167,500
Rajesh K. Agrawal	15,554	59,104	124,430
J. David Thompson	14,357	54,558	114,858
John R. Dye	11,965	45,465	95,716

(1) In connection with his separation from the Company and pursuant to the Separation Agreement, Mr. Scheirman will receive a prorated payout of the 2013 performance-based restricted stock units based on actual performance.

2012 Performance-Based Restricted Stock Unit Awards.

The vesting of the performance-based restricted stock unit awards granted in 2012 depended upon the accomplishment of financial and strategic performance objectives over a two-year period. Under the original terms of the award agreements, these awards were also subject to payout modifiers based on TSR and stock price performance over the 2012-2014 period if the payout level for the 2012-2013 performance goals was equal to or greater than 150% of target. Based on performance relative to the performance objectives described below, the committee

certified a payout of 17% of target for each of the named executive officers other than Mr. Ersek. For Mr. Ersek, the committee exercised negative discretion to certify a payout of 13% of target. Accordingly, the TSR and stock price payout modifiers will not be applied, and these awards remain subject only to time-based vesting requirements until February 23, 2015. The 2012-2013 financial and strategic performance objectives, their respective weightings and the performance level achievement as of the end of the 2012-2013 performance period, are as follows:

Performance Objectives	2012 Performance-Based Restricted Stock Unit Performance Goals (Performance Period 2012-2013)	Actual Performance
Targeted compound annual constant currency growth rate ("CAGR") for the Company's revenue for 2012-2013, measured against 2011 revenue (weighted 34%)	Target growth rate of 9%	Revenue CAGR was below the threshold performance goal Performance Level = 0%
Targeted compound annual CAGR for the Company's earnings before the deduction of interest, taxes, depreciation, and amortization expenses ("EBITDA") for 2012-2013, measured against 2011 EBITDA (weighted 33%)	Target growth rate of 6%	EBITDA CAGR was below the threshold performance goal Performance Level = 0%
Targeted compound annual growth rate for registered customers for 2012-2013, measured against 2011 registered customer levels (weighted 33%)	Consumer target growth rate of 29% (weighted 80%)	Registered consumer growth was between threshold and target performance goals Performance Level = 64%
	Business target growth rate of 15% (weighted 20%)	Registered business growth was below the threshold performance goal Performance Level = 0%

2011 Performance-Based Restricted Stock Unit Awards. The vesting of the performance-based restricted stock units granted in 2011 depended on the accomplishment of financial and strategic performance objectives over a three-year period. The 2011-2012 financial and strategic performance objectives, their respective weightings and the performance level achievement as of the end of the

2011-2012 performance period, are set forth in the table below. The 2011 performance-based restricted stock unit payout level was also based on whether the Company's performance during 2013 either met or exceeded the target growth rates established for 2011 through 2012 relating to the Company's revenue and earnings before the deduction of interest, taxes, depreciation, and amortization expenses.

2011 Performance-Based Restricted Stock Unit Performance Goals (Performance Period 2011-2012)		
Performance Objectives		Actual Performance
Targeted compound annual CAGR for the Company's revenue for 2011–2012, measured against 2010 revenue (weighted 1/3)	Target growth rate of 5%	Revenue CAGR was between threshold and target performance goals Performance Level = 95%
Targeted compound annual CAGR for the Company's EBITDA for 2011–2012, measured against 2010 EBITDA (weighted 1/3)	Target growth rate of 8%	EBITDA CAGR was below the threshold performance goal Performance Level = 0%
Targeted 2012 revenue from electronic channels, prepaid services, and business-to-business services (weighted 1/3)	Target performance level of \$400M	Revenue diversification was above the target performance goal Performance Level = 223%

Based on management's performance levels relative to the 2011 performance-based restricted stock unit award performance objectives described above, the committee certified an initial payout amount of 106% of target. As noted above, the payout level was subject to modification

based on the Company's revenue and earnings before the deduction of interest, taxes, depreciation, and amortization expenses performance during 2013. Based on such 2013 performance, the committee reduced the initial payout amount from 106% of target to 100% of target.

Other Elements of Compensation

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

Benefit or Perquisite	Named Executive Officers	Other Officers and Key Employees	All Full-time and Regular Part-time Employees
401(k) Plan	X	X	X
Supplemental Incentive Savings Plan (a nonqualified defined contribution plan)	X	X	
Severance and Change-in-Control Benefits	X	X	
Health and welfare benefits	X	X	X
Limited Perquisites	X	X	

Severance and Change-in-Control Benefits. Western Union has an executive severance policy for our executive officers. The policy helps accomplish Western Union's compensation philosophy of attracting and retaining exemplary talent. The committee believes it appropriate to provide executives with the rewards and protections afforded by the Executive Severance Policy. The policy reduces the need to negotiate individual severance arrangements with departing executives and protects our executives from termination for circumstances not of their doing. The committee also believes the policy promotes management independence and helps retain, stabilize, and focus the executive officers in the event of a change-in-control.

In the event of a change-in-control, the policy's severance benefits are payable only upon a "double trigger." This means that severance benefits are triggered only when an eligible executive is involuntarily terminated (other than for cause, death, or disability), or terminates his or her own employment voluntarily for "good reason" (including a material reduction in title or position, reduction in base salary or bonus opportunity or an increase in the executive's commute to his or her current principal working location of more than 50 miles without consent) within 24 months after the date of a change-in-control. In addition, the Executive Severance Policy prohibits excise tax gross-up payments on change-in-control benefits for those individuals who became executives of the Company after April 2009. Please see the "Executive Compensation-Potential Payments Upon Termination or Change-in-Control" section of this Proxy Statement for further information regarding the Executive Severance Policy and the treatment of awards upon qualifying termination events or a change-in-control.

Retirement Savings Plans. Western Union executives on United States payroll are eligible for retirement benefits through a qualified defined contribution 401(k) plan, the Incentive Savings Plan, and a nonqualified defined contribution plan, the Supplemental Incentive Savings Plan ("SISP.") The SISP provides a vehicle for additional deferred compensation with matching contributions from

the Company. We maintain the Incentive Savings Plan and the SISP to encourage our employees to save some percentage of their cash compensation for their eventual retirement. Mr. Ersek participates in the qualified defined contribution retirement plan made available to eligible employees in Austria. The committee believes that these types of savings plans are consistent with competitive pay practices, and are an important element in attracting and retaining talent in a competitive market. Please see the 2013 Nonqualified Deferred Compensation Table in the "Executive Compensation" section of this Proxy Statement for further information regarding Western Union's retirement savings plans.

Benefits and Perquisites. The Company's global benefit philosophy for employees, including executives, is to provide a package of benefits consistent with local practices and competitive within individual markets. Each of our named executive officers participates in the health and welfare benefit plans and fringe benefit programs generally available to all other Western Union employees in the individual market in which they are located. In addition, in 2013 the Company provided the benefits and perquisites as described in the 2013 Summary Compensation Table in the "Executive Compensation" section of this Proxy Statement.

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

Employment Agreements. The Company generally executes an offer of employment before an executive joins the Company. This offer describes the basic terms of the executive's employment, including his or her

start date, starting salary, bonus target and long-term incentive award target. The terms of the executive's employment are based thereafter on sustained good performance rather than contractual terms, and the Company's policies, such as the Executive Severance Policy, will apply as warranted.

Under certain circumstances, the Compensation Committee recognizes that special arrangements with respect to an executive's employment may be necessary or desirable. For example, Mr. Ersek, the Company, and a subsidiary of the Company entered into agreements in November 2009 relating to his 2009 promotion to Chief Operating Officer, which were amended effective September 2010 to reflect his 2010 promotion to President and Chief Executive Officer. Employment contracts are a competitive market practice in Austria where Mr. Ersek resided at the time he assumed his position as Chief Operating Officer and the Compensation Committee believes the terms of his agreements are consistent with those for similarly situated executives in Austria. In addition, the Company entered into a letter agreement with Mr. Agrawal in January 2012 describing the terms and conditions applicable to Mr. Agrawal's expatriate assignment. Please see the "Executive Compensation-Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table-Employment Arrangements" section of this Proxy Statement for a description of the material terms of Mr. Ersek's employment agreement and Mr. Agrawal's expatriate agreement.

Stock Ownership Guidelines

To align our executives' interests with those of our stockholders and to assure that our executives own meaningful levels of Western Union stock throughout their tenures with the Company, the Compensation Committee established stock ownership guidelines that require each of the named executive officers to own Company Common Stock worth a multiple of base salary. Under the stock ownership guidelines, the executives must

retain, until the required ownership guideline levels have been achieved and thereafter if required to maintain the required ownership levels, at least 50% of after-tax shares resulting from the vesting of restricted stock and restricted stock units and at least 50% of the shares acquired upon exercise of stock options after the payment of the exercise price, broker fees, and related tax withholding obligations. The chart below shows the salary multiple guidelines and the equity holdings that count towards the requirement as of March 20, 2014.

Executive	Guideline	Status
Hikmet Ersek	5x salary	Meets guideline
Rajesh K. Agrawal	2x salary	Must hold 50% of after-tax shares until guideline is met
J. David Thompson	2x salary	Meets guideline
John R. Dye	2x salary	Must hold 50% of after-tax shares until guideline is met

What Counts Toward the Guideline	What Does Not Count Toward the Guideline
- Western Union securities owned personally - Shares held in any Western Union benefit plan - After-tax value of unvested shares of restricted stock and restricted stock units	- Unexercised stock options - Performance-based restricted stock units

Prohibition on Pledging and Hedging of the Company's Securities

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

Clawback Policy

The Board of Directors adopted a clawback policy in 2009. Under the policy, the Company may, in the Board's discretion and subject to applicable law, recover incentive compensation paid to an executive officer of the Company (defined as an individual subject to Section 16 of the Exchange Act, at the time the incentive compensation was received by or paid to the officer) if the compensation resulted from any financial result or performance metric impacted by the executive officer's misconduct or fraud. The Board is monitoring this policy to ensure that it is consistent with applicable laws, including any requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

Tax Implications of Executive Compensation Program

Under Section 162(m) of the Internal Revenue Code, named executive officer (other than the Chief Financial Officer) compensation over \$1 million for any year is generally not deductible for United States income tax purposes. Performance-based compensation is exempt from the deduction limit, however, if certain requirements are met. The Compensation Committee structures compensation to take advantage of this exemption under Section 162(m) to the extent practicable, while satisfying the Company's compensation policies and objectives. Because the Compensation Committee also recognizes the need to retain flexibility to make compensation decisions that may not meet the standards of Section 162(m) when necessary to enable the Company to continue to attract, retain, and motivate highly-qualified executives, it reserves the authority to approve potentially non-deductible compensation in appropriate circumstances.

Compensation of Our Named Executive Officers

This section describes the compensation paid to or earned by our named executive officers during 2013. In establishing the 2013 compensation levels for our named executive officers, the committee relied on the philosophy, objectives, and procedures set forth above under "Establishing and Evaluating Executive Compensation," including the committee's review of market data and consideration of the input of the Compensation Consultant.

Hikmet Ersek *President and Chief Executive Officer*

Mr. Ersek's 2013 compensation was weighted significantly toward variable and performance-based incentive pay over fixed pay, and long-term, equity-based pay over annual cash compensation, because the Compensation Committee desired to tie a significant level of Mr. Ersek's compensation to the performance of the Company. The percentage of compensation delivered in the form of performance-based compensation is higher for

Mr. Ersek than compared to the other named executive officers because the Compensation Committee believes that the Chief Executive Officer's leadership is one of the key drivers of the Company's success, and that a greater percentage of the Chief Executive Officer's total compensation should be variable as a reflection of the Company's level of performance. Market data provided by the Compensation Consultant supported this practice as well. Accordingly, at target-level performance for 2013, Mr. Ersek's annual compensation was weighted 12% base salary, 17% annual incentive award, and 71% long-term incentive award. Approximately 88% of Mr. Ersek's 2013 targeted total annual compensation varies based on the Company's performance.

In February 2013, the Compensation Committee set Mr. Ersek's 2013 compensation levels, including his annual and long-term incentive award targets, as discussed below. In determining Mr. Ersek's 2013 target compensation levels, the committee considered Mr. Ersek's 2012 performance and the market data. Mr. Ersek's

compensation as Chief Executive Officer is set higher relative to the other named executive officers. The Compensation Committee considers this to be appropriate, based on market data provided by the Compensation Consultant, and because his level of pay reflects his ultimate responsibility to oversee the performance of the Company.

- *Base Salary.* For 2013, no changes were made to Mr. Ersek's annual base salary. Accordingly, Mr. Ersek's annual base salary remained at \$1,000,000.
- *Annual Incentive Plan Target and Payout Level.* For 2013, no changes were made to Mr. Ersek's Annual Incentive Plan target of \$1,500,000. Under the terms of the Annual Incentive Plan design, Mr. Ersek had an opportunity to receive up to \$1,875,000 in cash and up to \$1,125,000 in restricted stock units. The maximum Annual Incentive Plan award that Mr. Ersek could have earned during 2013 (consisting of both the cash and restricted stock unit award components) was 200% of Mr. Ersek's target, or \$3,000,000. As the leader of the Company, the Compensation Committee determined that it was appropriate to base Mr. Ersek's cash opportunity under the Annual Incentive Plan entirely on the performance of the Company as a whole rather than on individual or specific business unit measures. Mr. Ersek's 2013 Annual Incentive Plan award payout consisted of (i) a \$1,260,000 cash award reflecting a payout of 84% of target based on the Company's level of achievement of the corporate performance goals, and (ii) a \$255,000 restricted stock unit award reflecting a payout of 17% of target based on the Company's achievement of its strategic performance goals (versus a payout of 25% of target that would have been paid had the Company achieved its internal plan for its strategic performance goals).
- *Long-Term Incentive Award.* For 2013, no changes were made to Mr. Ersek's long-term incentive award target. Accordingly, Mr. Ersek's 2013 long-term incentive award target remained at \$6,000,000.

Scott T. Scheirman

Executive Vice President, Chief Financial Officer (September 2006 through December 2013)

In February 2013, the Compensation Committee set Mr. Scheirman's 2013 compensation levels, including his annual and long-term incentive award targets, as discussed below. In determining Mr. Scheirman's 2013 target compensation levels, the committee considered Mr. Scheirman's 2012 performance and the market data.

- *Base Salary.* For 2013, no changes were made to Mr. Scheirman's annual base salary. Accordingly, Mr. Scheirman's annual base salary remained at \$585,312.
- *Annual Incentive Plan Target and Payout Level.* No changes were made to Mr. Scheirman's annual incentive target of \$556,046. Under the terms of the Annual Incentive Plan design, Mr. Scheirman had an opportunity to receive up to \$695,100 in cash and up to \$417,000 in restricted stock units. The maximum Annual Incentive Plan award that Mr. Scheirman could have earned during 2013 (consisting of both the cash and restricted stock unit award components) was 200% of Mr. Scheirman's target, or \$1,112,092. In connection with his separation from the Company and pursuant to the Separation Agreement, Mr. Scheirman forfeited his restricted stock unit award under the 2013 Annual Incentive Plan. As an executive officer holding a corporate-wide position, the Compensation Committee determined that it was appropriate that Mr. Scheirman's cash opportunity under the Annual Incentive Plan be based 75% on corporate performance and 25% on individual performance. Mr. Scheirman's 2013 Annual Incentive Plan award payout consisted entirely of a \$511,600 cash award reflecting a blended payout of 92% of target based on the Company's achievement of the corporate performance goals and Mr. Scheirman's achievement of his individual/business unit performance goals.
- *Long-Term Incentive Award.* For 2013, no changes were made to Mr. Scheirman's long-term incentive award target. Accordingly, Mr. Scheirman's 2013 long-term incentive award target remained at \$1,750,000.

Rajesh K. Agrawal

Executive Vice President and President, Western Union Business Solutions (November 2011 through December 2013), Executive Vice President and Interim Chief Financial Officer (January 2014 to present)

In February 2013, the Compensation Committee set Mr. Agrawal's 2013 compensation levels, including his annual and long-term incentive award targets, as discussed below. In determining Mr. Agrawal's 2013 target compensation levels, the committee considered Mr. Agrawal's 2012 performance and the market data.

- *Base Salary.* For 2013, no changes were made to Mr. Agrawal's annual base salary. Accordingly, Mr. Agrawal's annual base salary remained at \$405,000.

- *Annual Incentive Plan Target and Payout Level.* No changes were made to Mr. Agrawal's annual incentive target of \$405,000. Under the terms of the Annual Incentive Plan design, Mr. Agrawal had an opportunity to receive up to \$506,250 in cash and up to \$303,750 in restricted stock units. The maximum Annual Incentive Plan award that Mr. Agrawal could have earned during 2013 (consisting of both the cash and restricted stock unit award components) was 200% of Mr. Agrawal's target, or \$810,000. As a business unit leader in 2013, the Compensation Committee determined that it was appropriate that Mr. Agrawal's cash opportunity under the Annual Incentive Plan be based 50% on corporate performance and 50% on the performance of Western Union Business Solutions as well as individual performance. Mr. Agrawal's 2013 Annual Incentive Plan award payout consisted of (i) a \$324,000 cash award reflecting a blended payout of 80% of target based on the Company's achievement of the corporate performance goals and Mr. Agrawal's achievement of his individual/business unit performance goals, and (ii) a \$68,900 restricted stock unit award reflecting a payout of 17% of target based on the Company's achievement of its strategic performance goals (versus a payout of 25% of target that would have been paid had the Company achieved its internal plan for its strategic performance goals).
- *Long-Term Incentive Award.* For 2013, no changes were made to Mr. Agrawal's long-term incentive award target. Accordingly, Mr. Agrawal's 2013 long-term incentive award target remained at \$1,300,000.

J. David Thompson

Executive Vice President, Global Operations (November 2012 to present) and Chief Information Officer (April 2012 to present)

In February 2013, the Compensation Committee set Mr. Thompson's 2013 compensation levels, including his annual and long-term incentive award targets, as discussed below. In determining Mr. Thompson's 2013 target compensation levels, the committee considered Mr. Thompson's 2012 performance, his increased responsibilities as head of global operations, the market data as well as the Company's strategic objectives of further enhancing the Company's information technology capabilities. Accordingly, the committee assigned a significant value to Mr. Thompson's position and less value to its review of the market data. The committee increased Mr. Thompson's long-term incentive target to reflect his

increased responsibilities since joining the Company and to bring his total compensation into closer alignment with market levels.

- *Base Salary.* For 2013, no changes were made to Mr. Thompson's annual base salary. Accordingly, Mr. Thompson's annual base salary remained at \$500,000.
- *Annual Incentive Plan Target and Payout Level.* For 2013, no changes were made to Mr. Thompson's Annual Incentive Plan target of \$450,000. Under the terms of the Annual Incentive Plan design, Mr. Thompson had an opportunity to receive up to \$562,500 in cash and up to \$337,500 in restricted stock units. The maximum Annual Incentive Plan award that Mr. Thompson could have earned during 2013 (consisting of both the cash and restricted stock unit award components) was 200% of Mr. Thompson's target, or \$900,000. As an executive officer holding a corporate-wide position, the Compensation Committee determined that it was appropriate that Mr. Thompson's cash opportunity under the Annual Incentive Plan be based 75% on corporate performance and 25% on individual performance. Mr. Thompson's 2013 Annual Incentive Plan award payout consisted of (i) a \$360,000 cash award reflecting a blended payout of 80% of target based on the Company's achievement of the corporate performance goals and Mr. Thompson's achievement of his individual/business unit performance goals, and (ii) a \$76,500 restricted stock unit award reflecting a payout of 17% of target based on the Company's achievement of its strategic performance goals (versus a payout of 25% of target that would have been paid had the Company achieved its internal plan for its strategic performance goals).
- *Discretionary Awards.* In early 2014, the committee also awarded Mr. Thompson a discretionary restricted stock unit award with a grant value of \$240,000 in recognition of his performance during 2013 and for retention purposes. The restricted stock unit award is scheduled to vest in four annual installments, subject to Mr. Thompson's continued employment through each vesting date.
- *Long-Term Incentive Award.* For 2013, the committee increased Mr. Thompson's long-term incentive award target to \$1,200,000 from \$1,000,000.

John R. Dye

Executive Vice President, General Counsel and Secretary

In February 2013, the Compensation Committee set Mr. Dye's 2013 compensation levels, including his annual and long-term incentive award targets, as discussed below. In determining Mr. Dye's 2013 target compensation levels, the committee considered Mr. Dye's 2012 performance and the market data. The committee increased Mr. Dye's long-term incentive target to bring his total compensation into closer alignment with market levels and the compensation levels of other executive officers at the Company.

- **Base Salary.** For 2013, no changes were made to Mr. Dye's annual base salary. Accordingly, Mr. Dye's annual base salary remained at \$500,000.
- **Annual Incentive Plan Target and Payout Level.** For 2013, no changes were made to Mr. Dye's Annual Incentive Plan target of \$400,000. Under the terms of the Annual Incentive Plan design, Mr. Dye had an opportunity to receive up to \$500,000 in cash and up to \$300,000 in restricted stock units. The maximum Annual Incentive Plan award that Mr. Dye could have earned during 2013 (consisting of both the cash and restricted stock unit award components) was 200% of Mr. Dye's target, or \$800,000. As an executive officer holding a corporate-wide position, the Compensation Committee determined that it was appropriate that Mr. Dye's cash opportunity under the Annual Incentive Plan be based 75% on corporate performance and 25% on individual performance. Mr. Dye's 2013 Annual Incentive Plan award payout consisted of (i) a \$360,000 cash award reflecting a blended payout of 90% of target based on the Company's achievement of the corporate

performance goals and Mr. Dye's achievement of his individual/business unit performance goals, and (ii) a \$68,000 restricted stock unit award reflecting a payout of 17% of target based on the Company's achievement of its strategic performance goals (versus a payout of 25% of target that would have been paid had the Company achieved its internal plan for its strategic performance goals).

- **Discretionary Awards.** In early 2014, the committee also awarded Mr. Dye a discretionary cash bonus of \$100,000 and discretionary restricted stock unit award with a grant value of \$100,000, each in recognition of his performance during 2013 and for retention purposes. The restricted stock unit award is scheduled to vest in four annual installments, subject to Mr. Dye's continued employment through each vesting date.
- **Long-Term Incentive Award.** For 2013, the committee increased Mr. Dye's long-term incentive award target to \$1,000,000 from \$750,000.

2014 Compensation

At its February 20, 2014 meeting, the Compensation Committee approved the following compensation amounts and award targets for the named executive officers serving as executive officers at the time of that meeting. In setting executive compensation levels for 2014, the committee considered a number of factors including peer group and survey data, individual characteristics and responsibilities, and the Company's financial performance in 2013. The committee did not increase the base salaries, Annual Incentive Plan targets, or Long-Term Incentive Plan targets from the levels set in 2013 for the named executive officers.

Named Executive Officer	Base Salary	Annual Incentive Award Target	Long-Term Incentive Award Target
Hikmet Ersek	\$1,000,000	\$1,500,000	\$6,000,000
Rajesh K. Agrawal	\$405,000	\$405,000	\$1,300,000
J. David Thompson	\$500,000	\$450,000	\$1,200,000
John R. Dye	\$500,000	\$400,000	\$1,000,000

Executive Compensation

The following table contains compensation information for our named executive officers for the last three fiscal years.

2013 Summary Compensation Table

Name and Principal Position	Year	Salary ⁽¹⁾ (\$000)	Bonus (\$000)	Stock Awards (\$000) ⁽²⁾	Option Awards (\$000) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$000) ⁽³⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$000)	All Other Compensation (\$000) ⁽⁴⁾	Total (\$000)
Hikmet Ersek⁽⁵⁾	2013	1,000.0	—	4,375.0	2,000.0	1,260.0	—	122.5	8,757.5
President and Chief Executive Officer	2012	987.5	—	3,758.9	1,980.0	—	—	265.8	6,992.2
	2011	920.8	—	2,897.3	1,485.0	2,258.3	—	311.0	7,872.4
Scott T. Scheirman	2013	585.3	—	1,311.5	577.5	511.6	—	48.4	3,034.3
EVP and Chief Financial Officer	2012	581.6	—	1,096.4	577.5	133.5	—	74.2	2,463.2
	2011	558.3	200.0	965.8	495.0	871.3	—	40.4	3,130.8
Rajesh K. Agrawal	2013	405.0	—	972.3	429.0	324.0	—	1,230.2	3,360.5
EVP, President, Western Union Business Solutions	2012	405.0	—	814.4	429.0	97.2	—	960.6	2,706.2
	2011	387.2	—	498.8	204.9	300.4	—	276.5	1,667.8
J. David Thompson	2013	500.0	—	916.5	396.0	360.0	—	61.4	2,233.9
EVP, Global Operations and Chief Information Officer	2012	344.7	158.6	2,453.8	330.0	74.7	—	64.7	3,426.5
	2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
John R. Dye	2013	500.0	300.0 ⁽⁶⁾	770.0	330.0	360.0	—	20.5	2,280.5
EVP, General Counsel and Secretary	2012	500.0	404.0	469.9	247.5	96.0	—	603.4	2,320.8
	2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Footnotes:

- (1) Any salary adjustments are effective as of March of each reporting year.
- (2) The amounts reported in these columns for 2013 represent the restricted stock unit component under the Annual Incentive Plan and the annual equity grants to the named executive officers under the Long-Term Incentive Plan. The amounts reported in these columns are valued based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The amounts included in the Stock Awards column for the restricted stock unit component under the Annual Incentive Plan and the performance-based restricted stock units granted during 2013 are calculated based on the probable satisfaction of the performance conditions for such awards as of the date of grant in 2013. Assuming the highest level of performance is achieved for the restricted stock unit component under the Annual Incentive Plan and the performance-based restricted stock units, the maximum value of these awards at the grant date would be as follows: Mr. Ersek—\$9,125,020; Mr. Scheirman—\$2,762,035; Mr. Agrawal—\$2,045,770; Mr. Thompson—\$1,945,512; and Mr. Dye—\$1,640,024. In connection with his separation from the Company, Mr. Scheirman will receive a prorated portion of his performance-based restricted stock unit award and will forfeit the restricted stock unit component under the Annual Incentive Plan. See Note 16 to the Consolidated Financial Statements included in our Annual Reports on Form 10-K for the years ended December 31, 2013, 2012 and 2011, respectively, for a discussion of the relevant assumptions used in calculating the amounts reported for the applicable year.
- (3) For 2013, the amounts reflect the actual cash bonus received under the Annual Incentive Plan.
- (4) Amounts included in this column for 2013 are set forth by category in the 2013 All Other Compensation Table below.

- (5) For 2013, Mr. Ersek's salary and retirement plan contributions were denominated in United States dollars but were paid to or on behalf of Mr. Ersek in euros, based on a conversion rate that was determined each calendar quarter. The conversion rates 0.76482, 0.77130, 0.74954, and 0.75228 were applied for quarters one, two, three and four, respectively.
- (6) Mr. Dye's bonus represents a discretionary bonus of \$100,000 with respect to 2013 performance and for retention purposes, and a sign on bonus of \$200,000 payable pursuant to the terms of Mr. Dye's offer of employment. Mr. Dye is eligible to receive a \$600,000 bonus, payable in three equal annual installments commencing six-months after Mr. Dye's employment commencement date of November 30, 2011.

2013 All Other Compensation Table

Name	Perquisites & Other Personal Benefits (\$000) ⁽¹⁾	Tax Reimbursements (\$000) ⁽²⁾	Company Contributions to Defined Contribution Plans (\$000) ⁽³⁾	Insurance Premiums (\$000)	Total (\$000)
Hikmet Ersek	51.4 ⁽⁴⁾	—	71.1	—	122.5
Scott T. Scheirman	11.6	—	35.3	1.5	48.4
Rajesh K. Agrawal	1,005.9 ⁽⁵⁾	201.5	22.2	0.6	1,230.2
J. David Thompson	14.6	2.4	30.6	13.8	61.4
John R. Dye	3.0	6.1	10.2	1.2	20.5

Footnotes:

- (1) Amounts in this column include the incremental cost or valuation of executive security costs for Mr. Ersek (as described in Footnote 4 to this table), relocation expenses for Messrs. Agrawal (as described in Footnote 5 to this table), Thompson and Dye, sporting event tickets for each of the named executive officers, car service/allowances for Messrs. Ersek and Agrawal, an annual physical examination, including travel expenses, for certain named executive officers and family visa services for Mr. Ersek.
- (2) Amounts in this column include tax gross-ups for Messrs. Agrawal, Thompson and Dye, respectively, for relocation expenses.
- (3) Amounts shown in this column represent contributions made by the Company on behalf of each of the named executive officers, except for Mr. Ersek, to the Company's Incentive Savings Plan and/or the Supplemental Incentive Savings Plan, and contributions made by the Company on behalf of Mr. Ersek to the Company's defined contribution plan in Austria, the Victoria Volksbanken Pensionskassen AG.
- (4) This amount includes approximately \$31,300 representing the cost provided by an outside security provider for hardware and monitoring services. A portion of these costs are attributable to a one time security assessment and hardware installations. These expenses were valued on the basis of the aggregate incremental cost to the Company and represent the amount paid to the service provider.
- (5) This amount includes approximately \$1,002,400 paid to or on behalf of Mr. Agrawal in connection with his relocation from Colorado to the United Kingdom, including foreign tax equalization payments (\$657,900), United States tax payments (\$28,000), a housing allowance (\$269,300), a mobility premium (\$33,800), home leave allowance (\$62,600), a cost of living allowance (\$64,200) and a dependent education allowance. These relocation expenses were valued on the basis of the aggregate incremental cost to the Company and represent the amount accrued for payment or paid to the service provider or Mr. Agrawal, as applicable.

The following table summarizes awards made to our named executive officers in 2013.

2013 Grants of Plan-Based Awards Table

Name	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Option Awards: Number of Securities Underlying Options (#) ⁽⁴⁾	Exercise or Base Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (\$000) ⁽⁵⁾	
			Target (\$000)	Maximum (\$000)	Threshold (#)	Target (#)				Maximum (#)
Hikmet Ersek			1,350.0	1,875.0						
	2/20/2013	2/20/2013			0	23,453	70,356 ⁽²⁾		375.0	
	2/20/2013	2/20/2013			71,429 ⁽³⁾	271,429 ⁽³⁾	571,430 ⁽³⁾		4,000.0	
	2/20/2013	2/20/2013						625,000	\$14.00	2,000.0
Scott T. Scheirman			500.4	695.1						
	2/20/2013	2/20/2013			0	8,694 ⁽²⁾	26,081 ⁽²⁾		139.0	
	2/20/2013	2/20/2013			20,938 ⁽³⁾	79,563 ⁽³⁾	167,500 ⁽³⁾		1,172.5	
	2/20/2013	2/20/2013						180,469	\$14.00	577.5
Rajesh K. Agrawal			364.5	506.3						
	2/20/2013	2/20/2013			0	6,333 ⁽²⁾	18,996 ⁽²⁾		101.3	
	2/20/2013	2/20/2013			15,554 ⁽³⁾	59,104 ⁽³⁾	124,430 ⁽³⁾		871.0	
	2/20/2013	2/20/2013						134,063	\$14.00	429.0
J. David Thompson			405.0	562.5						
	2/20/2013	2/20/2013			0	7,036 ⁽²⁾	21,107 ⁽²⁾		112.5	
	2/20/2013	2/20/2013			14,357 ⁽³⁾	54,558 ⁽³⁾	114,858 ⁽³⁾		804.0	
	2/20/2013	2/20/2013						123,750	\$14.00	396.0
John R. Dye			360.0	500.0						
	2/20/2013	2/20/2013			0	6,254 ⁽²⁾	18,762 ⁽²⁾		100.0	
	2/20/2013	2/20/2013			11,965 ⁽³⁾	45,465 ⁽³⁾	95,716 ⁽³⁾		670.0	
	2/20/2013	2/20/2013						103,125	\$14.00	330.0

Footnotes:

- (1) These amounts consist of the target and maximum cash award levels set in 2013 under the Annual Incentive Plan. The amount actually earned by each named executive officer is included in the Non-Equity Incentive Plan Compensation column in the 2013 Summary Compensation Table. Pursuant to the terms of the Separation Agreement, Mr. Scheirman received a cash payment equal to his 2013 bonus under the Annual Incentive Plan, based on actual performance. Please see "Compensation Discussion and Analysis" for further information regarding the Annual Incentive Plan.
- (2) These amounts represent the target and maximum restricted stock units granted under the Annual Incentive Plan. For actively employed executives, these restricted stock units will vest in increments of 30% and 70%, respectively, on the first and second anniversaries of February 20, 2014, subject to continued employment on each such vesting date and the Company's achievement of a 2014 threshold operating income goal of \$500,000,000. In connection with his separation from the Company and pursuant to the Separation Agreement, Mr. Scheirman forfeited this award. See "Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table" for further information regarding this award.
- (3) These amounts represent the threshold, target and maximum performance-based restricted stock units granted under the Long-Term Incentive Plan. For actively employed executives, these performance-based restricted stock units are scheduled to vest on February 20, 2016, subject to the achievement of the threshold performance goals. In connection with his separation from the Company and pursuant to the Separation Agreement, Mr. Scheirman will receive a prorated payout of this award, based on actual achievement of the underlying performance goals and his service during the performance period. See "Executive Compensation-Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table" for further information regarding this award.

- (4) *These amounts represent stock options granted under the Long-Term Incentive Plan. For actively employed executives, these options vest in 25% increments on each of the first through fourth year anniversaries of the date of grant. In connection with his separation from the Company and pursuant to the Separation Agreement, Mr. Scheirman received a prorated portion of this award.*
- (5) *The amounts shown in this column are valued based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 and, in the case of the performance-based restricted stock units, are based upon the probable outcome of the applicable performance conditions. See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 for a discussion of the relevant assumptions used in calculating the amounts.*

Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table

Employment Arrangements

As noted in the Compensation Discussion and Analysis, the Company generally executes a written offer of employment prior to the time an executive joins the Company which describes the basic terms of the executive's employment, including his or her start date, starting salary, bonus target, and long-term incentive award target. The terms of the executive's employment are based thereafter on sustained good performance rather than contractual terms, and the Company's policies, such as the Executive Severance Policy, will apply as warranted.

As noted in the Compensation Discussion and Analysis, under certain circumstances, the Compensation Committee recognizes that special arrangements with respect to an executive's employment may be necessary or desirable. Accordingly, during 2013, Mr. Ersek was party to an employment agreement pursuant to which Mr. Ersek agreed to serve as the Company's President and Chief Executive Officer. The terms of Mr. Ersek's employment agreement provide for (i) eligibility to participate in the Company's Annual Incentive Plan and Long-Term Incentive Plan and (ii) eligibility to participate in retirement, health, and welfare benefit programs on the same basis as similarly situated employees in Austria. Mr. Ersek's employment agreement also includes non-competition, non-solicitation, and confidentiality provisions.

During 2013, the Company was also party to a letter agreement with Mr. Agrawal describing the terms and conditions applicable to Mr. Agrawal's expatriate assignment and his relocation from Colorado to the United Kingdom. Mr. Agrawal's letter agreement provides

for, among other benefits, (i) eligibility to participate in the Company's Annual Incentive Plan and Long-Term Incentive Plan, and (ii) relocation benefits, which include (A) customary relocation benefits and allowances, (B) an annual relocation bonus equal to one month of base salary for each 12 months of Mr. Agrawal's assignment, (C) a housing and utility allowance not to exceed \$22,000 per month, (D) a company car, (E) limited travel expenses for Mr. Agrawal and his immediate family, and (F) an education allowance for dependent children.

The Company has an Executive Severance Policy for the payment of certain benefits to senior executives, including our named executive officers, upon termination of employment from Western Union and upon a change-in-control of Western Union. In connection with his 2014 separation from the Company and pursuant to the Separation Agreement, Mr. Scheirman became entitled to benefits under the Executive Severance Policy. Please see the "-Potential Payments Upon Termination or Change-in-Control" section for a description of the policy.

Awards

In February 2013, the Compensation Committee granted the Chief Executive Officer and the then serving Executive Vice Presidents long-term incentive awards under the Long-Term Incentive Plan, consisting of 33% stock option awards and 67% performance-based restricted stock units. The stock options granted to each of the named executive officers are subject to time-based vesting provisions described in the footnotes to the 2013 Grants of Plan-Based Awards Table. The 2013 performance-based restricted stock unit awards will vest if and only to

the extent that specific performance goals with respect to revenues and operating income are met for 2013 and 2014. Further, the 2013 performance-based restricted stock unit awards include a relative TSR performance measure, which may increase or decrease the payout of the award by up to 33% based on the Company's TSR performance relative to the TSR of the S&P 500 Index over the 2013 – 2015 performance period. Please see the "Compensation Discussion and Analysis" section of this Proxy Statement for further information regarding the 2013 performance-based restricted stock units, including the performance metrics applicable to such awards.

At its February 2013 meeting, the Compensation Committee established performance objectives to be considered under the Annual Incentive Plan for the 2013 plan year. As discussed in the "Compensation Discussion and Analysis" of this Proxy Statement, the 2013 annual incentive awards include cash and restricted stock unit components. Under the Annual Incentive Plan, participants are eligible to receive a cash payout ranging from 0% to 125% of target based on the achievement of corporate financial and individual/business unit goals, except for Mr. Ersek whose cash award is payable based entirely on the achievement of corporate financial goals. Participants are also eligible to receive a restricted stock

unit award ranging from 0% to 75% of target based on the achievement of a threshold operating income goal and strategic performance objectives. Please see the "Compensation Discussion and Analysis" section of this Proxy Statement for more information regarding the annual incentive awards, including the performance metrics applicable to such awards.

Salary and Bonus in Proportion to Total Compensation

As noted in the "Compensation Discussion and Analysis" section of this Proxy Statement, the Compensation Committee heavily weighted total direct compensation toward the variable elements, which includes annual incentive compensation and long-term incentive compensation, in order to hold executives accountable and reward them for the results of the Company. Our Compensation Committee structured the compensation program to give our named executive officers substantial alignment with stockholders, while also permitting our Compensation Committee to incentivize the named executive officers to pursue performance that it believes increases stockholder value. Please see the "Compensation Discussion and Analysis" section of this Proxy Statement for a description of the objectives of our compensation program and overall compensation philosophy.

Executive Compensation

PROXY STATEMENT

The following table provides information regarding outstanding option awards and unvested stock awards held by each of the named executive officers on December 31, 2013.

2013 Outstanding Equity Awards at Fiscal Year-End Table

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable ⁽¹⁾	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$000) ⁽²⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$000) ⁽³⁾
Hikmet Ersek	—	625,000 ⁽⁴⁾	14.00	2/20/2023	143,572 ⁽¹¹⁾	2,476.6	271,429 ⁽¹⁶⁾	4,682.2
	100,202	300,608 ⁽⁵⁾	17.86	2/23/2022	29,261 ⁽¹²⁾	504.8		
	116,929	116,930 ⁽⁷⁾	21.00	2/24/2021	15,948 ⁽¹⁸⁾	275.1		
	172,971	57,657 ⁽⁸⁾	17.45	9/1/2020				
	159,381	53,127 ⁽⁹⁾	16.00	2/24/2020				
	142,695		11.86	2/17/2019				
	10,000		22.14	2/21/2017				
	276,127		19.13	9/29/2016				
	87,820		20.10	2/13/2016				
	43,910		19.07	12/8/2014				
Scott T. Scheirman	83,036		17.78	2/12/2014				
	—	180,469 ⁽⁴⁾	14.00	2/20/2023	47,858 ⁽¹¹⁾	825.6	79,563 ⁽¹⁷⁾	1,372.5
	29,225	87,678 ⁽⁵⁾	17.86	2/23/2022	11,161 ⁽¹²⁾	192.5		
	38,976	38,977 ⁽⁷⁾	21.00	2/24/2021				
	54,645	18,215 ⁽⁹⁾	16.00	2/24/2020				
	14,270		11.86	2/17/2019				
	180,798		19.13	9/29/2016				
	87,820		20.10	2/13/2016				
Rajesh K. Agrawal	65,865		19.07	12/8/2014				
	—	134,063 ⁽⁴⁾	14.00	2/20/2023	8,291 ⁽¹²⁾	143.0	59,104 ⁽¹⁶⁾	1,019.5
	21,710	65,133 ⁽⁵⁾	17.86	2/23/2022	27,608 ⁽¹³⁾	476.2		
	12,398	12,398 ⁽⁶⁾	16.49	9/15/2021	4,306 ⁽¹⁸⁾	74.3		
	8,447	8,448 ⁽⁷⁾	21.00	2/24/2021				
	18,414	6,139 ⁽⁹⁾	16.00	2/24/2020				
	21,950		11.86	2/17/2019				
	32,925		20.99	2/21/2018				
	21,612		22.55	2/7/2017				
	9,263		19.13	9/29/2016				
J. David Thompson	87,820		20.87	6/12/2016				
	—	123,750 ⁽⁴⁾	14.00	2/20/2023	6,228 ⁽¹²⁾	107.4	54,558 ⁽¹⁶⁾	941.1
	16,975	50,927 ⁽¹⁰⁾	18.29	4/26/2022	68,562 ⁽¹⁴⁾	1,182.7		
John R. Dye					4,785 ⁽¹⁸⁾	82.5		
	—	103,125 ⁽⁴⁾	14.00	2/20/2023	4,783 ⁽¹²⁾	82.5	45,465 ⁽¹⁶⁾	784.3
	12,525	37,577 ⁽⁵⁾	17.86	2/23/2022	11,353 ⁽¹⁵⁾	195.8		
					4,253 ⁽¹⁸⁾	73.4		

Footnotes:

- (1) Grants prior to September 29, 2006 represent option awards granted to the named executive officer under the First Data Corporation equity compensation plans that were replaced with substitute Western Union options that were adjusted to preserve the pre-conversion intrinsic value of the First Data Corporation options. A portion of these substitute options became fully vested in December 2005 when the First Data Compensation and Benefits Committee accelerated the vesting of all First Data Corporation options outstanding under the 2002 First Data Corporation Long Term Incentive Plan in anticipation of the adoption of FASB ASC Topic 718 (previously Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123), Share-Based Payment, in the first quarter of 2006. A portion of the substitute options also vested through the normal passage of time. The remainder of these substitute options became fully vested in September 2007 upon consummation of a change-in-control of First Data Corporation.
- (2) The market value of shares or units of stock that have not vested reflects a stock price of \$17.25, the closing stock price on December 31, 2013.
- (3) In accordance with the SEC executive compensation disclosure rules, the amounts reported in this column are based on achieving target performance goals. The market value of performance-based restricted stock units that have not vested reflects a stock price of \$17.25, the closing stock price on December 31, 2013.
- (4) These options were awarded on February 20, 2013, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant.
- (5) These options were awarded on February 23, 2012, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant.
- (6) These options were awarded on September 15, 2011, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant.
- (7) These options were awarded on February 24, 2011, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant.
- (8) These options were awarded on November 2, 2010, and vest in 25% increments on each of the first through fourth year anniversaries of September 1, 2010.
- (9) These options were awarded on February 24, 2010, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant.
- (10) These options were awarded on April 26, 2012, and vest in 25% increments on each of the first through fourth year anniversaries of the date of grant.
- (11) Represents performance-based restricted stock units that vested on February 24, 2014. The payout level for these performance-based restricted stock units was determined based on the Company's revenue and EBITDA performance during the 2011-2013 performance period and remained subject to time-based vesting requirements until February 24, 2014.
- (12) Represents performance-based restricted stock units that are scheduled to vest on February 23, 2015, provided that the executive is still employed on the vesting date or as otherwise provided for pursuant to the Executive Severance Policy. The payout level for these performance-based restricted stock units was determined based on the Company's revenue, EBITDA and growth in registered customers performance during the 2012-2013 performance period and remains subject to time-based vesting requirements until February 23, 2015. Under the original terms of the award agreements, these awards were also subject to payout modifiers based on TSR and stock price performance over the 2012-2014 period if the payout level for the 2012-2013 performance goals was equal to or greater than 150% of target. Because the payout levels for these awards is equal to 17% of target for the named executive officers other than Mr. Ersek, and 13% of target for Mr. Ersek, the TSR and stock price payout modifiers will not be applied. In connection with his separation and pursuant to the Separation Agreement, Mr. Scheirman is eligible to receive a prorated payout of this award, based on actual achievement of the underlying performance goals and his service during the performance period.

