

WINTRUST FINANCIAL CORP

Form PRE 14A

November 09, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A
(RULE 14a-101)

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No. _____)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to ss.240.14a-12

WINTRUST FINANCIAL CORPORATION

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No Fee Required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

1) Title of each class of securities to which transaction applies: N/A

2) Aggregate number of securities to which the transaction applies: N/A

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined.): N/A

4) Proposed maximum aggregate value of transaction: N/A

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid: N/A

2) Form, Schedule or Registration Statement No.: N/A

3) Filing Party: N/A

4) Date Filed: N/A

**WINTRUST FINANCIAL CORPORATION
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
NOVEMBER [], 2006**

To the Shareholders of Wintrust Financial Corporation:

You are cordially invited to attend a Special Meeting of Shareholders of Wintrust Financial Corporation to be held at the Deerpath Inn, 255 East Illinois Road, Lake Forest, Illinois 60045, on Tuesday, January 9, 2007, at 10:00 a.m. local time, for the following purposes:

1. To consider a proposal to adopt the 2007 Stock Incentive Plan and the issuance of up to 500,000 shares of common stock thereunder; and

2. To transact such other business as may properly come before the meeting and any adjournment thereof.

The Record Date for determining shareholders entitled to notice of, and to vote at, the Special Meeting is the close of business on November 16, 2006. We encourage you to attend the Special Meeting. Whether or not you plan to attend the Special Meeting, we urge you to vote by either completing your proxy card and returning it in the enclosed postage-paid envelope or by Internet or telephone voting. The instructions printed on your proxy card describe how to use these convenient services.

By order of the Board of Directors,

/s/ DAVID A. DYKSTRA
David A. Dykstra
Secretary

November [], 2006

**WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, IT IS IMPORTANT
THAT YOU VOTE BY ONE OF THE METHODS NOTED ABOVE.**

WINTRUST FINANCIAL CORPORATION

727 North Bank Lane
Lake Forest, Illinois 60045

**PROXY STATEMENT
FOR A SPECIAL MEETING OF
SHAREHOLDERS TO BE HELD TUESDAY, JANUARY 9, 2007**

These proxy materials are furnished in connection with the solicitation by the Board of Directors of Wintrust Financial Corporation, an Illinois corporation (Wintrust or the Company), of proxies to be used at a Special Meeting of Shareholders of the Company and at any adjournment of such meeting (the Special Meeting). This proxy statement, together with the Notice of Special Meeting and proxy card are first being mailed to shareholders on or about November [], 2006.

ABOUT THE MEETING

What is the purpose of the Special Meeting?

At the Special Meeting, shareholders will act upon the matters described in the Notice of Special Meeting that accompanies this proxy statement, including a proposal to adopt the 2007 Stock Incentive Plan and the issuance of up to 500,000 shares of common stock thereunder.

Who may vote at the Special Meeting?

Only record holders of the Company s common stock as of the close of business on November 16, 2006 (the Record Date), will be entitled to vote at the meeting. On the Record Date, the Company had outstanding [] shares of common stock. Each outstanding share of common stock entitles the holder to one vote.

What constitutes a quorum?

The Special Meeting will be held only if a quorum is present. A quorum will be present if a majority of the shares of Company common stock issued and outstanding on the Record Date are represented, in person or by proxy, at the Special Meeting. Shares represented by properly completed proxy cards either marked abstain or returned without voting instructions are counted as present for the purpose of determining whether a quorum is present. Also, if shares are held by brokers who are prohibited from exercising discretionary authority for beneficial owners who have not given voting instructions (commonly known as broker nonvotes), those shares will be counted as present for quorum purposes.

How do I vote?

If you are a stockholder of record, you can vote by:

attending the Special Meeting;

signing, dating and mailing in your proxy card;

by following the instructions on your proxy card for voting by telephone at (800) 555-8140; or

by following the instructions on your proxy card for voting by the Internet at www.illinoisstocktransfer.com, clicking on Internet Voting and following the instructions on the screen.

The deadline for voting by telephone or on the Internet is 11:59 p.m. Central Time on January 7, 2007. You may vote your shares for or against approval of the 2007 Plan.

If you hold your shares through a broker, bank or other nominee, that institution will instruct you as to how your shares may be voted by proxy, including whether telephone or Internet voting options are available. If you hold your shares through a broker, bank or other nominee and would like to vote in person at the Special Meeting, you must first obtain a proxy issued in your name from the institution that holds your shares.

Can I change my vote after I return my proxy card?

Yes. If you are a shareholder of record, you may change your vote at any time before the actual vote by (i) voting in person by ballot at the Special Meeting, (ii) returning a later-dated proxy card, (iii) entering a new vote by telephone or on the Internet or (iv) delivering written notice of revocation to the Company's Secretary by facsimile at (847) 615-4091 or by mail at 727 North Bank Lane, Lake Forest, IL 60045. If you hold your shares through an institution, that institution will instruct you as to how your vote may be changed.

Who will count the votes?

The Company's tabulator, Illinois Stock Transfer Company, will count the votes.

How will my shares be voted if I sign, date and return my proxy card?

Proxies received from shareholders in proper form will be voted at the Special Meeting and, if specified, as directed by the shareholder. If you sign, date and return your proxy card and indicate how you would like your shares voted, your shares will be voted as you have instructed. If you sign, date and return your proxy card but do not indicate how you would like your shares voted, your proxy will be voted FOR the approval of the 2007 Plan and in accordance with the best judgment of the persons voting the proxies, with respect to any other business which may properly come before the meeting and at any adjournment of the meeting and is submitted to a vote of the shareholders, including whether or not to adjourn the meeting.

What are the Board's recommendations?

The Board recommends a vote FOR the approval of the 2007 Plan. With respect to any other matter that is properly brought before the meeting, the proxy holders will vote the proxies held by them in accordance with their best judgment.

What vote is required to approve the 2007 Plan at the Special Meeting?

The affirmative vote of the holders of a majority of the shares represented, in person or by proxy and entitled to vote on the approval of the 2007 Plan will be required for approval. Because the vote to approve the 2007 Plan requires a majority, abstentions will have the same effect as votes against approval.

How will broker non-votes be treated?

We will treat broker non-votes as present to determine whether or not we have a quorum at the Special Meeting, but they will not be treated as entitled to vote on the proposals, if any, for which the broker indicates it does not have discretionary authority. This means that broker non-votes will not be treated as abstentions and will not have any effect on whether a proposal passes.

Will my vote be kept confidential?

Yes. As a matter of policy, shareholder proxies, ballots and tabulations that identify individual shareholders are kept secret and are available only to the Company, its tabulator and inspectors of election, who are required to acknowledge their obligation to keep your votes confidential.

Who pays to prepare, mail and solicit the proxies?

The Company pays all of the costs of preparing, mailing and soliciting proxies. The Company asks brokers, banks, voting trustees and other nominees and fiduciaries to forward proxy materials to the beneficial owners and to obtain authority to execute proxies. The Company will reimburse the brokers, banks, voting trustees and other nominees and fiduciaries upon request. In addition to solicitation by mail, telephone, facsimile, Internet or personal contact by its officers and employees, the Company has retained the services of Morrow & Co., Inc. to solicit proxies for a fee of \$6,500 plus expenses.

What if other matters come up during the meeting?

If any matters other than those referred to in the Notice of Special Meeting properly come before the meeting, the individuals named in the accompanying form of proxy will vote the proxies held by them in accordance with their best judgment. The Company is not aware of any business other than the items referred to in the Notice of Special Meeting that may be considered at the meeting.

Your vote is important. Because many shareholders cannot personally attend the Special Meeting, it is necessary that a large number be represented by proxy. Whether or not you plan to attend the meeting in person, prompt voting will be appreciated. Registered shareholders can vote their shares via the Internet or by using a toll-free telephone number. Instructions for using these convenient services are provided on the proxy card. Of course, you may still vote your shares on the proxy card. To do so, we ask that you complete, sign, date and return the enclosed proxy card promptly in the postage-paid envelope.

PROPOSAL NO. 1 APPROVAL OF WINTRUST FINANCIAL CORPORATION S 2007 STOCK INCENTIVE PLAN

Background

On November 9, 2006, the Board of Directors unanimously approved and adopted, subject to shareholder approval, the Wintrust Financial Corporation 2007 Stock Incentive Plan (the 2007 Plan or the Plan), which will replace the Wintrust Financial Corporation 1997 Stock Incentive Plan (the 1997 Plan). The Company s shareholders are being asked to approve the Plan, described more fully below. The Plan affords the Board of Directors the ability to grant compensatory awards that are responsive to the Company s needs and is designed to advance the interests and long-term success of the Company by encouraging stock ownership among officers, directors and other employees of the Company.

If the Plan is not approved by shareholders, the Company will continue to operate the 1997 Plan pursuant to its current provisions. The 1997 Plan was originally adopted in 1997 to amend, restate and continue the prior stock-based incentive plans of the Company's predecessor corporations into a single plan and was approved by shareholders at the 1997 Special Meeting of Shareholders.

Shares Available for Future Awards and Awards Outstanding. We currently have two equity compensation plans (other than our Employee Stock Purchase Plan). These plans are the 1997 Plan and the Directors Deferred Fee and Stock Plan (the "Fee Plan"). As of the Record Date, a total of [] shares of common stock remained available for future issuance under these plans. The following table shows what the breakdown of available shares was as of the Record Date:

Total	1997 Plan	Director Plan
[]	[]	[]

If the 2007 Plan is approved by shareholders, no further awards will be permitted to be made under the 1997 Plan. Assuming that the 2007 Plan had been approved as of the Record Date, the total number of shares available for awards under our equity compensation plans (other than our Employee Stock Purchase Plan) would have been []. The following table shows what the breakdown of available shares would have been had the 2007 Plan been in effect as of the Record Date:

Total	1997 Plan	Director Plan	2007 Plan
[]		[]	500,000

As of the Record Date, there were outstanding awards of [] stock options, which have a weighted-average exercise price of \$[] and a weighted-average term of [] years, and [] shares of restricted stock under all of our current and former equity compensation plans (other than our Employee Stock Purchase Plan).

Purpose of the Plan. The Plan is intended to provide the Company with the ability to provide market-responsive, stock-based incentives and other rewards for employees and directors of the Company and its subsidiaries and consultants to the Company and its subsidiaries (i) provide such employees, directors and consultants a stake in the growth of the Company and (ii) encourage them to continue in the service of the Company and its subsidiaries. Because there are only [] shares remaining to be awarded under the 1997 Plan and because no further incentive stock options can be granted under the 1997 Plan on or after May 22, 2007, the Board of Directors believes that it is appropriate to adopt the 2007 Plan and to authorize 500,000 shares for issuance thereunder.

The Plan will enable the Company to be competitive in attracting key employees to manage planned additional bank and branch locations. The Plan will also be important to promote the retention of key employees while at the same time aligning their interests closely with those of the shareholders. Accordingly, management believes the ability to award equity incentives is an important component in continuing the Company's growth.

Comparison with 1997 Plan. The Plan is substantially similar to the 1997 Plan, except that it would:

provide that shares withheld by the Company or tendered to the Company by an award holder to pay the exercise price of an option or applicable withholding taxes are not added back to the pool of shares available for awards under the Plan;

provide for the settlement of awards with shares held in the Company's treasury or shares acquired on the open market;

prohibit the grant of dividend equivalents on stock options;

permit the grant of other awards (in addition to stock option awards which are already permitted) to directors;

provide for vesting of awards to occur upon the consummation of a transaction that results in a change of control rather than upon shareholder approval of such transaction;

limit the granting of full value awards to 200,000 shares;

prohibit any material amendments without shareholder approval;

limit the term of stock options and stock appreciation rights to no longer than seven years; and

expressly prohibit repricing of options and stock appreciation rights without shareholder approval.

The Company is asking shareholders to authorize a number of shares available under the Plan to a level that the Company believes will, on the basis of current assumptions, ensure that enough shares remain available for issuance under the Plan until the 2009 Annual Meeting.

Approval of the Plan requires the affirmative vote of a majority of the shares represented in person or by proxy and entitled to vote at the Special Meeting. The following description of the Plan sets forth the material terms of the Plan; however, it is a summary, and does not purport to be complete and is qualified in its entirety by reference to the provisions of the Plan which is attached hereto as Appendix A.

Plan Highlights

Limit on Shares Authorized: The Plan authorizes the grant of 500,000 shares over its entire term, which represents approximately 2% of the Company's issued and outstanding Common Shares as of the Record Date.