- (13) *This amount consists of 5,000 restricted stock units that vested on February 8, 2014, 9,572 restricted stock units that vested on February 24, 2014 and 13,036 performance-based restricted stock units that vested on February 24, 2014. The performance-based restricted stock units vested based on the Company's revenue and EBITDA performance during the 2011-2013 performance period and remained subject to time-based vesting requirements until February 24, 2014.*
- (14) *This amount consists of 34,281 restricted stock units that are scheduled to vest on April 26, 2014, and 34,281 restricted stock units that are scheduled to vest on April 26, 2015; provided that, in each case, Mr. Thompson is still employed by the Company on the vesting date or as otherwise provided for pursuant to the Executive Severance Policy.*
- (15) *This amount consists of 11,353 restricted stock units that are scheduled to vest on November 30, 2014; provided that Mr. Dye is still employed by the Company on the vesting date or as otherwise provided for pursuant to the Executive Severance Policy.*
- (16) *Represents performance-based restricted stock units that are scheduled to vest on February 20, 2016; provided that (i) the applicable performance-based vesting conditions are satisfied and (ii) the executive is still employed by the Company on the vesting date or as otherwise provided for pursuant to the Executive Severance Policy.*
- (17) *Represents performance-based restricted stock units that are scheduled to vest on February 20, 2016. In connection with his separation from the Company and pursuant to the Separation Agreement, Mr. Scheirman is eligible to receive a prorated payout of this award, subject to the satisfaction of the underlying performance-based vesting conditions.*
- (18) *Represents restricted stock units that were granted under the 2013 Annual Incentive Plan and subject to the achievement of performance-based vesting conditions during 2013. These restricted stock units are scheduled to vest 30% on February 20, 2015 and 70% on February 20, 2016, provided the executive is still employed by the Company on the applicable vesting date or as otherwise provided for pursuant to the Executive Severance Policy. In connection with his separation from the Company and pursuant to the Separation Agreement, Mr. Scheirman forfeited this award.*

The following table provides information concerning each exercise of stock options and each vesting of stock during 2013 for each of the named executive officers.

2013 Option Exercises and Stock Vested Table

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Hikmet Ersek	48,694	83,666	228,869	3,492,220
Scott T. Scheirman	—	—	25,000	350,500
Rajesh K. Agrawal	—	—	8,300	116,366
J. David Thompson	—	—	—	—
John R. Dye	—	—	11,353	189,255

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

2013 Nonqualified Deferred Compensation Table

Name	Executive Contributions in Last FY (\$000) ⁽¹⁾	Registrant Contributions in Last FY (\$000) ⁽²⁾	Aggregate Earnings in Last FY (\$000)	Aggregate Withdrawals/ Distributions (\$000)	Aggregate Balance at Last FYE (\$000) ⁽³⁾
Hikmet Ersek	—	—	—	—	—
Scott T. Scheirman	37.5	25.1	17.0	—	1,390.5
Rajesh K. Agrawal	27.7	12.0	66.9	—	296.0
J. David Thompson	58.7	19.1	16.4	—	124.3
John R. Dye	—	—	—	—	—

Footnotes:

- (1) These amounts represent deferrals of the named executive officer's salary and compensation received under the Annual Incentive Plan and are included in the "Salary" and "Non-Equity Incentive Plan Compensation" columns in the 2013 Summary Compensation Table.
- (2) These amounts are included in the "All Other Compensation" column in the 2013 Summary Compensation Table.
- (3) Amounts in this column include the following amounts that were previously reported in the Summary Compensation Table as compensation for 2012 or 2011 (in \$000s): Mr. Scheirman—\$96.9, Mr. Agrawal—\$70.8 and Mr. Thompson—\$28.8.

Incentive Savings Plan

We maintain a defined contribution retirement plan (the “Incentive Savings Plan” or “ISP”) for our employees on United States payroll, including each of our named executive officers other than Mr. Ersek. The ISP is structured with the intention of qualifying under Section 401(a) of the Internal Revenue Code. Under the ISP, participants are permitted to make contributions up to the maximum allowable amount under the Internal Revenue Code. In addition, we make matching contributions equal to 100% of the first 3% of eligible compensation contributed by participants and 50% of the next 2% of eligible compensation contributed by participants. For 2013, each participating named executive officer was eligible to receive a Company contribution equal to 4% of his eligible compensation. During 2013, Mr. Ersek participated in the qualified retirement savings plan made available to eligible employees in Austria.

Supplemental Incentive Savings Plan

We maintain a nonqualified supplemental savings plan, the SISP, for certain of our employees on United States payroll, including each of our named executive officers other than Mr. Ersek. Under the SISP, participants may defer up to 80% of their salaries, including commissions and incentive compensation (other than annual bonuses), and may make a separate election to defer up to 80% of any annual

bonuses and up to 100% of any performance-based cash awards they may earn. The SISP also provides participants the opportunity to receive credits for matching contributions equal to the difference between the matching contributions that a participant could receive under the ISP but for the contribution and compensation limitations imposed by the Internal Revenue Code, and the matching contributions allowable to the participant under the ISP. Participants are generally permitted to choose from among the mutual funds available for investment under the ISP for purposes of determining the imputed earnings, gains, and losses applicable to their SISP accounts. The SISP is unfunded. Participants may specify the timing of the payment of their accounts by choosing either a specified payment date or electing payment upon separation from service (or a date up to five years following separation from service), and in either case may elect to receive their accounts in a lump sum or in annual or quarterly installments over a period of up to ten years. With respect to each year’s contributions and imputed earnings, the participant may make a separate distribution election. Subject to the requirements of Section 409A of the Internal Revenue Code, applicable Internal Revenue Service guidance, and the terms of the SISP, participants may receive an early payment in the event of a severe financial hardship and may make an election to delay the timing of their scheduled payment by a minimum of five years.

Potential Payments Upon Termination or Change-in-Control**Executive Severance Policy**

We maintain an Executive Severance Policy for the payment of certain benefits to senior executives, including our named executive officers, upon termination of employment from Western Union and upon a change-in-control of Western Union. Under the Executive Severance Policy, an eligible executive will become eligible for benefits if (i) prior to a change-in-control, he or she is involuntarily terminated by the Company other than on account of death, disability or for cause, or (ii) after a change-in-control, he or she is involuntarily terminated by the Company other than on account of death, disability or for cause or terminates his or her own employment

voluntarily for “good reason” (including a material reduction in title or position, reduction in base salary or bonus opportunity or an increase in the executive’s commute to his or her current principal working location of more than 50 miles without consent) within 24 months after the date of the change-in-control. Under the Executive Severance Policy, a change-in-control is generally defined to include:

- Acquisition by a person or entity of 35% or more of either the outstanding shares of the Company or the combined voting power of such shares, with certain exceptions;

- An unapproved change in a majority of the Board members; and
- Certain corporate restructurings, including certain mergers, dissolution and liquidation.

The Executive Severance Policy provided for the following severance and change-in-control benefits as of December 31, 2013, and continues to provide for those benefits, except as noted below:

- Effective for senior executives hired before February 24, 2011, a severance payment equal to the senior executive's base pay plus target bonus for the year in which the termination occurs (the "base severance pay"), multiplied by two. Effective for senior executives hired on and after February 24, 2011, a senior executive employed by the Company for 12 months or less was entitled to receive a severance payment equal to the base severance pay and, for every month employed in excess of 12 months, an additional severance payment equal to a pro rata portion of the base severance pay, up to a maximum severance payment equal to the senior executive's base severance pay, multiplied by two. On February 20, 2014, the Compensation Committee amended the Executive Severance Policy to provide for a severance payment equal to the senior executive's base severance pay multiplied by 1.5 (multiplied by two in the case of the Chief Executive Officer and in the case of all senior executives who terminate for an eligible reason within twenty-four months following a change-in-control). The provisions limiting severance payments to newly hired senior executives continue to apply, subject to the new severance payment cap described above.
- A cash payment equal to the lesser of the senior executive's prorated target bonus under the Annual Incentive Plan for the year in which the termination occurs or the maximum bonus which could have been paid to the senior executive under the Annual Incentive Plan for the year in which the termination occurs, based on actual Company performance during such year. No bonus will be payable unless the Compensation Committee certifies that the performance goals under the Annual Incentive Plan have been achieved for the year in which the termination occurs (except for eligible terminations following a change-in-control).
- Provided that the senior executive properly elects continued health care coverage under applicable law, a lump sum payment equal to the difference between active employee premiums and continuation coverage premiums for eighteen months of coverage.
- At the discretion of the Compensation Committee, outplacement benefits may be provided to the executive.
- All awards made pursuant to our Long-Term Incentive Plan, including those that are performance-based, generally will become fully vested and exercisable if a senior executive is involuntarily terminated without cause, or terminates for good reason, within twenty-four months following a change-in-control. In such event, the right to exercise stock options will continue for twenty-four months (thirty-six months in the case of the Chief Executive Officer) after the senior executive's termination (but not beyond their original terms).
- If a senior executive is involuntarily terminated without cause and no change-in-control has occurred, awards granted pursuant to our Long-Term Incentive Plan (other than most "career share" grants) generally will vest on a prorated basis based on the period from the grant date to the termination date and stock options will remain exercisable until the end of severance period under the Executive Severance Policy, but not beyond the stock options' original terms. "Career shares" are time-based restricted share units that become 100% vested on the fourth anniversary of their grant date that were previously granted to certain executives as additional retention awards. Generally, "career shares" are forfeited upon a termination for any reason.
- With respect to executives not eligible to receive tax gross-ups, benefits triggered by a change-in-control are subject to an automatic reduction to avoid the imposition of excise taxes under Section 4999 of the Internal Revenue Code in the event such reduction would result in a better after-tax result for the executive.
- For individuals who were senior executives on or before April 30, 2009, if benefits payable after a change-in-control exceed 110% of the maximum amount of such benefits that would not be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, an additional cash payment in an amount that, after payment of all taxes on such benefits (and on such amount), provides the senior executive with the amount necessary to pay such tax. (If the benefits so payable do not exceed such 110% threshold, the amount thereof will be reduced to the maximum amount not subject to such excise tax.)

Executive Compensation

PROXY STATEMENT

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

For the named executive officers serving as of December 31, 2013, we have quantified the potential payments upon termination under various termination circumstances in the tables set forth below. While the terms of our equity awards include retirement-vesting provisions, none of our current named executive officers are retirement eligible.

Payments Upon Termination or Change-in-Control

TERMINATION FOLLOWING A CHANGE-IN-CONTROL⁽¹⁾

Name	Severance (\$000) ⁽²⁾	Welfare Benefits (\$000) ⁽³⁾	Long-Term Incentives ⁽⁵⁾				Total (\$000)
			Performance Cash (\$000)	Stock Options (\$000)	Shares (\$000)	Gross-Up (\$000) ⁽⁴⁾	
Hikmet Ersek	6,500.0	20.5	—	2,097.7	6,291.0	5,104.4	20,013.6
Scott T. Scheirman	2,838.8	20.7	—	609.3	1,942.7	—	5,411.5
J. David Thompson	2,033.3	20.7	—	402.2	1,924.1	—	4,380.3
Rajesh K. Agrawal	2,025.0	20.5	—	457.5	1,306.1	—	3,809.1
John R. Dye	2,200.0	13.5	—	335.2	806.7	—	3,355.4

INVOLUNTARY TERMINATION OTHER THAN FOR DEATH, DISABILITY, OR CAUSE

Name	Severance (\$000) ⁽²⁾	Welfare Benefits (\$000) ⁽³⁾	Long-Term Incentives ⁽⁵⁾				Total (\$000)
			Performance Cash (\$000)	Stock Options (\$000)	Shares (\$000)	Gross-Up (\$000) ⁽⁴⁾	
Hikmet Ersek	6,500.0	20.5	—	500.5	2,760.1	—	9,781.1
Scott T. Scheirman	2,838.8	20.7	—	148.0	903.0	—	3,910.5
J. David Thompson	2,033.3	20.7	—	86.4	63.9	—	2,204.3
Rajesh K. Agrawal	2,025.0	20.5	—	109.1	539.4	—	2,694.0
John R. Dye	2,200.0	13.5	—	72.0	187.1	—	2,472.6

DEATH OR DISABILITY

Name	Severance (\$000) ⁽²⁾	Welfare Benefits (\$000)	Long-Term Incentives ⁽⁵⁾				Total (\$000)
			Performance Cash (\$000)	Stock Options (\$000)	Shares (\$000)	Gross-Up (\$000) ⁽⁴⁾	
Hikmet Ersek	—	—	—	2,097.7	6,291.0	—	8,388.7
Scott T. Scheirman	—	—	—	609.3	1,942.7	—	2,552.0
J. David Thompson	—	—	—	402.2	1,924.1	—	2,326.3
Rajesh K. Agrawal	—	—	—	457.5	1,306.1	—	1,763.6
John R. Dye	—	—	—	335.2	806.7	—	1,141.9

CHANGE-IN-CONTROL WITHOUT TERMINATION

Long-Term Incentives⁽⁵⁾

Name	Severance (\$000) ⁽²⁾	Welfare Benefits (\$000)	Performance Cash (\$000)	Stock Options (\$000)	Shares (\$000)	Gross-Up (\$000) ⁽⁴⁾	Total (\$000)
Hikmet Ersek	—	—	—	—	—	—	—
Scott T. Scheirman	—	—	—	—	—	—	—
J. David Thompson	—	—	—	—	—	—	—
Rajesh K. Agrawal	—	—	—	—	—	—	—
John R. Dye	—	—	—	—	—	—	—

Footnotes:

- (1) Under the Executive Severance Policy, following a change-in-control, an eligible executive will become entitled to severance benefits if he or she is involuntarily terminated by the Company other than on account of death, disability or for cause or terminates his or her own employment voluntarily for good reason within 24 months after the date of the change-in-control.
- (2) In accordance with the Executive Severance Policy in effect on December 31, 2013, amounts in this column represent severance payments equal to the named executive officer's bonus for 2013 plus two times the sum of the named executive officer's base salary and target bonus, with the exception of Mr. Thompson, who commenced employment after February 24, 2011 and has been with the Company for less than two years as of December 31, 2013. In accordance with the Executive Severance Policy in effect on December 31, 2013, the amount for Mr. Thompson represents payments equal to 1.67 times the sum of his base salary and target bonus for the current year.
- (3) Amounts in this column represent a lump sum cash payment equal to the product of (i) the difference in cost between the named executive officer's actual health premiums and COBRA health premiums as of December 31, 2013 and (ii) 18, the number of months of continuing COBRA coverage.
- (4) Amounts in this column reflect tax gross-up calculations assuming a blended effective tax rate of approximately 40% and a 20% excise tax incurred on excess parachute payments, as calculated in accordance with Internal Revenue Code Sections 280G and 4999. The equity is valued using a closing stock price of \$17.25 on December 31, 2013. Pursuant to the terms of the Executive Severance Policy, Messrs. Thompson, Agrawal and Dye are not eligible to receive tax-gross up payments following a change-in-control.
- (5) Amounts in these columns reflect the long-term incentive awards to be received upon a termination or a change-in-control calculated in accordance with the Executive Severance Policy and the Long-Term Incentive Plan. In the case of stock grants, the equity value represents the value of the shares (determined by multiplying the closing price of \$17.25 per share on December 31, 2013 by the number of unvested shares of restricted stock or, in the case of performance-based restricted stock units, by the number of shares to be awarded based on the projected achievement of the applicable performance objectives as of December 31, 2013, that would vest upon a change-in-control or following termination, death or disability) plus the value of related dividend equivalents credited to the account of each named executive officer. In the case of option awards, the equity value was determined by multiplying (i) the spread between the exercise price and the closing price of \$17.25 per share on December 31, 2013 and (ii) the number of unvested option shares that would vest following termination, death, disability or upon a change-in-control. The calculation with respect to unvested long-term incentive awards reflects the following additional assumptions under the Executive Severance Policy and the Long-Term Incentive Plan:

Executive Compensation

PROXY STATEMENT

Event	Unvested Stock Options	Unvested Restricted Stock	Performance-Based Restricted Stock Units
Change-in-Control and Termination for Eligible Reason within 24-month Period	Accelerate	Accelerate	Accelerated vesting and award is payable to the extent earned based on actual performance results.
Change-in-Control (No Termination)	Vesting continues under normal terms.	Vesting continues under normal terms.	Vesting continues under normal terms.
Involuntary Termination (Not for Cause prior to a Change-in-Control or after the 24-month Period following a Change-in-Control)	Prorated vesting by tranche based on ratio of days since grant to total days in vesting period. Effective for grants on February 24, 2011 and later, prorated vesting by grant based on ratio of days since grant to total days in vesting period.	Prorated vesting by grant based on ratio of days since grant to total days in vesting period. Career share awards are forfeited.	Prorated vesting by grant based on actual performance results and ratio of days since grant to total days in vesting period. Effective for grants in 2012, if termination occurs prior to the one year anniversary of the grant date, the awards are forfeited.
Death or Disability	Accelerate	Accelerate	Accelerated vesting and award is payable to the extent earned based on actual performance results.
Retirement	Vesting continues for a period of four years, or if earlier, until the expiration date. Effective for grants on January 31, 2011 and later, prorated vesting by grant based on ratio of days since grant to total days in vesting period, with an exercise period equal to the earlier of (i) two years post-termination (three years, in the case of the CEO) and (ii) the expiration date.	Forfeit Effective for grants on January 31, 2011 and later, prorated vesting by grant based on ratio of days since grant to total days in vesting period.	Prorated vesting by grant based on actual performance results and ratio of days since grant to total days in vesting period.

Risk Management and Compensation

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

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

- The mix of fixed versus variable pay;
- The performance metrics to which pay is tied;
- Whether the pay opportunity is capped;
- The timing of payout;
- Whether "clawback" adjustments are permitted;
- The use of equity awards; and
- Whether stock ownership guidelines apply.

Annual incentive awards and long-term incentive awards granted to executives are tied primarily to corporate performance goals, including revenue, operating income growth, and strategic performance objectives. These metrics encourage performance that supports the business as a whole. The executive annual incentive awards include a maximum payout opportunity equal to 200% of target. Our executives are also expected to meet share ownership guidelines in order to align the executives' interests with those of our stockholders. Also, the Company's clawback policy permits the Company to recover incentive compensation paid to an executive officer if the compensation resulted from any financial result or metric impacted by the executive officer's misconduct or fraud. This policy helps to discourage inappropriate risks, as executives will be held accountable for misconduct which is harmful to the Company's financial and reputational health.

Proposal 2

Advisory Vote to Approve Executive Compensation

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

At the 2013 Annual Meeting of Stockholders, the Company provided stockholders with the opportunity to cast an advisory vote to approve the compensation of the Company's named executive officers as disclosed in the Proxy Statement for the 2013 Annual Meeting of Stockholders, and the Company's stockholders overwhelmingly approved the proposal, with approval by more than 97% of the votes cast for the proposal at the 2013 Annual Meeting of Stockholders.

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

- Aligning our executives' goals with our stockholders' interests;
- Holding our executives accountable and rewarding them for successful results; and
- Attracting, retaining, and motivating outstanding executive talent.

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

- **What We Do:**

- ✓ Pay-for-performance.
- ✓ Linkage between performance measures and strategic objectives.
- ✓ Emphasis on future pay opportunity vs. current pay.
- ✓ Outside compensation consultant.
- ✓ "Double trigger" in the event of a change-in-control.
- ✓ Maximum payout caps for annual cash incentive compensation and performance-based restricted stock unit awards.
- ✓ "Clawback" Policy.
- ✓ Robust stock ownership guidelines.

• **What We Don't Do:**

- ✖ No change-in-control tax gross ups.
- ✖ No repricing or buyout of underwater stock options.
- ✖ Prohibition against employee and director pledging and hedging of Company securities.
- ✖ No dividends or dividend equivalents accrued or paid on performance-based restricted stock unit awards or time-based restricted stock unit awards.

Recent Compensation Actions

In late 2012, the Company began implementing pricing and other strategic investments designed to position the Company for future growth. In evaluating the 2013 design of the Company's executive compensation program, the Compensation Committee considered that many of the strategic investments implemented by the Company beginning in late 2012 were expected to have a negative impact on 2013 financial performance. Accordingly, for 2013, many of the compensation decisions were designed to further align the program with the Company's mid- and long term operating plans, increase participant accountability, and drive motivation and retention beyond 2013. These decisions included:

- **No Executive Base Salary Increases for 2013 or 2014:** There was no change in our named executive officers' base salary levels for 2013 or 2014 from levels effective March 2012.
- **No 2012 Chief Executive Officer Bonus:** Based on 2012 Company performance, our Chief Executive Officer did not receive a bonus in 2013.
- **2013 Annual Incentive Includes Restricted Stock Unit Component:** In 2013, we modified the Company's Annual Incentive Plan design to include individual and/or business unit performance objectives, and a restricted stock unit award to be granted based on the achievement of strategic objectives and a threshold operating income goal to further focus participants on the long-term performance of the Company.
- **2013 Long Term Incentive Includes TSR Modifier:** We modified the Long-Term Incentive Plan design to include 2013 and 2014 financial performance metrics, while still maintaining a longer-term perspective in the program with a TSR payout modifier.

- **Realizable Compensation Lower than Reported Compensation:** Our named executive officers' realizable compensation has been lower than the compensation disclosed in our Summary Compensation Table for fiscal years 2011 to 2013. See the "2013 Realizable Compensation Table" on page 42.

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

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

RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure, each as set forth in the Company's Proxy Statement for its 2014 Annual Meeting of Stockholders.

Required Vote

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

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

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

Proposal 3

Ratification of Selection of Auditors

The Board of Directors and the Audit Committee recommend to the stockholders the ratification of the selection of Ernst & Young LLP, independent registered public accounting firm, to audit the accounts of the Company and its subsidiaries for 2014. Ernst & Young LLP has served as the independent registered public accounting firm for the Company since the spin-off. Consistent with the regulations adopted pursuant to the Sarbanes-Oxley Act of 2002, the lead audit partner having primary responsibility for the audit and the concurring audit partner are rotated every five years.

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

Summary of Independent Registered Public Accounting Firm's Fees for 2013 and 2012

Audit Fees. Ernst & Young LLP's fees for the Company's annual audits were \$5.4 million and \$5.5 million in 2013 and 2012, respectively. Audit fees primarily include fees related to the integrated audit of the Company's annual consolidated financial statements and internal control over financial reporting; the review of its quarterly consolidated financial statements; statutory audits required domestically and internationally; comfort letters, consents, and assistance with and review of documents filed with the SEC; and other accounting and financial reporting consultation and research work billed as audit fees or necessary to comply with the standards of the Public Company Accounting Oversight Board (United States).

Audit-Related Fees. Ernst & Young LLP's fees for audit-related services that are reasonably related to the performance of the audits or reviews of the Company's consolidated financial statements were \$0.4 million and \$0.3 million in 2013 and 2012, respectively. Audit-related fees primarily include fees related to service auditor examinations, due diligence related to mergers and acquisitions, attest services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards not classified as audit fees.

Tax Fees. Ernst & Young LLP's fees for tax compliance, tax advice and tax planning services to the Company were \$0.7 and \$0.6 million in 2013 and 2012, respectively. Tax advice and tax planning fees included consultations, analysis, and assistance with domestic and foreign tax matters, including value-added and goods and service taxes, local tax authority audits, and other miscellaneous tax consultations, including tax services requested as part of the Company's procedures for commercial agreements, the acquisition of new entities, and other potential business transactions.

During 2013 and 2012, all audit and non-audit services provided by the independent registered public accounting firm were pre-approved, consistent with the pre-approval policy of the Audit Committee. The pre-approval policy requires that all services provided by the independent registered public accounting firm be pre-approved by the Audit Committee of the Board of Directors, the Chairman of the Committee or his designee.

Required Vote

The affirmative vote of the holders of a majority of shares of the Company's Common Stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter is required to approve this Proposal 3. In the event the stockholders fail to ratify the appointment of Ernst & Young LLP, the Audit Committee of the Board of Directors will consider it a direction to select another independent registered public accounting firm for the subsequent year. Even if the selection is ratified, the Audit Committee, in its discretion, may select a new independent registered public accounting firm at any time during the year, if it feels that such a change would be in the best interest of the Company and its stockholders.



THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE RECOMMEND THAT YOU VOTE FOR PROPOSAL 3.

Proposal 4

Stockholder Proposal Regarding Stockholder Action by Written Consent

John Chevedden, 2215 Nelson Ave., No. 205, Redondo Beach, California 90278, owner of more than \$2,000 worth of shares of the Company's Common Stock, has notified the Company that he intends to present a proposal for consideration at the 2014 Annual Meeting of Stockholders. As required by the Exchange Act, the text of the stockholder proposal and supporting statement appear as submitted to the Company by the proponent. The Board of Directors and the Company accept no responsibility for the contents of the proposal or the supporting statement.

[WU: Rule 14a-8 Proposal, December 6, 2013]

Proposal 4 - Right to Act by Written Consent

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

Wet Seal (WTSLA) shareholders successfully used written consent to replace certain underperforming directors in 2012. This proposal topic also won majority shareholder support at 13 major companies in a single year. This included 67%-support at both Allstate and Sprint.

This proposal empowers shareholders by giving them the ability to effect change without being forced to wait until the annual meeting. Shareholders could replace a director using action by written consent. Shareholder action by written consent could save our company the cost of holding a shareholder meeting between annual meetings.

This proposal should also be more favorably evaluated due to our company's clearly improvable corporate governance performance as reported in 2013:

GMI Ratings, an independent investment research firm, was concerned about our executive pay. GMI said Western Union can give long-term incentive pay to our CEO for below-median performance.

In regard to our board of directors 5 directors owned zero stock which is not a good sign. Two of our directors, who were beyond age 70, were potentially over-burdened by director duties at a total of 5 companies each: Jack Greenberg and Linda Fayne Levinson. Plus Ms. Levinson was on our audit and executive pay committees. And Wulf von Schimmelmman had director duties at 4 companies. Four other directors each had director duties at 3 companies.

Returning to the core topic of this proposal from the context of our clearly improvable corporate governance, please vote to protect shareholder value:

Right to Act by Written Consent- Proposal 4

BOARD OF DIRECTORS
STATEMENT IN OPPOSITION TO STOCKHOLDER PROPOSAL
REGARDING STOCKHOLDER ACTION BY WRITTEN CONSENT

The Board of Directors recommends that you vote AGAINST this proposal.

Western Union has demonstrated its commitment to principles of sound corporate governance, working to ensure that its practices protect and further the interests of its stockholders. In recent years, the Company has, among other initiatives, (i) commenced the declassification of its Board of Directors, ensuring that directors would be elected annually, (ii) added a right for stockholders to call special meetings to the By-Laws, and (iii) adopted a “proxy access” right for its stockholders. The Company also has a majority vote standard in uncontested director elections. With respect to actions taken by the stockholders, Western Union’s current practices are designed to ensure that notice and an opportunity to be heard precede stockholder votes, enabling meaningful discourse to occur before important decisions are made affecting the Company. This proposal, by contrast, would enable the owners of a bare majority of shares to act by voting in favor of their own proposed action, without ever providing notice to other stockholders or the Company.

Currently, any matter that Western Union or its stockholders wishes to present for a stockholder vote must be presented at a meeting. This allows all stockholders to consider, discuss and vote on pending stockholder actions. In contrast, the written consent proposal at issue would permit a group of stockholders with no fiduciary duties to other stockholders to initiate action with no prior notice either to the other stockholders or to the Company and without giving all stockholders an opportunity to participate and consider arguments, including those of the Company, for and against the action to be considered at the meeting. Permitting stockholder action by written consent could also lead to substantial confusion and disruption for stockholders, with potentially multiple, even conflicting, written consents being solicited by multiple stockholder groups. In short, the Board does not believe that written consent is an appropriate corporate governance model for a widely-held public company like Western Union.

The Company also believes that adoption of this proposal is unnecessary because of Western Union’s demonstrated history of commitment to high standards of corporate governance. The proposal expressly mentions concerns about stockholders being forced to wait until the Annual Meeting of Stockholders in order to take action or effect a change in the Company, yet the Company has taken numerous steps that enable participation by stockholders. Western Union’s By-Laws permit holders of at least 20% of the outstanding shares to call a special meeting of stockholders. The Board believes that holding meetings with proper notice whereby all stockholders may deliberate and discuss the proposed actions, receive and consider the Company’s position and recommendation, and then vote their shares is the best way for stockholders to take action. The safeguards around the ability to act by a special or annual meeting promote and protect stockholders’ interests.

Another concern alluded to in the proposal involves keeping the Board accountable to stockholders. Under our current governance structures, however, our directors are already highly accountable to stockholders. Each of our directors is elected by majority voting, and our Certificate of Incorporation and By-Laws have no supermajority provisions. Additionally, the Company was among the first in the United States to adopt a “proxy access” By-Law amendment for its stockholders. We believe that this comprehensive package of governance practices and policies, including the right to call special meetings, enables stockholders to hold the Board accountable and, where necessary, take quick action to support their interests. However, our policies implement those goals without the governance risk to stockholders and the Company that would be associated with action by written consent as contemplated by the proposal.

Finally, the language of the proposal is fundamentally vague and indefinite with respect to the nature and scope of the written consent right requested by the proposal and the standards by which the implementation of the proposal is to be measured. On the one hand, the proposal requests that the Board take steps to permit stockholders to act by written consent to the same extent that they currently could act at a meeting of the stockholders. On the other hand, the proposal states that it “includes shareholder ability to initiate *any* topic for written consent consistent with applicable law” (emphasis added). These are two distinct, potentially conflicting, standards. Would the proposal, if adopted, require only that voting by consent extend to the same issues on which stockholders currently can act at a meeting under the Company’s Certificate of Incorporation and By-Laws, or would it instead require that stockholders acting by consent be given the power to take any action that stockholders conceivably take under Delaware law? The proposal does not acknowledge this ambiguity. As such, it is unclear to the Board precisely what the proposal is requesting or how it would be implemented were it to receive the requisite number of votes.

Required Vote; Recommendation Only

The affirmative vote of the holders of a majority of shares of the Company’s Common Stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter is required to approve this Proposal 4. Stockholders should be aware that this stockholder proposal is simply a request that the Board take the action stated in the proposal. Approval of this proposal may not result in the requested action being taken by the Board of Directors, and therefore, its approval would not effectuate the actions requested by the proposal.

THE BOARD RECOMMENDS THAT YOU VOTE AGAINST PROPOSAL 4.

Proposal 5

Stockholder Proposal Regarding Political Contributions

The New York State Common Retirement Fund, 633 Third Avenue - 31st Floor, New York, New York 10017, owner of more than \$2,000 worth of shares of the Company's Common Stock, has notified the Company that it intends to present a proposal for consideration at the 2014 Annual Meeting of Stockholders. As required by the Exchange Act, the text of the stockholder proposal and supporting statement appear as submitted to the Company by the proponent. The Board of Directors and the Company accept no responsibility for the contents of the proposal or the supporting statement.

Company Name

Resolution on Political Disclosure and Accountability

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

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

The report shall be presented to the board of directors or relevant board committee and posted on the Company's website.

Stockholder Supporting Statement

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

Disclosure is in the best interest of the company and its shareholders and critical for compliance with federal ethics laws. Moreover, the Supreme Court's *Citizens United* decision recognized the importance of political spending disclosure for shareholders when it said, "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages." Gaps in transparency and accountability may expose the company to reputational and business risks that could threaten long-term shareholder value.

Western Union contributed at least \$434,950 in corporate funds since the 2004 election cycle. (CQ: <http://moneyline.cg.com> and National Institute on Money in State Politics: <http://www.followthemoney.org>)

However, relying on publicly available data does not provide a complete picture of the Company's political spending. For example, the Company's payments to trade associations used for political activities are undisclosed and unknown. In some cases, even management does not know how trade associations use their company's money politically. The proposal asks the Company to disclose all of its political spending, including payments to trade associations and other tax exempt organizations used for political purposes. This would bring our Company in line with a growing number of leading companies, including Exelon, Merck and Microsoft that support political disclosure and accountability and present this information on their websites.

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

BOARD OF DIRECTORS
STATEMENT IN OPPOSITION TO STOCKHOLDER PROPOSAL
REGARDING POLITICAL CONTRIBUTIONS

The Board of Directors recommends that you vote AGAINST this proposal.

The Company has historically made an extremely limited number of political contributions, which are not financially material to the Company. In 2013, 2012, and 2011, these contributions totaled approximately \$11,500, \$13,700, and \$32,000, respectively. In 2013, the Company's total expenses relating to political contributions were de minimis when compared to the Company's total operating costs of approximately \$4.4 billion.

The focus of the proposal appears to be on ensuring the transparency and accountability of the Company's political contributions. Our small number of corporate political contributions are already strictly controlled. On a limited basis we have pursued and will continue to pursue efforts to help inform public policy decisions that have the potential to affect our customers, employees, and the communities in which we operate. Accordingly, we maintain a formal policy regarding political activities, political contributions and lobbying activities, which is contained in the Company's Code of Conduct and which is publicly available in the "Corporate Governance" section of our Investor Relations website. That policy sets forth standards for participation in the political process by the Company and its employees. With respect to political contributions, the Code of Conduct provides that the permission of the Company's General Counsel's office is needed before any political contributions are made on behalf of the Company. Further, the Code of Conduct provides that a senior executive officer of the Company's Government Relations department and the General Counsel's office be consulted prior to contacting a government official or retaining a lobbyist.

The proposal also highlights a particular concern regarding the transparency of trade associations to which the Company may belong. Participation as a member of these associations comes with the understanding that we may not always agree with all of the positions of the organizations or other members but that we believe that the associations take many positions and address many issues in a meaningful and influential manner and in a way that will be to the Company's benefit. We pay regular membership fees to such groups, but we do not normally make additional, non-dues contributions to support a group's targeted political contributions. Furthermore, we continually evaluate our support of office-holders, industry groups, and other associations to focus on key supporters of initiatives of value to the interests of Western Union and its stockholders. We have in place effective reporting and compliance procedures to ensure that our political contributions are made in accordance with applicable law, and we closely monitor the appropriateness and effectiveness of the political activities undertaken by the most significant trade associations of which we are a member.

Moreover, the Company believes that significant disclosure regarding its political activities and related policies is already publicly available, and given the small size of the Company's contributions, the disclosure of the information requested by the proposal would cause unnecessary work and distraction and would not be in the best interests of the Company or its stockholders.

Under federal law, all contributions by the Western Union Political Action Committee, the sole political action committee affiliated with the Company, are required to be reported and a list of such contributions is publicly available at the website of the United States Federal Election Commission. Contributions made directly by the Company are most frequently made to various state-level candidates and representatives and the Company believes that those persons generally publicly disclose such contributions, as required by state law. As such, we believe that this proposal is duplicative and unnecessary, as a comprehensive system of reporting and accountability for political contributions already exists. Federal law prohibits corporations from contributing corporate treasury funds to federal candidates or federal campaign committees.

We believe that participating in the political process in a transparent manner is key to good governance and an important way to enhance stockholder value and promote healthy corporate citizenship. We do not believe, however, that implementing a semiannual report on our political activity would increase stockholder value or provide stockholders with any more meaningful information than is already available. If adopted, the proposal would apply only to Western Union and to no other company and would cause Western Union to incur undue cost and administrative burden, as well as potential competitive harm, without commensurate benefit to our stockholders.

Required Vote; Recommendation Only

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

THE BOARD RECOMMENDS THAT YOU VOTE AGAINST PROPOSAL 5.

Proposal 6

Stockholder Proposal Regarding New Board Committee

NorthStar Asset Management Funded Pension Plan, P.O. Box 301840, Boston, Massachusetts 02130, owner of more than \$2,000 worth of shares of the Company's Common Stock, has notified the Company that it intends to present a proposal for consideration at the 2014 Annual Meeting of Stockholders. As required by the Exchange Act, the text of the stockholder proposal and supporting statement appear as submitted to the Company by the proponent. The Board of Directors and the Company accept no responsibility for the contents of the proposal or the supporting statement.

BOARD COMMITTEE ON HUMAN RIGHTS

RESOLVED: Shareholders hereby amend Article III of the By-Laws, by inserting a new Section 11:

Section 11. Board Committee on Human Rights. There is established a Board Committee on Human Rights, to review the implications of company policies, above and beyond matters of legal compliance, for the human rights of individuals in the US and worldwide, including assessing the impacts of company operations and supply chains on resources and public welfare in host communities.

The Board of Directors is authorized, by resolution, in its discretion and consistent with these By-Laws, the Articles of Incorporation and applicable law to: (1) select the members of the Board Committee on Human Rights, (2) provide said committee with funds for operating expenses, (3) adopt a charter to govern said Committee's operations, (4) empower said Committee to solicit public input and to issue periodic reports to shareholders and the public, at reasonable expense and excluding confidential information, including but not limited to an annual report on the findings of the Board Committee, and (5) any other measures within the Board's discretion consistent with these By-Laws and applicable law. Nothing herein shall restrict the power of the Board of Directors to manage the business and affairs of the company. The Board Committee on Human Rights shall not incur any costs to the company except as authorized by the Board of Directors.

SUPPORTING STATEMENT

As reported by the Interfaith Center on Corporate Responsibility, the forceful exploitation of persons—for labor or sexual purposes—is the third largest illegal “business.” In 2012, the International Labor Organization conservatively estimated that 21 million people globally remain enslaved, including in the U.S.A. This includes 14.2 million victims of forced labor and another 4.5 million victims of forced sexual exploitation.

Due to the Company's popularity as a reputable financial conduit, we are concerned that the Company is unknowingly implicit in human trafficking transactions. The Company has acknowledged this issue by joining with the Blue Campaign to fight human trafficking through training in “select Western Union Agent locations.” Our Company's continued operation without a strong human rights policy poses serious risks to our reputation and share value, if we are seen as responsible for or complicit in human rights violations. There can be great risks to companies from human trafficking, including lawsuits, negative publicity and consumer boycotts, business interruptions and strikes—all of which can have a deleterious impact on shareholder value.

The proposed by-law would establish a separate Board Committee on Human Rights, which would elevate board level oversight and governance regarding human rights issues raised by the company's activities and policies and provide a vehicle to fulfill the Board's fiduciary responsibilities for oversight of these issues. The proposed by-law would establish the vehicle of a Board Committee, but would leave the process of appointment and implementation of the Committee to the full Board of Directors.

BOARD OF DIRECTORS
STATEMENT IN OPPOSITION TO STOCKHOLDER PROPOSAL
REGARDING NEW BOARD COMMITTEE

The Board of Directors recommends that you vote AGAINST this proposal.

The proposal brought by the NorthStar Asset Management, Inc. Funded Pension Plan includes a binding resolution that would amend Article III of the Company's By-Laws and mandate the establishment of a standing Board Committee on Human Rights. While we share the proponent's concern for human rights, we believe that adoption of this proposal is unnecessary as well as potentially adverse to the interests of the Company and our stockholders. We have already implemented policies, practices and procedures that demonstrate our commitment to human rights and believe that mandating an additional and unnecessary committee would interfere with the Board's performance of its other responsibilities.

The manner in which we conduct our global operations is consistent with the spirit and intent of widely recognized international principles aimed at promoting human rights. Although governments have the primary duty to protect and ensure fulfillment of human rights, the Company recognizes that it plays an important role in respecting human rights in the communities in which it operates. Western Union works cooperatively and constructively with host governments, communities and nongovernmental organizations and engages with subject matter experts who help build on its understanding of human rights issues relevant to its business. We are committed to operating in full compliance with applicable laws in every country where we conduct business. As such, our standard business practices require adherence to local, state, federal and international laws and regulations on human rights matters, including with respect to forced labor and human trafficking, two concerns highlighted in the proposal. Adherence to our Code of Conduct, which is available in the "Corporate Governance" section of our Investor Relations website, requires our employees to comply with such laws in the numerous countries in which we operate. As the proposal acknowledges, the Company participates in the United States Homeland Security Department's Blue Campaign to fight human trafficking through training efforts. Our existing and publicly available Code of Conduct, employee policies and other guidelines substantially incorporate laws and ethical principles pertaining to human trafficking and other human rights issues.

The proposal would mandate the establishment of a new committee that would review Company policies relating to "human rights of individuals in the US and worldwide, including assessing the impacts of company operations and supply chains on resources and public welfare in host communities." This committee would have the power to "solicit public input and to issue periodic reports to shareholders and the public." The formation of a new Board Committee on Human Rights, as this proposal contemplates, is unnecessary because the Company already has an established Board committee that reviews and advises the Board regarding matters of public policy and social responsibility as they relate to the Company. The Corporate Governance and Public Policy Committee is already charged with these very duties and considers policies, programs and practices concerning a broad array of public policy issues, including human rights. The Corporate Governance and Public Policy Committee also has the power to form sub-committees to focus on particular issues of concern, making an amendment to the By-Laws and the creation of another standing committee further unnecessary. The formation of a new Board Committee on Human Rights would add nothing to the range of substantive issues currently considered by the existing committee and would, in fact, be duplicative.

It is also important to note that the Company has been a leader in adopting good governance practices in recent years, including initiating the declassification of the Board, granting stockholders the right to call a special meeting, and adopting a “proxy access” By-Law amendment. Adopting good governance practices, however, should be driven by reasoned consideration and thoughtful implementation rather than by good intentions that result in new but unnecessary governance structures. The Board does not believe that amending the By-Laws to require the establishment of a committee is an effective way for the Company’s practices and goals to continually evolve and improve in response to changing conditions. Instead, such an additional and redundant committee would distract the Board from its other responsibilities to the Company and its stockholders while not adding to the Company’s existing commitment to human rights and social responsibility.

Required Vote

The affirmative vote of the holders of a majority of the outstanding capital stock entitled to vote on the subject matter is required to approve this Proposal 6.

THE BOARD RECOMMENDS THAT YOU VOTE AGAINST PROPOSAL 6.