Shares Available For Awards Other Than Stock Options and Stock Appreciation Rights: Of the shares available for grant under the Plan, only 200,000 may be used for full value awards, which are awards of other than stock options or stock appreciation rights.

No Liberal Recycling Provisions: The Plan provides that the following shares will not be added back to the aggregate Plan limit: (1) shares tendered in payment of the option price; (2) shares withheld by the Company to satisfy the tax withholding obligation; and (3) shares that are repurchased by the Company with proceeds from option exercises. Further, all shares covered by a stock appreciation right, to the extent that it is exercised and settled in shares, and whether or not shares are actually issued to the participant upon exercise of the right, shall be considered issued or transferred pursuant to the Plan.

Minimum Vesting and Restricted Period: No stock option award or grant of restricted shares may become fully exercisable prior to the third anniversary of the date of grant, and to the extent such an award provides for vesting in installments over a period of no less than three

years, such vesting shall occur ratably on each of the first three anniversaries of the date of grant except, in each case, when employment terminates as a result of death, disability, retirement, layoff or upon a change of control and subject to certain other limited exceptions.

No Discount Stock Options: The Plan prohibits the grant of a stock option with an exercise price less than the fair market value of our stock on the date of grant.

No Repricing of Stock Options: The Plan prohibits the repricing of options and stock appreciation rights without shareholder approval.

Material Amendments to the Plan Require Shareholder Approval: The Plan states that a material amendment to the Plan will not be effective unless approved by the Company's shareholders.

Independent Committee Administration: The Plan will be administered by a committee of the Board of Directors comprised entirely of independent directors.

Summary Description of the Plan

Participants. All employees and non-employee directors of the Company and its subsidiaries will be eligible to participate in the Plan. In addition, certain persons who have consulting arrangements with the Company or its subsidiaries may be selected to participate if it is determined that any such individual has a significant responsibility for the success and future growth and profitability of the Company. As of October 31, 2006, approximately 1800 employees, non-employee directors and consultants are eligible for awards under the Plan.

Shares Available. The Plan provides that the total number of shares of common stock as to which awards may be granted may not exceed 500,000 shares. Of this amount, the number of shares that would be available for full value awards (other than stock options and stock appreciation rights) would be 200,000 shares.

Shares covered by an award granted under the Plan shall not be counted as used unless and until they are actually issued and delivered to a participant. Without limiting the generality of the foregoing, upon payment in cash of the benefit provided by any award granted under the Plan, any shares that were covered by that award will be available for issue or transfer under the Plan. Notwithstanding anything to the contrary: (a) shares tendered in payment of the exercise price of an option shall not be added to the aggregate plan limit described above; (b) shares withheld by the Company to satisfy the tax withholding obligation shall not be added to the aggregate plan limit described above; (c) shares that are repurchased by the Company with proceeds from option exercises shall not be added to the aggregate plan limit described above; and (d) all shares covered by a stock appreciation right, to the extent that it is exercised and settled in shares and whether or not shares are actually issued to the participant upon exercise of the right, shall be considered issued or transferred pursuant to the Plan.

The shares of common stock subject to awards under the Plan and available for future awards may be reserved for issuance out of the Company's total authorized but unissued shares or they may be shares held in treasury or acquired by the Company on the open market. A participant in the Plan is permitted to receive multiple grants of stock-based awards. The terms and provisions of a type of award with respect to any recipient need not be the same with respect to any other recipient of such award. The Plan provides that during any calendar year the maximum number of shares of common stock which may be made subject to awards to any single participant may not exceed 100,000.

Administration. The Plan provides that it shall be administered by a committee of the Board of Directors, constituted so as to permit the Plan to comply with the non-employee director provisions of Rule 16b-3 under the Exchange Act and the outside director requirements of Section 162(m) of the Internal Revenue Code. The Board of Directors of the Company has delegated the administration of the Plan to its Compensation Committee (the Committee). The Committee will make determinations with respect to the participation of employees, directors and consultants in the Plan and, except as otherwise required by law or the Plan, the grant terms of awards including vesting schedules, price, length of relevant performance, restriction or option periods, dividend rights, post-retirement and termination rights, payment alternatives, and such other terms and conditions as the Committee deems appropriate. The Committee may designate other persons (so long as such persons are independent) to carry out its responsibilities under such conditions and limitations as it may set, other than its authority with regard to awards granted to employees who are executive officers or directors of the Company.

The disposition of an award in the event of the retirement, disability, death or other termination of a participant's employment shall be as determined by the Committee as set forth in the award agreement.

Awards. The following types of awards may be granted under the Plan:

Stock Options. Stock options may be granted in the form of incentive stock options within the meaning of Section 422 of the Code or stock options not meeting such Code definition (nonqualified stock options). The Plan permits all of the shares available under the Plan to be awarded in the form of incentive stock options if the Committee so determines. The exercise period for any stock option will be determined by the Committee at the time of grant which may provide that options may be exercisable in installments. The exercise price per share of common stock of any option may not be less than the fair market value of a share of common stock on the date of grant. Each stock option may be exercised in whole, at any time, or in part, from time to time, after the grant becomes exercisable. The exercise price is payable in cash, in shares of already owned common stock, in any combination of cash and shares, pursuant to a broker-assisted cashless exercise program, or by such methods as the Committee may deem appropriate, including but not limited to loans by the Company on such terms and conditions as the Committee may determine.

Stock Appreciation Rights. Stock appreciation rights (SARs) may be granted independently of any stock option or in tandem with all or any part of a stock option granted under the Plan, upon such terms and conditions as the Committee may determine. Upon exercise, an SAR entitles a participant to receive the excess of the fair market value of a share of common stock on the date the SAR is exercised over the fair market value of a share of common stock on the date the SAR is granted. The Committee will determine whether an SAR will be settled in cash, common stock or a combination of cash and common stock. Upon exercise of an SAR granted in conjunction with a stock option, the option or the portion thereof to which the SAR relates will be surrendered.

Restricted Shares. Restricted shares are shares of common stock that may not be sold or otherwise disposed of during a restricted period after grant, the duration of which will be determined by the Committee. The Committee may provide for the lapse of such restrictions in installments. Restricted shares may be voted by the recipient. Dividends on the restricted shares may be payable to the recipient in cash or in additional restricted shares. A recipient of a grant of restricted shares will generally earn unrestricted ownership thereof only if the individual is continuously employed by the Company or a subsidiary during the entire restricted period.