Equity Compensation Plan Information

The following table gives information, as of December 31, 2013, about our Common Stock that may be issued upon the exercise of options and settlement of other equity awards under all compensation plans under which equity securities are reserved for issuance. The Western Union Company 2006 Long-Term Incentive Plan and The Western Union Company 2006 Non-Employee Director Equity Compensation Plan are our only equity compensation plans pursuant to which our equity securities are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	30,099,566 ⁽¹⁾	18.05 ⁽²⁾	34,002,920 ⁽³⁾
Equity compensation plans not approved by security holders	—	N/A	—
Total	30,099,566 ⁽¹⁾	18.05 ⁽²⁾	34,002,920 ⁽³⁾

Footnotes:

- (1) Includes 6,274,845 restricted stock units, performance-based restricted stock units, deferred stock units, and bonus stock units that were outstanding on December 31, 2013 under The Western Union Company 2006 Long-Term Incentive Plan and The Western Union Company 2006 Non-Employee Director Equity Compensation Plan. Restricted stock unit awards, deferred stock unit awards and bonus stock units may be settled only for shares of Common Stock on a one-for-one basis. The number included for performance-based restricted stock units reflect grant date units awarded. Assuming maximum number payout for performance-based restricted stock units that have not completed the required performance period, the number of securities to be issued would increase by 634,890. Please see the "Compensation Discussion and Analysis" section of this Proxy Statement for further information regarding the 2013 performance-based restricted stock units, including the performance metrics applicable to such awards.
- (2) Only option awards were used in computing the weighted-average exercise price.
- (3) This amount represents shares of Common Stock available for issuance under The Western Union Company 2006 Long-Term Incentive Plan and The Western Union Company 2006 Non-Employee Director Equity Compensation Plan. Awards available for grant under The Western Union Company 2006 Long-Term Incentive Plan include stock options, stock appreciation rights, restricted stock, restricted stock units, bonus stock, bonus stock units, performance grants, and any combination of the foregoing awards. Awards available for grant under The Western Union Company 2006 Non-Employee Director Equity Compensation Plan include non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, unrestricted stock units, and any combination of the foregoing awards.

Stock Beneficially Owned by Directors, Executive Officers and Our Largest Stockholders

The following table sets forth the beneficial ownership of Common Stock by each person or group that is known by us to be the beneficial owner of more than five percent (5%) of our Common Stock, all directors and nominees, each of the executive officers named in the 2013 Summary Compensation Table contained in this Proxy Statement (except as otherwise noted), and all directors and executive officers as a group. Except as otherwise noted, (i) the information is as of March 20, 2014, (ii) each person has sole voting and investment power of the shares, and (iii) the business address of each person shown below is 12500 East Belford Avenue, Englewood, CO 80112.

Name of Beneficial Owner	Address	Amount and Nature of Beneficial Ownership	Percentage of Outstanding Shares
5% Owners			
Capital Research Global Investors, a division of Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071	61,792,300 ⁽¹⁾	11.2% ⁽¹⁾
FMR LLC	245 Summer Street, Boston, MA 02210	46,151,981 ⁽²⁾	8.357% ⁽²⁾
The Vanguard Group	100 Vanguard Blvd., Malvern, PA 19355	39,614,495 ⁽³⁾	7.17% ⁽³⁾
Blackrock, Inc.	40 East 52 nd Street, New York, NY 10022	39,303,241 ⁽⁴⁾	7.1% ⁽⁴⁾
Directors and Named Executive Officers⁽⁵⁾			
Dinyar S. Devitre		172,996 ⁽⁶⁾	*
Hikmet Ersek		1,774,547	*
Richard A. Goodman		36,814	*
Jack M. Greenberg		512,872	*
Betsy D. Holden		58,980	*
Linda Fayne Levinson		143,253	*
Roberto G. Mendoza		152,009	*
Michael A. Miles, Jr.		53,980	*
Wulf von Schimmelmann		26,789	*
Frances Fragos Townsend		21,876	*
Solomon D. Trujillo		48,614 ⁽⁷⁾	*
Rajesh K. Agrawal		344,445	*
John R. Dye		66,686	*
J. David Thompson		123,721	*
All directors and executive officers as a group (19 persons) ⁽⁸⁾		4,182,794	*

* Less than 1%.

Footnotes:

- (1) The number of shares held and percentage of outstanding shares were obtained from the holder's Amendment No. 1 to Schedule 13G filing with the Securities and Exchange Commission dated February 13, 2014, which reports ownership as of December 31, 2013. The Schedule 13G filing indicates that the holder had sole power to vote or direct the vote of, and sole power to dispose of or direct the disposition of 61,792,300 shares, and shared power to vote or direct the vote of, and shared power to dispose of or direct the disposition of, no shares.

Stock Beneficially Owned by Directors, Executive Officers and Our Largest Stockholders

PROXY STATEMENT

- (2) *The number of shares held and percentage of outstanding shares were obtained from the holder's Schedule 13G filing with the Securities and Exchange Commission dated February 14, 2014, which reports ownership as of December 31, 2013. The Schedule 13G filing indicates that the holder had sole power to vote or direct the vote of 1,687,784 shares, sole power to dispose of or direct the disposition of 46,151,981 shares, and shared power to vote or direct the vote, and shared power to dispose of or direct the disposition of no shares.*
- (3) *The number of shares held and percentage of outstanding shares were obtained from the holder's Schedule 13G filing with the Securities and Exchange Commission dated February 12, 2014, which reports ownership as of December 31, 2013. The Schedule 13G filing indicates that the holder had sole power to vote or direct the vote of 922,569 shares, sole power to dispose of or direct the disposition of 38,766,512 shares, and shared power to vote or direct the vote of no shares, and shared power to dispose of or direct the disposition of 847,983 shares.*
- (4) *The number of shares held and percentage of outstanding shares were obtained from the holder's Amendment No. 3 to Schedule 13G filing with the Securities and Exchange Commission dated February 10, 2014, which reports ownership as of December 31, 2013. The Schedule 13G filing indicates that the holder had sole power to vote or direct the vote of 34,112,408 shares and sole power to dispose of or direct the disposition of 39,303,241 shares, and shared power to vote or direct the vote of, and shared power to dispose of or direct the disposition of, no shares.*
- (5) *Does not include ownership by Scott T. Scheirman, as he is no longer employed by the Company. The number of shares reported includes shares covered by options that are exercisable within 60 days of March 20, 2014 as follows: Mr. Devitre, 149,196; Mr. Ersek, 1,478,080; Mr. Goodman, 36,814; Mr. Greenberg, 440,160; Ms. Holden, 53,980; Ms. Fayne Levinson, 143,253; Mr. Mendoza, 152,009; Mr. Miles, 53,980; Mr. von Schimmelmänn, 26,789; Ms. Fragos Townsend 21,876; Mr. Trujillo, 36,814; Mr. Agrawal, 306,327; Mr. Dye, 50,832; Mr. Thompson, 64,888; all directors and executive officers as a group, 3,576,468.*
- (6) *Mr. Devitre shares with his spouse the power to vote or direct the vote of, and the power to dispose or direct the disposition of, 23,800 shares.*
- (7) *Mr. Trujillo shares with his spouse through a family trust the power to vote or direct the vote of, and the power to dispose or direct the disposition of, 11,800 shares.*
- (8) *Does not include Scott T. Scheirman, as he is no longer employed by the Company.*

Certain Transactions and Other Matters

PROXY STATEMENT

Certain Transactions and Other Matters

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

determines that the approval or ratification of such related person transaction should be considered by all disinterested members of the Board of Directors, by the vote of a majority of such disinterested members.

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

- the size of the transaction and the amount payable to a related person;
- the nature of the interest of the related person in the transaction;

Certain Transactions and Other Matters

PROXY STATEMENT

- whether the transaction may involve a conflict of interest; and
- whether the transaction involves the provision of goods or services to the Company that are available from unaffiliated third parties and, if so, whether the transaction is on terms and made under circumstances

that are at least as favorable to the Company as would be available in comparable transactions with or involving unaffiliated third parties.

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

Section 16(a) Beneficial Ownership Reporting Compliance

PROXY STATEMENT

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors, executive officers and persons who own more than 10% of the Company's Common Stock, as well as certain affiliates of such persons, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of the Company's Common Stock. Based solely on the Company's review of the reports that have been filed by or on behalf of such persons in this regard and written representations from our executive officers and directors that no other reports were required, during and for the fiscal year ended December 31, 2013, the Company believes that all Section 16(a) filing requirements applicable to the Company's directors, executive officers,

and greater than 10% stockholders were met, except that one Form 4 filing was inadvertently filed late for each of Rajesh Agrawal, Diane Scott, Scott Scheirman, Hikmet Ersek and Amintore Schenkel related to shares withheld by the Company to cover taxes incurred upon vesting of restricted stock units.

* * *

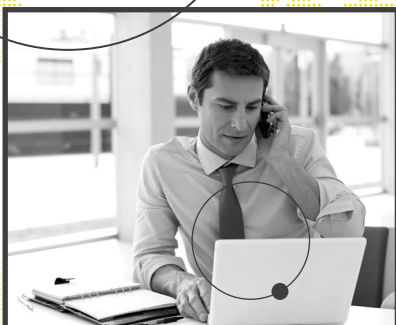
This Proxy Statement is provided to you at the direction of the Board of Directors.

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

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**WESTERN
UNION** **WU**

MOVING MONEY FOR BETTER

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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, 2013

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-32903

THE WESTERN UNION COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

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

THE WESTERN UNION COMPANY
12500 East Belford Avenue
Englewood, Colorado 80112
(Address of principal executive offices)
Registrant's telephone number, including area code: (866) 405-5012
Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its Corporate 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 ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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

As of June 28, 2013, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$9.4 billion based on the closing sale price of \$17.11 of the common stock as reported on the New York Stock Exchange.

As of February 18, 2014, 547,936,621 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the 2014 annual meeting of stockholders are incorporated into Part III of this Annual Report on Form 10-K.

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PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and materials we have filed or will file with the Securities and Exchange Commission (as well as information included in our other written or oral statements) contain or will contain certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as "expects," "intends," "anticipates," "believes," "estimates," "guides," "provides guidance," "provides outlook" and other similar expressions or future or conditional verbs such as "may," "will," "should," "would," "could," and "might" are intended to identify such forward-looking statements. Readers of 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 and trade downturns, or significantly slower growth or declines in the money transfer, payment service, and other markets in which we operate, including those related to interruptions in migration patterns;
- political conditions and related actions in the United States and abroad which may adversely affect our business and economic conditions as a whole;
- failure to compete effectively in the money transfer and payment service industry with respect to global and niche or corridor money transfer providers, banks and other money transfer and payment service providers, including telecommunications providers, card associations, card-based payment providers, electronic and Internet providers, and digital currencies;
- the pricing of our services and any pricing reductions, and their impact on consumer demand for our services and our financial results;
- our ability to adopt 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;
- 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;
- our ability to maintain our agent network and business relationships under terms consistent with or more advantageous to us than those currently in place;
- interruptions of United States government relations with countries in which we have or are implementing significant business relationships with agents or clients;

- mergers, acquisitions and integration of acquired businesses and technologies into our Company, including Travelex Global Business Payments, and the failure to realize anticipated financial benefits from these acquisitions, and events requiring us to write down our goodwill;
- any material breach of security, including cybersecurity, or safeguards of or interruptions in any of our systems;
- decisions to change our business mix;
- 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;
- increased costs or loss of business due to difficulty for us, our agents or their subagents in establishing or maintaining relationships with banks needed to conduct our services;
- 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;
- adverse rating actions by credit rating agencies;
- our ability to realize the anticipated benefits from productivity and cost-savings and other related initiatives, which may include decisions to downsize or to transition operating activities from one location to another, and to minimize any disruptions in our workforce that may result from those initiatives;
- our ability to attract and retain qualified key employees and to manage our workforce successfully;
- 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 or defects in 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;
- changes in industry standards affecting our business;

Events Related to Our Regulatory and Litigation Environment

- liabilities or loss of business resulting from a failure by us, our agents or their subagents to comply with laws and regulations and regulatory or judicial interpretations thereof, including laws and regulations designed to detect and prevent money laundering, terrorist financing, fraud and other illicit activity, and increased costs or loss of business associated with compliance with those laws and regulations;

- increased costs or loss of business due to regulatory initiatives and changes in laws, regulations and industry practices and standards affecting us, our agents, or their subagents, including related to anti-money laundering regulations, anti-fraud measures, customer due diligence, or agent and subagent due diligence, registration, and monitoring requirements;
- liabilities or loss of business and unanticipated developments resulting from governmental investigations and consent agreements with or enforcement actions by regulators, including those associated with compliance with or failure to comply with the settlement agreement with the State of Arizona, as amended on January 31, 2014;
- the impact on our business from the Dodd-Frank Wall Street Reform and Consumer Protection Act, the rules promulgated there-under, and the actions of the Consumer Financial Protection Bureau, and similar legislation and regulations enacted by other government authorities;
- 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, including the impact of the Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act;
- 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 tax consequences from our spin-off from First Data Corporation;
- catastrophic events; and
- management's ability to identify and manage these and other risks.

ITEM 1. BUSINESS

Overview

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

The Western Union® brand is globally recognized and represents speed, reliability, trust and convenience. As people move and travel around the world, they are able to use the services of a well-recognized brand to transfer funds. Our Consumer-to-Consumer money transfer service enables people to send money around the world, usually within minutes. As of December 31, 2013, our services were available through a global network of over 500,000 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, 2013, approximately 70% of our locations had experienced money transfer activity in the previous 12 months.

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

The Business Solutions segment facilitates payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals. The majority of the segment's business relates to exchanges of currency at 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.

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

Our Segments

We manage our business around the consumers and businesses we serve and the types of services we offer. Each of our three segments addresses a different combination of consumer groups, distribution networks and services offered. Our segments are Consumer-to-Consumer, Consumer-to-Business and Business Solutions. Businesses not considered part of these segments are categorized as "Other" and include our money order, prepaid and other businesses and services, in addition to costs for the review and closing of acquisitions.

The table below presents the components of our consolidated revenue:

	Year Ended December 31,		
	2013	2012	2011
Consumer-to-Consumer	80%	81%	84%
Consumer-to-Business	11%	11%	11%
Business Solutions	7%	6%	3%
Other	2%	2%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

No individual country outside the United States accounted for more than approximately 6% of our consolidated revenue for each of the years ended December 31, 2013, 2012 and 2011.

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

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

Consumer-to-Consumer Segment

Individual money transfers from one consumer to another are the core of our business, representing 80% of our total consolidated revenues for 2013. We view our money transfer service as one interconnected global network where a money transfer can be sent from one location to another, around the world, including related transactions that can be initiated in certain countries through websites and account based money transfers. The segment includes five geographic regions whose functions are limited to generating, managing and maintaining agent relationships and localized marketing activities and also includes our online money transfer service conducted through Western Union branded websites ("westernunion.com"). By means of common processes and systems, these regions and westernunion.com create an interconnected network for consumer transactions, thereby constituting one global Consumer-to-Consumer money transfer business and one operating segment.

Although most remittances are sent from one of our agent locations worldwide, in some countries we offer the ability to send money over the Internet or phone using a credit or debit card, or through a withdrawal directly from a consumer's bank account. 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, or through the issuance of a money order.

Operations

Our revenue in this segment 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 the currency.

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

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

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

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 greater than 7% of this segment's revenue during all periods presented.

Services

We offer money transfer services in more than 200 countries and territories. In 2013, 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 and telephone 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, usually within minutes. In certain countries, we also offer convenience to our consumers to initiate a transaction through the phone using a debit or credit card or through our account based money transfer service, as described below. Additionally, in a few select markets, we offer consumers a lower-priced next day delivery service option for money transfers that do not need to be received within minutes.

Online money transfer service. Western Union branded websites allow consumers to send funds online, including through mobile devices, generally using a credit or debit card for pay-out at most Western Union branded agent locations around the world. As of December 31, 2013, we were providing online money transfer service through Western Union branded websites in over 20 countries.

Account based money transfer service. We offer services that allow consumers to initiate a money transfer from an account or direct a transfer to be received in an account. These services include allowing consumers to initiate a Western Union money transfer electronically through their bank's internet banking service or automated teller machines ("ATMs"), without having to visit a physical Western Union agent location. Also, in certain countries, receivers can choose to be paid through credit to their accounts, and in the United States and other countries we provide a "Direct to Bank" service, enabling a consumer to send a transaction from an agent location or our websites into an account in a number of countries.

Money transfer services through electronic channels, which include online, account based, and mobile money transfer, combined were approximately 5% of consolidated revenue for the year ended December 31, 2013.

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 most countries and territories, 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 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 and smaller independent retail locations that provide other consumer products and services. Many of our agents have multiple locations. No individual agent accounted for greater than 10% of the segment's revenue during all periods presented. 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 17 years and in 2013, 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 access to 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, as well as compliance training and related support.

Some of our agents outside the United States manage subagents. We refer to these agents as superagents. Although these 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 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 and digital advertising, and loyalty programs. Our marketing benefits from feedback from our agents and consumers.

Our marketing strategy includes our customer programs, such as "My WUSM," which are available in a growing number of countries and territories. These programs offer customers faster service at the point-of-sale. Additionally, in certain countries and at westernunion.com, these programs offer reduced transaction fees or cash back; however, such redemption activity has been insignificant to the results of our operations. Customers in these programs generally initiate more transactions and have a higher rate of retention than other customers.

Industry Trends

Trends in the cross-border money transfer business tend to correlate to migration trends, global economic opportunity and related employment levels worldwide. Another significant trend impacting the money transfer industry is increasing regulation. Regulations in the United States and elsewhere focus, in part, on anti-money laundering, anti-terrorist 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. Such regulations increase the costs to provide money transfer services and can make it more difficult or less desirable for consumers and others to use money transfer services, either of which could have an adverse effect on money transfer providers' revenues and operating profits. For further discussion of the regulatory impact on our business, see the "Regulation" discussion in this section, Part I, Item 1A, *Risk Factors*, and the "Enhanced Regulatory Compliance" section in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*. In addition, our ability to enter into or maintain exclusive arrangements with our agents has been and may continue to be challenged by both regulators and certain of our current and prospective agents, especially in certain inbound countries.

Competition

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

- *Global money transfer providers* - Global money transfer providers allow consumers to send money to a wide variety of locations, in both their home countries and abroad.
- *Regional money transfer providers* - Regional money transfer providers, or "niche" providers, provide the same services as global money transfer providers, but focus on a smaller group of geographic corridors or services within one region, such as North America to the Caribbean, Central or South America, or Western Europe to North Africa.
- *Electronic channels* - Online money transfer service providers, including certain electronic payment providers, allow consumers to send and receive money electronically using the Internet or through mobile devices. Electronic channels also include digital wallets and digital currencies.
- *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.
- *Alternative channels* - Alternative channels for sending and receiving money include mail and commercial courier services, and card-based options, such as ATM cards and stored-value cards.

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

Consumer-to-Business Segment

In our Consumer-to-Business segment, which represented 11% of our total consolidated revenues for 2013, we provide fast and convenient options to make one-time or recurring payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses. We believe our business customers who receive payments through our services benefit from their relationship with Western Union as it provides them with real-time or near real-time posting of their customers' payments. In many circumstances, our relationships with business customers also provide them with an additional source of income, 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 consumer. The transaction fees are typically less than the fees charged in our Consumer-to-Consumer segment. Consumers may make a cash payment at an agent or Company-owned location or may make an electronic payment over the phone or on the Internet using their credit or debit card, through the automated clearing house ("ACH") system, or via a wire transfer. Our Internet services are provided through our own websites or in partnership with other websites for which we act as the service provider. 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. The significant majority of the segment's revenue was generated in the United States during all periods presented, with the remainder primarily generated in Argentina.

Services

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

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 electronically through the Internet. We also partner with some businesses to allow their customers to access Speedpay from their websites.

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, Panama and Brazil.

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

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.

Distribution and Marketing Channels

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

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

We have relationships with over 15,000 consumer payments businesses to which consumers can make payments. These relationships are a core component of our global payments services. On average, we have provided our payment services to our top 20 businesses to which our consumers can make payments for approximately 15 years. No individual consumer or business accounted for greater than 10% of this segment's revenue during all periods presented.

Industry Trends

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

Competition

Western Union competes with a diverse set of service providers offering both cash and electronic-based payment solutions. Competition in electronic payment services includes financial institutions (which may offer consumer bill payment in their own name or may "host" payment services operated under the names of their clients) and other non-bank competitors. Competition for electronic payments also includes businesses offering their own or third-party services to their own customers and third-party providers of all sizes offering services directly to consumers. 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 services, continues to impact this business.

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

Business Solutions Segment

In our Business Solutions segment, which represented 7% of our total consolidated revenues for 2013, we facilitate payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals.

Operations

The substantial majority of our revenue in this segment is derived from foreign exchange revenues, which are based on the difference between the exchange rate set by us to the customer and the rate at which we are able to acquire the currency. Customers may make an electronic or wire transfer or remit a check in order to initiate a transaction. Our Internet services are provided through our own website and also in partnership with other websites for which we act as the service provider. The significant majority of the segment's revenue was generated outside the United States during all periods presented.

Services

Business Solutions payment transactions are conducted through various channels including the phone and Internet. 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.

Distribution and Marketing Channels

Our business payment services are primarily offered over the phone, through partner channels, and via the Internet. Our Internet services are marketed through co-branding arrangements with our website partners as well as on our own website.

We have relationships with more than 100,000 customers with respect to our payment solutions. These relationships are a core component of our business payments services. No individual customer accounted for greater than 10% of this segment's revenue since our acquisition of Travelex Global Business Payments ("TGBP") in November 2011.

Industry Trends

The business-to-business payments industry has evolved with technological innovations that have created new methods of processing payments from businesses to other businesses. The various products and services within the business-to-business payments industry are in varying stages of development. We believe that the cross-border payments industry will expand in the future due to the expanding global focus of many businesses. Increased regulation and compliance requirements are trends also impacting the business-to-business payments industry, which will likely result in increased costs in this segment.

Competition

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

Other

Our remaining businesses are grouped in the "Other" category, which primarily includes our money order, prepaid and other businesses and services, in addition to costs for the review and closing of acquisitions.

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

Our prepaid business is now primarily composed of providing reload/top up services for various types of prepaid services including mobile phone and prepaid accounts, including prepaid cards, and partnering with select program managers around the world to launch prepaid accounts that meet varying customer needs. Our prepaid business represented less than 1% of total consolidated revenues for all periods presented.

Intellectual Property

The Western Union logos, trademarks, service marks and trade dress (collectively, "Marks") are registered and/or used worldwide and are material to our Company. The WU[®] service mark and logos are also registered and used in many countries around the world. The international expansion of our agent network over the past decade has taken the Western Union brand to more than 200 countries and territories. We offer money transfer services under the Western Union, Orlandi ValutaSM and Vigo[®] brands. We also provide various payment and other services such as Western Union Payments, Quick Collect, Convenience Pay, Quick Pay, Quick Cash, Speedpay, Equity Accelerator, Pago Fácil (registered in Argentina), Western Union Business Solutions and MoneyWiseTM.

Our operating results over the past several years have allowed us to invest significantly each year to support our brands. In 2013, we invested approximately \$220 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.

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 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 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. Our credit risk management team monitors fraud risks jointly with our information security and global compliance departments. Our credit risk management team also performs a credit review before each agent signing and conducts periodic analyses.

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

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

A key component of the Western Union business model is our ability to manage financial risk associated with conducting transactions worldwide. We settle with the 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 money transfer transactions are paid by the next day after they are initiated and agent settlements occur within a few days in most instances. We also utilize foreign currency exchange contracts, primarily forward contracts, to mitigate the risks associated with currency fluctuations and to provide predictability of future cash flows. We have additional foreign exchange risk and associated foreign exchange risk management due to the nature of our Business Solutions business. The majority of this business' revenue is from exchanges of currency at the spot rate enabling customers to make cross-currency payments. Business Solutions aggregates its foreign exchange exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties. The foreign exchange risk is actively managed.

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

International Investment

No provision has been made for United States federal and state income taxes on certain of our outside tax basis differences, which primarily relate to accumulated foreign earnings of approximately \$5.0 billion as of December 31, 2013, as we have reinvested and expect to continue to reinvest these earnings outside the United States indefinitely. We intend to invest these earnings to expand and diversify our global distribution and explore new service offerings, and we 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. and Angelo Costa, S.r.l. 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 significant United States federal income taxes (subject to an adjustment for foreign tax credits), state income taxes and possible withholding taxes payable to various foreign countries.

Regulation

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

We have developed and continue to enhance our global compliance programs, including our anti-money laundering program comprised of policies, procedures, systems and internal controls to monitor and to address various legal and regulatory requirements. In addition, we continue to adapt our business practices and strategies to help us comply with current and evolving legal standards and industry practices, including heightened regulatory focus on compliance with anti-money laundering or fraud prevention requirements. 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 and payment service networks operate through third-party agents in most countries, and, therefore, there are limitations on our legal and practical ability to completely control those agents' compliance activities. In 2013, the Company spent over \$150 million on its compliance and regulatory programs, including costs related to our amended settlement agreement with the State of Arizona.

Money Transfer and Payment Instrument Licensing and Regulation

Our money transfer and money order services are subject to anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended, including 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, to report large cash transactions and suspicious activity, and in some cases, to collect and maintain information about consumers who use their services and maintain other transaction records. Many states impose similar and, in some cases, more stringent requirements. These requirements also apply to our agents and their subagents. In addition, the United States Department of the Treasury has interpreted the BSA to require money transfer companies to conduct due diligence into and risk-based monitoring of their agents inside and outside the United States, and certain states also require money transfer companies to conduct due diligence reviews of their agents and subagents. Compliance with anti-money laundering laws and regulations continues to be a focus of regulatory attention, with agreements being reached with Western Union and several large financial institutions, including another money transfer provider.

Economic and trade sanctions programs administered by the United States Department of the Treasury Office of Foreign Assets Control ("OFAC") and by certain foreign jurisdictions 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 money transfer and payments services to individuals in Cuba, Syria and Sudan in accordance with United States laws authorizing such services and pursuant to and as authorized by advisory opinions of, or specific or general licenses granted by, OFAC.

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 in order 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, 2013.

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

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

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

In February 2010, Western Union Financial Services, Inc. ("WUFSI"), a subsidiary of the Company, signed an agreement and settlement ("Settlement Agreement"), which resolved all outstanding legal issues and claims with the State of Arizona (the "State") 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. As part of the Settlement Agreement, we have made and expect to make certain investments in our compliance programs along the United States and Mexico border and a monitor (the "Monitor") has been engaged for those programs. We have incurred, and expect to continue to incur, significant costs in connection with the Settlement Agreement. The Monitor has made a number of recommendations related to our compliance programs. In addition, in the fourth quarter of 2012, our Business Solutions business was included in the scope of the Monitor's review. On January 31, 2014, WUFSI and the State agreed to amend the Settlement Agreement. Such amendment (the "Amendment") was subsequently approved by the Superior Court of the State of Arizona In and For the County of Maricopa that same day. The Amendment extends the term of the Settlement Agreement until December 31, 2017, and imposes obligations on the Company and WUFSI in connection with WUFSI's anti-money laundering compliance programs and cooperation with law enforcement. See Part I, 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 the Settlement Agreement, including the potential impact on our business.

Regulators worldwide are exercising heightened supervision of money transfer providers and requiring increasing efforts to ensure compliance. As a result, we are experiencing increasing compliance costs related to customer, agent, and subagent due diligence, verification, transaction approval, disclosure, and reporting requirements, along with other requirements that have had and will continue to have a negative impact on our business, financial condition, and results of operations.

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

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

Dodd-Frank Wall Street Reform and Consumer Protection Act and Other Similar Legislation

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") became United States federal law in 2010. The Dodd-Frank Act created 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 has created additional regulatory oversight for us. Regulations issued by the CFPB have affected our business in a variety of areas. These include: a requirement to provide consumers sending funds internationally from the United States enhanced pre-transaction written disclosures, including the disclosure of third-party fees and taxes, an obligation to resolve various errors, including certain errors that may be outside our control, and an obligation to cancel transactions that have not been completed at a consumer's request. We have modified certain of our systems, business practices, service offerings or procedures to comply with these regulations. We also face liability for the failure of our money transfer agents and their subagents to comply with the rules and have implemented and are continuing to implement additional policies, procedures, and oversight measures designed to foster compliance by our agents. The extent of these policies, procedures, and measures may be considered by the CFPB in any action or proceeding against us for noncompliance with the rules by our agents. The CFPB has also implemented a direct portal for gathering information regarding consumer complaints in the money transfer area. It is likely that this effort will lead to additional regulatory scrutiny. In January 2014, the CFPB proposed a rule to directly supervise "larger participants" in the market for international transfers. If finalized, this rule will result in the direct examination and supervision of Western Union and its largest competitors by the CFPB.

Additionally, rules adopted under the Dodd-Frank Act by the Commodity Futures Trading Commission, as well as by member states of the European Union pursuant to the European Market Infrastructure Regulation ("EMIR"), have subjected our foreign exchange hedging transactions, including certain intercompany hedging transactions, certain of the corporate interest rate hedging transactions we may enter into in the future, and certain of the foreign exchange derivative contracts we offer as part of our Business Solutions segment, to reporting, recordkeeping, and other requirements. Additionally, certain of the corporate interest rate hedging transactions we may enter into in the future are subject to centralized clearing and margin requirements and certain of our other transactions may become so in the future. Further, we may become subject to additional and potentially costly regulatory and supervisory requirements if we exceed derivative transaction thresholds set forth in the Dodd-Frank Act and EMIR, including subjecting our foreign exchange derivative transactions to centralized clearing and margin requirements under EMIR. Governments outside of the United States and the European Union are also considering regulations similar to those described above. These regulations have added costs to our business and any additional requirements could result in additional costs or impact the way we conduct our hedging activities as well as impact how we conduct our business within our Business Solutions segment. For further discussion of these risks, see Part I, Item 1A, *Risk Factors - "The Dodd-Frank Act, as well as the regulations required by that Act and the actions of the Consumer Financial Protection Bureau and similar legislation and regulations enacted by other government authorities, could adversely affect us and the scope of our activities, and could adversely affect our operations, results of operations and financial condition."*

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 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

We must collect, transfer, disclose, use and store personal information in order to provide our services. These activities are subject to information security standards, data privacy, data breach and related laws and regulations in the United States 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 transfer providers like Western Union, and indirectly to companies that provide services to or on behalf of those institutions. The United States Federal Trade Commission ("FTC") has an on-going program of investigating the privacy practices of companies and has commenced enforcement actions against many, resulting in multimillion dollar settlements and multi-year agreements governing the settling companies' privacy practices. The FTC and several states have expanded their area of concern to include privacy practices related to mobile applications. 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"), and national and provincial laws throughout the world. In some cases, these laws are more restrictive than the Gramm-Leach-Bliley Act and impose more stringent duties on companies. These laws, which are not uniform, do one or more of the following: restrict the collection, transfer, processing, storage, use and disclosure of personal information, require notice to individuals of privacy practices and 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, Western Union has experienced increasing data sharing requests by these agencies, particularly in connection with efforts to prevent terrorist financing or reduce the risk of identity theft. During the same period, there has also been increased public attention to the corporate use and disclosure of personal information, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer privacy. These regulatory goals - the prevention of money laundering, terrorist financing and identity theft and the protection of the individual's right to privacy - may conflict, and the law in these areas is not consistent or settled. While we believe that Western Union is compliant with its regulatory responsibilities, 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 State 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. Approval is required from the Financial Services Department under New York Banking Law, and from the Austrian Financial Market Authority and the Brazilian Central Bank under Austrian and Brazilian regulations, respectively, prior to certain direct or indirect changes in control of the Article XII investment company and its banking subsidiaries, including a change in control of its ultimate parent, the Company.

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 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. Similar services that we offer internationally are 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, 2014, our businesses employed approximately 10,000 employees, of which approximately 8,000 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 "Investor Relations" portion of the Company's website, www.westernunion.com, as soon as reasonably practical after they are filed with the Securities and Exchange Commission ("SEC"). The SEC maintains a web site, www.sec.gov, which contains reports, proxy and information statements, and other information filed electronically with the SEC by the Company.

Executive Officers of the Registrant

As of February 24, 2014, our executive officers consist of the individuals listed below:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Hikmet Ersek	53	President, Chief Executive Officer and Director
Rajesh K. Agrawal	48	Executive Vice President, Interim Chief Financial Officer
Odilon Almeida	52	Executive Vice President and President, Americas and European Union
John R. Dye	54	Executive Vice President, General Counsel and Secretary
Jean Claude Farah	43	Executive Vice President and President, Middle East, Africa, APAC, Eastern Europe & CIS
Diane Scott	43	Executive Vice President, Chief Product and Marketing Officer
J. David Thompson	47	Executive Vice President, Global Operations and Chief Information Officer
Richard L. Williams	48	Executive Vice President, Chief Human Resources Officer

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

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

Odilon Almeida is currently Executive Vice President and President, Americas and European Union. From January 2013 until December 2013, Mr. Almeida was Senior Vice President and President for the Americas region for Western Union. Mr. Almeida joined Western Union in 2002 and has held roles of increasing responsibility, including Regional Vice President, Southern Cone, Americas from December 2002 to August 2007; Senior Vice President, South America region from January 2008 to December 2010; and Senior Vice President and Managing Director for the Latin America and Caribbean region from December 2010 to December 2012. Prior to joining Western Union, Mr. Almeida worked at FleetBoston Financial, The Coca-Cola Company and Colgate-Palmolive in Brazil, Canada, Mexico and the United States.

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

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

Diane Scott is our Executive Vice President, Chief Product and Marketing Officer. Prior to taking this position in December 2012, Ms. Scott was our 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. Prior to joining Western Union, Ms. Scott held marketing positions with Izodia plc, US West Communications Inc., and various advertising agencies.

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

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

ITEM 1A. RISK FACTORS

There are many factors that affect our business, financial condition 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 consumer 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 consumer money transfer and payment service providers as a means to transfer money, could adversely impact transaction volumes which would in turn adversely impact our business, financial condition and results of operations.

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

- changes or proposed changes in laws or regulations or regulator or judicial interpretation thereof that have the effect of making it more difficult or less desirable for consumers to transfer money using consumer money transfer and payment service providers, including additional customer due diligence, identification, reporting, and recordkeeping requirements;
- the quality of our services and our customer experience, and our ability to meet evolving consumer needs and preferences, including customer preferences related to our digital services;
- failure of our agents or their subagents to deliver services in accordance with our requirements;
- reputational concerns resulting from actual or perceived events, including those related to fraud or consumer protection;
- actions by federal, state or foreign regulators that interfere with our ability to transfer consumers' money reliably, for example, attempts to seize money transfer funds, or limit our ability to or prohibit us from transferring money in certain corridors;
- federal, state or foreign legal requirements, including those that require us to provide consumer or transaction data pursuant to our agreement and settlement with the State of Arizona and other requirements or to a greater extent than is currently required;
- any significant interruption in our systems, including by fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses or disruptions in our workforce; and
- any breach of our 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 actions that are detrimental to our business, then our business, financial condition and results of operations could be adversely affected.

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

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

- Demand for our services could soften, including due to low consumer confidence, high unemployment, or reduced global trade.
- Our Consumer-to-Consumer money transfer business relies in large part on migration, which brings workers to countries with greater economic opportunities than those available in their native countries. A significant portion of money transfers are sent by international migrants. Migration is affected by (among other factors) overall economic conditions, the availability of job opportunities, changes in immigration laws, 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 retail, healthcare, hospitality, and construction, or overall weakness in the world's economies could adversely affect the number of money transfer transactions, the principal amounts transferred and correspondingly our results of operations. If general market softness in the economies of countries important to migrant workers occurs, our results of operations could be adversely impacted. Additionally, if our consumer transactions decline, if the amount of money that consumers send per transaction declines, or if migration patterns shift due to weak or deteriorating economic conditions, our results of operations may be adversely affected.
- Our agents or clients could experience reduced sales or business as a result of a deterioration in economic conditions. As a result, our agents could reduce their numbers of locations or hours of operation, or cease doing business altogether. Businesses using our services may make fewer cross-currency payments or may have fewer customers making payments to them through us, particularly businesses in those industries that may be more affected by an economic downturn.
- Our 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 liquidity, 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 on favorable terms and our business, financial condition and results of operations could be adversely impacted.

We face competition from global and niche or corridor money transfer providers, United States and international banks, card associations, card-based payments providers and a number of other types of service providers, including electronic and Internet providers and digital currencies. Our future 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, consumer money transfer companies, and digital currencies. These services are differentiated by features and functionalities such as brand recognition, customer service, trust and reliability, distribution network and channel options, convenience, price, speed, variety of payment methods, service offerings, and innovation. Distribution network and channel options, such as the electronic money transfer business, which includes online, account based, and mobile money transfer, have been and may continue to be impacted by increased competition, which could adversely affect our business, financial condition, and results of operations.

Our future growth depends on our ability to compete effectively in money transfer and global business payments. For example, if we fail to price our services appropriately, consumers may not use our services, which could adversely affect our business and financial results. In addition, failure to compete on service differentiation and service quality could significantly affect our future growth potential and results of operations.

As noted below under risk factor "*Risks associated with operations outside the United States and foreign currencies could adversely affect our business, financial condition and results of operations,*" 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.

We may not realize the anticipated benefits of pricing reductions, which could adversely affect our business.

We have made, and expect to continue to make, periodic pricing reductions from time to time 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 reductions generally reduce margins and adversely affect financial results in the short term, but are done in anticipation that they will result in increased transaction volumes which may lead to increased revenues and operating income in these certain corridors thereafter. However, the anticipated benefits of these pricing reductions may not be realized within a certain time period or at all. If we fail to realize the anticipated benefit of the pricing reductions, our business and financial results could be adversely affected.

Our ability to adopt new technology to respond to new and enhanced products, changing industry and regulatory standards, and evolving customer needs or trends poses a challenge to our business.

Our industry is subject to rapid and significant technological changes, with the constant introduction of new and enhanced products and services and evolving industry and regulatory standards and consumer needs and preferences. Our ability to enhance our current products and services and introduce new products and services that address these changes has a significant impact on our ability to be successful. We actively seek to respond in a timely manner to changes in customer (both consumer and business) needs and preferences, technology advances and new and enhanced products such as technology-based money transfer and Business Solutions payments services, including Internet, phone-based and other mobile money transfer services and prepaid, stored-value and other card-based money transfer services. Failure to respond well to these challenges on a timely basis 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.

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

A substantial portion of our revenue is generated in currencies other than the United States dollar. As a result, we are subject to risks associated with changes in the value of our revenues and net monetary assets denominated in foreign currencies. 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.

For example, a substantial portion of our revenue is generated in the euro. Due to concerns in recent years regarding the ability of certain European countries to continue to service their sovereign debt obligations, the value of the euro has fluctuated more widely than in the past. If there is a significant devaluation of the euro and we are unable to hedge our foreign exchange exposure to the euro, the value of our euro-denominated net monetary assets and liabilities would be correspondingly reduced when translated into United States dollars for inclusion in our financial statements.

We operate in almost all the emerging markets throughout the world. For many countries in these markets, our foreign currency exposure is limited because most transactions are receive transactions and we settle with our agents in either United States dollars or euros as reimbursement for the payment of these transactions. However, there are certain countries in these emerging markets where we generate transaction revenue from send transactions. Our exposure to foreign currency fluctuations in those countries is increased as these fluctuations impact our revenues and operating profits. Typically, in these markets the cost of hedging activities is prohibitive.

We have operations in countries where government-imposed restrictions limit the transfer of cash outside the country. In Argentina, our money transfer and bill payment operations together represent less than 5% of our 2013 total consolidated revenues. However, as of December 31, 2013, approximately \$100 million in cash and cash equivalents, representing several years of accumulated operating profits and excess cash flows from both businesses, continue to be held in Argentina due to government imposed restrictions. Changes in the official Argentine peso exchange rate are immediately reflected in net income for our money transfer operations, whereas these effects are reflected in other comprehensive income for our bill payment operations. The continued devaluation of the Argentine peso and limits on returning excess cash balances could further adversely affect future distributions and our results of operations.

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

A substantial 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 or their subagents have been required by their regulators to cease offering our services, see risk factor *"Regulatory initiatives and changes in laws, regulations and industry practices and standards affecting us, our agents or their subagents could require changes in our business model and increase our costs of operations, which could adversely affect our operations, results of operations, financial condition, and liquidity"* below. Additionally, economic or political instability or natural disasters may make money transfers to, from, within, or between particular countries difficult or impossible, such as when banks are closed, when currency devaluation makes exchange rates difficult to manage or when natural disasters or civil unrest makes access to agent locations unsafe. These risks could negatively impact our ability to offer our services, to make payments to or receive payments from international agents or our subsidiaries or our ability to recoup funds that have been advanced to international agents or are held by our subsidiaries, and as a result could adversely affect our business, financial condition 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 operations from postal operations, or mandate the creation or privatization of a "post bank," which could result in the loss of agent locations, or they may require multiple service providers in their network. A government could decide to restrict remittance service to only the national post office. 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.

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 used or 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 the systems of our business partners and service providers and 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 inadvertently 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, including as a result of cyber attacks, or disruptions in our workforce may have a significant effect on our business.

Our ability to provide reliable service largely depends on the efficient and uninterrupted operation of our computer information systems and those of our service providers. Any significant interruptions could harm our business and reputation and result in a loss of 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. Further, we have been and continue to be the subject of cyber attacks. These attacks are primarily aimed at interrupting our business or exploiting information security vulnerabilities. Historically, none of these attacks or breaches has individually or in the aggregate resulted in any material liability to us or any material damage to our reputation, and disruptions related to cybersecurity have not caused any material disruption to the Company's business, although there can be no assurance that a material breach will not occur in the future. 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 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, could adversely affect our business.

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:

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

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

As of December 31, 2013, we had \$3,172.0 million of goodwill comprising approximately 31% of our total assets, including \$1,947.7 million of goodwill in our Consumer-to-Consumer reporting unit and \$996.0 million of goodwill in our Business Solutions reporting unit. TGBP represents a significant majority of the goodwill related to the Business Solutions reporting unit. For the Business Solutions reporting unit, a decline in estimated fair value of approximately 15% could occur before triggering an impairment of goodwill. If we or our reporting units do not generate operating cash flows at levels consistent with our expectations, we may be required to write down the goodwill on our balance sheet, which could have a significant adverse impact on our financial condition and results of operations in future periods. See the "Critical Accounting Policies and Estimates" discussion in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operation*, for more detail.

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.

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 at inception is generally less than one year. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. 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 bank account or credit or debit card via the Internet and phone. These transactions have experienced and continue to experience a greater risk of fraud and higher fraud losses. Additionally, money transfers funded by ACH, or similar methods, are not preauthorized by the sender's bank and carry the risk that the account may not exist or have sufficient funds to cover the transaction. We apply verification and other tools to help authenticate transactions and protect against fraud. However, these tools are not always successful in protecting us against fraud. As the merchant of these transactions, we may bear the financial risk of the full amount sent in some of the fraudulent transactions. Issuers of credit and debit cards may also incur losses due to fraudulent transactions through our distribution channels and may elect to block transactions by their cardholders in these channels with or without notice. We may be subject to additional fees or penalties if the amount of chargebacks exceeds a certain percentage of our transaction volume. Such fees and penalties 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.

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 their 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. If, due to competition or other reasons, agents or their subagents decide to leave our network, or if we are unable to sign new agents or maintain our agent network under terms consistent with those currently in place, or if our agents are unable to maintain relationships with or sign new subagents, our revenue and profits may be adversely affected. Agent attrition might occur for a number of reasons, including a competitor engaging an agent, an agent's dissatisfaction with its relationship with us or the revenue derived from that relationship, or an agent's or its subagents' unwillingness or inability to comply with our standards or legal requirements, including those related to compliance with anti-money laundering regulations, anti-fraud measures, or agent registration and monitoring requirements. For example, changes to our compliance-related practices as a result of our agreement and settlement with the State of Arizona and changes to our business model, primarily related to our Vigo and Orlandi Valuta brands, resulted in the loss of over 7,000 agent locations in Mexico in 2012. In addition, agents may generate fewer transactions or less revenue for various reasons, including increased competition, political unrest, or changes in the economy, and the cost of maintaining agent or subagent locations may increase because of increased compliance efforts. Because an agent is a third party that engages in a variety of activities in addition to providing our services, it may encounter business difficulties unrelated to its provision of our services, which could cause the agent to reduce its number of locations, hours of operation, or cease doing business altogether.

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

We have relationships with over 15,000 consumer payments businesses to which our customers can make payments. These relationships are a core component of our global payments services, and we derive a substantial portion of our Consumer-to-Business 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.

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

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 revised to have 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, and our banking and other business relationships. 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 downgrade below investment grade will increase our interest expense under certain of our notes and any significant downgrade could increase our costs of borrowing money more generally or adversely impact or eliminate our access to the commercial paper market, each of which could adversely affect our business, financial condition and results of operations.

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

We have engaged in actions and activities associated with productivity improvement initiatives and expense reduction measures. We may implement additional initiatives in future periods. While these initiatives are designed to increase productivity and result in cost savings, there can be no assurance that the anticipated benefits will be realized, and the costs to implement such initiatives may be greater than expected. In addition, these initiatives have resulted and will likely result in the loss of personnel, some of whom may support significant systems or operations. Consequently, these initiatives could result in a disruption to our workforce. If we do not realize the anticipated benefits from these initiatives, or the costs to implement them are greater than expected, or if the actions result in a disruption to our workforce greater than anticipated, our business, financial condition, and results of operations could be adversely affected.

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

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

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

The Western Union 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, Equity Accelerator, Pago Fácil, Western Union Payments, Quick Collect, Quick Pay, Quick Cash, Convenience Pay, Western Union Business Solutions and other trademarks and service marks are also important to our Company and a loss of the service mark or trademarks or a diminution in the perceived quality associated with these names could harm our business.

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

The laws of certain foreign countries in which we do business do not protect intellectual property rights to the same extent as do the laws of the United States. Adverse determinations in judicial or administrative proceedings in the United States or in foreign countries could impair our ability to sell our services or license or protect our intellectual property, which could adversely affect our business, financial condition 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 intellectual property rights of others, both inside and outside the United States. Unfavorable resolution of these claims could require us to change how we deliver a service, result in significant financial consequences, or both, which could adversely affect our business, financial condition and results of operations.

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 or impose other obligations. 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, 2013, the total amount of unrecognized tax benefits was a liability of \$125.5 million, including accrued interest and penalties, net of related items. Our reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review. While we believe that our reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed our related reserve, and such resolution could have a material effect on our effective tax rate, financial condition, results of operations and cash flows in the current period and/or future periods. With respect to these reserves, our income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e. new information) surrounding a tax issue, and (ii) any difference from the Company's tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could increase or decrease income tax expense in our consolidated financial statements in future periods and could impact our operating cash flows. For example, in 2011, we reached an agreement with the United States Internal Revenue Service ("IRS") resolving substantially all of the issues related to the restructuring of our international operations in 2003, which resulted in a tax benefit of \$204.7 million related to the adjustment of reserves associated with this matter and requires cash payments to the IRS and various state tax authorities of approximately \$190 million, of which \$92.4 million has been paid as of December 31, 2013. See the "Capital Resources and Liquidity" discussion in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

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

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

Some services relating to our business, such as software application support, the development, hosting and maintenance of our operating systems, 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, 2013, we held \$1.9 billion in investment securities, the significant majority of which are state and municipal debt securities. The majority of this money represents the principal of money 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, 2013, 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.

The trust holding the assets of our pension plan has assets totaling approximately \$295.8 million as of December 31, 2013. 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 \$70.4 million recorded within "Other liabilities" in our Consolidated Balance Sheet as of December 31, 2013. 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, 2013, we had approximately \$4.2 billion in consolidated indebtedness, and we may also incur additional indebtedness in the future.

Our indebtedness could have adverse consequences, including:

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

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

Risks Related to Our Regulatory and Litigation Environment

As described under Part I, Item 1, *Business*, our business is subject to a wide range of laws and regulations enacted by the United States federal government, each of the states (including licensing requirements), many localities and many other countries and jurisdictions. Laws and regulations to which we are subject include those related to: financial services, consumer disclosure and consumer protection, currency controls, money transfer and payment instrument licensing, payment services, credit and debit cards, electronic payments, foreign exchange hedging services and the sale of spot, forward and option currency contracts, unclaimed property, the regulation of competition, consumer privacy, data protection and information security. The failure by us, our agents or their subagents to comply with any such laws or regulations could have an adverse effect on our business, financial condition 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. Liabilities or loss of business resulting from a failure by us, our agents or their subagents to comply with laws and regulations and regulatory or judicial interpretations thereof, including laws and regulations designed to detect and prevent money laundering, terrorist financing, fraud and other illicit activity, and increased costs or loss of business associated with compliance with those laws and regulations has had and we expect will continue to have an adverse effect on our business, financial condition and results of operations.

Our services are subject to an increasingly strict set of legal and regulatory requirements, including those intended to help detect and prevent money laundering, terrorist financing, fraud, and other illicit activity. The interpretation of those requirements by judges, regulatory bodies and enforcement agencies is changing, often quickly and with little notice. Economic and trade sanctions programs that are administered by the United States Treasury Department's Office of Foreign Assets Control prohibit or restrict transactions to or from or dealings with 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 continue to increase, perhaps substantially, or our compliance will make it more difficult or less desirable for consumers and others to use our services or for us to contract with certain intermediaries, either of which would have an adverse effect on our revenue and operating profit. For example, we anticipate significant additional investments in 2014 in our compliance programs based on the current and rapidly evolving environment and our internal reviews of the increasingly complex and demanding global regulatory requirements, and we expect incremental compliance program costs as well as the potential negative business impact from new compliance procedures. These additional investments relate to enhancing our compliance capabilities, including our consumer protection efforts. Further, failure by Western Union, our agents, or their subagents (agents and subagents are third parties, over whom Western Union has limited legal and practical control) to comply with any of these requirements or their interpretation could result in the suspension or revocation of a license or registration required to provide money transfer, payment or foreign exchange services, the limitation, suspension or termination of services, loss of consumer confidence, the seizure of our assets, and/or the imposition of civil and criminal penalties, including fines and restrictions on our ability to offer services.

We are subject to regulations imposed by the Foreign Corrupt Practices Act (the "FCPA") in the United States and similar laws in other countries, such as the Bribery Act in the United Kingdom, which generally prohibit companies and those acting on their behalf from making improper payments to foreign government officials for the purpose of obtaining or retaining business. Some of these laws, such as the Bribery Act, also prohibit improper payments between commercial enterprises. Because our services are offered in virtually every country of the world, we face significant risks associated with our obligations under the FCPA, the Bribery Act, and other national anti-corruption laws. Any determination that we have violated these laws could have an adverse effect on our business, financial condition 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, as amended, including by the USA PATRIOT Act of 2001 (collectively, the "BSA"), and to regulatory oversight and enforcement by the United States Department of the Treasury Financial Crimes Enforcement Network ("FinCEN"). We have subsidiaries 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, and agent oversight and monitoring requirements, which have increased and will continue to increase our costs. These laws could also increase competition in some or all of our areas of service.

The remittance industry, including Western Union, has come under increasing scrutiny from government regulators and others in connection with its ability to prevent its services from being abused by people seeking to defraud others. While we believe our fraud prevention efforts are effective and comply with applicable law, the ingenuity of criminal fraudsters, combined with the potential susceptibility to fraud by consumers, make the prevention of consumer fraud a significant and challenging problem. Our failure to continue to help prevent such frauds and increased costs related to the implementation of enhanced anti-fraud measures, or a change in fraud prevention laws or their interpretation or the manner in which they are enforced could have an adverse effect on our business, financial condition and results of operations.

Further, any determination that our agents or their subagents have violated laws and regulations could seriously damage our reputation and brands, resulting in diminished revenue and profit and increased operating costs. In some cases, we could be liable for the failure of our agents or their subagents to comply with laws which also could have an adverse effect on our business, financial condition and results of operations.

For example, in the EU, Western Union is responsible for the compliance of our agents and their subagents with the PSD when they are acting on behalf of one of our payments institution subsidiaries. The majority of our EU business is managed through our Irish PSD subsidiary, which is regulated by the Central Bank of Ireland. Thus, the risk of adverse regulatory action against Western Union because of actions by its agents or their subagents and the costs to monitor our agents or their subagents in those areas has increased. The Consumer Financial Protection Bureau (the "CFPB") created by the Dodd-Frank Act has issued amendments to the final regulations implementing the remittance provisions of the Dodd-Frank Act, which impose responsibility on us for any related compliance failures of our agents and their subagents.

The changes associated with the PSD, the Dodd-Frank Act and similar legislation enacted or proposed in other countries have resulted and will likely continue to result in increased costs to comply with the new requirements, and 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.

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

The evolving regulatory environment, including increased fees or taxes, regulatory initiatives, and changes in laws and regulations or their interpretation, industry practices and standards imposed by state, federal or foreign governments and expectations regarding our compliance efforts, is impacting the manner in which we operate our business and may change the competitive landscape and is expected to continue to adversely affect our financial results. New and proposed legislation relating to financial services providers and consumer protection in various jurisdictions around the world has and may continue to affect the manner in which we provide our services, see risk factor *"The Dodd-Frank Act, as well as the regulations required by that Act and the actions of the Consumer Financial Protection Bureau and similar legislation and regulations enacted by other government authorities, could adversely affect us and the scope of our activities, and could adversely affect our 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 has subjected and may continue to subject us to additional regulatory oversight, mandate additional consumer disclosures and remedies, including refunds to consumers, or otherwise impact the manner in which we provide our services. If governments implement new laws or regulations that limit our right to set fees and/or foreign exchange spreads, then our business, financial condition 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 has been affected and 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 have changed our compliance related practices and business model along the United States and Mexico border, including in the southwestern region of the United States. Such changes have had, and will likely continue to have an adverse effect on our revenue, profit margins, and business operations related to our United States to Mexico and United States to Latin America and the Caribbean corridors.

In addition, one state has passed a law imposing a fee on certain money transfer transactions, and certain other states have proposed similar legislation. Several foreign countries have enacted 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, members of the Canadian parliament have proposed legislation that would limit the fees and foreign exchange spreads charged by remittance companies. Such initiatives may have an adverse impact on our business, financial condition and results of operations.

Regulators around the world look at each other's approaches to the regulation of the payments and other industries. Consequently, a development in any one country, state or region may influence regulatory approaches in other countries, states or regions. This includes the interpretation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank 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.

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

Our agents and their subagents are subject to a variety of regulatory requirements, which differ from jurisdiction to jurisdiction and are subject to change. Material changes in the regulatory requirements for offering money transfer services, including with respect to anti-money laundering requirements, fraud prevention, consumer protection, customer due diligence, agent registration, or increased requirements to monitor our agents or their subagents in a jurisdiction important to our business have meant and could continue to mean increased costs and/or operational demands on our agents and their subagents, which have resulted and could continue to result in their attrition, a decrease in the number of locations at which money transfer services are offered, an increase in the commissions paid to agents and their subagents to compensate for their increased costs, and other negative consequences. For example, changes to our compliance-related practices as a result of our agreement and settlement with the State of Arizona and changes to our business model, primarily related to our Vigo and Orlandi Valuta brands, resulted in the loss of over 7,000 agent locations in Mexico in 2012.

Our regulatory status and the regulatory status of our agents could affect their ability to offer our services. For example, we and our agents 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 agents and our businesses have had difficulty establishing or maintaining banking relationships due to the banks' policies. If a significant number of our agents are unable to maintain existing or establish new banking relationships, or if these agents face higher fees to maintain or establish new bank accounts, they may not be able to continue to offer our services. Additionally, if we are unable to maintain our banking relationships, it would have an adverse effect on our business, financial condition, and results of operations.

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 acts of its agents while they are providing the Western Union money transfer service increase our risk of regulatory liability and our costs to monitor our agents' performance.

Although most of our Orlandi Valuta and Vigo branded agents also offer money transfer services of our competitors, most of our Western Union branded agents have agreed to offer only our 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. Over the past several years, several countries in Eastern Europe, the Commonwealth of Independent States, Africa and South Asia, including India, have promulgated laws or regulations, or authorities in these countries have issued orders, which effectively prohibit payment service providers, such as money transfer companies, from agreeing to exclusive arrangements with agents in those countries. Certain institutions, non-governmental organizations and others are actively advocating against exclusive arrangements in money transfer agent agreements. Advocates for laws prohibiting or limiting exclusive agreements continue to push for enactment of similar laws in other jurisdictions. In addition to legal challenges, certain of our agents and their subagents have refused to enter into exclusive arrangements. See risk factor *"If we are unable to maintain our agent, subagent or global business payments networks under terms consistent with those currently in place, or if our agents or their 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"* above.

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act ("FATCA"), which is intended to address tax compliance issues related to United States taxpayers holding non-United States accounts, may require some of our business units outside the United States to report to the IRS, directly or through foreign government agencies cooperating with the IRS, information about financial transactions made by United States taxpayers and other specified entities or individuals, and could impose withholding, documentation and reporting requirements on such transactions. This provision may also affect withholding, documentation, and reporting requirements of certain payments made to non-United States recipients. Full implementation of FATCA will be phased in over a multi-year period. The additional administrative requirements of FATCA may result in increased compliance costs and could have an adverse effect on our business, financial condition, or results of operations.

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

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

On February 11, 2010, Western Union Financial Services, Inc. ("WUFSI"), a subsidiary of the Company, signed an agreement and settlement ("Settlement Agreement," filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 16, 2010), which resolved all outstanding legal issues and claims with the State of Arizona (the "State") 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 Settlement Agreement also required us to make payments to the State for its costs associated with this matter. In addition, as part of the Settlement Agreement, we have made and expect to make certain investments in and enhancements to our compliance programs along the United States and Mexico border and a monitor (the "Monitor") has been engaged for those programs. We have incurred, and expect to continue to incur, significant costs in connection with the Settlement Agreement. The Monitor has made a number of recommendations related to our compliance programs. In addition, in the fourth quarter of 2012, our Business Solutions business was included in the scope of the Monitor's review.

On January 31, 2014, WUFSI and the State agreed to amend the Settlement Agreement. Such amendment (the "Amendment") was subsequently approved by the Superior Court of the State of Arizona In and For the County of Maricopa that same day. The Amendment extends the term of the Settlement Agreement until December 31, 2017, and imposes obligations on the Company and WUFSI in connection with WUFSI's anti-money laundering compliance programs and cooperation with law enforcement. In particular, the Amendment requires WUFSI to continue implementing the primary and secondary recommendations made by the Monitor appointed pursuant to the Settlement Agreement related to WUFSI's anti-money laundering compliance program, and includes, among other things, timeframes for implementing such primary and secondary recommendations. Under the Amendment, the Monitor may make additional primary recommendations until January 1, 2015, and additional secondary recommendations until January 31, 2017. After these dates, the Monitor may only make additional primary or secondary recommendations, as applicable, that meet certain requirements as set forth in the Amendment. Primary recommendations may also be re-classified as secondary recommendations.

The Amendment provides that if WUFSI is unable to implement an effective anti-money laundering compliance program along the U.S. and Mexico border, as determined by the Monitor and subject to limited judicial review, within the timeframes to implement the Monitor's primary recommendations, the State may, within 180 days after the Monitor delivers its final report on the primary recommendations on December 31, 2016, and subsequent to any judicial review of the Monitor's findings, elect one, and only one, of the following remedies: (i) assert a willful and material breach of the Settlement Agreement and pursue remedies under the Settlement Agreement, which could include initiating civil or criminal actions; or (ii) require WUFSI to pay (a) \$50 million plus (b) \$1 million per primary recommendation or group of primary recommendations that WUFSI fails to implement successfully. There are currently more than 70 primary recommendations and groups of primary recommendations.

If the Monitor concludes that WUFSI has implemented an effective anti-money laundering compliance program along the U.S. and Mexico border within the timeframes to implement the Monitor's primary recommendations, the State cannot pursue either of the remedies above, except that the State may require WUFSI to pay \$1 million per primary recommendation or group of primary recommendations that WUFSI fails to implement successfully.

If, at the conclusion of the timeframe to implement the secondary recommendations on December 31, 2017, the Monitor concludes that WUFSI has not implemented an effective anti-money laundering compliance program along the U.S. and Mexico border, the State cannot assert a willful and material breach of the Settlement Agreement but may require WUFSI to pay an additional \$25 million. Additionally, if the Monitor determines that WUFSI has implemented an effective anti-money laundering compliance program along the U.S. and Mexico border but has not implemented some of the Monitor's secondary recommendations or groups of secondary recommendations that were originally classified as primary recommendations or groups of primary recommendations on the date of the Amendment, the State may require WUFSI to pay \$500,000 per such secondary recommendation or group of recommendations. There is no monetary penalty associated with secondary recommendations that are classified as such on the date of the Amendment or any new secondary recommendations that the Monitor makes after the date of the Amendment.

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

The changes in WUFSI's anti-money laundering program required by the Settlement Agreement, including the Amendment, and the Monitor's recommendations have had, and will continue to have, adverse effects on the Company's business, including additional costs. Additionally, if WUFSI is not able to implement a successful anti-money laundering compliance program along the U.S. and Mexico border or timely implement a substantial portion of the Monitor's primary recommendations, each as determined by the Monitor, pursuant by the State of remedies under the Settlement Agreement, including the Amendment, could have a material adverse effect on the Company's business, financial condition or results of operations.

We are in the process of making or have made certain changes to our compliance program for transactions from the United States to Mexico and the Latin America and the Caribbean region, including:

- revisions to agent agreements to increase our ability to oversee the compliance of our agents and their 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 Orlandi Valuta and Vigo brands onto our Western Union database and migrating to a standard point of sale system.

Such changes have had, and will likely continue to have adverse effects on our business, primarily our United States to Mexico business and our United States to Latin America and the Caribbean business. Such adverse effects include fewer transactions, lower revenue, lower profits, increased compliance costs, loss of agents, reduced ability to attract or activate new agents, and a less desirable customer experience. Any additional changes that we elect or are required to make in the United States to Mexico and the United States to Latin America and the Caribbean corridors, or similar changes that we may elect or be required to make in other corridors or for our other services, could have a material adverse effect on our business, financial condition and 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 requirements and related consumer identification matters. These agreements required us to make various payments 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.

In 2011, 2012 and 2013, Western Union received Civil Investigative Demands from certain state attorneys general who have initiated an investigation into the adequacy of the Company's consumer protection efforts over the last several years. The Civil Investigative Demands seek information and documents relating to money transfers sent from the United States to certain countries, consumer fraud complaints that the Company has received and the Company's procedures to help identify and prevent fraudulent transfers. 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, the Company 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.

On March 20, 2012, the Company was served with a federal grand jury subpoena issued by the United States Attorney's Office for the Central District of California ("USAO") seeking documents relating to Shen Zhou International ("US Shen Zhou"), a former Western Union agent located in Monterey Park, California. The principal of US Shen Zhou was indicted in 2010 and in December 2013, pled guilty to one count of structuring international money transfers in violation of United States federal law in U.S. v. Zhi He Wang (SA CR 10-196, C.D. Cal.). Concurrent with the government's service of the subpoena, the government notified the Company that it is a target of an ongoing investigation into structuring and money laundering. Since March 20, 2012, the Company has received additional subpoenas from the USAO seeking additional documents relating to US Shen Zhou, materials relating to certain other former and current agents and other materials relating to the Company's anti-money laundering compliance policies and procedures. The government has interviewed several current and former Western Union employees and has served grand jury subpoenas seeking testimony from several current and former employees. The government's investigation is ongoing and the Company may receive additional requests for information as part of the investigation. The Company continues to cooperate fully with the government. The Company is unable to predict the outcome of the government's 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 has had discussions with the United States Federal Trade Commission (the "FTC") regarding the Company's consumer protection and anti-fraud programs. On December 12, 2012, the Company received a Civil Investigative Demand ("CID") from the FTC requesting that the Company produce (i) all documents relating to communications with the monitor appointed pursuant to the Settlement Agreement, including information the Company provided to the monitor and any reports prepared by the monitor, and (ii) all documents relating to complaints made to the Company by consumers anywhere in the world relating to fraud-induced money transfers since January 1, 2011. On April 15, 2013, the FTC filed a petition in the United States District Court for the Southern District of New York requesting an order to compel production of the requested documents. On June 6, 2013, the Court granted in part and denied in part the FTC's request. On August 14, 2013, the FTC filed a notice of appeal. On August 27, 2013, Western Union filed a notice of cross-appeal. On February 21, 2014, the Company received another CID from the FTC requesting the production of all documents relating to complaints made to the Company by or on behalf of consumers relating to fraud-induced money transfers that were sent from or received in the United States since January 1, 2004, except for documents that were already produced to the FTC in response to the first CID. The Company is unable to predict the outcome of this matter, or provide a range of loss, if any, which could be associated with any possible claims that might be brought against the Company.

On November 25, 2013, the Company was served with a federal grand jury subpoena issued by the United States Attorney's Office for the Middle District of Pennsylvania ("USAO-MDPA") seeking documents relating to complaints made to the Company by consumers anywhere in the world relating to fraud-induced money transfers since January 1, 2008. Concurrent with the government's service of the subpoena, the government notified the Company that it is the subject of the investigation. Since November 25, 2013, the Company has received additional subpoenas from the USAO-MDPA seeking documents relating to certain Western Union agents and Western Union's agent suspension and termination policies. The government's investigation is ongoing and the Company may receive additional requests for information as part of the investigation. The Company is cooperating fully with the government. The Company is unable to predict the outcome of the government's 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.

We regularly receive subpoenas and other requests for documents and information from governmental authorities (federal, state, local, and foreign) concerning our current or former agents, customers or other third parties. We cooperate with such subpoenas and requests in the ordinary course of our business. However, it is possible that, during the course of any investigation or review by such governmental authorities, allegations of misconduct or wrongdoing could arise regarding Western Union, its employees, or agents, which could lead to investigations or enforcement actions against us.

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

The Dodd-Frank 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 Dodd-Frank 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 has created additional regulatory oversight for us. The CFPB's regulations implementing the remittance provisions of the Dodd-Frank Act have affected our business in a variety of areas. These include: a requirement to provide consumers sending funds internationally from the United States enhanced pre-transaction written disclosures, including the disclosure of third-party fees and taxes, an obligation to resolve various errors, including certain errors that may be outside our control, and an obligation to cancel transactions that have not been completed at a consumer's request. In addition, these regulations impose responsibility on us for any related compliance failures of our agents. These requirements have changed the way we operate our business and along with other potential changes under CFPB regulations could adversely affect our operations and financial results and change the way we operate our business. The Dodd-Frank Act and actions by the CFPB could also have a significant impact on us by, for example, requiring us to limit or change our business practices, limiting our ability to pursue business opportunities, requiring us to invest valuable management time and resources in compliance efforts, imposing additional costs on us, 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.

We may also be subject to examination by the CFPB, which in January 2014 initiated a rulemaking process to define "larger participants of a market for other consumer financial products or services" to include companies, such as Western Union, that make at least one million aggregate annual international money transfers. 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 staff and budget, which is not subject to Congressional appropriation, and has broad authority with respect to our money transfer service and related business. It is authorized to collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. In April 2013, the CFPB expanded the coverage of its consumer complaints portal to permit the submission of complaints regarding money transfer issues. 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. In December 2013, the CFPB released the preliminary results of its arbitration study, which is widely viewed as the first step in an effort to restrict the use of such clauses in consumer financial contracts.

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

Rules adopted under the Dodd-Frank Act by the Commodity Futures Trading Commission, as well as by member states of the European Union pursuant to EMIR, have subjected our foreign exchange hedging transactions, including certain intercompany hedging transactions, certain of the corporate interest rate hedging transactions that we may enter into in the future, and certain of the foreign exchange derivative contracts we offer as part of our Business Solutions segment, to reporting, recordkeeping, and other requirements. Additionally, certain of the corporate interest rate hedging transactions that we may enter into in the future are subject to centralized clearing and margin requirements and certain of our other transactions may become so in the future. Our implementation of these requirements has resulted in additional costs to our business and our failure to implement them correctly could result in fines and other sanctions, as well as necessitate a temporary or permanent cessation to some or all of our hedging activities, and possibly limit the types of derivative contracts we may offer as part of our Business Solutions segment. Any such fines, sanctions or limitations on our business could adversely affect our operations and financial results. Further, we may become subject to additional and potentially costly regulatory and supervisory requirements if we exceed derivative transaction thresholds set forth in Dodd-Frank and EMIR, including subjecting our foreign exchange derivative transactions to centralized clearing and margin requirements under EMIR. Governments outside of the United States and the European Union are also considering or have begun to implement regulations similar to those described above and these will result in greater costs to us as well.

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. Future litigation 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. During the fourth quarter of 2012, the parties executed a settlement agreement, which the Court preliminarily approved on January 3, 2013. On June 25, 2013, the Court entered an order certifying the class and granting final approval to the settlement. Under the approved settlement, a substantial amount of the settlement proceeds, as well as all of the class counsel's fees, administrative fees and other expenses, would be paid from the class members' unclaimed money transfer funds, which are included within "Settlement obligations" in our consolidated balance sheets. During the final approval hearing, the Court overruled objections to the settlement that had been filed by several class members. In July 2013, two of those class members filed notices of appeal. The United States Court of Appeals for the Tenth Circuit has scheduled oral argument for March 18, 2014. The settlement requires Western Union to deposit the class members' unclaimed money transfer funds into a class settlement fund, from which class member claims, administrative fees and class counsel's fees, as well as other expenses will be paid. On November 6, 2013, the Attorney General of California notified Western Union of the California Controller's position that Western Union's deposit of the unclaimed money transfer funds into the class settlement fund pursuant to the settlement "will not satisfy Western Union's obligations to report and remit funds" under California's unclaimed property law, and that "Western Union will remain liable to the State of California" for the funds that would have escheated to California in the absence of the settlement. The State of Pennsylvania and Washington, D.C. have expressed similar views. There is thus reason to believe that these and potentially other jurisdictions may bring actions against the Company seeking reimbursement for amounts equal to the class counsel's fees, administrative costs and other expenses that are paid from the class settlement fund. If such actions are brought or claims that may otherwise require Western Union to incur additional escheatment-related liabilities are asserted, Western Union would defend itself vigorously. For more information, see Part II, Item 8, *Financial Statements and Supplementary Data*, Note 5, "Commitments and Contingencies."

All of the actions described below are in a preliminary stage and the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with these actions. The Company and the named individuals intend to vigorously defend themselves in all of these matters.

On December 10, 2013, the City of Taylor Police and Fire Retirement System filed a purported class action complaint in the United States District Court for the District of Colorado against The Western Union Company, its President and Chief Executive Officer, and a former executive officer of the Company, asserting claims under sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Securities and Exchange Commission Rule 10b-5 against all defendants, and under Section 20 (a) of the Exchange Act against the individual defendants. Plaintiff alleges that during the alleged class period, February 7, 2012 through October 30, 2012, defendants made false or misleading statements or failed to disclose adverse facts known to them, including: (1) the Company was experiencing difficulties in complying with its increased duties required by the Southwest Border Agreement and that the State of Arizona was dissatisfied with the Company's efforts; (2) the Company was spending significantly more than forecast on its efforts to satisfy the compliance and monitoring program; (3) the Company had downplayed the impact that changes in its compliance and regulatory environment were having on its operations, including its operations in Mexico and Latin America; (4) the scope of the Monitor's review was being expanded to include Western Union Business Solutions, which would increase compliance costs; and (5) the Company's ability to charge a premium for its core money transfer product was under competitive pressure, which would require drastic price reductions to stem market share losses. On January 30, 2014, another shareholder, Norma A. Garavaglia, filed a second purported class action complaint in the United States District Court for the District of Colorado that names the same defendants and contains allegations which are substantially similar to those made in the City of Taylor Police and Fire Retirement System lawsuit.

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

On January 19, 2014, Stanley Leiblein filed a shareholder derivative complaint in the United States District Court for the District of Colorado naming the Company's President and Chief Executive Officer, one of its former executive officers, and all but one of its current directors as individual defendants and the Company as a nominal defendant. The allegations and claims in this lawsuit are similar to those made in the Gordon lawsuit but relate to a longer period - April 27, 2010 through October 30, 2012. The complaint asserts claims for violations of Section 10(b) of the Exchange Act and Securities and Exchange Commission Rule 10b-5 against the Company's President and Chief Executive Officer and a former executive officer in connection with the Company's repurchase of its stock at an alleged cost of \$1.557 billion; for violations of Section 20(a) of the Exchange Act and waste of corporate assets against the director defendants in connection with the Company's stock repurchases; for breaches of fiduciary duty against all of the individual defendants; for unjust enrichment against all of the individual defendants relating to their receipt of compensation; and for misappropriation of information and insider trading against a former executive officer of the Company. The claims are based on allegations that the individual defendants made or caused the Company to issue false and misleading statements or failed to make adequate disclosures regarding, among other things, the effects of the Southwest Border Agreement (including regarding the anticipated costs of compliance with the Southwest Border Agreement and potential effects on business operations), Company projections and trends and the adequacy of internal controls.

On February 11, 2014, R. Andre Klein filed a shareholder derivative complaint in the United States District Court for the District of Colorado naming the Company's President and Chief Executive Officer, one of its former executive officers, and all but one of its current directors as individual defendants and the Company as a nominal defendant. The allegations and claims in this lawsuit are similar to those made in the Leiblein lawsuit and relate to the same period - April 27, 2010 through October 30, 2012. The complaint asserts claims for violations of Section 10(b) of the Exchange Act and Securities and Exchange Commission Rule 10b-5 against the Company's President and Chief Executive Officer and a former executive officer in connection with the Company's repurchase of its stock at an alleged cost of \$1.557 billion; for violations of Section 20(a) of the Exchange Act against the director defendants in connection with the Company's stock repurchases; for breaches of fiduciary duty against all of the individual defendants; for unjust enrichment against all of the individual defendants relating to their receipt of compensation; for abuse of control and gross mismanagement against all of the individual defendants; and for misappropriation of information and insider trading against a former executive officer of the Company. The claims are based on allegations that the individual defendants made or caused the Company to issue false and misleading statements or failed to make adequate disclosures regarding, among other things, the effects of the Southwest Border Agreement (including regarding the anticipated costs of compliance with the Southwest Border Agreement and potential effects on business operations), Company projections and trends and the adequacy of internal controls.

On February 20, 2014, City of Cambridge Retirement System filed a Verified Shareholder Derivative Complaint and Jury Demand in the United States District Court for the District of Colorado naming the Company's President and Chief Executive Officer, another current executive officer, two of its former executive officers, and all but one of its current directors as individual defendants and the Company as a nominal defendant. The complaint asserts claims for breach of fiduciary duty against the individual defendants, violation of Section 14(a) of the Exchange Act against the director defendants, violation of Exchange Commission Rule 10b-5 against the Company's President and Chief Executive Officer and a former executive officer and violation of Section 20(a) of the Exchange Act against the director defendants and a former executive officer. The claims are based on, among other things, allegations that the director defendants affirmatively declined to stop and prevent the Company's non-compliance with state and federal anti-money laundering laws and regulations after receiving red flags indicating prolonged willful illegality, reappointed the same directors to the Company's Audit Committee between 2006 and 2014 and awarded excessive compensation packages to Western Union's senior executives despite the executives' responsibility for the Company's non-compliance with state and federal anti-money laundering laws. The complaint also alleges that between 2009 and 2013, the director defendants caused the Company to issue proxy statements that contained materially incomplete and inaccurate disclosures, including that the Company's financial results depended on the non-compliance with anti-money laundering requirements; the Board was aware of regulatory and criminal enforcement actions and that the directors were not curing violations; the extent to which the Board considered increasing red flags in their determination to re-nominate certain directors to the Audit Committee; and the extent to which the Board considered ongoing regulatory and criminal investigations in awarding compensation to senior executives. The complaint further alleges that the officer defendants caused the Company to willfully ignore the mandatory recording and reporting requirements of the Bank Secrecy Act and similar state laws and authorized and implemented policies and practices they knew or should have known to be inadequate for monitoring and enforcing compliance with those requirements. In addition, the complaint alleges that between April 27, 2010 and October 30, 2012, the Company's President and Chief Executive Officer and one of its former executive officers made or participated in the preparation and dissemination of materially false and misleading statements or failed to make adequate disclosures regarding, among other things, the Company's cooperation with the Southwest Border Monitor and progress in improving its anti-money laundering monitoring program, and that they profited from those statements through insider stock sales at artificially inflated stock prices and caused the Company to suffer damages via the repurchase of its stock.

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. For example, the United States Federal Trade Commission has an on-going program of investigating the privacy practices of companies and has commenced enforcement actions against many, resulting in multi-million dollar settlements and multi-year agreements governing the settling companies' privacy practices. Furthermore, certain industry groups require us to adhere to privacy requirements in addition to federal, state and foreign laws, and certain of our business relationships depend upon our compliance with these requirements. As the number of countries enacting privacy and related laws increases and the scope of these laws and enforcement efforts expand, we will increasingly become subject to new and varying requirements. Failure to comply with existing or future privacy and data use and security laws, regulations, and requirements to which we are subject or could become subject, including by reason of inadvertent disclosure of confidential information, could result in fines, sanctions, penalties or other adverse consequences and loss of consumer confidence, which could materially adversely affect our results of operations, overall business and reputation.

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

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

We are subject to unclaimed property laws in the United States and abroad which require us to turn over to certain government authorities the property of others held by us that has been unclaimed for a specified period of time, such as unpaid money transfers. 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, 2013, 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. For example, we have seen increased scrutiny from government regulators regarding the sufficiency of our capitalization and the appropriateness of our investments held in order to comply with state and other licensing requirements. Any change or increase in these regulatory requirements could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the Spin-Off

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

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

First Data received a private letter ruling from the IRS to the effect that the Spin-off (including certain related transactions) qualifies as a tax-free transaction to First Data, us and First Data stockholders for United States federal income tax purposes under sections 355, 368 and related provisions of the Internal Revenue Code, assuming, among other things, the accuracy of the representations made by First Data to the IRS in the private letter ruling request. If the factual assumptions or representations made in the private letter ruling request were determined to be untrue or incomplete, then First Data and 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.

ITEM 2. PROPERTIES

Properties and Facilities

As of December 31, 2013, we have offices in over 50 countries, which includes five owned facilities and approximately 20 United States and over 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 our Consumer-to-Consumer, Consumer-to-Business, and Business Solutions segments and are all currently being utilized. In certain locations, our offices include customer service centers, where our employees answer operational questions from agents and customers. Our office in Dublin, Ireland serves as our international headquarters.

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

ITEM 3. LEGAL PROCEEDINGS

On December 10, 2013, the City of Taylor Police and Fire Retirement System filed a purported class action complaint in the United States District Court for the District of Colorado against The Western Union Company, its President and Chief Executive Officer, and a former executive officer of the Company, asserting claims under sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Securities and Exchange Commission Rule 10b-5 against all defendants, and under Section 20(a) of the Exchange Act against the individual defendants. Plaintiff alleges that during the alleged class period, February 7, 2012 through October 30, 2012, defendants made false or misleading statements or failed to disclose adverse facts known to them, including: (1) the Company was experiencing difficulties in complying with its increased duties required by the Southwest Border Agreement and that the State of Arizona was dissatisfied with the Company's efforts; (2) the Company was spending significantly more than forecast on its efforts to satisfy the compliance and monitoring program; (3) the Company had downplayed the impact that changes in its compliance and regulatory environment were having on its operations, including its operations in Mexico and Latin America; (4) the scope of the Monitor's review was being expanded to include Western Union Business Solutions, which would increase compliance costs; and (5) the Company's ability to charge a premium for its core money transfer product was under competitive pressure, which would require drastic price reductions to stem market share losses. On January 30, 2014, another shareholder, Norma A. Garavaglia, filed a second purported class action complaint in the United States District Court for the District of Colorado that names the same defendants and contains allegations which are substantially similar to those made in the City of Taylor Police and Fire Retirement System lawsuit.

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

On January 19, 2014, Stanley Leiblein filed a shareholder derivative complaint in the United States District Court for the District of Colorado naming the Company's President and Chief Executive Officer, one of its former executive officers, and all but one of its current directors as individual defendants and the Company as a nominal defendant. The allegations and claims in this lawsuit are similar to those made in the Gordon lawsuit but relate to a longer period - April 27, 2010 through October 30, 2012. The complaint asserts claims for violations of Section 10(b) of the Exchange Act and Securities and Exchange Commission Rule 10b-5 against the Company's President and Chief Executive Officer and a former executive officer in connection with the Company's repurchase of its stock at an alleged cost of \$1.557 billion; for violations of Section 20(a) of the Exchange Act and waste of corporate assets against the director defendants in connection with the Company's stock repurchases; for breaches of fiduciary duty against all of the individual defendants; for unjust enrichment against all of the individual defendants relating to their receipt of compensation; and for misappropriation of information and insider trading against a former executive officer of the Company. The claims are based on allegations that the individual defendants made or caused the Company to issue false and misleading statements or failed to make adequate disclosures regarding, among other things, the effects of the Southwest Border Agreement (including regarding the anticipated costs of compliance with the Southwest Border Agreement and potential effects on business operations), Company projections and trends and the adequacy of internal controls.

On February 11, 2014, R. Andre Klein filed a shareholder derivative complaint in the United States District Court for the District of Colorado naming the Company's President and Chief Executive Officer, one of its former executive officers, and all but one of its current directors as individual defendants and the Company as a nominal defendant. The allegations and claims in this lawsuit are similar to those made in the Leiblein lawsuit and relate to the same period - April 27, 2010 through October 30, 2012. The complaint asserts claims for violations of Section 10(b) of the Exchange Act and Securities and Exchange Commission Rule 10b-5 against the Company's President and Chief Executive Officer and a former executive officer in connection with the Company's repurchase of its stock at an alleged cost of \$1.557 billion; for violations of Section 20(a) of the Exchange Act against the director defendants in connection with the Company's stock repurchases; for breaches of fiduciary duty against all of the individual defendants; for unjust enrichment against all of the individual defendants relating to their receipt of compensation; for abuse of control and gross mismanagement against all of the individual defendants; and for misappropriation of information and insider trading against a former executive officer of the Company. The claims are based on allegations that the individual defendants made or caused the Company to issue false and misleading statements or failed to make adequate disclosures regarding, among other things, the effects of the Southwest Border Agreement (including regarding the anticipated costs of compliance with the Southwest Border Agreement and potential effects on business operations), Company projections and trends and the adequacy of internal controls.

On February 20, 2014, City of Cambridge Retirement System filed a Verified Shareholder Derivative Complaint and Jury Demand in the United States District Court for the District of Colorado naming the Company's President and Chief Executive Officer, another current executive officer, two of its former executive officers, and all but one of its current directors as individual defendants and the Company as a nominal defendant. The complaint asserts claims for breach of fiduciary duty against the individual defendants, violation of Section 14(a) of the Exchange Act against the director defendants, violation of Exchange Commission Rule 10b-5 against the Company's President and Chief Executive Officer and a former executive officer and violation of Section 20(a) of the Exchange Act against the director defendants and a former executive officer. The claims are based on, among other things, allegations that the director defendants affirmatively declined to stop and prevent the Company's non-compliance with state and federal anti-money laundering laws and regulations after receiving red flags indicating prolonged willful illegality, reappointed the same directors to the Company's Audit Committee between 2006 and 2014 and awarded excessive compensation packages to Western Union's senior executives despite the executives' responsibility for the Company's non-compliance with state and federal anti-money laundering laws. The complaint also alleges that between 2009 and 2013, the director defendants caused the Company to issue proxy statements that contained materially incomplete and inaccurate disclosures, including that the Company's financial results depended on the non-compliance with anti-money laundering requirements; the Board was aware of regulatory and criminal enforcement actions and that the directors were not curing violations; the extent to which the Board considered increasing red flags in their determination to re-nominate certain directors to the Audit Committee; and the extent to which the Board considered ongoing regulatory and criminal investigations in awarding compensation to senior executives. The complaint further alleges that the officer defendants caused the Company to willfully ignore the mandatory recording and reporting requirements of the Bank Secrecy Act and similar state laws and authorized and implemented policies and practices they knew or should have known to be inadequate for monitoring and enforcing compliance with those requirements. In addition, the complaint alleges that between April 27, 2010 and October 30, 2012, the Company's President and Chief Executive Officer and one of its former executive officers made or participated in the preparation and dissemination of materially false and misleading statements or failed to make adequate disclosures regarding, among other things, the Company's cooperation with the Southwest Border Monitor and progress in improving its anti-money laundering monitoring program, and that they profited from those statements through insider stock sales at artificially inflated stock prices and caused the Company to suffer damages via the repurchase of its stock.

All of the actions described above are in a preliminary stage and the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with these actions. The Company and the named individuals intend to vigorously defend themselves in all of these matters.

On November 25, 2013, the Company was served with a federal grand jury subpoena issued by the United States Attorney's Office for the Middle District of Pennsylvania ("USAO-MDPA") seeking documents relating to complaints made to the Company by consumers anywhere in the world relating to fraud-induced money transfers since January 1, 2008. Concurrent with the government's service of the subpoena, the government notified the Company that it is the subject of the investigation. Since November 25, 2013, the Company has received additional subpoenas from the USAO-MDPA seeking documents relating to certain Western Union agents and Western Union's agent suspension and termination policies. The government's investigation is ongoing and the Company may receive additional requests for information as part of the investigation. The Company is cooperating fully with the government. The Company is unable to predict the outcome of the government's 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 has had discussions with the United States Federal Trade Commission (the "FTC") regarding the Company's consumer protection and anti-fraud programs. On December 12, 2012, the Company received a Civil Investigative Demand ("CID") from the FTC requesting that the Company produce (i) all documents relating to communications with the monitor appointed pursuant to the agreement and settlement the Company entered into with the State of Arizona on February 11, 2010, including information the Company provided to the monitor and any reports prepared by the monitor, and (ii) all documents relating to complaints made to the Company by consumers anywhere in the world relating to fraud-induced money transfers since January 1, 2011. On April 15, 2013, the FTC filed a petition in the United States District Court for the Southern District of New York requesting an order to compel production of the requested documents. On June 6, 2013, the Court granted in part and denied in part the FTC's request. On August 14, 2013, the FTC filed a notice of appeal. On August 27, 2013, Western Union filed a notice of cross-appeal. On February 21, 2014, the Company received another CID from the FTC requesting the production of all documents relating to complaints made to the Company by or on behalf of consumers relating to fraud-induced money transfers that were sent from or received in the United States since January 1, 2004, except for documents that were already produced to the FTC in response to the first CID. The Company is unable to predict the outcome of this matter, or provide a range of loss, if any, which could be associated with any possible claims that might be brought against the Company.

On March 20, 2012, the Company was served with a federal grand jury subpoena issued by the United States Attorney's Office for the Central District of California ("USAO") seeking documents relating to Shen Zhou International ("US Shen Zhou"), a former Western Union agent located in Monterey Park, California. The principal of US Shen Zhou was indicted in 2010 and in December 2013, pled guilty to one count of structuring international money transfers in violation of United States federal law in U.S. v. Zhi He Wang (SA CR 10-196, C.D. Cal.). Concurrent with the government's service of the subpoena, the government notified the Company that it is a target of an ongoing investigation into structuring and money laundering. Since March 20, 2012, the Company has received additional subpoenas from the USAO seeking additional documents relating to US Shen Zhou, materials relating to certain other former and current agents and other materials relating to the Company's anti-money laundering compliance policies and procedures. The government has interviewed several current and former Western Union employees and has served grand jury subpoenas seeking testimony from several current and former employees. The government's investigation is ongoing and the Company may receive additional requests for information as part of the investigation. The Company continues to cooperate fully with the government. The Company is unable to predict the outcome of the government's 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.