Performance Shares. Performance shares are grants of shares of common stock which are earned by achievement of performance goals established for the award by the Committee. During the applicable performance period determined by the Committee for an award, the shares may be voted by the recipient and the recipient is also entitled to receive dividends thereon unless the Committee determines otherwise. If the applicable performance criteria are met, at the end of the applicable performance period, the shares are earned and become unrestricted. The Committee may provide that a certain percentage of the number of shares originally awarded may be earned based upon the attainment of the performance goals.

Restricted and Performance Share Units. Share units are fixed or variable share units valued, at the Committee's discretion, in whole or in part by reference to, or otherwise based on, the fair market value of the Company's common stock. The Committee will determine the terms and conditions applicable to share units, including any applicable restrictions, conditions or contingencies, which may be related to individual, corporate or other categories of performance. A share unit may be payable in common stock, cash or a combination of both.

Other Incentive Awards. The Committee may grant other types of awards of common stock or awards based in whole or in part by reference to common stock (Other Incentive Awards). Such Other Incentive Awards include, without limitation, unrestricted stock grants or awards related to the establishment or acquisition by the Company or any subsidiary of a new or start-up business or facility. The Committee will determine the time at which grants of such Other Incentive Awards are to be made, the size of such awards and all other conditions of such awards, including any restrictions, deferral periods or performance requirements.

Except to the extent permitted by the specific terms of any nonqualified stock options, no award will be assignable or transferable except by will, the laws of descent and distribution or, in the Committee's discretion, in certain other manners.

Minimum Vesting and Restricted Period. Each award agreement will contain a requirement that no stock option award or grant of restricted shares may become fully exercisable prior to the third anniversary of the date of grant, and to the extent such an award provides for vesting in installments over a period of no less than three years, such vesting shall occur ratably on each of the first three anniversaries of the date of grant except, in each case, when employment terminates as a result of death, disability, retirement, layoff or upon a change of control and subject to certain other limited exceptions.

Term of Awards. The maximum term of unvested or unexercised awards is seven years after the initial date of grant.

Adjustments. In the event there is a change in the capital structure of the Company as a result of any stock dividend or split, recapitalization, merger, consolidation or spin-off or other similar corporate change, the Committee will make an adjustment in the number and class of shares of common stock available for issuance under the Plan (including the limit on awards other than stock options and stock appreciation rights), the number and class of shares subject to the per person limit on awards granted in any year, and the number and class of shares covered by any outstanding award and the price per share thereof.

Change of Control. In the event there is a change of control (as defined in the Plan) of the Company, all options and SARs outstanding shall become immediately exercisable and remain

exercisable for their entire term, all restrictions on restricted shares will lapse, all restricted share units will become fully vested and, unless otherwise specified in a participant's award agreement, all performance goals applicable to any awards shall be deemed attained at the maximum payment level. In addition, the Board of Directors (as constituted before the change of control) may, in its sole discretion:

require that shares of stock of the corporation resulting from such change of control, or a parent corporation thereof, be substituted for some or all of the shares subject to an outstanding award, with an appropriate and equitable adjustment to the award, and/or

require outstanding awards, in whole or in part, to be cancelled, and to provide for the holder to receive a cash payment (or shares in the resulting corporation or its parent corporation) in an amount (or having a value) equal to (a) in the case of a stock option or stock appreciation right, the number of shares then subject to the portion of such award cancelled multiplied by the excess, if any, of the highest per share price offered to holders of common stock in the change of control transaction, over the purchase price or base price per share subject to the award and (b) in the case of restricted shares, restricted share units, performance shares, performance share units or Other Incentive Awards, the number of shares of common stock or units then subject to the portion of such award cancelled multiplied by the highest per share price offered to holders of common stock in the change of control transaction.

Amendments and Termination. The Board of Directors may at any time suspend or terminate the Plan. The Board of Directors may amend the Plan at any time, subject to any requirement of shareholder approval imposed by applicable law, rule or regulation; provided, however, that any material amendment to the Plan will not be effective unless approved by the Company's shareholders. For this purpose, a material amendment is any amendment that would:

materially increase the number of shares available under the Plan or issuable to a participant;

change the types of awards that may be granted under the Plan;

expand the class of persons eligible to receive awards or otherwise participate in the Plan; or

reduce the price at which an option is exercisable either by amendment of an Award Agreement or by substitution of a new option at a reduced price (other than as permitted in Section 10).

No amendment, suspension or termination may adversely affect in any material way any awards previously granted thereunder. There is no set termination date for the Plan, although no incentive stock options may be granted more than 10 years after the effective date of the Plan. Neither the Board of Directors nor the Committee may reprice any previously granted stock option or stock appreciation right without shareholder approval.

Federal Income Tax Considerations. The following discussion summarizes the federal income tax consequences to participants who may receive grants of awards under the Plan. The discussion is based upon current interpretations of the Code, and the regulations promulgated thereunder as of such date.

Nonqualified Stock Options. For federal income tax purposes, no income is recognized by a participant upon the grant of a nonqualified stock option under the Plan. Upon the exercise of a

nonqualified option, compensation taxable as ordinary income will be realized by the participant in an amount equal to the excess of the fair market value of a share of common stock on the date of such exercise over the exercise price. A subsequent sale or exchange of such shares will result in gain or loss measured by the difference between (a) the exercise price, increased by any compensation reported upon the participant's exercise of the option and (b) the amount realized on such sale or exchange. Such gain or loss will be capital in nature if the shares were held as a capital asset and will be long-term if such shares were held for more than one year.

The Company is entitled to a deduction for compensation paid to a participant at the same time and in the same amount as the participant is considered to have realized compensation by reason of the exercise of an option.

Incentive Stock Options. No taxable income is realized by the participant pursuant to the exercise of an incentive stock option granted under the Plan, and if no disqualifying disposition of such shares is made by such participant within two years after the date of grant or within one year after the transfer of such shares to such participant, then (a) upon the sale of such shares, any amount realized in excess of the option price will be taxed to such participant as a long-term capital gain and any loss sustained will be a long-term capital loss, and (b) no deduction will be allowed to the Company for Federal income tax purposes. Upon exercise of an incentive stock option, the participant may be subject to alternative minimum tax on certain items of tax preference.

If the shares of common stock acquired upon the exercise of an incentive stock option are disposed of prior to the expiration of the holding period described above, generally (a) the participant will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disposition of the shares) over the option price thereof, and (b) the Company will be entitled to deduct such amount. Any further gain or loss realized will be taxed as short-term or long-term capital gain or loss, as the case may be, and will not result in any deduction by the Company.

If an incentive stock option is exercised at a time when it no longer qualifies as an incentive stock option, the option is treated as a nonqualified stock option.

Stock Appreciation Rights. No taxable income is recognized by a participant upon the grant of an SAR under the Plan. Upon the exercise of an SAR, however, compensation taxable as ordinary income will be realized by the participant in an amount equal to the cash received upon exercise, plus the fair market value on the date of exercise of any shares of common stock received upon exercise. Shares of common stock received on the exercise of an SAR will be eligible for capital gain treatment, with the capital gain holding period commencing on the date of exercise of the SAR.

The Company is entitled to a deduction for compensation paid to a participant at the same time and in the same amount as the participant is considered to have realized compensation by reason of the exercise of the SAR.

Restricted and Performance Shares. A recipient of restricted shares or performance shares generally will be subject to tax at ordinary income rates on the fair market value of the common stock at the time the restricted shares or performance shares vest or are no longer subject to forfeiture. However, a recipient who so elects under Section 83(b) of the Code within 30 days of the date of the grant will recognize ordinary taxable income on the date of the grant equal to the fair market value of the restricted shares or performance shares as if the restricted shares were unrestricted or the performance shares were earned and could be sold immediately. If the shares subject to such election are forfeited, the

recipient will not be entitled to any deduction, refund or loss for tax purposes with respect to the forfeited shares. Upon sale of the restricted shares or performance shares after vesting or after the forfeiture period has expired, the holding period to determine whether the recipient has long-term or short-term capital gain or loss begins when the restriction period expires. However, if the recipient timely elects to be taxed as of the date of the grant, the holding period commences on the date of the grant and the tax basis will be equal to the fair market value of the shares on the date of the grant as if the shares were then unrestricted and could be sold immediately. A participant receiving dividends with respect to restricted shares or performance shares for which the above-described election has not been made and prior to the time the restrictions lapse will recognize compensation taxable as ordinary income, rather than dividend income, in an amount equal to the dividends paid.

The amount of ordinary income recognized upon the lapse of restrictions or by making the above-described election is deductible by the Company as compensation expense, except to the extent the deduction limits of Section 162(m) of the Internal Revenue Code apply.

Restricted and Performance Share Units. A recipient of restricted or performance share units will generally be subject to tax at ordinary income rates on the fair market value of any common stock issued pursuant to such an award. The fair market value of any common stock received will generally be included in income at the time of receipt. The capital gain or loss holding period for any common stock distributed under an award will begin when the recipient recognizes ordinary income in respect of that distribution. The amount of ordinary income recognized is deductible by the Company as compensation expense, except to the extent the deduction limits of Section 162(m) of the Internal Revenue Code apply.

Other Incentive Awards. The federal income tax consequences of Other Incentive Awards will depend on how such awards are structured. Generally, the Company will be entitled to a deduction with respect to such awards only to the extent that the recipient realizes compensation income in connection with such awards. It is anticipated that Other Incentive Awards will usually result in compensation income to the recipient in some amount. However, some forms of Other Incentive Awards may not result in any compensation income to the recipient or any income tax deduction for the Company.

Performance Goals and Maximum Awards. Section 162(m) of the Code disallows federal income tax deductions for certain compensation in excess of \$1,000,000 per year paid to each of the Company's Chief Executive Officer and its other four most highly compensated executive officers (collectively, the Covered Employees). Under Section 162(m), compensation that qualifies as other performance-based compensation is not subject to the \$1,000,000 limit. One of the conditions necessary to qualify certain incentive awards as other performance-based compensation is that the material terms of the performance goals under which the award is made must be disclosed to, and approved by, the shareholders of the Company before the incentive compensation is paid.

For those types of awards under the Plan which require performance criteria to meet the definition of other performance-based compensation the Committee will, from time to time, establish performance criteria with respect to an award. These performance criteria may be measured in absolute terms or measured against, or in relationship to, other companies comparably, similarly or otherwise situated and may be based on, or adjusted for, other objective goals, events, or occurrences established by the Committee for a performance period, including earnings, earnings growth, revenues, expenses, stock price, market share, charge-offs, loan loss reserves, reductions in non-performing assets, return on assets, return on equity, return on investment, regulatory compliance, satisfactory internal or external audits, improvements in financial ratings, achievement of balance sheet or income statement objectives,

extraordinary charges, losses from discontinued operations, restatements and accounting changes and other unplanned special charges such as restructuring expenses, acquisition expenses including goodwill, and unplanned stock offerings and strategic loan loss provisions. The performance criteria related to an award must be established by the Committee prior to the completion of 25% of the performance period or such earlier date as may be required by Section 162(m) of the Code.

At the end of each performance period for an award, the Committee will determine the extent to which the performance criteria established for the performance period have been achieved and determine the payout of the performance award. The committee may, in its sole discretion, reduce or eliminate the payout of any award to the extent permitted under the Plan and applicable law.

Plan Benefits

The type and amount of any future awards under the Plan are not currently determinable by the Committee. The type and amount of any awards under the Plan if it had been in place during the last fiscal year are not determinable.

Registration with the SEC

The Company intends to file a Registration Statement on Form S-8 relating to the issuance of common shares under the Plan with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, as soon as is practicable after approval of the Plan by the Company's shareholders.

The Board of Directors strongly believes that approval of the 2007 Plan is essential to the Company's continued success. We believe equity compensation gives employees and directors a stake in the future success of the Company and view it as a vital component of the Company's ability to offer competitive compensation packages within a highly aggressive industry. As of the date of the Special Meeting, there will be a very limited number of options remaining available to the Company for future grant. The Board believes this will seriously harm the ability of the Company to attract and retain qualified employees and directors. The 2007 Plan is designed to assist us in recruiting, motivating and retaining talented employees and directors who will help us to continue achieving our business goals, including creating long-term value for shareholders. In formulating and reaching its decision to recommend approval of the 2007 Plan, the Board considered current best practices.