In 2011, 2012 and 2013, Western Union received Civil Investigative Demands from certain state attorneys general who have initiated an investigation into the adequacy of the Company's consumer protection efforts over the last several years. The Civil Investigative Demands seek information and documents relating to money transfers sent from the United States to certain countries, consumer fraud complaints that the Company has received and the Company's procedures to help identify and prevent fraudulent transfers. 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, the Company 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 addition, the Company is a party to a variety of other 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 4,238 stockholders of record as of February 18, 2014. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. The following table presents the high and low prices of the common stock on the New York Stock Exchange as well as dividends declared per share during the calendar quarter indicated.

	Common Stock Market Price		Dividends Declared per Share
	High	Low	
2013			
First Quarter	\$ 15.05	\$ 13.23	\$ 0.125
Second Quarter	17.23	14.24	0.125
Third Quarter	19.11	16.63	0.125
Fourth Quarter	19.50	15.51	0.125
2012			
First Quarter	\$ 19.82	\$ 16.99	\$ 0.10
Second Quarter	18.68	15.79	0.10
Third Quarter	19.14	16.32	0.10
Fourth Quarter	18.60	11.93	0.125

The following table sets forth stock repurchases for each of the three months of the quarter ended December 31, 2013:

	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	675	\$ 18.78	—	\$ 59.2
November 1 - 30	2,451,107	16.82	2,444,035	\$ 18.1
December 1 - 31	1,088,613	16.72	1,080,422	\$ —
Total	3,540,395	\$ 16.79	3,524,457	

* 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 units that have vested.

** On February 11, 2014, the Board of Directors authorized \$500 million of common stock repurchases through June 30, 2015. Management has historically and may continue to establish prearranged written plans pursuant to Rule 10b5-1. A Rule 10b5-1 plan permits us to repurchase shares at times when we may otherwise be unable to do so, provided the plan is adopted when we are not aware of material non-public information.

Refer to Part II, Item 8, *Financial Statements and Supplementary Data*, Note 16, "Stock Compensation Plans" for information related to our equity compensation plans.

Dividend Policy and Share Repurchases

During 2013, the Board of Directors declared quarterly cash dividends of \$0.125 per common share payable on December 31, 2013, September 30, 2013, June 28, 2013 and March 29, 2013. During 2012, the Board of Directors declared quarterly cash dividends of \$0.125 per common share payable on December 31, 2012, and \$0.10 per common share payable on October 8, 2012, June 29, 2012 and March 30, 2012. The declaration or authorization and amount of future dividends or share repurchases will be determined by the Board of Directors and will depend on our financial condition, earnings, available U.S. cash, capital requirements, regulatory constraints, industry practice and any other factors that the Board of Directors believes are relevant. As a holding company with no material assets other than the capital stock of our subsidiaries, our ability to pay dividends or repurchase shares in future periods will be dependent primarily on our 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 21, 2014, the Board of Directors declared a quarterly cash dividend of \$0.125 per share payable on March 31, 2014.

ITEM 6. SELECTED FINANCIAL DATA

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

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

<u>(in millions, except per share data)</u>	Year Ended December 31,				
	2013	2012	2011	2010	2009
Statements of Income Data:					
Revenues (a)	\$ 5,542.0	\$ 5,664.8	\$ 5,491.4	\$ 5,192.7	\$ 5,083.6
Operating expenses (b) (c)	4,434.6	4,334.8	4,106.4	3,892.6	3,800.9
Operating income (a) (b) (c)	1,107.4	1,330.0	1,385.0	1,300.1	1,282.7
Interest income (d)	9.4	5.5	5.2	2.8	9.4
Interest expense (e)	(195.6)	(179.6)	(181.9)	(169.9)	(157.9)
Other income/(expense), net, excluding interest income and interest expense (f)	5.7	12.9	66.3	12.2	(2.7)
Income before income taxes (a) (b) (c) (d) (e) (f)	926.9	1,168.8	1,274.6	1,145.2	1,131.5
Net income (a) (b) (c) (d) (e) (f) (g)	798.4	1,025.9	1,165.4	909.9	848.8
Depreciation and amortization	262.8	246.1	192.6	175.9	154.2
Cash Flow Data:					
Net cash provided by operating activities (h)	1,088.6	1,185.3	1,174.9	994.4	1,218.1
Capital expenditures (i)	(241.3)	(268.2)	(162.5)	(113.7)	(98.9)
Common stock repurchased (j)	(399.7)	(766.5)	(803.9)	(581.4)	(400.2)
Earnings Per Share Data:					
Basic (a) (b) (c) (d) (e) (f) (g) (j)	\$ 1.43	\$ 1.70	\$ 1.85	\$ 1.37	\$ 1.21
Diluted (a) (b) (c) (d) (e) (f) (g) (j)	\$ 1.43	\$ 1.69	\$ 1.84	\$ 1.36	\$ 1.21
Cash dividends to stockholders per common share (k)	\$ 0.50	\$ 0.425	\$ 0.31	\$ 0.25	\$ 0.06
Key Indicators (unaudited):					
Consumer-to-Consumer transactions (l)	242.34	230.98	225.79	213.74	196.11

<u>(in millions)</u>	As of December 31,				
	2013	2012	2011	2010	2009
Balance Sheet Data:					
Settlement assets	\$ 3,270.4	\$ 3,114.6	\$ 3,091.2	\$ 2,635.2	\$ 2,389.1
Total assets	10,121.3	9,465.7	9,069.9	7,929.2	7,353.4
Settlement obligations	3,270.4	3,114.6	3,091.2	2,635.2	2,389.1
Total borrowings	4,213.0	4,029.2	3,583.2	3,289.9	3,048.5
Total liabilities	9,016.6	8,525.1	8,175.1	7,346.5	6,999.9
Total stockholders' equity	1,104.7	940.6	894.8	582.7	353.5

- (a) Revenue for the years ended December 31, 2012 and 2011 included \$238.5 million and \$35.2 million, respectively, of revenue related to Travelex Global Business Payments ("TGBP"), which was acquired in November 2011. Revenue for the years ended December 31, 2010 and 2009 included \$111.0 million and \$30.8 million, respectively, of revenue related to the Custom House Ltd. ("Custom House") acquisition in September 2009. TGBP and Custom House have subsequently been rebranded to "Western Union Business Solutions."
- (b) 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.
- (c) 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.
- (d) 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.
- (e) Interest expense primarily relates to our outstanding borrowings.
- (f) 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 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.
- (g) 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.
- (h) Net cash provided by operating activities during the year ended December 2012 was impacted by tax payments of \$92.4 million made as a result of the IRS Agreement. 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.
- (i) Capital expenditures include capitalization of contract costs, capitalization of purchased and developed software and purchases of property and equipment.
- (j) On February 11, 2014, the Board of Directors authorized \$500 million of common stock repurchases through June 30, 2015. During the years ended December 31, 2013, 2012, 2011, 2010 and 2009, we repurchased 25.7 million, 51.0 million, 40.3 million, 35.6 million and 24.8 million shares, respectively.
- (k) During 2013, the Board of Directors declared quarterly cash dividends of \$0.125 per common share. During 2012, the Board of Directors declared quarterly cash dividends of \$0.125 per common share in the fourth quarter and \$0.10 per common share in each of the first three quarters. 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.
- (l) Consumer-to-Consumer transactions include Western Union, Vigo and Orlandi Valuta branded Consumer-to-Consumer money transfer services worldwide.

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

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

Overview

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

- *Consumer-to-Consumer* - The Consumer-to-Consumer operating segment facilitates money transfers between two consumers, primarily through a network of third-party agents. Our multi-currency, real-time money transfer service is viewed by us as one interconnected global network where a money transfer can be sent from one location to another, around the world. Our money transfer services are available for international cross-border transfers - that is, the transfer of funds from one country to another - and, in certain countries, intra-country transfers - that is, money transfers from one location to another in the same country. This segment also includes money transfer transactions that can be initiated through websites and account based money transfers.
- *Consumer-to-Business* - The Consumer-to-Business operating segment facilitates bill payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses. The significant majority of the segment's revenue was generated in the United States during all periods presented, with the remainder primarily generated in Argentina.
- *Business Solutions* - The Business Solutions operating segment facilitates payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals. The majority of the segment's business relates to exchanges of currency at 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. Travelex Global Business Payments ("TGBP"), which was acquired in November 2011, is included in this segment.

All businesses that have not been classified in the above segments are reported as "Other" and primarily include our money order, prepaid and other businesses and services, in addition to costs for the review and closing of acquisitions.

Our key strategic priorities are focused on:

- *Strengthening consumer money transfer* - We continue to implement key actions in our consumer money transfer business, including: expanding digital money transfer channels; optimizing the performance of the distribution network; strengthening our customer relationships; and enhancing our compliance capabilities. We also plan to continue connecting the cash and digital worlds for our consumers. Digital and electronic account based money transfer channels delivered strong growth in 2013 and generated new customer acquisitions. We plan to accelerate usage in 2014 through added capabilities, enhanced value propositions and expanded reach. Money transfer services through electronic channels, which include online, account based, and mobile money transfer, combined were approximately 5% of consolidated revenue for the year ended December 31, 2013.
- *Driving growth in Western Union Business Solutions* - In Western Union Business Solutions, we are working to drive new customer acquisition and growth opportunities with existing customers through increased sales effectiveness and tailored product solutions for specific market segments. Business Solutions represented 7% of our consolidated revenue for the year ended December 31, 2013.
- *Generating and deploying cash flow for shareholders* - We currently expect to generate significant cash flow and anticipate continuing to return capital to our shareholders in 2014 through both dividends and share repurchases, subject to U.S. cash availability, targeted investment grade credit ratings, and other factors.

Results of Operations

The following discussion of our consolidated results of operations and segment results refers to the year ended December 31, 2013 compared to the same period in 2012 and the year ended December 31, 2012 compared to the same period in 2011. The results of operations should be read in conjunction with the discussion of our segment results of operations, which provide more detailed discussions concerning certain components of the Consolidated Statements of Income. All significant intercompany accounts and transactions between our segments have been eliminated.

The following table sets forth our consolidated results of operations for the years ended December 31, 2013, 2012 and 2011.

(in millions, except per share amounts)	Year Ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Revenues:					
Transaction fees	\$ 4,065.8	\$ 4,210.0	\$ 4,220.2	(3)%	0 %
Foreign exchange revenues	1,348.0	1,332.7	1,151.2	1 %	16 %
Other revenues	128.2	122.1	120.0	5 %	2 %
Total revenues	5,542.0	5,664.8	5,491.4	(2)%	3 %
Expenses:					
Cost of services	3,235.0	3,194.2	3,102.0	1 %	3 %
Selling, general and administrative	1,199.6	1,140.6	1,004.4	5 %	14 %
Total expenses	4,434.6	4,334.8	4,106.4	2 %	6 %
Operating income	1,107.4	1,330.0	1,385.0	(17)%	(4)%
Other income/(expense):					
Interest income	9.4	5.5	5.2	71 %	6 %
Interest expense	(195.6)	(179.6)	(181.9)	9 %	(1)%
Derivative gains/(losses), net	(1.3)	0.5	14.0	*	(96)%
Other income, net	7.0	12.4	52.3	(44)%	(76)%
Total other expense, net	(180.5)	(161.2)	(110.4)	12 %	46 %
Income before income taxes	926.9	1,168.8	1,274.6	(21)%	(8)%
Provision for income taxes	128.5	142.9	109.2	(10)%	31 %
Net income	\$ 798.4	\$ 1,025.9	\$ 1,165.4	(22)%	(12)%
Earnings per share:					
Basic	\$ 1.43	\$ 1.70	\$ 1.85	(16)%	(8)%
Diluted	\$ 1.43	\$ 1.69	\$ 1.84	(15)%	(8)%
Weighted-average shares outstanding:					
Basic	556.6	604.9	630.6		
Diluted	559.7	607.4	634.2		

* Calculation not meaningful

Revenues overview

Transaction volume is the primary generator of revenue in our businesses. Transaction fees are fees that consumers pay when they send money or make payments. 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. Additionally, in certain consumer money transfer and Business Solutions transactions involving different send and receive currencies, we generate foreign exchange revenues based on the difference between the exchange rate set by us to the consumer or business and the rate at which we or our agents are able to acquire the currency. In our Consumer-to-Consumer business, foreign exchange revenue is primarily driven by international Consumer-to-Consumer cross-currency transactions. 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."

2013 compared to 2012

Consolidated revenue decreased 2% during the year ended December 31, 2013 compared to 2012. This decrease was caused by our Consumer-to-Consumer segment, primarily due to price reductions in key corridors and the impact of compliance related actions in various corridors (see "Enhanced Regulatory Compliance" described below), partially offset by Consumer-to-Consumer transaction growth. The strengthening of the United States dollar compared to most other foreign currencies negatively impacted revenue growth by approximately 1% in the year ended December 31, 2013.

Foreign exchange revenues increased for the year ended December 31, 2013 compared to 2012 primarily due to growth in our Business Solutions segment and increased amounts of cross-border principal sent in our Consumer-to-Consumer segment, partially offset by price reductions in certain corridors in our Consumer-to-Consumer segment.

Fluctuations in the exchange rate between the United States dollar and other currencies have resulted in a reduction to transaction fees and foreign exchange revenues for the year ended December 31, 2013 of \$70.3 million over the previous year, net of foreign currency hedges, that would not have occurred had there been constant currency rates.

2012 compared to 2011

Consolidated revenue increased 3% during the year ended December 31, 2012 due to the acquisition of TGBP, which contributed approximately 4% to consolidated revenue growth for the period, and Consumer-to-Consumer transaction growth of 2%, partially offset by the strengthening of the United States dollar compared to most other foreign currencies and slight price reductions. The strengthening of the United States dollar compared to most other foreign currencies negatively impacted revenue growth by approximately 2% in the year ended December 31, 2012.

Foreign exchange revenues increased for the year ended December 31, 2012 compared to 2011 primarily due to the acquisition of TGBP.

Fluctuations in the exchange rate between the United States dollar and other currencies resulted in a reduction to transaction fees and foreign exchange revenues for the year ended December 31, 2012 of \$93.8 million over the previous year, net of foreign currency hedges, that would not have occurred had there been constant currency rates.

Operating expenses overview

Enhanced Regulatory Compliance

The financial services industry, including money services businesses, continues to be subject to increasingly strict legal and regulatory requirements, and we regularly review our compliance programs. In connection with these reviews, and in light of growing and rapidly evolving regulatory complexity and heightened attention of, and increased dialogue with, governmental and regulatory authorities related to our compliance activities, we have made, and continue to make enhancements to our processes and systems designed to deter and prevent money laundering, terrorist financing, and fraud and other illicit activity, along with enhancements to improve consumer protection related to the Dodd-Frank Act and other matters. In coming periods we expect these enhancements will continue to result in changes to certain of our business practices and increased costs. Some of these changes have had, and we believe will continue to have, an adverse effect on our business, financial condition and results of operations.

Productivity and Cost-Savings Initiatives

In the fourth quarter of 2012 and throughout 2013, we implemented additional initiatives to improve productivity and reduce costs. We incurred \$56.9 million and \$30.9 million of expenses related to these initiatives for the years ended December 31, 2013 and 2012, respectively. We expect these initiatives to result in approximately \$45 million of estimated incremental cost savings in 2014.

TGBP integration expenses

During the years ended December 31, 2013, 2012 and 2011, we incurred \$19.3 million, \$42.8 million and \$4.8 million, respectively, of integration expenses related to the acquisition of TGBP. TGBP integration expense consists of severance and other benefits, retention, direct and incremental expense consisting of facility relocation, consolidation and closures; IT systems integration; amortization of a transitional trademark license; and other expenses such as training, travel and professional fees. Integration expense does not include costs related to the completion of the TGBP acquisition.

Cost of services

Cost of services primarily consists of agent commissions, which represented approximately two-thirds of total cost of services for the year ended December 31, 2013 and generally fluctuate as revenues fluctuate.

Cost of services increased for the year ended December 31, 2013 compared to the prior year due to investments in our strategic initiatives, primarily in information technology, increased variable costs that increase as transactions increase, costs associated with our productivity and cost-savings initiatives, and increased compliance program costs (see "Enhanced Regulatory Compliance" described above), partially offset by reduced agent commissions, which decrease as revenue decreases, the strengthening of the United States dollar compared to most other foreign currencies, which resulted in a positive impact on the translation of our expenses, and savings from our productivity and cost-savings initiatives. We currently expect agent commission rates for our walk-in services of our Consumer-to-Consumer segment to increase primarily due to the recent renewal of certain strategic agent agreements.

Cost of services increased for the year ended December 31, 2012 compared to the prior year primarily due to incremental costs associated with the TGBP acquisition, including depreciation and amortization, investments in our strategic initiatives and compliance program costs, and increased bad debt losses, partially offset by the strengthening of the United States dollar compared to most other foreign currencies, which resulted in a positive impact on the translation of our expenses, net commission savings, including the impact from the acquisitions of Finint S.r.l ("Finint") and Angelo Costa S.r.l ("Costa"), and a net decrease in bank fees due to the Durbin Amendment to the Dodd-Frank Act (the "Durbin Legislation").

Selling, general and administrative

Selling, general and administrative expenses ("SG&A") increased for the year ended December 31, 2013 compared to the prior year due to increased compliance program costs, including costs related to our amended settlement agreement with the State of Arizona (see "Enhanced Regulatory Compliance" described above), investments in our strategic initiatives, lower compensation expenses in 2012, and costs associated with our productivity and cost savings initiatives, partially offset by decreased TGBP integration costs, savings from our productivity and cost-savings initiatives, decreased marketing expenses, and the strengthening of the United States dollar compared to most other foreign currencies, which resulted in a positive impact on the translation of our expenses.

SG&A increased for the year ended December 31, 2012 compared to the prior year primarily due to increased expenses resulting from the acquisitions of TGBP, Finint and Costa, including integration costs, investments in our strategic initiatives and compliance program costs, and costs associated with the productivity and cost-savings initiatives implemented in the fourth quarter of 2012, partially offset by the strengthening of the United States dollar compared to most other foreign currencies, which resulted in a positive impact on the translation of our expenses, the restructuring costs incurred in 2011, which did not recur in 2012, and decreased compensation expenses.

Total other expense, net

Total other expense, net increased during the year ended December 31, 2013 compared to the prior year due to increased interest expense related to higher average debt balances outstanding. Additionally, total other expense, net increased due to other gains recognized in 2012 that did not occur in 2013.

Total other expense, net increased during the year ended December 31, 2012 compared to the prior year primarily due to the prior year 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, associated with these acquisitions. Additionally, during the prior year we recognized a \$20.8 million net gain on 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, primarily for the TGBP acquisition.

Income taxes

Our effective tax rates on pre-tax income were 13.9%, 12.2% and 8.6% for the years ended December 31, 2013, 2012 and 2011, respectively. The increase in our effective tax rate for the year ended December 31, 2013 compared to 2012 is primarily due to the combined effect of various discrete items, partially offset by an increasing proportion of profits that were foreign-derived in 2013, and generally taxed at lower rates than our combined federal and state tax rates in the United States. The increase in our effective tax rate for the year ended December 31, 2012 compared to 2011 is primarily due to the impact of an agreement with the IRS related to audits of previous years ("IRS Agreement"), which resulted in a tax benefit of \$204.7 million related to the adjustment of reserves associated with this matter during 2011, partially offset by benefits from favorable tax settlements in 2012 and higher taxes associated with the Finint and Costa remeasurement gains during 2011.

We continue to benefit from a significant proportion of profits being foreign-derived, and generally taxed at lower rates than our combined federal and state tax rates in the United States. For the years ended December 31, 2013, 2012 and 2011, 103%, 92% and 67% of our pre-tax income was derived from foreign sources, respectively. For the year ended December 31, 2013, our United States results were impacted by investments in our strategic initiatives, price reductions implemented in our Consumer-to-Consumer segment (see the Consumer-to-Consumer "Transaction fees and foreign exchange revenues" discussion below), increased compliance program costs, and higher interest costs. Our foreign pre-tax income is subject to tax in multiple foreign jurisdictions, virtually all of which have statutory income tax rates lower than the United States. While the income tax imposed by any one foreign country is not material to us, our overall effective tax rate could be adversely affected by changes in tax laws, both foreign and domestic. Certain portions of our foreign source income are subject to United States federal and state income tax as earned due to the nature of the income, and dividend repatriations of our foreign source income are generally subject to United States federal and state income tax.

We have established contingency reserves for a variety of material, known tax exposures. As of December 31, 2013, the total amount of tax contingency reserves was \$125.5 million, including accrued interest and penalties, net of related items. Our tax reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review or other settlement. While we believe that our reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed our related reserve. With respect to these reserves, our income tax expense would include (i) any changes in tax reserves arising from material changes 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, 2013, 2012 and 2011, basic earnings per share were \$1.43, \$1.70 and \$1.85, respectively, and diluted earnings per share were \$1.43, \$1.69 and \$1.84, 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, 2013, 2012 and 2011, there were 21.2 million, 23.3 million and 17.1 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation under the treasury stock method as their effect was anti-dilutive.

Earnings per share decreased for both the year ended December 31, 2013 and 2012 compared to the prior year as a result of the previously described factors impacting net income, offset by lower weighted-average shares outstanding. The lower number of shares outstanding was due to stock repurchases exceeding stock option exercises.

Segment Discussion

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

The business segment measurements provided to, and evaluated by, our chief operating decision maker (the "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.
- Costs incurred for the review and closing of acquisitions are included in "Other."
- We incurred restructuring and related expenses of \$46.8 million during the year ended December 31, 2011 which were not allocated to the segments. 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."
- 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, 2013, 2012 and 2011.

	Year Ended December 31,		
	2013	2012	2011
Consumer-to-Consumer	80%	81%	84%
Consumer-to-Business	11%	11%	11%
Business Solutions	7%	6%	3%
Other	2%	2%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Consumer-to-Consumer Segment

The following table sets forth our Consumer-to-Consumer segment results of operations for the years ended December 31, 2013, 2012 and 2011.

(dollars and transactions in millions)	Year Ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Revenues:					
Transaction fees	\$ 3,396.1	\$ 3,545.6	\$ 3,580.2	(4)%	(1)%
Foreign exchange revenues	981.3	988.5	983.1	(1)%	1 %
Other revenues	56.2	50.2	45.1	12 %	11 %
Total revenues	<u>\$ 4,433.6</u>	<u>\$ 4,584.3</u>	<u>\$ 4,608.4</u>	(3)%	(1)%
Operating income	<u>\$ 1,030.4</u>	<u>\$ 1,266.9</u>	<u>\$ 1,316.0</u>	(19)%	(4)%
Operating income margin	23%	28%	29%		
Key indicator:					
Consumer-to-Consumer transactions	242.34	230.98	225.79	5 %	2 %

The table below sets forth transaction and revenue changes by region compared to the prior year and revenues as a percentage of consolidated revenue by region for the years ended December 31, 2013 and 2012.

	Year Ended December 31,	
	2013	2012
Consumer-to-Consumer transaction growth/(decline) (a):		
Europe and CIS	4%	(1)%
North America	0%	(1)%
Middle East and Africa	7%	7%
Asia Pacific ("APAC")	6%	3%
Latin America and the Caribbean ("LACA")	(1)%	1%
westernunion.com	65%	41%
Consumer-to-Consumer revenue growth/(decline) (a):		
Europe and CIS	(4)%	(6)%
North America	(9)%	(3)%
Middle East and Africa	0%	3%
APAC	(3)%	3%
LACA	(3)%	3%
westernunion.com	24%	24%
Consumer-to-Consumer revenue as a percentage of consolidated revenue (a):		
Europe and CIS	21%	22%
North America	19%	20%
Middle East and Africa	16%	15%
APAC	12%	12%
LACA	9%	9%
westernunion.com	3%	3%

- (a) Significant allocations are made in determining the transaction and revenue changes under the regional view in the above table. The geographic split for transactions and revenue 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. For money transfers initiated through our websites ("westernunion.com"), 100% of the revenue and transactions are attributed to westernunion.com.

We view our Consumer-to-Consumer money transfer service as one interconnected global network where a money transfer can be sent from one location to another, around the world, including related transactions that can be initiated through websites and account based money transfers. The segment includes five geographic regions whose functions are limited to generating, managing and maintaining agent relationships and localized marketing activities and also includes westernunion.com. By means of common processes and systems, these regions and westernunion.com create an interconnected network for consumer transactions, thereby constituting one global Consumer-to-Consumer money transfer business and one operating segment.

2013 compared to 2012

For the year ended December 31, 2013 compared to the prior year, Consumer-to-Consumer money transfer revenue declined 3% primarily due to price reductions and compliance related actions in various corridors. Transactions increased 5% from 2012, primarily due to price reductions. Our consumers transferred \$82 billion and \$79 billion in Consumer-to-Consumer principal for the years ended December 31, 2013 and 2012, respectively, of which \$74 billion and \$71 billion related to cross-border principal, respectively, which represented increases of 3% and 4% for Consumer-to-Consumer principal and cross-border principal over the prior year, respectively.

Beginning in the fourth quarter of 2012, we implemented additional fee reductions and actions to adjust foreign exchange spreads that have impacted approximately 25% of our Consumer-to-Consumer business, based on 2012 revenue. We had initiated substantially all of these pricing reductions as of June 30, 2013. Pricing reductions generally reduce margins and adversely affect financial results in the short term, but are done in anticipation that they will result in increased transaction volumes which may lead to increased revenues and operating income in the affected corridors thereafter. These pricing actions totaled approximately 5% of consolidated revenue and 7% of our Consumer-to-Consumer revenue, for the full year 2013.

The regions discussed below were impacted by price reductions in certain key corridors and compliance related actions in various corridors.

For the year ended December 31, 2013 compared to the prior year, revenue in our Europe and CIS region decreased 4% on transaction growth of 4%. Revenue was negatively impacted by price reductions, compliance related actions in various countries, including in the United Kingdom and Spain, competitive challenges in Russia, and continued economic softness in Southern Europe, partially offset by revenue growth in Germany.

For the year ended December 31, 2013 compared to the prior year, our North America region experienced revenue declines of 9% on flat transactions. Our North America region was impacted by our Mexico business, where revenue declined due to price reductions and compliance related actions resulting from our agreement and settlement with the State of Arizona and changes to our business model, primarily for our Vigo[®] and Orlandi ValutaSM brands. These changes resulted in the loss of over 7,000 agent locations in the third quarter of 2012. Transactions increased in our Mexico business for the year ended December 31, 2013, primarily due to price reductions, partially offset by the impact of compliance related actions described earlier in this paragraph. Our North America region was also impacted by our United States outbound business, which also experienced a decline in revenue due to price reductions and compliance related actions resulting from our agreement and settlement with the State of Arizona and changes to our business model, primarily impacting our Vigo brand to Latin America, and other compliance related actions.

For the year ended December 31, 2013 compared to the prior year, our Middle East and Africa and APAC regions experienced flat revenue and a revenue decline of 3%, respectively. Both regions experienced transaction growth in the year ended December 31, 2013 compared to the prior year. The differential between revenue and transaction changes for both regions was primarily attributable to price reductions.

Our LACA region experienced revenue declines for the year ended December 31, 2013 compared to the prior year due to compliance related actions resulting from our agreement and settlement with the State of Arizona and changes to our business model, primarily impacting our Vigo brand, and other compliance related actions. Revenue was also negatively impacted by pricing actions and the strengthening of the United States dollar compared to most other foreign currencies in the region, partially offset by geographic and product mix. Transactions decreased for the year ended December 31, 2013 compared to the prior year, primarily due to the impact of compliance related actions described earlier, partially offset by price reductions. We expect that the United States dollar value of our LACA region's revenue and profits will be negatively impacted by the decline in the value of the Argentine peso after December 31, 2013.

Revenue generated from transactions initiated at westernunion.com increased for the year ended December 31, 2013 compared to the prior year due to strong transaction growth, partially offset by price reductions.

Foreign exchange revenues for the year ended December 31, 2013 compared to the prior year were impacted primarily by price reductions in certain corridors, partially offset by an increase in cross-border principal sent of 4%.

Fluctuations in the exchange rate between the United States dollar and other currencies have resulted in a reduction to transaction fees and foreign exchange revenues for the year ended December 31, 2013 of \$29.6 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.

2012 compared to 2011

For the year ended December 31, 2012 compared to the prior year, Consumer-to-Consumer money transfer revenue declined 1%, due to the strengthening of the United States dollar compared to most other foreign currencies, which negatively impacted revenue, and slight price reductions, partially offset by transaction growth of 2%. The strengthening of the United States dollar compared to most other foreign currencies negatively impacted our revenue growth by approximately 2% for the year ended December 31, 2012.

Revenue in our Europe and CIS region decreased 6% compared to the prior year on a transaction decline of 1%. The strengthening of the United States dollar compared to most other foreign currencies and price reductions negatively impacted revenues for the year ended December 31, 2012. The region was also impacted by continued economic softness in Southern Europe and increased competition in Russia.

The North America region experienced a revenue decline of 3% on a transaction decline of 1% for the year ended December 31, 2012 compared to the prior year. Our Mexico business declined primarily due to changes to our compliance related practices as a result of our agreement and settlement with the State of Arizona and changes to our business model and price reductions. These compliance changes, primarily related to our Vigo and Orlandi Valuta brands, have resulted in the loss of over 7,000 agent locations in Mexico. Our domestic business (transactions between and within the United States and Canada) experienced an increase in revenues on transaction growth, primarily in lower principal bands which generate lower revenues per transaction. Our United States outbound business experienced revenue and transaction declines, in part due to changes in our compliance related practices as a result of our agreement and settlement with the State of Arizona and changes to our business model, primarily for our Vigo brand to Latin America, and price reductions.

Revenue in our Middle East and Africa, APAC, and LACA regions increased in the year ended December 31, 2012 compared to the prior year in all three regions due to transaction growth, partially offset by slight price reductions. Revenue in our Middle East and Africa and LACA regions was also negatively impacted by the strengthening of the United States dollar compared to most other foreign currencies. Revenue in our LACA region was positively impacted by geographic and product mix in the year ended December 31, 2012 compared to the prior year, partially offset by a loss in revenue due to changes to our compliance related practices as a result of our agreement and settlement with the State of Arizona and changes to our business model, primarily related to our Vigo brand. The Gulf States, primarily Saudi Arabia, and India displayed revenue growth, but China revenue declined. Revenue generated from transactions initiated at westernunion.com increased for the year ended December 31, 2012 compared to the prior year due to strong transaction growth.

Foreign exchange revenues were materially consistent for the year ended December 31, 2012 compared to the prior year.

Fluctuations in the exchange rate between the United States dollar and other currencies resulted in a reduction to transaction fees and foreign exchange revenues for the year ended December 31, 2012 of \$77.6 million over the prior year, net of foreign currency hedges, that would not have occurred had there been constant currency rates.

Operating income

2013 compared to 2012

Consumer-to-Consumer operating income declined 19% during the year ended December 31, 2013 compared to the prior year primarily due to the investments in our strategic initiatives, the revenue decline described earlier, increased compliance program costs, lower compensation expense in 2012, and expenses associated with our productivity and cost savings initiatives, partially offset by savings from these initiatives and decreased marketing expenses. The changes in operating income margins in the segment are due to the same factors mentioned above.

2012 compared to 2011

Consumer-to-Consumer operating income declined 4% during the year ended December 31, 2012 compared to the prior year due to investments in our strategic initiatives, including westernunion.com, increased compliance program costs, expenses related to productivity and cost-savings initiatives, increased bad debt losses, and incremental costs associated with the Finint and Costa acquisitions, partially offset by positive currency impacts, including the effect of foreign currency hedges, restructuring savings, and decreased compensation expenses. The changes in operating income margins in the segment are due to the same factors mentioned above.

Consumer-to-Business Segment

The following table sets forth our Consumer-to-Business segment results of operations for the years ended December 31, 2013, 2012 and 2011.

(dollars in millions)	Year Ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Revenues:					
Transaction fees	\$ 579.1	\$ 573.6	\$ 581.8	1 %	(1)%
Foreign exchange and other revenues	29.4	30.3	34.1	(3)%	(11)%
Total revenues	<u>\$ 608.5</u>	<u>\$ 603.9</u>	<u>\$ 615.9</u>	1 %	(2)%
Operating income	<u>\$ 121.9</u>	<u>\$ 137.6</u>	<u>\$ 146.9</u>	(11)%	(6)%
Operating income margin	20%	23%	24%		

Revenues

2013 compared to 2012

Consumer-to-Business revenue increased 1% for the year ended December 31, 2013 compared to the prior year, primarily due to growth in our United States electronic and international walk-in bill payments businesses, which was positively impacted by increased pricing in Argentina. These increases were partially offset by the strengthening of the United States dollar against the Argentine peso, which negatively impacted our Consumer-to-Business revenue growth by approximately 5% for the year ended December 31, 2013, revenue declines in our United States cash-based bill payments business, and the passing through to certain billers of some of our debit card fee savings related to the Durbin Legislation. We expect that the United States dollar value of our Consumer-to-Business segment's revenue and profits will be negatively impacted by the decline in the value of the Argentine peso after December 31, 2013.

2012 compared to 2011

During the year ended December 31, 2012 compared to the prior year, Consumer-to-Business revenue decreased 2% due to a decline in our United States bill payments businesses, due in part to the passing through of some of the debit card fee savings related to the Durbin Legislation, partially offset by growth in our international bill payments, primarily in South America. The strengthening of the United States dollar compared to most other foreign currencies negatively impacted our Consumer-to-Business revenue growth by approximately 3% for the year ended December 31, 2012.

Operating income

2013 compared to 2012

Operating income and operating margins decreased for the year ended December 31, 2013 compared to the prior year primarily due to the items which impacted revenues described earlier. Operating income was also impacted by increased bank fees due to our growing United States electronic business and higher information technology investments, partially offset by costs related to the renegotiation of a sales and distribution agreement that occurred in the prior year.

2012 compared to 2011

During the year ended December 31, 2012, Consumer-to-Business operating income decreased compared to the prior year primarily due to revenue declines in our United States cash-based bill payments business, the renegotiation of a sales and distribution agreement, and expenses related to productivity and cost-savings initiatives, partially offset by a net decrease in debit card and other bank fees due to the Durbin Legislation. The changes in operating income margins in the segment are due to the same factors mentioned above.

Business Solutions

The following table sets forth our Business Solutions segment results of operations for the years ended December 31, 2013, 2012 and 2011.

(dollars in millions)	Year Ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Revenues:					
Foreign exchange revenues	\$ 355.5	\$ 332.0	\$ 154.6	7%	*
Transaction fees and other revenues	37.4	35.4	6.5	6%	*
Total revenues	<u>\$ 392.9</u>	<u>\$ 367.4</u>	<u>\$ 161.1</u>	7%	*
Operating loss	<u>\$ (27.0)</u>	<u>\$ (54.8)</u>	<u>\$ (9.6)</u>	*	*
Operating loss margin	(7)%	(15)%	(6)%		

* Calculation not meaningful.

Revenues

2013 compared to 2012

For the year ended December 31, 2013 compared to the prior year, Business Solutions revenue grew due to increased spot payments activity and increased customer hedging. We believe the increase in customer hedging activity for the year ended December 31, 2013 was partially driven by the level of certain major currencies against the United States dollar. The strengthening of the United States dollar compared to most other foreign currencies negatively impacted revenue growth by approximately 2%. Additionally, the acquisition of the French assets of TGBP, which was completed in May 2012 after receiving regulatory approval, contributed approximately 1% to the segment's revenue growth for the year ended December 31, 2013.

2012 compared to 2011

During the year ended December 31, 2012, Business Solutions revenue grew compared to the prior year primarily due to our acquisition of TGBP, which contributed a substantial majority of our revenue growth for the year ended December 31, 2012.

Operating loss

2013 compared to 2012

For the year ended December 31, 2013, the operating loss decreased compared to the prior year due to increased revenue, partially offset by increased strategic investments. Additionally, operating loss for the year ended December 31, 2013 was impacted by decreased integration expenses. The changes in operating loss margins in the segment are due to these same factors.

2012 compared to 2011

For the year ended December 31, 2012, Business Solutions operating loss increased compared to the prior year primarily due to increased expenses resulting from the acquisition of TGBP, including incremental depreciation and amortization expenses and integration expenses.

Other

The following table sets forth Other results for the years ended December 31, 2013, 2012 and 2011.

(dollars in millions)	Year Ended December 31,			% Change	
	2013	2012	2011	2013	2012
				vs. 2012	vs. 2011
Revenues	\$ 107.0	\$ 109.2	\$ 106.0	(2)%	3%
Operating loss	\$ (17.9)	\$ (19.7)	\$ (21.5)	*	*

* Calculation not meaningful.

Revenues

2013 compared to 2012

Other revenue decreased for the year ended December 31, 2013 compared to the prior year primarily due to declines in our prepaid business.

2012 compared to 2011

Other revenue increased for the year ended December 31, 2012 compared to the prior year primarily due to increases in our prepaid business, partially offset by a decrease in investment income in our money order business.

Operating loss

2013 compared to 2012

Operating loss for the year ended December 31, 2013 was materially consistent with the corresponding period in the prior year.

2012 compared to 2011

During the year ended December 31, 2012, the decrease in operating loss was due to costs associated with acquisition activity that occurred in the prior year, partially offset by declines in our money order business, including a decrease in investment income, and expenses related to productivity and cost-savings initiatives.

Capital Resources and Liquidity

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

Our future cash flows could be impacted by a variety of factors, some of which are out of our control, including changes in economic conditions, especially those impacting migrant populations 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. Our regulated subsidiaries may transfer all excess cash to the parent company for general corporate use, except for assets subject to legal or regulatory restrictions, including: 1) requirements to maintain cash and other qualifying investment balances, free of any liens or other encumbrances, related to the payment of certain of our money transfer and other payment obligations; and 2) other legal or regulatory restrictions, including statutory or formalized net worth requirements. Assets subject to these other legal or regulatory restrictions totaled approximately \$335 million as of December 31, 2013, and include assets outside of the United States subject to restrictions from being transferred outside of the countries where these assets are located.

We believe we have adequate liquidity to meet our business needs through our existing cash balances and our ability to generate cash flows through operations. These business needs include approximately \$100 million of remaining tax payments, plus additional accrued interest, we expect to make as a result of the IRS Agreement, which we expect to pay in 2014 and beyond, in addition to dividends and share repurchases. In addition, we have capacity to borrow up to \$1.65 billion in the aggregate under our revolving credit facility ("Revolving Credit Facility"), which supports borrowings under our \$1.5 billion commercial paper program and expires in January 2017. As of December 31, 2013, we had no outstanding borrowings under our Revolving Credit Facility or commercial paper program.

Cash and Investment Securities

As of December 31, 2013, we had cash and cash equivalents of \$2.1 billion, of which approximately \$1.1 billion was held by our foreign entities. We plan to use our existing cash to fund the repayment of \$500.0 million of our 6.500% notes ("2014 Notes") in February 2014. 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 have used and expect to continue to use foreign funds to expand and fund our international operations and to acquire businesses internationally. We regularly evaluate, taking tax consequences and other factors into consideration, our United States cash requirements and also the potential uses of cash internationally to determine the appropriate level of dividend repatriations of our foreign source income.

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

Investment securities, classified within "Settlement assets," were \$1.8 billion as of December 31, 2013. Substantially all of these investments are highly-rated state and municipal debt securities, including variable rate demand notes. 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. Additionally, as of December 31, 2013, we held non-settlement related investments of \$100.2 million in a short-term bond mutual fund.

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, 2013, 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, 2013, all investments with a single issuer and each individual security were less than 10% of our investment securities portfolio.

Cash Flows from Operating Activities

During the years ended December 31, 2013, 2012 and 2011, cash provided by operating activities was \$1,088.6 million, \$1,185.3 million and \$1,174.9 million, respectively. Cash provided by operating activities for the year ended December 31, 2013 was impacted by a decrease in consolidated operating income. Cash provided by operating activities for the year ended December 31, 2012 was impacted by tax payments of \$92.4 million made as a result of the IRS Agreement.

Financing Resources

As of December 31, 2013, we had the following outstanding borrowings (in millions):

Due in less than one year:	
6.500% notes (effective rate of 5.7%) due 2014 (a)	\$ 500.0
Due in greater than one year (a):	
Floating rate notes due 2015 (b)	250.0
2.375% notes due 2015 (c)	250.0
5.930% notes due 2016 (c)	1,000.0
2.875% notes (effective rate of 2.0%) due 2017 (a)	500.0
3.650% notes due 2018 (c)	400.0
3.350% notes (effective rate of 3.4%) due 2019 (d)	250.0
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	5.7
Total borrowings at par value	4,230.6
Fair value hedge accounting adjustments, net (a)	0.9
Unamortized discount, net	(18.5)
Total borrowings at carrying value (e)	<u>\$ 4,213.0</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" in the Consolidated Statements of Income over the life of the related notes, and cause the effective rate of interest to differ from the notes' stated rate.
- (b) On August 22, 2013, we issued \$250.0 million of aggregate principal amount of unsecured floating rate notes due August 21, 2015 ("2015 Floating Rate Notes"). Interest is payable quarterly at a per annum rate equal to three-month LIBOR plus 1.0% (1.2% at December 31, 2013) 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 November 22, 2013, we issued \$250.0 million of aggregate principal amount of 3.350% unsecured fixed rate notes due 2019 ("2019 Notes"). The interest rate on the 2019 Notes may be adjusted under certain circumstances as described below.
- (e) As of December 31, 2013, our weighted-average effective rate on total borrowings was approximately 4.6%.

Commercial Paper Program

Pursuant to our commercial paper program, we may issue unsecured commercial paper notes in an amount not to exceed \$1.5 billion outstanding at any time, reduced to the extent of borrowings outstanding on our Revolving Credit Facility in excess of \$150 million. Our commercial paper borrowings may have maturities of up to 397 days from date of issuance. Interest rates for borrowings are based on market rates at the time of issuance. We had no commercial paper borrowings outstanding as of December 31, 2013, but did have a maximum balance outstanding of \$50 million for one day during the year ended December 31, 2013. During the years ended December 31, 2012 and 2011, the average commercial paper balance outstanding was \$161.3 million and \$89.7 million, respectively, and the maximum balance outstanding was \$422.8 million and \$784.1 million, respectively. Proceeds from our commercial paper borrowings were used for general corporate purposes.

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.

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 100 basis points. A facility fee of 12.5 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, 2013, we had no outstanding borrowings under our Revolving Credit Facility. If the amount available to borrow under the Revolving Credit Facility decreased, or if the Revolving Credit Facility were eliminated, the cost and availability of borrowing under the commercial paper program may be impacted.

Notes

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

On August 22, 2013, we issued \$250.0 million of aggregate principal amount of unsecured floating rate notes due August 21, 2015. Interest with respect to the 2015 Floating Rate Notes is payable quarterly in arrears on each February 21, May 21, August 21, and November 21, beginning November 21, 2013, at a per annum rate equal to the three-month LIBOR plus 1.0% (reset quarterly).