In order to facilitate approval of this proposal and assuage any shareholder concerns regarding the number of options the Company intends to grant in a given year, the Board of Directors of the Company commits to the Company's shareholders that for the next three fiscal years the average annual number of shares subject to options or full value awards granted to employees or non-employee directors (whether under the Plan or other plans) during such three fiscal years will not exceed 2.46% of the number of shares of the Company's common stock that the Company believes will be outstanding at the end of each such fiscal year. For purposes of calculating the number of shares granted in any six month period, full value awards will count as equivalent to (i) 1.5 option shares if the Company's stock price volatility is 53% or higher, (ii) two option shares if the Company's stock price volatility is between 25% and 52%, and (iii) four option shares if the Company's stock price volatility is less than 25%. For purposes of the calculation in the immediately preceding sentence, the Company's stock price volatility will be measured as of each December 31 and June 30 using the previous 200 day moving average, and the corresponding full value award multiplier will apply to all grants made in the six month period after such measurement date.

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE FOR APPROVAL OF THE 2007 PLAN.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT

The following table sets forth the beneficial ownership of the common stock as of the Record Date, with respect to (i) each Director and each named executive officer of the Company; (ii) all Directors and executive officers of the Company as a group and (iii) significant shareholders known to the Company that own in excess of 5% of the common stock.

	Amount of Common Shares	Restricted	Options & Warrants Exercisable Within 60 Days ⁽¹⁾	Total Amount of Beneficial Ownership ⁽¹⁾	Total Percentage Ownership ⁽¹⁾
	Beneficially Owned ⁽¹⁾	Stock Units ⁽¹⁾			
Directors					
Allan E. Bulley, Jr	51,124			51,124	*
Peter D. Crist	51,632			51,632	*
Bruce K. Crowther	4,936		382	5,318	*
Joseph F. Damico	2,875			2,875	*
Bert A. Getz, Jr.	9,726			9,726	*
John S. Lillard	198,999			198,999	*
James B. McCarthy	4,704			4,704	*
Albin F. Moschner	30,536			30,536	*
Thomas J. Neis	5,716			5,716	*
Hollis W. Rademacher	87,008		2,220	89,228	*
J. Christopher Reyes	244,300			244,300	*
John J. Schornack	19,116			19,116	*
Ingrid S. Stafford	7,567			7,567	*
Edward J. Wehmer**	159,885	94,761 ⁽⁵⁾	226,000	480,646	1.86%
Other Named Executive Officers					
David A. Dykstra	67,528	66,809 ⁽⁵⁾	86,839	221,176	*
Robert F. Key	69,193	1,257 ⁽⁴⁾	24,800	95,250	*
Richard B. Murphy	19,750	5,739 ⁽⁵⁾	52,100	77,589	*
David L. Stoehr	2,350	2,757 ⁽⁵⁾	18,800	23,907	*
John S. Fleshood	1,318	1,421 ⁽⁶⁾	4,000	6,739	*
Total Existing Directors & Executive Officers (25 persons)					
	1,103,944	190,563	551,736	1,846,243	7.02%
Other Significant Shareholders					
FMR Corp. ⁽²⁾	1,579,840			1,579,840	6.18%
Transamerica Investment Management, LLC ⁽³⁾	1,576,807			1,576,807	6.17%

* Less than 1%

**

Mr. Wehmer is also an executive officer.

- (1) Beneficial ownership and percentages are calculated in accordance with Securities and Exchange Commission (SEC) Rule 13d-3 promulgated under the Securities Exchange Act of 1934.
- (2) Based on information obtained from Schedule 13G/A filed by FMR Corp. with the SEC on February 14, 2006. According to this report, FMR Corp. s business address is 82 Devonshire Street, Boston, MA 02109.
- (3) Based on information obtained from Schedule 13G filed by Transamerica Investment Management, LLC with the SEC on April 11, 2006. According to this report, Transamerica Investment Management,

LLC's business address is 1150 South Olive Street, Suite 2700, Los Angeles, CA 90015.

- (4) Shares vest on January 26, 2007 and are subject to forfeiture until such time as they vest.
- (5) Shares vest at various dates between 2007 and 2010, and are subject to forfeiture until such time as they vest.
- (6) 762 of these shares vest on January 26, 2007 and 659 of these shares vest on August 15, 2007 and are, in each case, subject to forfeiture until such time as they vest.

Equity Compensation Plan Information

The following table summarizes information as of December 31, 2005, relating to equity compensation plans of the Company pursuant to which common stock is authorized for issuance:

Equity Compensation Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:			
WTFC 1997 Stock Incentive Plan, as amended	3,063,654	\$ 27.83	379,286
WTFC Employee Stock Purchase Plan	N/A	N/A	203,105
WTFC Directors Deferred Fee and Stock Plan	N/A	N/A	203,544
	3,063,654	\$ 27.83	785,935
Equity compensation plans not approved by security holders ⁽¹⁾			
N/A			
Total ⁽¹⁾	3,063,654	\$ 27.83	785,935

⁽¹⁾ Excludes 161,985 shares of the Company's common stock issuable pursuant to the exercise of options previously granted under the plans of

Advantage
National
Bancorp, Inc.,
Village
Bancorp, Inc.,
Northview
Financial
Corporation,
Town
Bankshares, Ltd
and First
Northwest
Bancorp, Inc.
The weighted
average exercise
price of those
options is
\$25.84. No
additional
awards will be
made under
these plans.

SHAREHOLDER PROPOSALS

Shareholders' proposals intended to be presented at the Company's 2007 Annual Meeting of Shareholders must be received in writing by the Secretary of the Company no later than December 26, 2006, in order to be considered for inclusion in the proxy material for that meeting. Any such proposals shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934 (the Exchange Act). Furthermore, in order for any shareholder to properly propose any business for consideration at the 2007 Annual Meeting, including the nomination of any person for election as a director, or any other matter raised other than pursuant to Rule 14a-8 of the proxy rules adopted under the Exchange Act, written notice of the shareholder's intention to make such proposal must be furnished to the Company in accordance with the By-laws. Under the existing provisions of the By-laws, if the 2007 Annual Meeting is held on May 24, 2007, the deadline for such notice is March 25, 2007.

OTHER BUSINESS

The Company is unaware of any other matter to be acted upon at the Special Meeting for shareholder vote. In case of any matter properly coming before the Special Meeting for shareholder vote, unless discretionary authority has been denied the proxy holders named in the proxy accompanying this statement shall vote them in accordance with their best judgment.