On December 10, 2012, we issued \$250.0 million and \$500.0 million of aggregate principal amounts of unsecured notes due December 10, 2015 ("2015 Fixed Rate Notes") and December 10, 2017 ("2017 Notes"), respectively. Interest with respect to the 2015 Fixed Rate Notes and 2017 Notes is payable semi-annually in arrears on June 10 and December 10 of each year, currently based on the per annum rates of 2.375% and 2.875%, respectively. The interest rates payable on the 2015 Fixed Rate Notes and 2017 Notes will be increased if the debt rating assigned to such notes is downgraded by an applicable credit rating agency, beginning at a downgrade below investment grade. However, in no event will the interest rate on either the 2015 Fixed Rate Notes or 2017 Notes be increased by more than 2.00% above 2.375% and 2.875% per annum, respectively. The interest rates on the 2015 Fixed Rate Notes and 2017 Notes may also be adjusted downward for debt rating upgrades subsequent to any debt rating downgrades but may not be adjusted below 2.375% and 2.875% per annum, respectively. We may redeem the 2015 Fixed Rate Notes and 2017 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 35 and 40 basis points, respectively.

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

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

On March 30, 2010, we exchanged \$303.7 million of aggregate principal amount of unsecured notes due November 17, 2011 ("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 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. 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 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. For discussion of our debt service requirements with respect to the 2014 Notes, see the "Debt Service Requirements" discussion below.

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

On September 29, 2006, we issued \$1.0 billion of aggregate principal amount of unsecured notes maturing on October 1, 2016 ("2016 Notes"). Interest on the 2016 Notes is payable semi-annually on April 1 and October 1 each year based on the fixed per annum 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, the interest rates payable on our 2015 Fixed Rate Notes, 2017 Notes and 2019 Notes can be impacted by our credit ratings. We are also subject to certain provisions in many of our notes, including our 2015 Floating Rate Notes and 2019 Notes, and certain of our derivative contracts, which could require settlement or collateral posting in the event of a change in control combined with a downgrade below investment grade. We do not have any other terms within our debt agreements that are tied to changes in our credit ratings.

Our Revolving Credit Facility contains certain covenants that, among other things, limit or restrict our ability to sell or transfer assets or merge or consolidate with another company, grant certain types of security interests, incur certain types of liens, impose restrictions on subsidiary dividends, enter into sale and leaseback transactions, 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. Our 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 charges made in determining net income for such period and (f) extraordinary losses or charges, minus extraordinary gains, in each case determined in accordance with generally accepted accounting principles 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 7:1 for the year ended December 31, 2013.

For the year ended December 31, 2013, we were in compliance with our debt covenants. A violation of our debt covenants could impair our ability to borrow and outstanding amounts borrowed could become due, thereby restricting our ability to use our excess cash for other purposes.

Cash Priorities

Liquidity

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

Capital Expenditures

The total aggregate amount paid for contract costs, purchases of property and equipment and purchased and developed software was \$241.3 million, \$268.2 million and \$162.5 million in 2013, 2012 and 2011, respectively. Amounts paid for new and renewed agent contracts vary depending on the terms of existing contracts as well as the timing of new and renewed contract signings. Other capital expenditures during these periods included investments in our information technology infrastructure and purchased and developed software.

Acquisition of Businesses

On November 7, 2011, we acquired TGBP from Travelex Holdings Limited for cash consideration of £596 million (\$956.5 million), net of a final working capital adjustment which resulted in a return of £15 million (\$24.1 million) of purchase consideration in the third quarter of 2012. In connection with the July 5, 2011 purchase agreement, on May 4, 2012, we also acquired the French assets of TGBP for cash consideration of £3 million (\$4.8 million) after receiving regulatory approval.

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.

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). We previously held a 30% equity interest in Costa.

Share Repurchases and Dividends

During the years ended December 31, 2013, 2012 and 2011, 25.7 million, 51.0 million and 40.3 million shares, respectively, were repurchased for \$393.6 million, \$771.9 million and \$800.0 million, respectively, excluding commissions, at an average cost of \$15.29, \$15.12 and \$19.83 per share, respectively.

On February 11, 2014, the Board of Directors authorized \$500 million of common stock repurchases through June 30, 2015.

Our Board of Directors declared quarterly cash dividends of \$0.125 per common share in all four quarters of 2013, representing \$277.2 million in total dividends. During 2012, our Board of Directors declared a quarterly cash dividend of \$0.125 per common share in the fourth quarter and \$0.10 per common share in the first three quarters representing \$254.2 million in total dividends. 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. These amounts were paid to shareholders of record in the respective quarter the dividend was declared, except for the September 2012 and 2011 declared dividends, which were paid in October 2012 and 2011, respectively.

On February 21, 2014, our Board of Directors declared a quarterly cash dividend of \$0.125 per common share payable on March 31, 2014.

Debt Service Requirements

Our 2014 and future debt service requirements will include payments on any future borrowings under our commercial paper program and interest payments on all outstanding indebtedness. In March 2013, our floating rate notes of \$300.0 million matured and were repaid from our cash balances, including amounts from proceeds from the issuance of our fixed rate notes due 2015 and 2017. In February 2014, our 2014 Notes will mature, and we plan to use our existing cash to fund this repayment. Overall, we have the ability to use cash, including cash generated from operations, proceeds from the sale of our non-settlement related investments, and our Revolving Credit Facility, and could also access commercial paper and other financing sources to meet our debt obligations as they come due.

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

Off-Balance Sheet Arrangements

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

Pension Plan

We have one frozen defined benefit pension plan ("Plan"), for which we had a recorded unfunded pension obligation of \$70.4 million and \$102.1 million as of December 31, 2013 and 2012, respectively. During the years ended December 31, 2013 and 2012, we made contributions of approximately \$16 million and \$25 million, respectively, to the Plan, including discretionary contributions of \$5 million for the year ended December 31, 2012. We will be required to fund approximately \$13 million to the Plan in 2014.

Our most recent measurement date for our pension plan was December 31, 2013. The calculation of the funded status and net periodic benefit cost 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 both 2013 and 2012. The expected long-term return on plan assets is 7.00% for 2014. As of December 31, 2013, 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: relative value, equity long-short, commodities/currencies, multi-strategy, event driven, and global-macro. The Plan holds derivative contracts directly which consist of interest rate swap agreements, under which the Plan is committed to pay a short-term LIBOR-based variable interest rate in exchange for a fixed interest rate, primarily based on five and ten-year maturities. 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 3.91% and 3.03% as of December 31, 2013 and 2012, 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.

Contractual Obligations

The following table summarizes our contractual obligations to third parties as of December 31, 2013 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)	\$ 5,824.1	\$ 667.0	\$ 1,815.1	\$ 1,100.2	\$ 2,241.8
IRS Agreement and related state tax payments (b).	100.0	100.0	—	—	—
Estimated pension funding (c)	35.6	13.3	19.9	2.4	—
Unrecognized tax benefits (d).	135.2	—	—	—	—
Foreign currency and interest rate derivative contracts (e)	223.4	208.9	7.0	7.5	—
Other (f)	22.9	20.1	1.8	0.4	0.6
Other Contractual Obligations:					
Purchase obligations (g)	220.8	92.9	89.5	38.4	—
Operating leases	161.1	44.0	64.6	37.5	15.0
	<u>\$ 6,723.1</u>	<u>\$ 1,146.2</u>	<u>\$ 1,997.9</u>	<u>\$ 1,186.4</u>	<u>\$ 2,257.4</u>

- (a) We have estimated our interest payments based on (i) the assumption that no debt issuances or renewals will occur upon the maturity dates of our notes, and (ii) an estimate of future interest rates on our interest rate swap agreements based on projected LIBOR rates.
- (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 made cash payments to the IRS and various state tax authorities of \$92.4 million during 2012. We have estimated that we will make payments of approximately \$100 million in 2014 to cover the remaining portion of the additional tax and interest; however, certain of these payments may be made after 2014.
- (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 our 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.
- (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, 2013, 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, 2013.
- (g) Many of our contracts contain clauses that allow us to terminate the contract with notice and with a termination penalty. Termination penalties are generally an amount less than the original obligation. Obligations under certain contracts are usage-based and are, therefore, estimated in the above amounts. Historically, we have not had any significant defaults of our contractual obligations or incurred significant penalties for termination of our contractual obligations.

Other Commercial Commitments

We had approximately \$100 million in outstanding letters of credit and bank guarantees as of December 31, 2013 with expiration dates through 2016, 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 generally accepted accounting principles in the United States of America. The preparation of these consolidated financial statements requires that management make estimates and assumptions that affect the amounts reported for revenues, expenses, assets, liabilities and other related disclosures. Actual results may or may not differ from these estimates. Our significant accounting policies are discussed in Part II, Item 8, *Financial Statements and Supplementary Data*, Note 2, "Summary of Significant Accounting Policies."

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

Income Taxes

Reinvestment of foreign earnings

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

However, no provision has been made for United States federal and state income taxes on certain of our outside tax basis differences, which primarily relate to accumulated foreign earnings of approximately \$5.0 billion as of December 31, 2013, which we have reinvested and expect to continue to reinvest outside of the United States indefinitely. Upon distribution of those earnings to the United States in the form of actual or constructive dividends, we would be subject to United States federal income taxes (subject to an adjustment for foreign tax credits), state income taxes and possible withholding taxes payable to various foreign countries which could result in a material impact to our financial condition, results of operations and cash flows in the period such distribution occurred. Determination of the amount of unrecognized United States deferred tax liability is not practicable because of the complexities associated with its hypothetical calculation.

Income tax contingencies

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

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

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

Our tax contingency reserves for our uncertain tax positions, including those related to the Spin-off, as of December 31, 2013 were \$125.5 million, including accrued interest and penalties, net of related items. While we believe that our reserves are adequate to cover reasonably expected tax risks, in the event that the ultimate resolution of our uncertain tax positions differs from our estimates, we may be exposed to material increases in income tax expense, which could materially impact our financial condition, results of operations and cash flows.

Derivative Financial Instruments

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

- Cash Flow hedges - Cash flow hedges consist of foreign currency hedging of forecasted revenues, as well as hedges of the forecasted issuance of fixed rate debt. Derivative fair value changes that are captured in accumulated other comprehensive loss are reclassified to earnings in the same period or periods the hedged item affects earnings, to the extent the 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."
- Fair Value hedges - Fair value hedges consist of hedges of fixed rate debt, through interest rate swaps. The changes in fair value of these hedges, along with offsetting changes in fair value of the related debt instrument attributable to changes in the benchmark interest rate, are recorded in interest expense.

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

While we expect that our derivative instruments that currently qualify for hedge accounting will continue to meet the conditions for hedge accounting, if hedges do not qualify for hedge accounting, the changes in the fair value of the derivatives used as hedges would be reflected in earnings which could have a significant impact on our reported results. As of December 31, 2013, 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 \$43.6 million. As of December 31, 2013, the cumulative debt adjustments from our fair value hedges that would be reflected in earnings if such hedges were disqualified from hedge accounting was a \$0.9 million gain.

Other Intangible Assets

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

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

Disruptions to contractual relationships, significant declines in cash flows or transaction volumes associated with contracts, or other issues significantly impacting the future cash flows associated with the contract would cause us to evaluate the recoverability of the asset. If an event described above occurs and causes us to determine that an asset has been impaired, that could result in an impairment charge. The net carrying value of our other intangible assets as of December 31, 2013 was \$833.8 million. We recorded immaterial impairments related to other intangible assets for the year ended December 31, 2013 and did not record any impairment during the years ended December 31, 2012 and 2011.

Goodwill

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

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

If it is determined in the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the standard two-step quantitative impairment test is performed. First, the fair value of the reporting unit is calculated or determined using discounted cash flows and is compared to its carrying value. If the first step indicates the carrying value exceeds the fair value of the reporting unit, then the second step is required. The second step is to determine the implied fair value of a reporting unit's goodwill by allocating the determined fair value to all the reporting unit's assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination. The remaining fair value of the reporting unit, if any, is deemed to be the implied fair value of the goodwill and an impairment is recognized in an amount equal to the excess of the carrying amount of goodwill above its implied fair value.

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

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

The carrying value of goodwill as of December 31, 2013 was \$3,172.0 million which represented approximately 31% of our consolidated assets. As of December 31, 2013, goodwill of \$1,947.7 million and \$996.0 million resides in our Consumer-to-Consumer and Business Solutions reporting units, respectively. The remaining \$228.3 million resides in multiple reporting units which are included in either our Consumer-to-Business segment or Other. For the reporting units that comprise Consumer-to-Consumer, Consumer-to-Business, and Other, the fair value of the businesses greatly exceed their carrying amounts. For our Business Solutions reporting unit, which was acquired between 2009 and 2011, a decline in estimated fair value of approximately 15% could occur before triggering an impairment of goodwill. We believe the primary assumptions impacting our Business Solutions impairment valuation analysis relate to projected revenue and EBITDA margins. For example, a decrease in excess of 200 basis points in the ten-year projected compound annual growth rate of either revenue or EBITDA margin, assuming all other elements of the cash flow model remain unchanged, would result in such decline. We have not recorded any goodwill impairments during the three years ended December 31, 2013.

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 by the next day after they are initiated. To mitigate this risk further, we enter into short duration foreign currency forward contracts, generally with maturities from a few days up to one month, to offset foreign exchange rate fluctuations between transaction initiation and settlement. We also have exposure to certain foreign currency denominated cash and other asset positions and may utilize foreign currency forward contracts, typically with maturities of less than one year at inception, to offset foreign exchange rate fluctuations on these positions. In certain consumer money transfer and Business Solutions transactions involving different send and receive currencies, we generate revenue based on the difference between the exchange rate set by us to the consumer or business and the rate at which we or our agents are able to acquire the 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 Canadian dollar, British pound, Swiss franc, Australian 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 Business Solutions business. The 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 derivative contracts at inception is generally less than one year. Business Solutions aggregates its foreign exchange exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties. The foreign exchange risk is actively managed.

As of December 31, 2013 and 2012, 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 \$41 million and \$34 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, 2013 of \$3.7 billion. Approximately \$2.8 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.

The significant majority of the remainder of our interest-bearing assets consist of highly-rated state and municipal debt securities 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.

As of December 31, 2013, we had \$250.0 million of floating notes, which had an effective interest rate of 1.2% or 1% above three-month LIBOR. Additionally, \$1,550.0 million of our fixed-rate borrowings at par value are effectively floating rate debt through interest rate swap agreements, changing this fixed-rate debt to LIBOR-based floating rate debt, with weighted-average spreads of approximately 300 basis points above LIBOR.

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, 2013, our weighted-average effective rate on total borrowings was approximately 4.6%.

A hypothetical 100 basis point increase/decrease in interest rates would result in a decrease/increase to pre-tax income of approximately \$18 million and \$11 million annually based on borrowings on December 31, 2013 and 2012, 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, 2013 and 2012 that are sensitive to interest rate fluctuations, would result in an offsetting benefit/reduction to pre-tax income of approximately \$28 million and \$21 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

As of December 31, 2013, 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 fund investments, derivatives and other credit risk exposures resulting from our relationships with banks and financial institutions, we regularly review investment concentrations, trading levels, credit spreads and credit ratings, and we attempt to diversify our investments among global financial institutions. We 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 online 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.

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

THE WESTERN UNION COMPANY

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

Management's Report on Internal Control Over Financial Reporting

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

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

Management assessed the effectiveness of Western Union's internal control over financial reporting as of December 31, 2013, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (1992 framework). Based on the results of its evaluation, the Company's management concluded that as of December 31, 2013, the Company's internal control over financial reporting is effective. Western Union's internal control over financial reporting as of December 31, 2013 has been audited by Ernst & Young LLP, Western Union's independent registered public accounting firm, as stated in their attestation report included in this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of The Western Union Company

We have audited The Western Union Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). The Western Union Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, The Western Union Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, 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, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2013 and our report dated February 24, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado

February 24, 2014

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, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2013. 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, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, 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, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 24, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado

February 24, 2014

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

	Year Ended December 31,		
	2013	2012	2011
Revenues:			
Transaction fees	\$ 4,065.8	\$ 4,210.0	\$ 4,220.2
Foreign exchange revenues	1,348.0	1,332.7	1,151.2
Other revenues	128.2	122.1	120.0
Total revenues	5,542.0	5,664.8	5,491.4
Expenses:			
Cost of services	3,235.0	3,194.2	3,102.0
Selling, general and administrative	1,199.6	1,140.6	1,004.4
Total expenses*	4,434.6	4,334.8	4,106.4
Operating income	1,107.4	1,330.0	1,385.0
Other income/(expense):			
Interest income	9.4	5.5	5.2
Interest expense	(195.6)	(179.6)	(181.9)
Derivative gains/(losses), net	(1.3)	0.5	14.0
Other income, net	7.0	12.4	52.3
Total other expense, net	(180.5)	(161.2)	(110.4)
Income before income taxes	926.9	1,168.8	1,274.6
Provision for income taxes	128.5	142.9	109.2
Net income	\$ 798.4	\$ 1,025.9	\$ 1,165.4
Earnings per share:			
Basic	\$ 1.43	\$ 1.70	\$ 1.85
Diluted	\$ 1.43	\$ 1.69	\$ 1.84
Weighted-average shares outstanding:			
Basic	556.6	604.9	630.6
Diluted	559.7	607.4	634.2
Cash dividends declared per common share	\$ 0.50	\$ 0.425	\$ 0.31

* As further described in Note 6, total expenses include amounts for related parties of \$80.6 million, \$95.0 million and \$190.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Year Ended December 31,		
	2013	2012	2011
Net income	\$ 798.4	\$ 1,025.9	\$ 1,165.4
Other comprehensive income/(loss), net of tax:			
Unrealized gains/(losses) on investment securities	(3.6)	2.8	1.8
Unrealized gains/(losses) on hedging activities	(11.1)	(27.0)	27.0
Foreign currency translation adjustments	(13.1)	(2.2)	(2.0)
Defined benefit pension plan adjustments	11.4	(7.7)	(12.5)
Total other comprehensive income/(loss)	(16.4)	(34.1)	14.3
Comprehensive income	<u>\$ 782.0</u>	<u>\$ 991.8</u>	<u>\$ 1,179.7</u>

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY

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

	December 31,	
	2013	2012
Assets		
Cash and cash equivalents	\$ 2,073.1	\$ 1,776.5
Settlement assets	3,270.4	3,114.6
Property and equipment, net of accumulated depreciation of \$428.6 and \$384.5, respectively	209.9	196.1
Goodwill	3,172.0	3,179.7
Other intangible assets, net of accumulated amortization of \$672.3 and \$519.7, respectively	833.8	878.9
Other assets	562.1	319.9
Total assets	<u>\$ 10,121.3</u>	<u>\$ 9,465.7</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 638.9	\$ 556.2
Settlement obligations	3,270.4	3,114.6
Income taxes payable	216.9	218.3
Deferred tax liability, net	319.2	352.1
Borrowings	4,213.0	4,029.2
Other liabilities	358.2	254.7
Total liabilities	<u>9,016.6</u>	<u>8,525.1</u>
 Commitments and contingencies (Note 5)		
 Stockholders' equity:		
Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 2,000 shares authorized; 548.8 shares and 572.1 shares issued and outstanding as of December 31, 2013 and 2012, respectively	5.5	5.7
Capital surplus	390.9	332.8
Retained earnings	877.3	754.7
Accumulated other comprehensive loss	(169.0)	(152.6)
Total stockholders' equity	<u>1,104.7</u>	<u>940.6</u>
Total liabilities and stockholders' equity	<u>\$ 10,121.3</u>	<u>\$ 9,465.7</u>

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2013	2012	2011
Cash flows from operating activities			
Net income	\$ 798.4	\$ 1,025.9	\$ 1,165.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	64.2	61.7	61.0
Amortization	198.6	184.4	131.6
Deferred income tax (benefit)/provision	(39.3)	(35.2)	21.2
Gain on revaluation of equity interests (Note 4)	—	—	(49.9)
Other non-cash items, net	53.3	77.2	29.8
Increase/(decrease) in cash, excluding the effects of acquisitions, resulting from changes in:			
Other assets	(55.4)	(27.8)	(27.7)
Accounts payable and accrued liabilities	81.1	9.3	(43.0)
Income taxes payable (Note 10)	3.4	(79.9)	(62.3)
Other liabilities	(15.7)	(30.3)	(51.2)
Net cash provided by operating activities	1,088.6	1,185.3	1,174.9
Cash flows from investing activities			
Capitalization of contract costs	(119.3)	(174.9)	(96.7)
Capitalization of purchased and developed software	(41.8)	(32.4)	(13.0)
Purchases of property and equipment	(80.2)	(60.9)	(52.8)
Purchases of non-settlement related investments	(100.0)	—	—
Acquisition of businesses, net (Note 4)	—	10.0	(1,218.6)
Net proceeds from settlement of foreign currency forward contracts related to acquisitions	—	—	20.8
Net cash used in investing activities	(341.3)	(258.2)	(1,360.3)
Cash flows from financing activities			
Proceeds from exercise of options	28.9	53.4	100.0
Cash dividends paid	(277.2)	(254.2)	(194.2)
Common stock repurchased	(399.7)	(766.5)	(803.9)
Net (repayments of)/proceeds from commercial paper	—	(297.0)	297.0
Net proceeds from issuance of borrowings	497.3	742.8	696.3
Principal payments on borrowings	(300.0)	—	(696.3)
Net cash used in financing activities	(450.7)	(521.5)	(601.1)
Net change in cash and cash equivalents	296.6	405.6	(786.5)
Cash and cash equivalents at beginning of year	1,776.5	1,370.9	2,157.4
Cash and cash equivalents at end of year	<u>\$ 2,073.1</u>	<u>\$ 1,776.5</u>	<u>\$ 1,370.9</u>
Supplemental cash flow information:			
Interest paid	\$ 193.7	\$ 181.8	\$ 191.3
Income taxes paid (Note 10)	\$ 158.0	\$ 257.1	\$ 144.9

See Notes to Consolidated Financial Statements.

THE WESTERN UNION COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2010.....	654.0	\$ 6.5	\$ 117.4	\$ 591.6	\$ (132.8)	\$ 582.7
Net income	—	—	—	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
Unrealized gains on hedging activities, net of tax	—	—	—	—	27.0	27.0
Foreign currency translation adjustment, net of tax	—	—	—	—	(2.0)	(2.0)
Defined benefit pension plan liability adjustment, net of tax	—	—	—	—	(12.5)	(12.5)
Balance, December 31, 2011.....	619.4	6.2	247.1	760.0	(118.5)	894.8
Net income	—	—	—	1,025.9	—	1,025.9
Stock-based compensation	—	—	34.0	—	—	34.0
Common stock dividends	—	—	—	(254.2)	—	(254.2)
Repurchase and retirement of common shares	(51.3)	(0.5)	—	(777.0)	—	(777.5)
Shares issued under stock-based compensation plans.....	4.0	—	51.9	—	—	51.9
Tax adjustments from employee stock option plans	—	—	(0.2)	—	—	(0.2)
Unrealized gains on investment securities, net of tax	—	—	—	—	2.8	2.8
Unrealized losses on hedging activities, net of tax	—	—	—	—	(27.0)	(27.0)
Foreign currency translation adjustment, net of tax	—	—	—	—	(2.2)	(2.2)
Defined benefit pension plan liability adjustment, net of tax	—	—	—	—	(7.7)	(7.7)
Balance, December 31, 2012.....	572.1	5.7	332.8	754.7	(152.6)	940.6
Net income	—	—	—	798.4	—	798.4
Stock-based compensation and other	—	—	34.2	—	—	34.2
Common stock dividends	—	—	—	(277.2)	—	(277.2)
Repurchase and retirement of common shares	(26.1)	(0.2)	—	(398.6)	—	(398.8)
Shares issued under stock-based compensation plans.....	2.8	—	28.6	—	—	28.6
Tax adjustments from employee stock option plans	—	—	(4.7)	—	—	(4.7)
Unrealized losses on investment securities, net of tax	—	—	—	—	(3.6)	(3.6)
Unrealized losses on hedging activities, net of tax	—	—	—	—	(11.1)	(11.1)
Foreign currency translation adjustment, net of tax	—	—	—	—	(13.1)	(13.1)
Defined benefit pension plan liability adjustment, net of tax	—	—	—	—	11.4	11.4
Balance, December 31, 2013.....	548.8	\$ 5.5	\$ 390.9	\$ 877.3	\$ (169.0)	\$ 1,104.7

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 primarily available through a network of agent locations in more than 200 countries and territories. Each location in the Company's agent network is capable of providing one or more of the Company's services.

The Western Union business consists of the following segments:

- **Consumer-to-Consumer** - The Consumer-to-Consumer operating segment facilitates money transfers between two consumers, primarily through a network of third-party agents. The Company's multi-currency, real-time money transfer service is viewed by the Company as one interconnected global network where a money transfer can be sent from one location to another, around the world. This service is available for international cross-border transfers - that is, the transfer of funds from one country to another - and, in certain countries, intra-country transfers - that is, money transfers from one location to another in the same country. This segment also includes money transfer transactions that can be initiated through websites and account based money transfers.
- **Consumer-to-Business** - The Consumer-to-Business operating segment facilitates bill payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses. The significant majority of the segment's revenue was generated in the United States during all periods presented, with the remainder primarily generated in Argentina.
- **Business Solutions** - The Business Solutions operating segment facilitates payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals. The majority of the segment's business relates to exchanges of currency at the spot rate which enables customers to make cross-currency payments. In addition, in certain countries, the Company writes foreign currency forward and option contracts for customers to facilitate future payments. Travelex Global Business Payments ("TGBP"), which was acquired in November 2011 (see Note 4), is included in this segment.

All businesses that have not been classified in the above segments are reported as "Other" and primarily include the Company's money order, prepaid and other businesses and services, in addition to costs for the review and closing of acquisitions.

There are legal or regulatory limitations on transferring certain assets of the Company outside of the countries where these assets are located. However, there are generally no limitations on the use of these assets within those countries. Additionally, the Company must meet minimum capital requirements in some countries in order to maintain operating licenses. As of December 31, 2013, the amount of net assets subject to these limitations totaled approximately \$335 million.

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

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Spin-off from First Data

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

Basis of Presentation

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

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

2. Summary of Significant Accounting Policies

Use of Estimates

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

Principles of Consolidation

The Company consolidates financial results when it has 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 period, and therefore, reduce the dilutive effect.

As of December 31, 2013, 2012 and 2011 there were 21.2 million, 23.3 million and 17.1 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,		
	2013	2012	2011
Basic weighted-average shares outstanding	556.6	604.9	630.6
Common stock equivalents	3.1	2.5	3.6
Diluted weighted-average shares outstanding	559.7	607.4	634.2

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. Further, these investments have no redemption restrictions, and redemptions can generally be done monthly or quarterly with required notice ranging from three to 60 days.
- **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation. The Company has Level 3 assets that are recognized and disclosed at fair value on a non-recurring basis related to the Company's business combinations, where the values of the intangible assets and goodwill acquired in a purchase are derived utilizing one of the three recognized approaches: the market approach, the income approach or the cost approach.

Carrying amounts for many of the Company's financial instruments, including cash and cash equivalents, settlement cash and cash equivalents, and settlement receivables and settlement obligations approximate fair value due to their short maturities. Investment securities and derivative financial instruments are carried at fair value and included in Note 8. Fixed rate notes are carried at their original issuance values as adjusted over time to accrete that value to par, except for portions of notes hedged by interest rate swap agreements as disclosed in Note 14. The fair values of fixed rate notes are also disclosed in Note 8 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 4. 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 fair value.

The Company maintains cash and cash equivalent balances with various financial institutions, including a 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 \$38.3 million and \$46.8 million as of December 31, 2013 and 2012, respectively, and is recorded in the same Consolidated Balance Sheet caption as the related receivable. During the years ended December 31, 2013, 2012 and 2011, the provision for doubtful accounts (bad debt expense) reflected in the Consolidated Statements of Income was \$50.1 million, \$44.9 million and \$24.3 million, respectively.

Settlement Assets and Obligations

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

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

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Settlement obligations consist of money transfer, money order and payment service payables and payables to agents. Money transfer payables represent amounts to be paid to transferees when they request their funds. 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):

	December 31,	
	2013	2012
Settlement assets:		
Cash and cash equivalents	\$ 538.6	\$ 574.5
Receivables from selling agents and Business Solutions customers	981.3	1,025.3
Investment securities	1,750.5	1,514.8
	<u>\$ 3,270.4</u>	<u>\$ 3,114.6</u>
Settlement obligations:		
Money transfer, money order and payment service payables	\$ 2,376.6	\$ 2,297.1
Payables to agents	893.8	817.5
	<u>\$ 3,270.4</u>	<u>\$ 3,114.6</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 and furniture and fixtures, and 30 years for buildings) or the lease term. Maintenance and repairs, which do not extend the useful life of the respective assets, are charged to expense as incurred.

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

	December 31,	
	2013	2012
Equipment	\$ 416.1	\$ 384.6
Buildings	82.3	80.0
Leasehold improvements	80.3	65.6
Furniture and fixtures	33.3	33.4
Land and improvements	16.9	16.9
Projects in process	9.6	0.1
	<u>638.5</u>	<u>580.6</u>
Less accumulated depreciation	(428.6)	(384.5)
Property and equipment, net	<u>\$ 209.9</u>	<u>\$ 196.1</u>

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amounts charged to expense for depreciation of property and equipment were \$64.2 million, \$61.7 million and \$61.0 million during the years ended December 31, 2013, 2012 and 2011, respectively.

Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and other intangible assets acquired, less liabilities assumed arising from business combinations. The Company's annual impairment assessment did not identify any goodwill impairment during the years ended December 31, 2013, 2012 and 2011.

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 \$198.6 million, \$184.4 million and \$131.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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

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

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

	December 31, 2013			December 31, 2012	
	Weighted-Average Amortization Period (in years)	Initial Cost	Net of Accumulated Amortization	Initial Cost	Net of Accumulated Amortization
Acquired contracts	11.2	\$ 632.0	\$ 414.3	\$ 627.2	\$ 466.2
Capitalized contract costs	5.9	528.5	315.2	457.2	303.7
Internal use software	3.2	264.9	65.1	221.0	54.7
Acquired trademarks	22.7	38.0	25.3	43.4	28.4
Projects in process	3.0	9.6	9.6	15.4	15.4
Other intangibles	2.6	33.1	4.3	34.4	10.5
Total other intangible assets	8.0	<u>\$ 1,506.1</u>	<u>\$ 833.8</u>	<u>\$ 1,398.6</u>	<u>\$ 878.9</u>

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The estimated future aggregate amortization expense for existing other intangible assets as of December 31, 2013 is expected to be \$210.0 million in 2014, \$151.0 million in 2015, \$134.0 million in 2016, \$102.5 million in 2017, \$54.0 million in 2018 and \$182.3 million thereafter.

Other intangible assets are reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In such reviews, estimated undiscounted cash flows associated with these assets or operations are compared with their carrying values to determine if a write-down to fair value (normally measured by the present value technique) is required. The Company recorded immaterial impairments related to other intangible assets for the year ended December 31, 2013 and did not record any impairment during the years ended December 31, 2012 and 2011.

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 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 Business Solutions transactions involving different send and receive currencies, the Company generates revenue based on the difference between the exchange rate set by the Company to the consumer or business and the rate at which the Company or its agents are able to acquire the 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 Solutions payment service operations.

Cost of Services

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

Advertising Costs

Advertising costs are charged to operating expenses as incurred. Advertising costs for the years ended December 31, 2013, 2012 and 2011 were \$165.1 million, \$177.5 million and \$174.8 million, respectively.

Income Taxes

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign Currency Translation

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

Derivatives

The Company uses derivatives to (a) minimize its exposures related to changes in foreign currency exchange rates and interest rates and (b) facilitate cross-currency Business Solutions payments by writing derivatives to customers. The Company recognizes all derivatives in the "Other assets" and "Other liabilities" captions in the accompanying Consolidated Balance Sheets at their fair value. All cash flows associated with derivatives are included in cash flows from operating activities in the Consolidated Statements of Cash Flows, 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, 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."
- Fair Value hedges - Changes in the fair value of derivatives that are designated as fair value hedges of fixed rate debt are recorded in "Interest expense." The offsetting change in value of the related debt instrument attributable to changes in the benchmark interest rate is also recorded in "Interest expense."
- Undesignated - Derivative contracts entered into to reduce the variability related to (a) money transfer settlement assets and obligations, generally with maturities from a few days up to one month, and (b) certain foreign currency denominated cash and other asset positions, typically with maturities of less than one year at inception, are not designated as hedges for accounting purposes and changes in their fair value are included in "Selling, general and administrative." 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 Solutions payments operations. The duration of these derivative contracts at inception is generally less than one year. The Company aggregates its Business Solutions payments foreign currency exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties (economic hedge contracts) as part of a broader foreign currency portfolio, including significant spot exchanges of currency in addition to forwards and options. The changes in fair value related to these contracts are recorded in "Foreign exchange revenues."

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

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Stock-Based Compensation

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

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.

Severance and Other Related Expenses

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

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Productivity and Cost-Savings Initiatives and Restructuring and Related Expenses

Productivity and Cost-Savings Initiatives

In the fourth quarter of 2012 and throughout 2013, the Company implemented initiatives to improve productivity and reduce costs. Costs related to these productivity and cost-savings initiatives include costs related to termination benefits received by certain of the Company's former executives. The following table summarizes the activity for the employee termination benefits and other costs related to the productivity and cost-savings initiatives accruals as of and for the years ended December 31, 2013 and 2012 (in millions):

	Severance, Outplacement and Related Benefits	Other (b)	Total
Balance, January 1, 2012	\$ —	\$ —	\$ —
Expenses (a)	28.9	2.0	30.9
Cash payments	(5.2)	(0.4)	(5.6)
Non-cash benefit (a)	2.0	—	2.0
Balance, December 31, 2012	\$ 25.7	\$ 1.6	\$ 27.3
Expenses (a)	40.8	16.1	56.9
Cash payments	(25.3)	(16.5)	(41.8)
Non-cash benefit/(expense) (a)	4.2	(0.2)	4.0
Balance, December 31, 2013	\$ 45.4	\$ 1.0	\$ 46.4
Total expenses	\$ 69.7	\$ 18.1	\$ 87.8

- (a) Expenses include a non-cash benefit for adjustments to stock compensation for awards forfeited by employees. Other expenses also include non-cash write-offs and accelerated depreciation of fixed assets and leasehold improvements. These amounts were recognized outside of the accrual.
- (b) Other expenses primarily related to the relocation of various operations to new and existing Company facilities and third-party providers including expenses for hiring, training, relocation, travel and professional fees. All such expenses were recorded when incurred.

2010 Restructuring

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. As of December 31, 2011, the Company had incurred all of the expenses related to the Restructuring Plan. The Company incurred expenses of \$46.8 million, comprised of \$26.1 million, \$1.3 million, \$3.5 million and \$15.9 million in severance, outplacement and related benefits, fixed asset write-offs and accelerated depreciation, lease terminations and other restructuring expenses, respectively, for the year ended December 31, 2011.

As of December 31, 2011, the Company had a restructuring accrual of \$13.9 million related to this plan, of which \$13.7 million represented an accrual for severance, outplacement and related benefits. Substantially all of the accrual was paid in 2012, resulting in a remaining restructuring accrual which was immaterial as of December 31, 2012.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents expenses related to productivity and cost-savings initiatives and restructuring activities as reflected in the Consolidated Statements of Income (in millions):

	Year Ended December 31,		
	2013	2012	2011
	Productivity and Cost-Savings Initiatives		Restructuring and Related Expenses
Cost of services	\$ 24.3	\$ 5.5	\$ 10.6
Selling, general and administrative	32.6	25.4	36.2
Total expenses, pre-tax.	\$ 56.9	\$ 30.9	\$ 46.8
Total expenses, net of tax.	\$ 40.2	\$ 20.2	\$ 32.0

The following table summarizes expenses related to productivity and cost-savings initiatives incurred by reportable segment (in millions):

	Consumer-to-Consumer	Consumer-to-Business	Business Solutions	Other	Total
2012 expenses.	\$ 20.9	\$ 4.0	\$ —	\$ 6.0	\$ 30.9
2013 expenses.	43.8	5.4	3.6	4.1	56.9
Total expenses.	\$ 64.7	\$ 9.4	\$ 3.6	\$ 10.1	\$ 87.8

Restructuring and related expenses have not been allocated to the Company's segments, which are 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 (the "CODM") for purposes of assessing segment performance and decision making with respect to resource allocation. For the year ended December 31, 2011, the Company incurred \$46.8 million of restructuring and related expenses, of which \$33.7 million, \$6.2 million and \$5.0 million were attributable to the Company's Consumer-to-Consumer, Consumer-to-Business and Business Solutions segments, respectively, and \$1.9 million was attributable to Other.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Acquisitions

On November 7, 2011, the Company acquired the business-to-business payment business known as TGBP from Travelex Holdings Limited for cash consideration of £596 million (\$956.5 million), net of a final working capital adjustment which resulted in a return of £15 million (\$24.1 million) of purchase consideration in the third quarter of 2012. In connection with the July 5, 2011 purchase agreement, on May 4, 2012, the Company also acquired the French assets of TGBP for cash consideration of £3 million (\$4.8 million) after receiving regulatory approval. For the year ended December 31, 2011, the Company incurred \$20.7 million of costs associated with the closing of the TGBP acquisition. 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. 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 €99.6 million (\$139.4 million). The Company revalued its previous 30% equity interest to fair value of approximately \$47.7 million on the acquisition date, resulting in total value of \$187.1 million. In conjunction with the revaluation, the Company recognized a gain of \$20.5 million, recorded in "Other income, net" in the 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 €95 million (\$135.7 million). 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 Consolidated Statements of Income, for the amount by which the fair value of the 30% equity interest exceeded its previous carrying value.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

All assets and liabilities have been recorded at fair value, excluding deferred tax liabilities. The valuation of assets acquired was 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 Business Payments (a)	Finint S.r.l.	Angelo Costa S.r.l.
Customer and other contractual relationships	\$ 264.5	\$ —	\$ —
Network of subagents	—	53.9	44.6
Other	49.7	10.9	6.8
Total identifiable intangible assets	<u>\$ 314.2</u>	<u>\$ 64.8</u>	<u>\$ 51.4</u>

(a) Amounts include the impact of the acquisition of the French assets of TGBP on May 4, 2012.

Customer and other contractual relationships and network of subagents identifiable intangible assets were valued using an income approach and are being amortized over 9 to 15 years. Other intangibles were valued using both income and cost approaches and are being amortized over one to five years. For the remaining assets and liabilities, excluding goodwill and deferred tax liabilities, fair value approximated carrying value.

The goodwill recognized for TGBP of \$704.3 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 Business Solutions segment. The goodwill recognized for Finint and Costa of \$153.6 million and \$174.2 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. Goodwill expected to be deductible for income tax purposes for TGBP, Finint and Costa is approximately \$488.4 million, \$97.0 million and \$104.9 million, respectively.

The following table presents changes to goodwill for the years ended December 31, 2013 and 2012 (in millions):

	Consumer-to- Consumer	Consumer-to- Business	Business Solutions	Other	Total
January 1, 2012 balance	\$ 1,945.3	\$ 224.9	\$ 1,013.7	\$ 15.0	\$ 3,198.9
Purchase price adjustments	2.4	—	(24.4)	—	(22.0)
Currency translation	—	(3.8)	6.7	(0.1)	2.8
December 31, 2012 balance	<u>\$ 1,947.7</u>	<u>\$ 221.1</u>	<u>\$ 996.0</u>	<u>\$ 14.9</u>	<u>\$ 3,179.7</u>
Currency translation	—	(6.4)	—	(1.3)	(7.7)
December 31, 2013 balance	<u>\$ 1,947.7</u>	<u>\$ 214.7</u>	<u>\$ 996.0</u>	<u>\$ 13.6</u>	<u>\$ 3,172.0</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The Company had approximately \$100 million in outstanding letters of credit and bank guarantees as of December 31, 2013 with expiration dates through 2016, 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

The Company and one of its subsidiaries are defendants in two purported class action lawsuits: *James P. Tennille v. The Western Union Company* and *Robert P. Smet v. The Western Union Company*, both of which are pending in the United States District Court for the District of Colorado. The original complaints asserted claims for violation of various consumer protection laws, unjust enrichment, conversion and declaratory relief, based on allegations that the Company waits too long to inform consumers if their money transfers are not redeemed by the recipients and that the Company uses the unredeemed funds to generate income until the funds are escheated to state governments. The Tennille complaint was served on the Company on April 27, 2009. The Smet complaint was served on the Company on April 6, 2010. On September 21, 2009, the Court granted the Company's motion to dismiss the Tennille complaint and gave the plaintiff leave to file an amended complaint. On October 21, 2009, Tennille filed an amended complaint. The Company moved to dismiss the Tennille amended complaint and the Smet complaint. On November 8, 2010, the Court denied the motion to dismiss as to the plaintiffs' unjust enrichment and conversion claims. On February 4, 2011, the Court dismissed the plaintiffs' consumer protection claims. On March 11, 2011, the plaintiffs filed an amended complaint that adds a claim for breach of fiduciary duty, various elements to its declaratory relief claim and Western Union Financial Services, Inc. ("WUFSI"), a subsidiary of the Company, as a defendant. On April 25, 2011, the Company and WUFSI filed a motion to dismiss the breach of fiduciary duty and declaratory relief claims. WUFSI also moved to compel arbitration of the plaintiffs' claims and to stay the action pending arbitration. On November 21, 2011, the Court denied the motion to compel arbitration and the stay request. Both companies appealed the decision. On January 24, 2012, the United States Court of Appeals for the Tenth Circuit granted the companies' request to stay the District Court proceedings pending their appeal. During the fourth quarter of 2012, the parties executed a settlement agreement, which the Court preliminarily approved on January 3, 2013. On June 25, 2013, the Court entered an order certifying the class and granting final approval to the settlement. Under the approved settlement, a substantial amount of the settlement proceeds, as well as all of the class counsel's fees, administrative fees and other expenses, would be paid from the class members' unclaimed money transfer funds, which are included within "Settlement obligations" in the Company's consolidated balance sheets. During the final approval hearing, the Court overruled objections to the settlement that had been filed by several class members. In July 2013, two of those class members filed notices of appeal. The United States Court of Appeals for the Tenth Circuit has scheduled oral argument for March 18, 2014. The settlement requires Western Union to deposit the class members' unclaimed money transfer funds into a class settlement fund, from which class member claims, administrative fees and class counsel's fees, as well as other expenses will be paid. On November 6, 2013, the Attorney General of California notified Western Union of the California Controller's position that Western Union's deposit of the unclaimed money transfer funds into the class settlement fund pursuant to the settlement "will not satisfy Western Union's obligations to report and remit funds" under California's unclaimed property law, and that "Western Union will remain liable to the State of California" for the funds that would have escheated to California in the absence of the settlement. The State of Pennsylvania and Washington, D.C. have expressed similar views. There is thus reason to believe that these and potentially other jurisdictions may bring actions against the Company seeking reimbursement for amounts equal to the class counsel's fees, administrative costs and other expenses that are paid from the class settlement fund. If such actions are brought or claims that may otherwise require Western Union to incur additional escheatment-related liabilities are asserted, Western Union would defend itself vigorously.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On February 11, 2010, WUFSI signed an agreement and settlement ("Settlement Agreement"), which resolved all outstanding legal issues and claims with the State of Arizona (the "State") and required the Company to fund a multi-state not-for-profit organization promoting safety and security along the United States and Mexico border, in which California, Texas and New Mexico are participating with Arizona. As part of the Settlement Agreement, the Company has made and expects to make certain investments in its compliance programs along the United States and Mexico border and a monitor (the "Monitor") has been engaged for those programs. The Company has incurred, and expects to continue to incur, significant costs in connection with the Settlement Agreement. The Monitor has made a number of recommendations related to the Company's compliance programs. In addition, in the fourth quarter of 2012, the Company's Business Solutions business was included in the scope of the Monitor's review.

On January 31, 2014, WUFSI and the State agreed to amend the Settlement Agreement. Such amendment (the "Amendment") was subsequently approved by the Superior Court of the State of Arizona In and For the County of Maricopa that same day. The Amendment extends the term of the Settlement Agreement until December 31, 2017, and imposes obligations on the Company and WUFSI in connection with WUFSI's anti-money laundering compliance programs and cooperation with law enforcement. In particular, the Amendment requires WUFSI to continue implementing the primary and secondary recommendations made by the Monitor appointed pursuant to the Settlement Agreement related to WUFSI's anti-money laundering compliance program, and includes, among other things, timeframes for implementing such primary and secondary recommendations. Under the Amendment, the Monitor may make additional primary recommendations until January 1, 2015, and additional secondary recommendations until January 31, 2017. After these dates, the Monitor may only make additional primary or secondary recommendations, as applicable, that meet certain requirements as set forth in the Amendment. Primary recommendations may also be re-classified as secondary recommendations.

The Amendment provides that if WUFSI is unable to implement an effective anti-money laundering compliance program along the U.S. and Mexico border, as determined by the Monitor and subject to limited judicial review, within the timeframes to implement the Monitor's primary recommendations, the State may, within 180 days after the Monitor delivers its final report on the primary recommendations on December 31, 2016, and subsequent to any judicial review of the Monitor's findings, elect one, and only one, of the following remedies: (i) assert a willful and material breach of the Settlement Agreement and pursue remedies under the Settlement Agreement, which could include initiating civil or criminal actions; or (ii) require WUFSI to pay (a) \$50 million plus (b) \$1 million per primary recommendation or group of primary recommendations that WUFSI fails to implement successfully. There are currently more than 70 primary recommendations and groups of primary recommendations.

If the Monitor concludes that WUFSI has implemented an effective anti-money laundering compliance program along the U.S. and Mexico border within the timeframes to implement the Monitor's primary recommendations, the State cannot pursue either of the remedies above, except that the State may require WUFSI to pay \$1 million per primary recommendation or group of primary recommendations that WUFSI fails to implement successfully.

If, at the conclusion of the timeframe to implement the secondary recommendations on December 31, 2017, the Monitor concludes that WUFSI has not implemented an effective anti-money laundering compliance program along the U.S. and Mexico border, the State cannot assert a willful and material breach of the Settlement Agreement but may require WUFSI to pay an additional \$25 million. Additionally, if the Monitor determines that WUFSI has implemented an effective anti-money laundering compliance program along the U.S. and Mexico border but has not implemented some of the Monitor's secondary recommendations or groups of secondary recommendations that were originally classified as primary recommendations or groups of primary recommendations on the date of the Amendment, the State may require WUFSI to pay \$500,000 per such secondary recommendation or group of recommendations. There is no monetary penalty associated with secondary recommendations that are classified as such on the date of the Amendment or any new secondary recommendations that the Monitor makes after the date of the Amendment.

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

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes in WUFSI's anti-money laundering program required by the Settlement Agreement, including the Amendment, and the Monitor's recommendations have had, and will continue to have, adverse effects on the Company's business, including additional costs. Additionally, if WUFSI is not able to implement a successful anti-money laundering compliance program along the U.S. and Mexico border or timely implement a substantial portion of the Monitor's primary recommendations, each as determined by the Monitor, pursuant by the State of remedies under the Settlement Agreement, including the Amendment, could have a material adverse effect on the Company's business, financial condition or results of operations.

On March 20, 2012, the Company was served with a federal grand jury subpoena issued by the United States Attorney's Office for the Central District of California ("USAO") seeking documents relating to Shen Zhou International ("US Shen Zhou"), a former Western Union agent located in Monterey Park, California. The principal of US Shen Zhou was indicted in 2010 and in December 2013, pled guilty to one count of structuring international money transfers in violation of United States federal law in *U.S. v. Zhi He Wang* (SA CR 10-196, C.D. Cal.). Concurrent with the government's service of the subpoena, the government notified the Company that it is a target of an ongoing investigation into structuring and money laundering. Since March 20, 2012, the Company has received additional subpoenas from the USAO seeking additional documents relating to US Shen Zhou, materials relating to certain other former and current agents and other materials relating to the Company's anti-money laundering compliance policies and procedures. The government has interviewed several current and former Western Union employees and has served grand jury subpoenas seeking testimony from several current and former employees. The government's investigation is ongoing and the Company may receive additional requests for information as part of the investigation. The Company continues to cooperate fully with the government. The Company is unable to predict the outcome of the government's 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.

On December 10, 2013, the City of Taylor Police and Fire Retirement System filed a purported class action complaint in the United States District Court for the District of Colorado against The Western Union Company, its President and Chief Executive Officer, and a former executive officer of the Company, asserting claims under sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Securities and Exchange Commission Rule 10b-5 against all defendants, and under Section 20 (a) of the Exchange Act against the individual defendants. Plaintiff alleges that during the alleged class period, February 7, 2012 through October 30, 2012, defendants made false or misleading statements or failed to disclose adverse facts known to them, including: (1) the Company was experiencing difficulties in complying with its increased duties required by the Southwest Border Agreement and that the State of Arizona was dissatisfied with the Company's efforts; (2) the Company was spending significantly more than forecast on its efforts to satisfy the compliance and monitoring program; (3) the Company had downplayed the impact that changes in its compliance and regulatory environment were having on its operations, including its operations in Mexico and Latin America; (4) the scope of the Monitor's review was being expanded to include Western Union Business Solutions, which would increase compliance costs; and (5) the Company's ability to charge a premium for its core money transfer product was under competitive pressure, which would require drastic price reductions to stem market share losses. On January 30, 2014, another shareholder, Norma A. Garavaglia, filed a second purported class action complaint in the United States District Court for the District of Colorado that names the same defendants and contains allegations which are substantially similar to those made in the City of Taylor Police and Fire Retirement System lawsuit. These actions are in a preliminary stage and the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with these actions. The Company and the named individuals intend to vigorously defend themselves in all of these matters.

In addition, in the normal course of business, the Company is subject to other 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.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pursuant to the separation and distribution agreement with First Data in connection with the Spin-off (see Note 1), 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Related Party Transactions

The Company has ownership interests in certain of its agents accounted for under the equity method of accounting. The Company pays these agents, 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, 2013, 2012 and 2011 totaled \$65.5 million, \$66.1 million and \$131.9 million, respectively. Commission expense recognized for Finint prior to October 31, 2011 and Costa prior to April 20, 2011, the date of the acquisitions (see Note 4), was considered a related party transaction.

The Company has a director who is also a director for a company that previously held significant investments in two of the Company's existing agents. During the first quarter of 2012, this company sold its interest in one of these agents, so that for the year ended December 31, 2013, this company held a significant investment in only one agent. These agents had been agents of the Company prior to the director being appointed to the board. The Company recognized commission expense of \$15.1 million, \$28.9 million and \$58.8 million for the years ended December 31, 2013, 2012 and 2011, respectively, related to these agents during the periods the agents were affiliated with the Company's director. In January 2014, this director advised the Company that he does not intend to stand for re-election as a director at the Company's 2014 annual meeting of stockholders.

7. Investment Securities

Investment securities included in "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 have varying maturities through 2051. 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.

During the third quarter of 2013, the Company invested in a short-term bond mutual fund which holds a diversified portfolio of fixed income securities, with a combined average maturity of less than one year. This investment can be redeemed daily. The fair value of this investment, which is included in "Other assets" in the Company's Consolidated Balance Sheets, was \$100.2 million as of December 31, 2013.

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, 2013, the majority of the Company's investment securities had credit ratings of "AA-" or better from a major credit rating agency.

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, 2013, 2012 and 2011 were \$19.0 billion, \$16.3 billion and \$14.2 billion, respectively.

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

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains/ (Losses)
December 31, 2013					
Settlement assets:					
State and municipal debt securities (a)	\$ 868.1	\$ 874.2	\$ 7.8	\$ (1.7)	\$ 6.1
State and municipal variable rate demand notes	865.0	865.0	—	—	—
Other debt securities	11.2	11.3	0.1	—	0.1
	<u>\$ 1,744.3</u>	<u>\$ 1,750.5</u>	<u>\$ 7.9</u>	<u>\$ (1.7)</u>	<u>\$ 6.2</u>
Other assets:					
Short-term bond mutual fund	100.0	100.2	0.2	—	0.2
	<u>\$ 1,844.3</u>	<u>\$ 1,850.7</u>	<u>\$ 8.1</u>	<u>\$ (1.7)</u>	<u>\$ 6.4</u>
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains/ (Losses)
December 31, 2012					
Settlement assets:					
State and municipal debt securities (a)	\$ 991.5	\$ 1,003.7	\$ 12.5	\$ (0.3)	\$ 12.2
State and municipal variable rate demand notes	463.3	463.3	—	—	—
Other debt securities	47.7	47.8	0.1	—	0.1
	<u>\$ 1,502.5</u>	<u>\$ 1,514.8</u>	<u>\$ 12.6</u>	<u>\$ (0.3)</u>	<u>\$ 12.3</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, 2013 and 2012.

The following summarizes the contractual maturities of settlement-related debt securities as of December 31, 2013 (in millions):

	Amortized Cost	Fair Value
Due within 1 year	\$ 187.6	\$ 188.4
Due after 1 year through 5 years	425.2	429.1
Due after 5 years through 10 years	306.7	308.1
Due after 10 years	824.8	824.9
	<u>\$ 1,744.3</u>	<u>\$ 1,750.5</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 \$21.6 million, \$21.4 million and \$822.0 million are included in the "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.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Measurements

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

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

	Fair Value Measurement Using			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
December 31, 2013				
Assets:				
Settlement assets:				
State and municipal debt securities	\$ —	\$ 874.2	\$ —	\$ 874.2
State and municipal variable rate demand notes	—	865.0	—	865.0
Other debt securities	—	11.3	—	11.3
Other assets:				
Short-term bond mutual fund.	100.2	—	—	100.2
Derivatives	—	224.3	—	224.3
Total assets.	<u>\$ 100.2</u>	<u>\$ 1,974.8</u>	<u>\$ —</u>	<u>\$ 2,075.0</u>
Liabilities:				
Notes and other borrowings.	\$ —	\$ 4,343.2	\$ —	\$ 4,343.2
Derivatives.	—	223.4	—	223.4
Total liabilities.	<u>\$ —</u>	<u>\$ 4,566.6</u>	<u>\$ —</u>	<u>\$ 4,566.6</u>
	Fair Value Measurement Using			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
December 31, 2012				
Assets:				
Settlement assets:				
State and municipal debt securities	\$ —	\$ 1,003.7	\$ —	\$ 1,003.7
State and municipal variable rate demand notes	—	463.3	—	463.3
Other debt securities	—	47.8	—	47.8
Other assets:				
Derivatives	—	96.8	—	96.8
Total assets.	<u>\$ —</u>	<u>\$ 1,611.6</u>	<u>\$ —</u>	<u>\$ 1,611.6</u>
Liabilities:				
Notes and other borrowings.	\$ —	\$ 4,200.8	\$ —	\$ 4,200.8
Derivatives.	—	86.1	—	86.1
Total liabilities.	<u>\$ —</u>	<u>\$ 4,286.9</u>	<u>\$ —</u>	<u>\$ 4,286.9</u>

No non-recurring fair value adjustments were recorded during the years ended December 31, 2013 and 2012, except those associated with acquisitions, as disclosed in Note 4.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Fair Value Measurements

The carrying amounts for many of the Company's financial instruments, including cash and cash equivalents, settlement cash and cash equivalents, and settlement receivables and settlement obligations approximate fair value due to their short maturities. The aggregate fair value of the Company's borrowings was based on quotes from multiple banks and excluded the impact of related interest rate swaps. All the assets and liabilities in the above tables were carried at fair value in the Consolidated Balance Sheets, with the exception of borrowings, which had a carrying value of \$4,213.0 million and \$4,029.2 million as of December 31, 2013 and 2012, respectively (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,	
	2013	2012
Other assets:		
Derivatives	\$ 224.3	\$ 96.8
Short-term bond mutual fund (Note 7)	100.2	—
Prepaid expenses	69.0	56.9
Amounts advanced to agents, net of discounts	41.8	37.7
Equity method investments	41.0	41.0
Other receivables	21.1	21.4
Debt issue costs	17.3	17.3
Deferred customer set up costs	17.1	15.9
Accounts receivable, net	14.9	15.6
Other	15.4	17.3
Total other assets	<u>\$ 562.1</u>	<u>\$ 319.9</u>
Other liabilities:		
Derivatives	\$ 223.4	\$ 86.1
Pension obligations	70.4	102.1
Deferred revenue	25.1	30.5
Other	39.3	36.0
Total other liabilities	<u>\$ 358.2</u>	<u>\$ 254.7</u>

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Income Taxes

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

	Year Ended December 31,		
	2013	2012	2011
Components of pre-tax income:			
Domestic	\$ (28.4)	\$ 94.8	\$ 423.9
Foreign	955.3	1,074.0	850.7
	<u>\$ 926.9</u>	<u>\$ 1,168.8</u>	<u>\$ 1,274.6</u>

For the years ended December 31, 2013, 2012 and 2011, 103%, 92% and 67% of the Company's pre-tax income was derived from foreign sources, respectively. For the year ended December 31, 2011, domestic pre-tax income and foreign pre-tax income were affected by the 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,		
	2013	2012	2011
Federal	\$ 88.3	\$ 92.5	\$ 78.1
State and local	(3.7)	(14.8)	4.5
Foreign	43.9	65.2	26.6
	<u>\$ 128.5</u>	<u>\$ 142.9</u>	<u>\$ 109.2</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 Company's effective tax rates differed from statutory rates as follows:

	Year Ended December 31,		
	2013	2012	2011
Federal statutory rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal income tax benefits	0.7 %	0.6 %	2.0 %
Foreign rate differential, net of U.S. tax paid on foreign earnings (9.2%, 5.1% and 1.2%, respectively)	(22.9)%	(22.5)%	(14.0)%
IRS Agreement	— %	— %	(16.1)%
Other	1.1 %	(0.9)%	1.7 %
Effective tax rate	<u>13.9 %</u>	<u>12.2 %</u>	<u>8.6 %</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The increase in the Company's effective tax rate for the year ended December 31, 2013 compared to 2012 is primarily due to the combined effect of various discrete items, partially offset by an increasing proportion of profits that were foreign-derived in 2013, and generally taxed at lower rates than the Company's combined federal and state tax rates in the United States. The increase in the Company's effective tax rate for the year ended December 31, 2012 compared to 2011 is primarily due to the impact of the IRS Agreement, discussed above, which resulted in a tax benefit of \$204.7 million related to the adjustment of reserves associated with this matter during 2011, partially offset by benefits from favorable tax settlements in 2012 and higher taxes associated with the Finint and Costa remeasurement gains during 2011 (see Note 4). The Company continues to benefit from a significant proportion of its profits being foreign-derived, and generally taxed at lower rates than its combined federal and state tax rates in the United States. Certain portions of the Company's foreign source income are subject to United States federal and state income tax as earned due to the nature of the income, and dividend repatriations of the Company's foreign source income are generally subject to United States federal and state income tax.

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

	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	\$ 86.1	\$ 117.2	\$ 36.2
State and local	8.1	(2.5)	0.6
Foreign	73.6	63.4	51.2
Total current taxes	167.8	178.1	88.0
Deferred:			
Federal	2.2	(24.7)	41.9
State and local	(11.8)	(12.3)	3.9
Foreign	(29.7)	1.8	(24.6)
Total deferred taxes	(39.3)	(35.2)	21.2
	<u>\$ 128.5</u>	<u>\$ 142.9</u>	<u>\$ 109.2</u>

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

	December 31,	
	2013	2012
Deferred tax assets related to:		
Reserves, accrued expenses and employee-related items	\$ 57.0	\$ 65.7
Pension obligations	25.6	36.7
Tax attribute carryovers	22.3	14.7
Other	26.6	25.3
Valuation allowance	(16.4)	(13.0)
Total deferred tax assets	115.1	129.4
Deferred tax liabilities related to:		
Intangibles, property and equipment	434.3	481.5
Total deferred tax liabilities	434.3	481.5
Net deferred tax liability	<u>\$ 319.2</u>	<u>\$ 352.1</u>

The valuation allowance relates primarily to the Company's ability to recognize tax benefits associated with certain foreign net operating losses, which are included in "Tax attribute carryovers" in the table above. The recognition of these benefits is dependent upon the future taxable income in such foreign jurisdictions.

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Uncertain Tax Positions

The Company has established contingency reserves for a variety of material, known tax exposures. As of December 31, 2013, the total amount of tax contingency reserves was \$125.5 million, including accrued interest and penalties, net of related items. The Company's tax reserves reflect management's judgment as to the resolution of the issues involved if subject to judicial review or other settlement. While the Company believes its reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed its related reserve. With respect to these reserves, the Company's income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e., new information) surrounding a tax issue and (ii) any difference from the Company's tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in the Company's consolidated financial statements in future periods and could impact operating cash flows.

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

	2013	2012
Balance as of January 1,	\$ 103.2	\$ 123.7
Increases - positions taken in current period (a)	18.5	13.1
Increases - positions taken in prior periods (b)	15.6	—
Decreases - positions taken in prior periods	(8.7)	(6.1)
Decreases - settlements with taxing authorities	(4.1)	(24.1)
Decreases - lapse of applicable statute of limitations	(7.0)	(3.4)
Balance as of December 31,	<u>\$ 117.5</u>	<u>\$ 103.2</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.

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$108.9 million and \$93.5 million as of December 31, 2013 and 2012, 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 \$(1.8) million, \$0.5 million and \$(4.0) million in interest and penalties during the years ended December 31, 2013, 2012 and 2011, respectively. The Company has accrued \$17.7 million and \$20.0 million for the payment of interest and penalties as of December 31, 2013 and 2012, respectively.

The unrecognized tax benefits accrual as of December 31, 2013 consists of federal, state and foreign tax matters. It is reasonably possible that the Company's total unrecognized tax benefits will decrease by approximately \$55 million during the next 12 months in connection with various matters which may be resolved.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The United States Internal Revenue Service ("IRS") completed its examination of the United States federal consolidated income tax returns of First Data for 2003 and 2004, which included the Company, and issued a Notice of Deficiency in December 2008. In December 2011, the Company reached an agreement with the IRS resolving substantially all of the issues related to the Company's restructuring of its international operations in 2003. As a result of the IRS Agreement, the Company expects to make cash payments of approximately \$190 million, plus additional accrued interest, of which \$92.4 million have been made as of December 31, 2013. These payments were made during 2012. The Company expects to pay the remaining amount in 2014 and beyond. The IRS completed its examination of the United States federal consolidated income tax returns of First Data, which include the Company's 2005 and pre-Spin-off 2006 taxable periods and issued its report on October 31, 2012 ("FDC 30-Day Letter"). Furthermore, the IRS completed its examination of the Company's United States federal consolidated income tax returns for the 2006 post-Spin-off period through 2009 and issued its report also on October 31, 2012 ("WU 30-Day Letter"). Both the FDC 30-Day Letter and the WU 30-Day Letter propose tax adjustments affecting the Company, some of which are agreed and some of which are unagreed. Both First Data and the Company filed their respective protests with the IRS Appeals Division on November 28, 2012 related to the unagreed proposed adjustments. The Company believes its reserves are adequate with respect to both the agreed and unagreed adjustments.

As of December 31, 2013, 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 \$5.0 billion, which have been reinvested and are expected to continue 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 United States deferred tax liability is not practicable because of the complexities associated with its hypothetical calculation.

Tax Allocation Agreement with First Data

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

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

11. Employee Benefit Plans

Defined Contribution Plans

The Western Union Company Incentive Savings Plan (the "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 1,700 employee participants as of December 31, 2013. Such plans have vesting and employer contribution provisions that vary by country.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The aggregate amount charged to expense in connection with all of the above plans was \$16.9 million, \$15.3 million and \$12.8 million during the years ended December 31, 2013, 2012 and 2011, respectively.

Defined Benefit Plan

The Company has one frozen defined benefit pension plan (the "Plan") for which it had a recorded unfunded pension obligation of \$70.4 million and \$102.1 million as of December 31, 2013 and 2012, respectively, included in "Other liabilities" in the Consolidated Balance Sheets. The Company made contributions of \$15.7 million and \$25.0 million to the Plan in the years ended December 31, 2013 and 2012, respectively, including discretionary contributions of \$5 million for the year ended December 31, 2012. The Company will be required to fund approximately \$13 million to the Plan in 2014.

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 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):

	2013	2012
Change in projected benefit obligation:		
Projected benefit obligation as of January 1,	\$ 418.8	\$ 414.4
Interest cost	12.1	14.7
Actuarial (gain)/loss	(25.4)	30.2
Benefits paid	(39.3)	(40.5)
Projected benefit obligation as of December 31,	<u>\$ 366.2</u>	<u>\$ 418.8</u>
Change in plan assets:		
Fair value of plan assets as of January 1,	\$ 316.7	\$ 301.7
Actual return on plan assets	2.7	30.5
Benefits paid	(39.3)	(40.5)
Company contributions	15.7	25.0
Fair value of plan assets as of December 31,	<u>295.8</u>	<u>316.7</u>
Funded status of the Plan as of December 31,	<u>\$ (70.4)</u>	<u>\$ (102.1)</u>
Accumulated benefit obligation as of December 31,	<u>\$ 366.2</u>	<u>\$ 418.8</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, 2013 is \$10.4 million (\$6.6 million, net of tax) of actuarial losses that are expected to be recognized in net periodic benefit cost during the year ended December 31, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	December 31,	
	2013	2012
Accrued benefit liability	\$ (70.4)	\$ (102.1)
Accumulated other comprehensive loss (pre-tax)	187.0	206.8
Net amount recognized.	<u>\$ 116.6</u>	<u>\$ 104.7</u>

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

	Year Ended December 31,		
	2013	2012	2011
Interest cost	\$ 12.1	\$ 14.7	\$ 17.9
Expected return on plan assets	(20.7)	(20.8)	(21.3)
Amortization of actuarial loss	12.4	10.5	8.1
Net periodic benefit cost	<u>\$ 3.8</u>	<u>\$ 4.4</u>	<u>\$ 4.7</u>

The accrued loss related to the pension liability included in "Accumulated other comprehensive loss", net of tax, decreased \$11.4 million in 2013 and increased \$7.7 million and \$12.5 million in 2012 and 2011, respectively.

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

	2013	2012
Discount rate	3.91%	3.03%

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

	2013	2012	2011
Discount rate	3.03%	3.72%	4.69%
Expected long-term return on plan assets	7.00%	7.00%	7.00%

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 estimated undiscounted future benefit payments are expected to be \$37.9 million in 2014, \$36.3 million in 2015, \$34.9 million in 2016, \$33.2 million in 2017, \$31.6 million in 2018 and \$132.3 million in 2019 through 2023.

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, 2013 and 2012, and target allocations based on investment policies, were as follows:

<u>Asset Class</u>	<u>Percentage of Plan Assets as of Measurement Date</u>	
	<u>2013</u>	<u>2012</u>
Equity investments	18%	16%
Debt securities	59%	62%
Alternative investments	23%	22%

	<u>Target Allocation</u>
Equity investments	15%
Debt securities	60%
Alternative investments	25%

The Plan's assets 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 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: relative value, equity long-short, commodities/currencies, multi-strategy, event driven, and global-macro. The Plan holds derivative contracts directly which consist of interest rate swap agreements, under which the Plan is committed to pay a short-term LIBOR-based variable interest rate in exchange for a fixed interest rate based on five and ten-year maturities. 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, 2013</u> <u>Asset Class</u>	Fair Value Measurement Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Equity investments:				
Domestic	\$ 26.2	\$ —	\$ —	\$ 26.2
International (a)	1.5	26.5	—	28.0
Debt securities:				
Corporate debt (b)	—	127.3	—	127.3
U.S. treasury bonds	36.8	—	—	36.8
State and municipal debt securities	—	3.9	—	3.9
Other	—	4.4	—	4.4
Alternative investments:				
Hedge funds (c)	—	42.4	—	42.4
Royalty rights and private equity (d)	—	—	25.9	25.9
Total investments of the Trust at fair value	\$ 64.5	\$ 204.5	\$ 25.9	\$ 294.9
Other assets				0.9
Total investments of the Trust	\$ 64.5	\$ 204.5	\$ 25.9	\$ 295.8

<u>December 31, 2012</u> <u>Asset Class</u>	Fair Value Measurement Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Equity investments:				
Domestic	\$ 24.2	\$ —	\$ —	\$ 24.2
International (a)	1.4	25.0	—	26.4
Debt securities:				
Corporate debt (b)	—	131.4	—	131.4
U.S. treasury bonds	52.3	—	—	52.3
State and municipal debt securities	—	4.4	—	4.4
Other	—	3.1	—	3.1
Alternative investments:				
Hedge funds	—	44.7	—	44.7
Royalty rights and private equity (d)	—	—	23.8	23.8
Total investments of the Trust at fair value	\$ 77.9	\$ 208.6	\$ 23.8	\$ 310.3
Other assets				6.4
Total investments of the Trust	\$ 77.9	\$ 208.6	\$ 23.8	\$ 316.7

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (a) Funds included herein have redemption frequencies of daily to monthly, with redemption notice periods of one to ten business days.
- (b) Substantially all corporate debt securities are investment grade securities.
- (c) 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, and therefore are valued using the Net Asset Value ("NAV") per share provided by the investment sponsor or third party administrator. Funds investing in diverse hedge fund strategies (primarily commingled funds) had the following composition of underlying hedge fund investments within the pension plan at December 31, 2013: relative value (24%), equity long/short (21%), commodities/currencies (20%), multi-strategy (13%), event driven (12%), and global-macro (10%). As of December 31, 2013, funds included herein had redemption frequencies of monthly to quarterly, with redemption notice periods of three to 60 days.
- (d) Diversified investments in royalty rights related to the sale of pharmaceutical products by third parties. Also included are private equity funds with a focus on venture capital. These investments are illiquid, with investment distributions expected to be received over the lives of the funds, which are uncertain but based on the voting rights of investors and the maturities of the underlying investments.

The maturities of debt securities as of December 31, 2013 range from less than one year to approximately 32 years with a weighted-average maturity of 14 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, 2012	\$ 11.4	\$ 2.2	\$ 13.6
Actual return on plan assets:			
Relating to assets still held as of the reporting date	1.6	0.1	1.7
Relating to assets sold during the year	0.8	(0.1)	0.7
Net purchases and sales	7.6	0.2	7.8
Balance, December 31, 2012	\$ 21.4	\$ 2.4	\$ 23.8
Actual return on plan assets:			
Relating to assets still held as of the reporting date	2.3	0.3	2.6
Relating to assets sold during the year	1.6	0.1	1.7
Net purchases and sales	(2.0)	(0.2)	(2.2)
Balance, December 31, 2013	<u>\$ 23.3</u>	<u>\$ 2.6</u>	<u>\$ 25.9</u>

Royalty rights are held through investment funds. These investments are priority interests in contractual royalty revenue derived from the sale of pharmaceutical products that entitle the investment fund to receive a portion of revenue from the patent-protected product. The fair value of the Company's investment in royalty rights is estimated using consensus sales estimates for the pharmaceutical products obtained from third-party experts, which are multiplied by the contractual royalty rate, and then discounted by an interest rate based off the estimated weighted average cost of capital of the pharmaceutical sector (approximately 10%).

Private equity funds invest in the non-marketable securities of individual private companies. These private companies ultimately may become public in the future. The fair value of the Company's investment in private equity funds is estimated using many types of inputs, including historical sales multiples, valuations of comparable public companies, and recently completed equity financings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Operating Lease Commitments

The Company leases certain real properties for use as customer service centers and administrative and sales offices. The Company also leases automobiles and office equipment. Certain of these leases contain renewal options and escalation provisions. Total rent expense under operating leases, net of sublease income, was \$54.1 million, \$53.9 million and \$44.2 million during the years ended December 31, 2013, 2012 and 2011, respectively.

As of December 31, 2013, the minimum aggregate rental commitments under all non-cancelable operating leases were as follows (in millions):

<u>Year Ending December 31,</u>	
2014.....	\$ 44.0
2015.....	36.5
2016.....	28.1
2017.....	21.6
2018.....	15.9
Thereafter	15.0
Total future minimum lease payments.....	<u>\$ 161.1</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 defined benefit pension plan 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.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of accumulated other comprehensive loss, net of tax, were as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
Unrealized gains on investment securities, beginning of period	\$ 7.7	\$ 4.9	\$ 3.1
Unrealized gains/(losses)	(0.1)	9.9	9.7
Tax (expense)/benefit	0.1	(3.7)	(3.6)
Reclassification of gains into "Other revenues"	(5.8)	(5.5)	(6.9)
Tax expense related to reclassifications	2.2	2.1	2.6
Net unrealized gains/(losses) on investment securities	(3.6)	2.8	1.8
Unrealized gains on investment securities, end of period	<u>\$ 4.1</u>	<u>\$ 7.7</u>	<u>\$ 4.9</u>
Unrealized gains/(losses) on hedging activities, beginning of period	\$ (21.9)	\$ 5.1	\$ (21.9)
Unrealized losses	(3.1)	(20.1)	(5.2)
Tax (expense)/benefit	(1.7)	3.1	5.6
Reclassification of (gains)/losses into "Transaction fees"	(7.6)	(10.3)	23.3
Reclassification of (gains)/losses into "Foreign exchange revenues"	(2.8)	(3.1)	7.0
Reclassification of losses into "Interest expense"	3.6	3.6	2.7
Tax expense/(benefit) related to reclassifications	0.5	(0.2)	(6.4)
Net unrealized gains/(losses) on hedging activities	(11.1)	(27.0)	27.0
Unrealized gains/(losses) on hedging activities, end of period	<u>\$ (33.0)</u>	<u>\$ (21.9)</u>	<u>\$ 5.1</u>
Foreign currency translation adjustments, beginning of period	\$ (8.5)	\$ (6.3)	\$ (4.3)
Foreign currency translation adjustments	(17.7)	(4.6)	(3.7)
Tax benefit	4.6	2.4	1.7
Net foreign currency translation adjustments	(13.1)	(2.2)	(2.0)
Foreign currency translation adjustments, end of period	<u>\$ (21.6)</u>	<u>\$ (8.5)</u>	<u>\$ (6.3)</u>
Defined benefit pension plan adjustments, beginning of period	\$ (129.9)	\$ (122.2)	\$ (109.7)
Unrealized gains/(losses)	7.4	(20.5)	(28.4)
Tax (expense)/benefit	(3.9)	6.2	10.9
Reclassification of losses into "Cost of services"	12.4	10.5	8.1
Tax benefit related to reclassifications and other	(4.5)	(3.9)	(3.1)
Net defined benefit pension plan adjustments	11.4	(7.7)	(12.5)
Defined benefit pension plan adjustments, end of period	<u>\$ (118.5)</u>	<u>\$ (129.9)</u>	<u>\$ (122.2)</u>
Accumulated other comprehensive loss, end of period	<u>\$ (169.0)</u>	<u>\$ (152.6)</u>	<u>\$ (118.5)</u>

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash Dividends Paid

Cash dividends paid for the years ended December 31, 2013, 2012 and 2011 were \$277.2 million, \$254.2 million and \$194.2 million, respectively. Dividends per share declared quarterly by the Company's Board of Directors during the years ended 2013, 2012 and 2011 were as follows:

Year	Q1	Q2	Q3	Q4
2013	\$ 0.125	\$ 0.125	\$ 0.125	\$ 0.125
2012	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.125
2011	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.08

On February 21, 2014, the Company's Board of Directors declared a quarterly cash dividend of \$0.125 per share payable on March 31, 2014.

Share Repurchases

During the years ended December 31, 2013, 2012 and 2011, 25.7 million, 51.0 million and 40.3 million shares, respectively, have been repurchased for \$393.6 million, \$771.9 million and \$800.0 million, respectively, excluding commissions, at an average cost of \$15.29, \$15.12 and \$19.83 per share, respectively.

On February 11, 2014, the Board of Directors authorized \$500 million of common stock repurchases through June 30, 2015.

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 Canadian dollar, British pound, Australian dollar, Swiss franc, 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 Solutions payments operations. Additionally, the Company is exposed to interest rate risk related to changes in market rates both prior to and subsequent to the issuance of debt. The Company uses derivatives to (a) minimize its exposures related to changes in foreign currency exchange rates and interest rates and (b) facilitate cross-currency Business Solutions payments by writing derivatives to customers.

The Company executes derivatives with established financial institutions, with the substantial majority of these financial institutions having credit ratings of "A-" or better from a major credit rating agency. The Company also writes Business Solutions derivatives mostly with small and medium size enterprises. The primary credit risk inherent in derivative agreements represents the possibility that a loss may occur from the nonperformance of a counterparty to the agreements. The Company performs a review of the credit risk of these counterparties at the inception of the contract and on an ongoing basis. The Company also monitors the concentration of its contracts with any individual counterparty. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements, but takes action (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, 2013, 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 WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company also uses short duration foreign currency forward contracts, generally with maturities from a few days up to one month, to offset foreign exchange rate fluctuations on settlement assets and obligations between initiation and settlement. In addition, forward contracts, typically with maturities of less than one year at inception, are utilized to offset foreign exchange rate fluctuations on certain foreign currency denominated cash and other asset 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, 2013 were as follows (in millions):

Contracts not designated as hedges:

Euro	\$	237.4
Canadian dollar		98.0
British pound		52.0
Australian dollar		36.6
Other (a)		157.0

Contracts designated as hedges:

Euro	\$	392.8
Canadian dollar		125.3
British pound		85.5
Swiss franc		43.7
Australian dollar		39.2
Other		49.7

(a) Comprised of exposures to 15 different currencies. None of these individual currency exposures is greater than \$25 million.

Foreign Currency — Business Solutions

The Company writes derivatives, primarily foreign currency forward contracts and option contracts, mostly with small and medium size enterprises and derives a currency spread from this activity as part of its Business Solutions operations. The Company aggregates its Business Solutions 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 Solutions 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 \$355.5 million, \$332.0 million, and \$154.6 million for the years ended December 31, 2013, 2012 and 2011, respectively. None of the derivative contracts used in Business Solutions operations are designated as accounting hedges. The duration of these derivative contracts at inception is generally less than one year.

The aggregate equivalent United States dollar notional amounts of foreign currency derivative customer contracts held by the Company in its Business Solutions operations as of December 31, 2013 were approximately \$5.8 billion. The significant majority of customer contracts are written in major currencies such as the euro, Canadian dollar, British pound, and the Australian dollar.

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. The change in fair value of the interest rate swaps is offset by a change in the carrying value of the debt being hedged within "Borrowings" in the Consolidated Balance Sheets and "Interest expense" in the Consolidated Statements of Income has been adjusted to include the effects of interest accrued on the swaps.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The Company held interest rate swaps in an aggregate notional amount of \$1,550.0 million and \$800.0 million as of December 31, 2013 and 2012, respectively. Of this aggregate notional amount held at December 31, 2013, \$500.0 million related to notes due in 2014, \$250.0 million related to notes due in 2015, \$500.0 million related to notes due in 2017, and \$300.0 million related to notes due in 2018.

Balance Sheet

The following table summarizes the fair value of derivatives reported in the Consolidated Balance Sheets as of December 31, 2013 and December 31, 2012 (in millions):

	Balance Sheet Location	Derivative Assets		Derivative Liabilities	
		Fair Value		Fair Value	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Derivatives — hedges:					
Interest rate fair value hedges — Corporate	Other assets	\$ 11.4	\$ 13.1	Other liabilities	\$ 7.8 \$ —
Foreign currency cash flow hedges — Consumer-to-Consumer	Other assets	11.1	10.8	Other liabilities	27.7 17.6
Total		\$ 22.5	\$ 23.9		\$ 35.5 \$ 17.6
Derivatives — undesignated:					
Foreign currency — Business Solutions	Other assets	\$ 201.2	\$ 71.9	Other liabilities	\$ 186.2 \$ 66.5
Foreign currency — Consumer-to-Consumer	Other assets	0.6	1.0	Other liabilities	1.7 2.0
Total		\$ 201.8	\$ 72.9		\$ 187.9 \$ 68.5
Total derivatives		\$ 224.3	\$ 96.8		\$ 223.4 \$ 86.1

The following table summarizes the net fair value of derivatives held as of December 31, 2013 and their expected maturities (in millions):

	Total	2014	2015	2016	2017	2018	Thereafter
Foreign currency cash flow hedges — Consumer-to-Consumer, . . .	\$ (16.6)	\$ (11.5)	\$ (5.1)	\$ —	\$ —	\$ —	\$ —
Foreign currency undesignated hedges — Consumer-to-Consumer .	(1.1)	(1.1)	—	—	—	—	—
Foreign currency undesignated hedges — Business Solutions	15.0	15.0	—	—	—	—	—
Interest rate fair value hedges — Corporate	3.6	11.2	—	—	(2.7)	(4.9)	—
Total	\$ 0.9	\$ 13.6	\$ (5.1)	\$ —	\$ (2.7)	\$ (4.9)	\$ —

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables summarize the gross and net fair value of derivative assets and liabilities as of December 31, 2013 and December 31, 2012 (in millions):

Offsetting of Derivative Assets

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Derivatives Not Offset in the Consolidated Balance Sheets	Net Amounts
December 31, 2013					
Derivatives subject to a master netting arrangement or similar agreement	\$ 118.4	\$ —	\$ 118.4	\$ (93.3)	\$ 25.1
Derivatives that are not or may not be subject to master netting arrangement or similar agreement	105.9				
Total	<u>\$ 224.3</u>				
December 31, 2012					
Derivatives subject to a master netting arrangement or similar agreement	\$ 39.1	\$ —	\$ 39.1	\$ (19.6)	\$ 19.5
Derivatives that are not or may not be subject to master netting arrangement or similar agreement	57.7				
Total	<u>\$ 96.8</u>				

Offsetting of Derivative Liabilities

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Derivatives Not Offset in the Consolidated Balance Sheets	Net Amounts
December 31, 2013					
Derivatives subject to a master netting arrangement or similar agreement	\$ 146.1	\$ —	\$ 146.1	\$ (93.3)	\$ 52.8
Derivatives that are not or may not be subject to master netting arrangement or similar agreement	77.3				
Total	<u>\$ 223.4</u>				
December 31, 2012					
Derivatives subject to a master netting arrangement or similar agreement	\$ 30.5	\$ —	\$ 30.5	\$ (19.6)	\$ 10.9
Derivatives that are not or may not be subject to master netting arrangement or similar agreement	55.6				
Total	<u>\$ 86.1</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, 2013, 2012 and 2011 (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, 2013, 2012 and 2011 (in millions):

Derivatives	Gain/(Loss) Recognized in Income on Derivatives				Hedged Item	Gain/(Loss) Recognized in Income on Related Hedged Item (a)				Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)			
	Income Statement Location	Amount				Income Statement Location	Amount			Income Statement Location	Amount		
		2013	2012	2011			2013	2012	2011		2013	2012	2011
Interest rate contracts	Interest expense	\$ (8.5)	\$ 3.9	\$ 11.8	Fixed-rate debt	Interest expense	\$ 19.3	\$ 3.7	\$ 12.6	Interest expense	\$ —	\$ —	\$ —
Total gain/(loss)		\$ (8.5)	\$ 3.9	\$ 11.8			\$ 19.3	\$ 3.7	\$ 12.6		\$ —	\$ —	\$ —

Cash Flow Hedges

The following table presents the location and amount of gains/(losses) from cash flow hedges for the years ended December 31, 2013, 2012 and 2011 (in millions):

Derivatives	Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)			Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b)				
	Amount			Income Statement Location	Amount			Income Statement Location	Amount		
	2013	2012	2011		2013	2012	2011		2013	2012	2011
Foreign currency contracts,	\$ (3.1)	\$ (20.1)	\$ 16.4	Revenue	\$ 10.4	\$ 13.4	\$ (30.3)	Derivative gains/(losses), net	\$ (0.4)	\$ (0.1)	\$ (10.2)
Interest rate contracts (c) . .	—	—	(21.6)	Interest expense	(3.6)	(3.6)	(2.7)	Interest expense	—	—	—
Total gain/(loss) .	\$ (3.1)	\$ (20.1)	\$ (5.2)		\$ 6.8	\$ 9.8	\$ (33.0)		\$ (0.4)	\$ (0.1)	\$ (10.2)

Undesignated Hedges

The following table presents the location and amount of net gains/(losses) from undesignated hedges for the years ended December 31, 2013, 2012 and 2011 (in millions):

	Gain/(Loss) Recognized in Income on Derivatives (d)			
	Income Statement Location	Amount		
Derivatives		2013	2012	2011
Foreign currency contracts (e)	Selling, general and administrative	\$ (3.7)	\$ (10.6)	\$ 5.9
Foreign currency contracts (f)	Derivative gains/(losses), net	(0.9)	0.6	21.9
Total gain/(loss)		\$ (4.6)	\$ (10.0)	\$ 27.8

- (a) The 2013 gain of \$19.3 million was comprised of a gain in value on the debt of \$8.5 million and amortization of hedge accounting adjustments of \$10.8 million. The 2012 gain of \$3.7 million was comprised of a loss in value on the debt of \$(3.9) million and amortization of hedge accounting adjustments of \$7.6 million. The 2011 gain of \$12.6 million was comprised of a loss in value on the debt of \$(11.8) million and amortization of hedge accounting adjustments of \$24.4 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (b) The portion of the change in fair value of a derivative excluded from the effectiveness assessment for foreign currency forward contracts designated as cash flow hedges represents the difference between changes in forward rates and spot rates.
- (c) The Company uses derivatives to hedge the forecasted issuance of fixed-rate debt and records the effective portion of the derivative's fair value in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. These amounts are reclassified to "Interest expense" in the Consolidated Statements of Income over the life of the related notes.
- (d) The Company uses foreign currency forward and option contracts as part of its Business Solutions payments operations. These derivative contracts are excluded from this table as they are managed as part of a broader currency portfolio that includes non-derivative currency exposures. The gains and losses on these derivatives are included as part of the broader disclosure of portfolio revenue for this business discussed above.
- (e) The Company uses foreign currency forward contracts to offset foreign exchange rate fluctuations on settlement assets and obligations as well as certain foreign currency denominated positions. Foreign exchange gains/(losses) on settlement assets and obligations and cash balances, not including amounts related to derivatives activity as displayed above, were \$(5.4) million, \$7.8 million and \$(20.5) million for the years ended 2013, 2012 and 2011, 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 "Derivatives gains/(losses), net."