**BY ORDER OF THE BOARD OF
DIRECTORS**

/s/ David A. Dykstra
David A. Dykstra
Secretary
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WINTRUST FINANCIAL CORPORATION
2007 STOCK INCENTIVE PLAN

1. Purpose: Effect on Predecessor Plan. The purpose of the Wintrust Financial Corporation 2007 Stock Incentive Plan is to benefit the Corporation and its Subsidiaries by enabling the Corporation to offer certain present and future officers, employees, directors and consultants stock-based incentives and other equity interests in the Corporation, thereby providing them a stake in the growth of the Corporation and encouraging them to continue in the service of the Corporation and its Subsidiaries.

This Plan is intended to replace the Predecessor Plan. As of the Effective Date, no further awards shall be granted under the Predecessor Plan; provided, however, that if the Plan is not approved by the shareholders of the Corporation, the Predecessor Plan shall remain in effect in accordance with its terms.

2. Definitions.

(a) Award includes, without limitation, stock options (including incentive stock options under Section 422 of the Code), stock appreciation rights, performance share or unit awards, stock awards, restricted share or unit awards, or other awards that are valued in whole or in part by reference to, or are otherwise based on, the Corporation's Common Stock (Other Incentive Awards), all on a stand alone, combination or tandem basis, as described in or granted under this Plan.

(b) Award Agreement means a writing provided by the Corporation to each Participant setting forth the terms and conditions of each Award made under this Plan.

(c) Board means the Board of Directors of the Corporation.

(d) Code means the Internal Revenue Code of 1986, as amended from time to time.

(e) Committee means the Compensation Committee of the Board or such other committee of the Board as may be designated by the Board from time to time to administer this Plan and which also shall be entirely comprised of independent directors meeting the disinterested administration requirements of Rule 16b-3 under the Securities Exchange Act of 1934 and the outside director requirement of Section 162(m) of the Code.

(f) Common Stock means the Common Stock, no par value, of the Corporation.

(g) Corporation means Wintrust Financial Corporation, an Illinois corporation.

(h) Director means a director of the Corporation or a Subsidiary.

(i) Effective Date means the date of the approval of the Plan by the shareholders of the Corporation.

(j) **Employee** means an employee of the Corporation or a Subsidiary.

(k) **Exchange Act** means the Securities Exchange Act of 1934, as amended.

(l) **Fair Market Value** means the average of the highest and the lowest quoted selling prices on the Nasdaq National Market on the relevant valuation date or, if there were no sales on the valuation date, on the next preceding date on which such selling prices were recorded; provided, however, that, the Committee may modify the definition of Fair Market Value to mean the closing selling price on the Nasdaq National Market on the relevant valuation date or, if there were no sales on the valuation date, on the next preceding date on which such closing selling prices were recorded.

(m) **Participant** means an Employee, Director or a consultant who has been granted an Award under the Plan.

(n) **Plan** means this Wintrust Financial Corporation 2007 Stock Incentive Plan.

(o) **Plan Year** means a twelve-month period beginning with January 1 of each year.

(p) **Predecessor Plan** means the Wintrust Financial Corporation 1997 Stock Incentive Plan, which incorporated the Crabtree Capital Corporation 1987 Stock Option Plan, The Credit Life Companies, Incorporated 1987 Stock Option Plan, the Crabtree Capital Corporation 1990 Stock Purchase Plan, the First Premium Services, Incorporated 1992 Stock Option Plan, the Lake Forest Bancorp, Inc. 1991 Stock Option Plan, the Lake Forest Bancorp, Inc. 1993 Stock Option Plan, the Hinsdale Bancorp, Inc. 1993 Stock Option Plan, the North Shore Community Bancorp, Inc. 1993 Stock Rights Plan, the North Shore Community Bancorp, Inc. 1994 Stock Option Plan, the Libertyville Bancorp, Inc. 1995 Stock Option Plan and the Wolfhoya Investments, Inc. 1995 Stock Option Plan, the Advantage National Bancorp, Inc. 2002 Stock Incentive Plan, the Village Bancorp, Inc. 1998 Omnibus Stock Incentive Plan, the Town Bankshares, Ltd. 1997 Stock Incentive Plan, the Northview Financial Corporation 1993 Incentive Stock Program, the First Northwest Bancorp, Inc. 1998 Stock Option Plan, the First Northwest Bancorp, Inc. 2002 Stock Option Plan and the Hinsbrook Bancshares, Inc. 1992 Employee Stock Option Plan, as amended, each a stock option or stock purchase plan maintained by a predecessor to the Corporation.

(q) **Subsidiary** means any corporation or other entity, whether domestic or foreign, in which the Corporation has or obtains, directly or indirectly, a proprietary interest of at least 50% (or 20%, if providing an Award to an Employee, Director or consultant of such Subsidiary is based upon legitimate business criteria, as defined in Section 409A of the Code and the regulations promulgated thereunder) by reason of stock ownership or otherwise.

3. **Eligibility.** Any Employee, Director or consultant selected by the Committee is eligible to receive an Award. In addition, the Committee may select former Employees and Directors who have a consulting arrangement with the Corporation or a Subsidiary whom the Committee determines have a significant responsibility for the success and future growth and profitability of the Corporation.

4. Plan Administration.

(a) Except as otherwise determined by the Board, the Plan shall be administered by the Committee. The Committee shall make determinations with respect to the participation of Employees, Directors and consultants in the Plan and, except as otherwise required by law or this Plan, the terms of Awards, including vesting schedules, price, length of relevant performance, restriction or option periods, post-retirement and termination rights, payment alternatives such as cash, stock, contingent awards or other means of payment consistent with the purposes of this Plan, and such other terms and conditions as the Committee deems appropriate.

(b) No Award that contemplates exercise or conversion may be exercised or converted to any extent, and no other Award that defers vesting, shall remain outstanding and unexercised, unconverted or unvested more than seven (7) years after the date the Award was initially granted.