An accumulated other comprehensive pre-tax loss of \$11.4 million related to the foreign currency forward contracts is expected to be reclassified into revenue within the next 12 months as of December 31, 2013. Approximately \$3.6 million of net losses on the forecasted debt issuance hedges are expected to be recognized in "Interest expense" in the Consolidated Statements of Income within the next 12 months as of December 31, 2013. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Borrowings

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

	December 31, 2013	December 31, 2012
Due in less than one year:		
Floating rate notes (a)	\$ —	\$ 300.0
6.500% notes (effective rate of 5.7%) due 2014 (b)	500.0	500.0
Due in greater than one year (b):		
Floating rate notes due 2015 (c)	250.0	—
2.375% notes due 2015 (d)	250.0	250.0
5.930% notes due 2016 (d)	1,000.0	1,000.0
2.875% notes (effective rate of 2.0%) due 2017 (b)	500.0	500.0
3.650% notes due 2018 (d)	400.0	400.0
3.350% notes (effective rate of 3.4%) due 2019 (e)	250.0	—
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	5.7	5.8
Total borrowings at par value	4,230.6	4,030.7
Fair value hedge accounting adjustments, net (b)	0.9	20.2
Unamortized discount, net	(18.5)	(21.7)
Total borrowings at carrying value (f)	<u>\$ 4,213.0</u>	<u>\$ 4,029.2</u>

- (a) The floating rate notes due in March 2013 were repaid using the Company's cash, including cash generated from operations and proceeds from the Company's issuance of the fixed rate notes due 2015 and 2017.
- (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" in the Consolidated Statements of Income over the life of the related notes, and cause the effective rate of interest to differ from the notes' stated rate.
- (c) On August 22, 2013, the Company issued \$250.0 million of aggregate principal amount of unsecured floating rate notes due August 21, 2015 ("2015 Floating Rate Notes"). Interest is payable quarterly at a per annum rate equal to three-month LIBOR plus 1.0% (1.2% at December 31, 2013) 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 November 22, 2013, the Company issued \$250.0 million of aggregate principal amount of 3.350% unsecured fixed rate notes due 2019 ("2019 Notes"). The interest rate on the 2019 Notes may be adjusted under certain circumstances as described below.
- (f) As of December 31, 2013, the Company's weighted-average effective rate on total borrowings was approximately 4.6%.

The Company's maturities of borrowings at par value as of December 31, 2013 are \$500.0 million in 2014, \$500.0 million in 2015, \$1.0 billion in 2016, \$500.0 million in 2017, \$400.0 million in 2018, and approximately \$1.3 billion thereafter.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Commercial Paper Program

Pursuant to the Company's commercial paper program, the Company may issue unsecured commercial paper notes in an amount not to exceed \$1.5 billion outstanding at any time, reduced to the extent of borrowings outstanding on the Company's Revolving Credit Facility in excess of \$150 million. The Commercial Paper Notes may have maturities of up to 397 days from date of issuance. The Company had no commercial paper borrowings outstanding as of December 31, 2013 and 2012. During the year ended December 31, 2012, the average commercial paper balance outstanding was \$161.3 million and the maximum balance outstanding was \$422.8 million. Proceeds from the Company's commercial paper borrowings were used for general corporate purposes.

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 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. 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 100 basis points. A facility fee of 12.5 basis points is also payable quarterly on the total facility, regardless of usage. Both the interest rate margin and facility fee percentage are based on certain of the Company's credit ratings.

As of and during the years ended December 31, 2013 and 2012, the Company had no outstanding borrowings under the Revolving Credit Facility.

Notes

On November 22, 2013, the Company issued \$250.0 million of aggregate principal amount of unsecured notes due May 22, 2019. Interest with respect to the 2019 Notes is payable semi-annually in arrears on May 22 and November 22 of each year, beginning on May 22, 2014, based on the fixed per annum rate of 3.350%. The interest rate payable on the 2019 Notes will be increased if the debt rating assigned to the note is downgraded by an applicable credit rating agency, beginning at a downgrade below investment grade. However, in no event will the interest rate on the 2019 Notes be increased by more than 2.00% above 3.350% per annum. The interest rate payable on the 2019 Notes may also be adjusted downward for debt rating upgrades subsequent to any debt rating downgrades but may not be adjusted below 3.350% per annum. The 2019 Notes are subject to covenants that, among other things, limit or restrict the ability of the Company to sell or transfer assets or merge or consolidate with another company, and limit or restrict the Company's and certain of its subsidiaries' ability to incur certain types of security interests, or enter into sale and leaseback transactions. The Company may redeem the 2019 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 30 basis points.

On August 22, 2013, the Company issued \$250.0 million of aggregate principal amount of unsecured floating rate notes due August 21, 2015. Interest with respect to the 2015 Floating Rate Notes is payable quarterly in arrears on each February 21, May 21, August 21 and November 21, beginning November 21, 2013, at a per annum rate equal to the three-month LIBOR plus 1.0% (reset quarterly). The 2015 Floating Rate Notes 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On December 10, 2012, the Company issued \$250.0 million and \$500.0 million of aggregate principal amounts of unsecured notes due December 10, 2015 ("2015 Fixed Rate Notes") and December 10, 2017 ("2017 Notes"), respectively. Interest with respect to the 2015 Fixed Rate Notes and 2017 Notes is payable semi-annually in arrears on June 10 and December 10 of each year, currently based on the per annum rates of 2.375% and 2.875%, respectively. The interest rates payable on the 2015 Fixed Rate Notes and 2017 Notes will be increased if the debt rating assigned to such notes is downgraded by an applicable credit rating agency, beginning at a downgrade below investment grade. However, in no event will the interest rate on either the 2015 Fixed Rate Notes or 2017 Notes be increased by more than 2.00% above 2.375% and 2.875% per annum, respectively. The interest rates on the 2015 Fixed Rate Notes and 2017 Notes may also be adjusted downward for debt rating upgrades subsequent to any debt rating downgrades but may not be adjusted below 2.375% and 2.875% per annum. The 2015 Fixed Rate Notes and 2017 Notes are subject to covenants that, among other things, limit or restrict the ability of the Company to sell or transfer assets or merge or consolidate with another company, and limit or restrict the Company's and certain of its subsidiaries' ability to incur certain types of security interests, or enter into sale and leaseback transactions. The Company may redeem the 2015 Fixed Rate Notes and 2017 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 35 and 40 basis points, respectively.

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

On 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 with respect to the 2013 Notes was payable quarterly in arrears on each March 7, June 7, September 7 and December 7, beginning June 7, 2011, at a per annum rate equal to the three-month LIBOR plus 58 basis points (reset quarterly). The 2013 Notes were redeemed upon maturity in March 2013.

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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. The Company has the ability to use cash, including cash generated from operations, proceeds from the sale of non-settlement related investments, and the Revolving Credit Facility, and could also access commercial paper and other financing sources to repay this debt obligation.

On November 17, 2006, the Company issued \$500.0 million aggregate principal amount of 6.200% Notes due 2036 ("2036 Notes"). Interest with respect to the 2036 Notes is payable semi-annually on May 17 and November 17 each year based on the fixed per annum rate of 6.200%. The 2036 Notes are subject to covenants that, among other things, limit or restrict the Company's and certain of its subsidiaries' ability to grant certain types of security interests, incur debt (in the case of significant subsidiaries), or enter into sale and leaseback transactions. The Company may redeem the 2036 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 25 basis points.

On September 29, 2006, the Company issued \$1.0 billion of aggregate principal amount of unsecured notes maturing on October 1, 2016 ("2016 Notes"). Interest on the 2016 Notes is payable semi-annually on April 1 and October 1 each year based on a fixed per annum 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.

Certain of the Company's notes (the 2019 Notes, 2015 Floating Rate Notes, 2015 Fixed Rate Notes, 2017 Notes, and 2018 Notes) include a change of control triggering event provision, as defined in the terms of the notes. If a change of control triggering event occurs, holders of the notes may require the Company to repurchase some or all of their notes at a price equal to 101% of the principal amount of their notes, plus any accrued and unpaid interest. A change of control triggering event will occur when there is a change of control involving the Company and among other things, within a specified period in relation to the change of control, the notes are downgraded from an investment grade rating to below an investment grade rating by all three major credit rating agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 units, unrestricted stock awards and other equity-based awards to employees and others 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 34.0 million shares are available as of December 31, 2013.

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, upon termination. Compensation expense related to stock options is recognized over the requisite service period.

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, upon termination. 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.

The compensation committee of the Company's Board of Directors has also granted the Company's executives and other key employees long-term incentive awards under the 2006 LTIP which consist of approximately two-thirds performance based restricted stock unit awards and approximately 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 released depends upon certain financial and strategic performance objectives being met over a two-year period plus an additional vesting period after the two-year performance period. For the 2012 awards, achievement is also limited if certain total shareholder return metrics are not met over a three-year period. The actual number of performance based restricted stock units that the recipients receive ranges from 0% up to 300% of the target number of stock units granted under the LTIP. The performance-based restricted stock units granted in 2013 are restricted stock units, primarily granted to the Company's executives, which require certain financial objectives to be met during 2013 and 2014 plus an additional vesting period and are subject to a payout modifier based on the Company's relative total shareholder return over a three year performance period (2013 through 2015). Additionally, the compensation committee granted non-executive employees of the Company participating in the 2006 LTIP 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.

In 2012, the Company started granting bonus stock units out of the 2006 LTIP to the non-employee directors of the Company. Since bonus stock units vest immediately, compensation expense is recognized on the date of grant based on the fair value of the awards when granted. These awards may be settled immediately unless the participant elects to defer the receipt of common shares under the applicable plan rules.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 on 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, 2013, the Company has awarded 1.2 million options and 0.3 million unrestricted stock units to non-employee directors of the Company. As the shares available to be granted under the 2006 Director Plan were depleted during 2013, the Company started granting options out of the 2006 LTIP to the non-employee directors of the Company, as permitted by the plans. These options have the same vesting and expense terms as non-employee director option grants under the 2006 Director Plan.

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, outstanding First Data Stock-Based Awards were 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.

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, 2013 was as follows (options and aggregate intrinsic value in millions):

	Year Ended December 31, 2013			
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1	27.0	\$ 18.46		
Granted	4.0	14.02		
Exercised	(1.8)	15.86		
Cancelled/forfeited	(5.4)	17.86		
Outstanding as of December 31	23.8	\$ 18.05	4.4	\$ 19.7
Options exercisable as of December 31	18.1	\$ 18.77	3.1	\$ 8.4

The Company received \$28.6 million, \$51.9 million and \$98.8 million in cash proceeds related to the exercise of stock options during the years ended December 31, 2013, 2012 and 2011, respectively. Upon the exercise of stock options, shares of common stock are issued from authorized common shares.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company realized total tax benefits during the years ended December 31, 2013, 2012 and 2011 from stock option exercises of \$1.3 million, \$1.2 million and \$4.8 million, respectively.

The total intrinsic value of stock options exercised during the years ended December 31, 2013, 2012 and 2011 was \$4.2 million, \$5.1 million and \$20.6 million, respectively.

Restricted Stock Activity

A summary of Western Union activity for restricted stock units and performance based restricted stock units for the year ended December 31, 2013 is listed below (units in millions):

	Year Ended December 31, 2013	
	Number Outstanding	Weighted-Average Grant-Date Fair Value
Non-vested as of January 1	4.8	\$ 17.38
Granted	3.2	13.10
Vested	(1.0)	15.63
Forfeited	(0.7)	15.42
Non-vested as of December 31	6.3	\$ 15.69

Stock-Based Compensation

The following table sets forth the total impact on earnings for stock-based compensation expense recognized in the Consolidated Statements of Income resulting from stock options, restricted stock units, performance based restricted stock units and bonus stock units for the years ended December 31, 2013, 2012 and 2011 (in millions, except per share data).

	Year Ended December 31,		
	2013	2012	2011
Stock-based compensation expense	\$ (34.5)	\$ (34.0)	\$ (31.2)
Income tax benefit from stock-based compensation expense	10.0	10.0	9.8
Net income impact	\$ (24.5)	\$ (24.0)	\$ (21.4)
Earnings per share:			
Basic and Diluted	\$ (0.04)	\$ (0.04)	\$ (0.03)

As of December 31, 2013, there was \$13.9 million of total unrecognized compensation cost, net of assumed forfeitures, related to non-vested stock options which is expected to be recognized over a weighted-average period of 2.5 years, and there was \$35.2 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 1.8 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,		
	2013	2012	2011
Stock options granted:			
Weighted-average risk-free interest rate	1.2%	1.2%	2.5%
Weighted-average dividend yield	3.7%	1.8%	1.4%
Volatility	35.3%	33.2%	31.0%
Expected term (in years)	6.09	6.09	5.80
Weighted-average grant date fair value.	\$ 3.20	\$ 4.90	\$ 5.99

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

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

Expected volatility - For the Company's executives and non-employee directors, the expected volatility for the 2013, 2012 and 2011 grants was 35.3%, 33.2% and 29.7%, respectively. The expected volatility for the Company's non-executive employees was 35.2%, 33.2% and 31.9% for the 2013, 2012 and 2011 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 of Western Union stock data. Prior to 2012, the Company's historical volatility represented a blend of Western Union and First Data (prior to the Spin-off) stock data.

Expected term - For 2013 and 2012, Western Union's expected term for all employees was approximately 6 years. For 2011 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, the vesting term of the Company's options and the options' contractual term of ten years.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Segments

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

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

The Consumer-to-Business operating segment facilitates bill payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses.

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

All businesses that have not been classified in the above segments are reported as "Other" and primarily include the Company's money order, prepaid and other businesses and services.

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

- The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.
- Corporate and other overhead is allocated to the segments primarily based on a percentage of the segments' revenue compared to total revenue.
- Costs incurred for the review and closing of acquisitions are included in "Other."
- The Company incurred restructuring and related expenses of \$46.8 million during the year ended December 31, 2011 which were not allocated to the Company's segments. While these items were identifiable to the Company's 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 Note 3.
- All items not included in operating income are excluded from the segments.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables present the Company's reportable segment results for the years ended December 31, 2013, 2012 and 2011, respectively (in millions):

	Year Ended December 31,		
	2013	2012	2011
Revenues:			
Consumer-to-Consumer:			
Transaction fees	\$ 3,396.1	\$ 3,545.6	\$ 3,580.2
Foreign exchange revenues	981.3	988.5	983.1
Other revenues	56.2	50.2	45.1
	<u>4,433.6</u>	<u>4,584.3</u>	<u>4,608.4</u>
Consumer-to-Business:			
Transaction fees	579.1	573.6	581.8
Foreign exchange and other revenues	29.4	30.3	34.1
	<u>608.5</u>	<u>603.9</u>	<u>615.9</u>
Business Solutions:			
Foreign exchange revenues	355.5	332.0	154.6
Transaction fees and other revenues	37.4	35.4	6.5
	<u>392.9</u>	<u>367.4</u>	<u>161.1</u>
Other:			
Total revenues	<u>107.0</u>	<u>109.2</u>	<u>106.0</u>
Total consolidated revenues	<u>\$ 5,542.0</u>	<u>\$ 5,664.8</u>	<u>\$ 5,491.4</u>
Operating income/(loss):			
Consumer-to-Consumer	\$ 1,030.4	\$ 1,266.9	\$ 1,316.0
Consumer-to-Business	121.9	137.6	146.9
Business Solutions (a)	(27.0)	(54.8)	(9.6)
Other	(17.9)	(19.7)	(21.5)
Total segment operating income	<u>1,107.4</u>	<u>1,330.0</u>	<u>1,431.8</u>
Restructuring and related expenses (Note 3)	—	—	(46.8)
Total consolidated operating income	<u>\$ 1,107.4</u>	<u>\$ 1,330.0</u>	<u>\$ 1,385.0</u>

- (a) During the years ended December 31, 2013, 2012 and 2011, the Company incurred \$19.3 million, \$42.8 million and \$4.8 million, respectively, of integration expenses related to the acquisition of TGBP. TGBP integration expense consists primarily of severance and other benefits, retention, direct and incremental expense consisting of facility relocation, consolidation and closures; IT systems integration; amortization of a transitional trademark license; and other expenses such as training, travel and professional fees. Integration expense does not include costs related to the completion of the TGBP acquisition, which are included in Other.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended December 31,		
	2013	2012	2011
Assets:			
Consumer-to-Consumer.	\$ 5,321.9	\$ 4,854.2	\$ 4,644.6
Consumer-to-Business.	1,129.9	1,029.6	955.8
Business Solutions.	2,256.4	2,012.6	1,906.2
Other	1,413.1	1,569.3	1,563.3
Total assets	<u>\$10,121.3</u>	<u>\$ 9,465.7</u>	<u>\$ 9,069.9</u>
Depreciation and amortization:			
Consumer-to-Consumer.	\$ 179.4	\$ 158.2	\$ 141.0
Consumer-to-Business.	15.8	14.7	18.8
Business Solutions.	59.6	65.7	26.8
Other	8.0	7.5	4.7
Total segment depreciation and amortization.	<u>262.8</u>	<u>246.1</u>	<u>191.3</u>
Restructuring and related expenses (Note 3).	—	—	1.3
Total consolidated depreciation and amortization	<u>\$ 262.8</u>	<u>\$ 246.1</u>	<u>\$ 192.6</u>
Capital expenditures:			
Consumer-to-Consumer.	\$ 174.0	\$ 219.1	\$ 138.4
Consumer-to-Business.	36.9	21.8	13.4
Business Solutions.	14.8	16.1	6.7
Other	15.6	11.2	4.0
Total capital expenditures.	<u>\$ 241.3</u>	<u>\$ 268.2</u>	<u>\$ 162.5</u>

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

	Year Ended December 31,		
	2013	2012	2011
Revenue:			
United States	\$ 1,523.7	\$ 1,593.1	\$ 1,568.6
International.	4,018.3	4,071.7	3,922.8
Total	<u>\$ 5,542.0</u>	<u>\$ 5,664.8</u>	<u>\$ 5,491.4</u>
Long-lived assets:			
United States	\$ 156.6	\$ 148.2	\$ 152.1
International.	53.3	47.9	46.0
Total	<u>\$ 209.9</u>	<u>\$ 196.1</u>	<u>\$ 198.1</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 the Consumer-to-Business and Business Solutions segments is based upon the country where the transaction is initiated with 100% of the revenue allocated to that country. Long-lived assets, consisting of "Property and equipment, net," are presented based upon the location of the assets.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2013, 2012 and 2011, respectively. In addition, each individual agent, Consumer-to-Business, or Business Solutions customer accounted for less than 10% of revenue during these periods.

THE WESTERN UNION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Quarterly Financial Information (Unaudited)

Summarized quarterly results for the years ended December 31, 2013 and 2012 were as follows (in millions, except per share data):

2013 by Quarter:	Q1	Q2	Q3	Q4	Year Ended December 31, 2013
Revenues	\$ 1,325.4	\$ 1,385.9	\$ 1,408.8	\$ 1,421.9	\$ 5,542.0
Expenses (a) (b)	1,028.5	1,109.1	1,113.5	1,183.5	4,434.6
Operating income	296.9	276.8	295.3	238.4	1,107.4
Other expense, net	46.7	44.6	43.6	45.6	180.5
Income before income taxes	250.2	232.2	251.7	192.8	926.9
Provision for income taxes	38.2	33.6	37.3	19.4	128.5
Net income	\$ 212.0	\$ 198.6	\$ 214.4	\$ 173.4	\$ 798.4
Earnings per share:					
Basic	\$ 0.37	\$ 0.36	\$ 0.39	\$ 0.31	\$ 1.43
Diluted	\$ 0.37	\$ 0.36	\$ 0.39	\$ 0.31	\$ 1.43
Weighted-average shares outstanding:					
Basic	567.6	555.7	552.1	551.2	556.6
Diluted	569.7	558.3	555.8	555.0	559.7

(a) Includes \$3.9 million in the first quarter, \$6.2 million in the second quarter, \$3.8 million in the third quarter, and \$5.4 million in the fourth quarter of integration expenses related to the acquisition of TGBP.

(b) Includes \$4.2 million in the first quarter, \$13.5 million in the second quarter, \$6.2 million in the third quarter, and \$33.0 million in the fourth quarter of expenses related to productivity and cost-savings initiatives. For more information, see Note 3.

2012 by Quarter:	Q1	Q2	Q3	Q4	Year Ended December 31, 2012
Revenues	\$ 1,393.4	\$ 1,425.1	\$ 1,421.6	\$ 1,424.7	\$ 5,664.8
Expenses (c) (d)	1,060.9	1,079.2	1,056.0	1,138.7	4,334.8
Operating income	332.5	345.9	365.6	286.0	1,330.0
Other expense, net	42.4	35.8	41.8	41.2	161.2
Income before income taxes	290.1	310.1	323.8	244.8	1,168.8
Provision for income taxes	42.8	38.9	54.3	6.9	142.9
Net income	\$ 247.3	\$ 271.2	\$ 269.5	\$ 237.9	\$ 1,025.9
Earnings per share:					
Basic	\$ 0.40	\$ 0.44	\$ 0.45	\$ 0.40	\$ 1.70
Diluted	\$ 0.40	\$ 0.44	\$ 0.45	\$ 0.40	\$ 1.69
Weighted-average shares outstanding:					
Basic	619.1	610.9	601.5	588.0	604.9
Diluted	621.9	613.1	604.2	590.2	607.4

(c) Includes \$6.4 million in the first quarter, \$14.5 million in the second quarter, \$10.3 million in the third quarter, and \$11.6 million in the fourth quarter of integration expenses related to the acquisition of TGBP.

(d) Includes \$30.9 million in the fourth quarter of expenses related to productivity and cost-savings initiatives. For more information, see Note 3.

THE WESTERN UNION COMPANY

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

The following lists the condensed financial information for the parent company as of December 31, 2013 and 2012 and statements of income and comprehensive income and cash flows for each of the three years in the period ended December 31, 2013.

THE WESTERN UNION COMPANY

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

	December 31,	
	2013	2012
Assets		
Cash and cash equivalents	\$ 151.4	\$ 383.7
Property and equipment, net of accumulated depreciation of \$17.0 and \$14.4, respectively	41.0	33.6
Other assets	160.4	68.4
Investment in subsidiaries	5,534.1	5,420.3
Total assets	<u>\$ 5,886.9</u>	<u>\$ 5,906.0</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 76.8	\$ 79.3
Income taxes payable	76.3	88.3
Payable to subsidiaries, net	413.2	773.5
Borrowings	4,207.3	4,023.4
Other liabilities	8.6	0.9
Total liabilities	<u>4,782.2</u>	<u>4,965.4</u>
Stockholders' equity:		
Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 2,000 shares authorized; 548.8 shares and 572.1 shares issued and outstanding as of December 31, 2013 and 2012, respectively	5.5	5.7
Capital surplus	390.9	332.8
Retained earnings	877.3	754.7
Accumulated other comprehensive loss	(169.0)	(152.6)
Total stockholders' equity	<u>1,104.7</u>	<u>940.6</u>
Total liabilities and stockholders' equity	<u>\$ 5,886.9</u>	<u>\$ 5,906.0</u>

See Notes to Condensed Financial Statements.

THE WESTERN UNION COMPANY

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(PARENT COMPANY ONLY)
(in millions)

	For the Years Ended December 31,		
	2013	2012	2011
Revenues	\$ —	\$ —	\$ —
Expenses	—	—	—
Operating income	—	—	—
Interest income	0.4	0.2	0.1
Interest expense	(195.7)	(178.6)	(181.0)
Other expense	—	—	(0.1)
Loss before equity in earnings of affiliates and income taxes	(195.3)	(178.4)	(181.0)
Equity in earnings of affiliates, net of tax	919.0	1,136.1	1,276.7
Income tax benefit	74.7	68.2	69.7
Net income	798.4	1,025.9	1,165.4
Other comprehensive income/(loss), net of tax	2.2	2.0	(11.7)
Other comprehensive income/(loss) of affiliates, net of tax	(18.6)	(36.1)	26.0
Comprehensive income	<u>\$ 782.0</u>	<u>\$ 991.8</u>	<u>\$ 1,179.7</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,		
	2013	2012	2011
Cash flows from operating activities			
Net cash provided by operating activities	\$ 689.1	\$ 228.3	\$ 698.1
Cash flows from investing activities			
Purchases of property and equipment	(8.5)	(3.3)	(4.2)
Purchases of non-settlement related investments	(100.0)	—	—
Net cash used in investing activities	(108.5)	(3.3)	(4.2)
Cash flows from financing activities			
Advances from/(to) subsidiaries, net	(362.2)	679.1	(180.9)
Net proceeds from issuance of borrowings	497.3	742.8	696.3
Principal payments on borrowings	(300.0)	—	(696.3)
Net (repayments of)/proceeds from commercial paper	—	(297.0)	297.0
Proceeds from exercise of options	28.9	53.4	100.0
Cash dividends paid	(277.2)	(254.2)	(194.2)
Common stock repurchased	(399.7)	(766.5)	(803.9)
Net cash provided by/(used in) financing activities	(812.9)	157.6	(782.0)
Net change in cash and cash equivalents	(232.3)	382.6	(88.1)
Cash and cash equivalents at beginning of year	383.7	1.1	89.2
Cash and cash equivalents at end of year	<u>\$ 151.4</u>	<u>\$ 383.7</u>	<u>\$ 1.1</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 \$335 million constitute restricted net assets, as there are legal or regulatory limitations on transferring such assets outside of the countries where the respective assets are located. Additionally, certain of the Parent's subsidiaries must meet minimum capital requirements in some countries in order to maintain operating licenses. As of December 31, 2013, the Parent is in a stockholders' equity position of \$1,104.7 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

On October 1, 2012, the Parent issued a promissory note payable to its 100% owned subsidiary First Financial Management Corporation in the amount of \$268.2 million in exchange for funds distributed to the Parent. The promissory note is due on June 30, 2015, bears interest at the fixed rate of 0.23% per annum, and may be repaid at any time without penalty. The promissory note is included within "Payable to subsidiaries, net" in the Condensed Balance Sheets as of December 31, 2013 and 2012.

Excess cash generated from operations of the Parent's subsidiaries that is not required to meet certain regulatory requirements is paid periodically to the Parent and is also included within "Payable to subsidiaries, net" in the Condensed Balance Sheets as of December 31, 2013 and 2012. 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 \$14.4 million in outstanding letters of credit and bank guarantees as of December 31, 2013 with expiration dates through 2014. 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.

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, 2013, 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, 2013, 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.

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 "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 2014 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 2014 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 2014 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 2014 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 2014 annual meeting of stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements (See Index to Consolidated Financial Statements in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K);
2. Financial Statement Schedule (See Index to Consolidated Financial Statements in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K);
3. The exhibits listed in the "Exhibit Index" attached to this Annual Report on Form 10-K.

SIGNATURES

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

The Western Union Company (Registrant)

February 24, 2014

By: /s/ HIKMET ERSEK

Hikmet Ersek
President and Chief Executive Officer

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

Signature	Title	Date
<u>/s/ Hikmet Ersek</u> Hikmet Ersek	President, Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2014
<u>/s/ Rajesh K. Agrawal</u> Rajesh K. Agrawal	Executive Vice President and Interim Chief Financial Officer (Principal Financial Officer)	February 24, 2014
<u>/s/ Amintore T.X. Schenkel</u> Amintore T.X. Schenkel	Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	February 24, 2014
<u>/s/ Jack M. Greenberg</u> Jack M. Greenberg	Non-Executive Chairman of the Board of Directors	February 24, 2014
<u>/s/ Dinyar S. Devitre</u> Dinyar S. Devitre	Director	February 24, 2014
<u>/s/ Richard A. Goodman</u> Richard A. Goodman	Director	February 24, 2014
<u>/s/ Betsy D. Holden</u> Betsy D. Holden	Director	February 24, 2014
<u>/s/ Linda Fayne Levinson</u> Linda Fayne Levinson	Director	February 24, 2014
<u>/s/ Roberto G. Mendoza</u> Roberto G. Mendoza	Director	February 24, 2014
<u>/s/ Michael A. Miles, Jr.</u> Michael A. Miles, Jr.	Director	February 24, 2014
<u>/s/ Wulf von Schimmelmann</u> Wulf von Schimmelmann	Director	February 24, 2014
<u>/s/ Frances Fragos Townsend</u> Frances Fragos Townsend	Director	February 24, 2014
<u>/s/ Solomon D. Trujillo</u> Solomon D. Trujillo	Director	February 24, 2014

EXHIBIT INDEX

Exhibit Number	Description
2.1	Separation and Distribution Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto).
3.1	Amended and Restated Certificate of Incorporation of The Western Union Company, as filed with the Secretary of State of the State of Delaware on May 30, 2013 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 3, 2013 and incorporated herein by reference thereto).
3.2	Amended and Restated Bylaws of The Western Union Company, as amended as of May 30, 2013 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 3, 2013 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).

- 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 3.650% Note due 2018 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 22, 2011 and incorporated herein by reference thereto).
- 4.15 Form of 2.375% Note due 2015 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 11, 2012 and incorporated herein by reference thereto).
- 4.16 Form of 2.875% Note due 2017 (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 11, 2012 and incorporated herein by reference thereto).
- 4.17 Form of Floating Rate Note due 2015 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 22, 2013 and incorporated herein by reference thereto).
- 4.18 Form of 3.350% Note due 2019 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 22, 2013 and incorporated herein by reference thereto).
- 10.1 Tax Allocation Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto).
- 10.2 Employee Matters Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto).
- 10.3 Transition Services Agreement, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto).
- 10.4 Patent Ownership Agreement and Covenant Not to Sue, dated as of September 29, 2006, between First Data Corporation and The Western Union Company (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on October 3, 2006 and incorporated herein by reference thereto).
- 10.5 Settlement Agreement, dated as of February 11, 2010, by and between Western Union Financial Services, Inc. and the State of Arizona (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 16, 2010 and incorporated herein by reference thereto).
- 10.6 Order Tolling Time Frames and Extending Benefits and Obligations of Settlement Agreement issued June 14, 2013 by The Honorable Warren Granville, Maricopa County Superior Court Judge (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2013 and incorporated herein by reference thereto).
- 10.7 Order Tolling Time Frames and Extending Benefits and Obligations of Settlement Agreement issued October 28, 2013 by The Honorable Warren Granville, Maricopa County Superior Court Judge (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 29, 2013 and incorporated herein by reference thereto).
- 10.8 Order Tolling Time Frames and Extending Benefits and Obligations of Settlement Agreement issued December 19, 2013 by The Honorable Warren Granville, Maricopa County Superior Court Judge (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 19, 2013 and incorporated herein by reference thereto).
- 10.9 Settlement Agreement Amendment issued January 31, 2014 by The Honorable Warren Granville, Maricopa County Superior Court Judge (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 3, 2014 and incorporated herein by reference thereto).
- 10.10 Form of Director Indemnification Agreement (filed as Exhibit 10.11 to Amendment No. 2 to the Company's Registration Statement on Form 10 (file no. 001-32903) filed on August 28, 2006 and incorporated herein by reference thereto).*

- 10.11 The Western Union Company 2006 Long-Term Incentive Plan, as amended and restated on January 31, 2014.*
- 10.12 The Western Union Company 2006 Non-Employee Director Equity Compensation Plan, as Amended and Restated Effective January 31, 2014.*
- 10.13 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).*
- 10.14 The Western Union Company Severance/Change in Control Policy (Executive Committee Level), as Amended and Restated Effective September 15, 2011 (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K filed on February 24, 2012 and incorporated herein by reference thereto).*
- 10.15 The Western Union Company Senior Executive Annual Incentive Plan, as Amended and Restated Effective February 23, 2012 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2012 and incorporated herein by reference thereto).*
- 10.16 The Western Union Company Supplemental Incentive Savings Plan, as Amended and Restated Effective November 30, 2012 (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K filed on February 22, 2013 and incorporated herein by reference thereto).*
- 10.17 The Western Union Company Grandfathered Supplemental Incentive Savings Plan, as Amended and Restated Effective January 1, 2010 (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).*
- 10.18 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).*
- 10.19 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).*
- 10.20 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).*
- 10.21 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).*
- 10.22 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).*
- 10.23 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).*
- 10.24 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).*

- 10.25 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).*
- 10.26 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).*
- 10.27 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).*
- 10.28 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).*
- 10.29 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.*
- 10.30 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).*
- 10.31 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).*
- 10.32 Form of Performance-Based Restricted Stock Unit Award Notice for Executive Committee Members (U.S.) Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.38 to the Company's Annual Report on Form 10-K filed on February 24, 2012 and incorporated herein by reference thereto).*
- 10.33 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).*
- 10.34 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).*
- 10.35 First Amendment to Employment Contract and Expatriate Letter Agreement, dated as of October 7, 2010, between Western Union Financial Services GmbH, The Western Union Company and Hikmet Ersek (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q filed on November 5, 2010 and incorporated herein by reference thereto).*
- 10.36 Expatriate Letter Agreement, dated as of January 4, 2012, between Western Union, LLC and Rajesh K. Agrawal (filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K filed on February 24, 2012 and incorporated herein by reference thereto).*
- 10.37 Expatriate Letter Agreement, dated as of December 12, 2011, between Western Union, LLC and Robin S. Heller (filed as Exhibit 10.43 to the Company's Annual Report on Form 10-K filed on February 24, 2012 and incorporated herein by reference thereto).*
- 10.38 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).

10.39	Form of Award Agreement Under The Western Union Company Senior Executive Annual Incentive Plan for 2013.*
10.40	Form of Bonus Stock Unit Award Agreement for Non-Employee Directors Residing in the United States Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2012 and incorporated herein by reference thereto).*
10.41	Form of Bonus Stock Unit Award Agreement for Non-Employee Directors Residing Outside of the United States Under The Western Union Company 2006 Long-Term Incentive Plan (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2012 and incorporated herein by reference thereto).*
10.42	Offer Letter, dated as of October 28, 2011, between Western Union, LLC and John Dye (filed as Exhibit 10.43 to the Company's Annual Report on Form 10-K filed on February 22, 2013 and incorporated herein by reference thereto).*
10.43	First Amendment to Offer Letter, dated as of November 15, 2011, between Western Union, LLC and John Dye (filed as Exhibit 10.44 to the Company's Annual Report on Form 10-K filed on February 22, 2013 and incorporated herein by reference thereto).*
10.44	Offer Letter, dated as of April 12, 2012, between Western Union, LLC and John "David" Thompson (filed as Exhibit 10.45 to the Company's Annual Report on Form 10-K filed on February 22, 2013 and incorporated herein by reference thereto).*
10.45	Form of 2013 Performance-Based Restricted Stock Unit Award Notice for Section 16 Officers (Non-U.S.) Under The Western Union Company 2006 Long-Term Incentive Plan.*
10.46	Form of Nonqualified Stock Option Award Agreement for Non-Employee Directors Residing Outside the United States Under The Western Union Company 2006 Long-Term Incentive Plan.*
10.47	Form of Nonqualified Stock Option Award Agreement for Non-Employee Directors Residing in the United States Under The Western Union Company 2006 Long-Term Incentive Plan.*
10.48	Separation Agreement dated as of January 16, 2014 and Release between Scott T. Scheirman, Western Union, LLC, and The Western Union Company.*
12	Computation of Ratio of Earnings to Fixed Charges
14	The Western Union Company Code of Ethics for Senior Financial Officers, as Amended and Restated Effective December 9, 2009 (filed as Exhibit 14 to the Company's Annual Report on Form 10-K filed on February 26, 2010 and incorporated herein by reference thereto).
21	Subsidiaries of The Western Union Company
23	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer of The Western Union Company Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer of The Western Union Company Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF XBRL Taxonomy Extension Definition Linkbase Document
101.LAB XBRL Taxonomy Extension Label Linkbase Document
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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

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BOARD OF DIRECTORS

JACK M. GREENBERG

Non-Executive Chairman of the Board of Directors and Chair of the Compliance Committee
Former Chairman and Chief Executive Officer, McDonald's Corporation

DINYAR S. DEVITRE

Director, Chair of the Corporate Governance and Public Policy Committee and member of the Audit Committee and the Compliance Committee
Special Advisor to General Atlantic LLC

HIKMET ERSEK

President, Chief Executive Officer, Director, and non-voting member of the Compliance Committee
The Western Union Company

RICHARD A. GOODMAN

Director, Chair of the Audit Committee and member of the Compensation and Benefits Committee
Former Executive Vice President, Global Operations of Pepsico, Inc.

BETSY D. HOLDEN

Director, Chair of the Compensation and Benefits Committee and member of the Corporate Governance and Public Policy Committee
Senior Advisor to McKinsey & Company

LINDA FAYNE LEVINSON

Director, member of the Audit Committee and the Corporate Governance and Public Policy Committee
Advisor to professionally funded, privately held ventures

ROBERTO G. MENDOZA

Director, member of the Audit Committee and the Compensation and Benefits Committee
Senior Managing Director, Atlas Advisors LLC

MICHAEL A. MILES, JR.

Director, member of the Audit Committee and the Compliance Committee
Advisory Director of Berkshire Partners

WULF VON SCHIMMELMANN

Director, member of the Corporate Governance and Public Policy Committee
Former Chief Executive Officer, Deutsche Postbank AG

FRANCES FRAGOS TOWNSEND

Director, member of the Compliance Committee
Executive Vice President of Worldwide Government, Legal and Business Affairs at MacAndrews & Forbes Holdings Inc.

SOLOMON D. TRUJILLO

Director, member of the Compensation and Benefits Committee
Founder and Chairman, Trujillo Group Investments, LLC
Former Chief Executive Officer, Telstra Corporation Limited

EXECUTIVE OFFICERS

HIKMET ERSEK

President, Chief Executive Officer and Director

RAJ AGRAWAL

Executive Vice President, Interim Chief Financial Officer

ODILON ALMEIDA

Executive Vice President and President, Americas and European Union

JOHN R. DYE

Executive Vice President, General Counsel and Secretary

JEAN CLAUDE FARAH

Executive Vice President and President, Middle East, Africa, APAC, Eastern Europe & CIS

DIANE SCOTT

Executive Vice President, Chief Product and Marketing Officer

J. DAVID THOMPSON

Executive Vice President, Global Operations and Chief Information Officer

RICHARD L. WILLIAMS

Executive Vice President, Chief Human Resources Officer

SENIOR LEADERSHIP

KERRY AGIASOTIS

Senior Vice President and President, Western Union Business Solutions

LUELLA CHAVEZ D'ANGELO

Chief Communications Officer

SCOTT COAD

Chief Transformation Officer

KHALID FELLAHI

Senior Vice President and General Manager, Western Union Digital

Forward-Looking Statements

This Annual Report contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as "expects," "intends," "anticipates," "believes," "estimates," "guides," "provides guidance," "provides outlook" and other similar expressions or future or conditional verbs such as "will," "may," "should," "would," "could," and "might" are intended to identify such forward-looking statements. Readers of this Annual Report by The Western Union Company (the "Company," "Western Union," "we," "our" or "us") should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed in the "Risk Factors" section and throughout the annual report on Form 10-K for the year ended December 31, 2013. The statements are only as of the date they are made, and the Company undertakes no obligation to update any forward-looking statement.

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

12500 East Belford Avenue, Englewood, CO 80112
+1-720-332-1000
+1-866-405-5012

TRANSFER AGENT AND REGISTRAR

Stockholders with questions concerning their stock holdings or dividends or with address changes should contact:
Wells Fargo Bank, N.A.
Shareowner Services
PO Box 64854
St. Paul, MN 55164-0854
Shareowner Relations Phone Numbers:
+1-651-450-4064
+1-800-468-9716

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
370 17th Street, Suite 3300
Denver, CO 80202

FINANCIAL INFORMATION AND REPORTS

The Company routinely issues press releases and quarterly and annual financial reports. To receive this information please write the Company at: Western Union, Investor Relations, 12500 East Belford Avenue #M231R, Englewood, CO 80112, call +1-866-405-5012 or visit the "Investor Relations" section of our website at www.wu.com. A copy of The Western Union Company 2013 Form 10-K report to the Securities and Exchange Commission will be furnished to stockholders without charge (except charges for providing exhibits) upon request to the Company. Analysts and investors seeking additional information about the Company can contact the Investor Relations Department at +1-866-405-5012. For more information about The Western Union Company, please visit the Company at www.wu.com.

SHAREHOLDERS OF RECORD

There were 4,238 stockholders of record as of February 18, 2014.

DIVIDENDS

During 2013, the Board of Directors declared quarterly cash dividends of \$0.125 per common share payable on December 31, 2013, September 30, 2013, June 28, 2013 and March 29, 2013. During 2012, the Board of Directors declared quarterly cash dividends of \$0.125 per common share payable on December 31, 2012, and \$0.10 per common share payable on October 8, 2012, June 29, 2012 and March 30, 2012. The declaration or authorization and amount of future dividends will be determined by the Board of Directors and will depend on our financial condition, earnings, available U.S. cash, capital requirements, regulatory constraints, industry practice and any other factors that the Board of Directors believes are relevant.

ANNUAL MEETING

The annual meeting of stockholders of The Western Union Company will be held at 505 Fifth Avenue, 7th Floor, New York, NY 10017 on Friday, May 16, 2014 at 8 a.m. local time.

TRADEMARKS, SERVICE MARKS AND TRADE NAMES

The Western Union name, logo and related trademarks and service marks, owned by Western Union Holdings, Inc., are registered and/or used in the U.S. and many foreign countries. All other trademarks, service marks, logos and trade names referenced in this material are the property of their respective owners.

STOCK PRICES

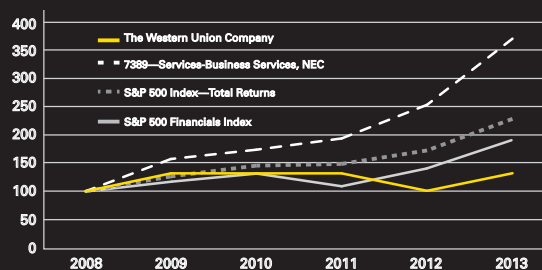
The Western Union Company common stock is traded on the New York Stock Exchange under the symbol "WU". The high and low closing prices for our common stock during 2013 and 2012 were as follows:

	Common Stock Market Price	
	High	Low
2013		
First Quarter	\$15.05	\$13.23
Second Quarter	\$17.23	\$14.24
Third Quarter	\$19.11	\$16.63
Fourth Quarter	\$19.50	\$15.51
2012		
First Quarter	\$19.82	\$16.99
Second Quarter	\$18.68	\$15.79
Third Quarter	\$19.14	\$16.32
Fourth Quarter	\$18.60	\$11.93

COMPANY STOCK PERFORMANCE

In the past we have presented line graphs comparing the cumulative total return of our common stock with the cumulative total return of the Standard & Poor's Composite—500 Stock Index (the "S&P 500 Index") and the companies in Standard Industry Classification ("SIC") Code 7389 that are traded on a major exchange. This year we have also included a comparison against the Standard & Poor's Composite—500 Financials Index (the "S&P 500 Financials Index"), an independently prepared index that includes 80 companies in the financial services industry. Next year we do not intend to include the cumulative total return of the companies in SIC Code 7389 that are traded on a major exchange in our comparison. We are changing to the S&P 500 Financials Index because we believe it to be a more commonly used index by financial services companies than the compilation of SIC Code 7389 exchange traded companies.

The following graph shows the five-year comparison of cumulative total shareholder return, calculated on a dividend reinvested basis, for (i) our common stock, (ii) the S&P 500 Index, (iii) the 132 companies in SIC Code 7389 that are traded on a major exchange, and (iv) the S&P 500 Financials Index. Pursuant to rules of the Securities and Exchange Commission, the comparison assumes \$100 was invested on December 31, 2008 in our common stock and in each of the indices. Data points on the graph are annual. Historic stock price performance is not necessarily indicative of future stock price performance.



CORPORATE GOVERNANCE

To review the Company's corporate governance guidelines, Board committee charters and codes of business conduct and ethics, please visit the "Corporate Governance" section on the "Investor Relations" page of our website at www.wu.com.



moving money for better

12500 East Belford Avenue
Englewood, CO 80112, USA

wu.com