(c) The Committee, by majority action thereof (whether taken during a meeting or by written consent), shall have authority to interpret and construe the provisions of the Plan and the Award Agreements and make determinations pursuant to any Plan provision or Award Agreement which shall be final and binding on all persons. To the extent deemed necessary or advisable for purposes of Section 16 of the Exchange Act or Section 162(m) of the Code, a member or members of the Committee may recuse himself or themselves from any action, in which case action taken by the majority of the remaining members shall constitute action by the Committee. No member of the Committee shall be liable for any action or determination made in good faith, and the members of the Committee shall be entitled to indemnification and reimbursement in the manner provided in the Corporation's Articles of Incorporation and By-Laws, as may be amended from time to time.

(d) The Committee may designate persons other than its members to carry out its responsibilities under such conditions or limitations as it may set, other than its authority with regard to Awards granted to Participants who are officers or directors of the Corporation for purposes of Section 16 of the Exchange Act or Section 162(m) of the Code. To the extent deemed necessary or advisable, including for purposes of Section 16 of the Exchange Act, the independent members of the Board may act as the Committee hereunder.

(e) It is the intent of the Company that no Award under the Plan be subject to taxation under Section 409A(a)(1) of the Code. Accordingly, if the Committee determines that an Award granted under the Plan is subject to Section 409A of the Code, such Award shall be interpreted and administered to meet the requirements of Sections 409A(a)(2), (3) and (4) of the Code and thus to be exempt from taxation under Section 409A(a)(1) of the Code.

5. Stock Subject to the Provisions of this Plan. The stock subject to the provisions of this Plan shall be made available from shares of authorized but unissued Common Stock, shares of authorized and issued Common Stock reacquired and held as treasury shares or otherwise, or a combination thereof. Subject to adjustment in accordance with the provisions of Section 10, the total number of shares of Common Stock which may be issued under the Plan or with respect to which all Awards may be granted shall not exceed 500,000 shares. Subject to adjustment in accordance with the provisions of Section 10, the total number of such shares with

respect to which Awards other than stock options or stock appreciation rights may be granted shall not exceed 200,000 shares. Upon:

(a) a payout of an Award in the form of cash; or

(b) a cancellation, termination, forfeiture, or lapse for any reason (with the exception of the termination of a tandem Award upon exercise of the related Award, or the termination of a related Award upon exercise of the corresponding tandem Award) of any Award or any award granted under the Predecessor Plan, then the number of shares of Common Stock underlying any such award which were not issued as a result of any of the foregoing actions shall again be available for the purposes of Awards under the Plan. Notwithstanding anything to the contrary contained herein: (A) shares tendered in payment of the exercise price of a stock or incentive option shall not be added to the aggregate plan limit described above; (B) shares withheld by the Company to satisfy the tax withholding obligation shall not be added to the aggregate plan limit described above; (C) shares that are repurchased by the Company with proceeds received from payment of the exercise price of a stock or incentive option shall not be added to the aggregate plan limit described above; and (D) all shares covered by an award made under Section 6(c) (stock appreciation rights), to the extent that it is exercised and settled in Common Stock, and whether or not shares are actually issued to the participant upon exercise of the right, shall be considered issued or transferred pursuant to the Plan.

6. Awards under this Plan. As the Board or Committee may determine, the following types of Awards may be granted under this Plan on a stand-alone, combination or tandem basis:

(a) Stock Option. A right to buy a specified number of shares of Common Stock at a fixed exercise price during a specified time, all as the Committee may determine; provided that the exercise price of any option shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant of such Award.

(b) Incentive Stock Option. An Award in the form of a stock option which shall comply with the requirements of Section 422 of the Code or any successor Section of the Code as it may be amended from time to time.

(c) Stock Appreciation Right. A right to receive the excess of the Fair Market Value of a share of Common Stock on the date the stock appreciation right is exercised over the Fair Market Value of a share of Common Stock on the date the stock appreciation right was granted.

(d) Restricted and Performance Shares. A transfer of Common Stock to a Participant, subject to such restrictions on transfer or other incidents of ownership, or subject to specified performance standards, for such periods of time as the Committee may determine.

(e) Restricted and Performance Share Unit. A fixed or variable share or dollar denominated unit subject to such conditions of vesting, performance and time of payment as the Committee may determine, which are valued at the Committee's discretion in whole or in part by

reference to, or otherwise based on, the Fair Market Value of Common Stock and which may be paid in Common Stock, cash or a combination of both.

(f) Stock Award. An unrestricted transfer of ownership of Common Stock.

(g) Other Incentive Awards. Other Incentive Awards which are related to or serve a similar function to those Awards set forth in this Section 6, including, but not limited to, Other Incentive Awards related to the establishment or acquisition by the Corporation or any Subsidiary of a new or start-up business or facility.

Notwithstanding the foregoing, the maximum number of shares of Common Stock which may be made subject to Awards granted under the Plan in any Plan Year (taking into account any stock option granted in tandem with any stock appreciation right as an Award with respect to shares subject to the stock option and any restricted and performance shares or restricted and performance units as an Award based upon the maximum number of Shares to which the Award relates) to any single Participant may not exceed 100,000. The Committee may from time to time, establish performance criteria with respect to an Award. The performance criteria or standards shall be determined by the Committee in writing and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated and may be based on or adjusted for any other objective goals, events, or occurrences established by the Committee, provided that such criteria or standards relate to one or more of the following: earnings, earnings growth, revenues, expenses, stock price, market share, charge-offs, loan loss reserves, reductions in non-performing assets, return on assets, return on equity, or assets, investment, regulatory compliance, satisfactory internal or external audits, improvement of financial ratings, achievement of balance sheet or income statement objectives, extraordinary charges, losses from discontinued operations, restatements and accounting changes and other unplanned special charges such as restructuring expenses, acquisition expenses including goodwill, unplanned stock offerings and strategic loan loss provisions. Such performance standards may be particular to a line of business, Subsidiary or other unit or may be based on the performance of the Corporation generally.

7. Award Agreements.

(a) Each Award under the Plan shall be evidenced by an Award Agreement. Delivery of an Award Agreement to each Participant shall constitute an agreement, subject to Section 9 hereof, between the Corporation and the Participant as to the terms and conditions of the Award.

(b) The Committee shall include a provision providing for a minimum vesting schedule for an Award pursuant to which:

(i) no stock option Award may become fully exercisable prior to the third anniversary of the date of grant, and to the extent such an Award provides for vesting in installments over a period of no less than three years, such vesting shall occur ratably on each of the first three anniversaries of the date of grant;

(ii) no Award other than stock options or stock appreciation rights may become fully exercisable or saleable prior to the third anniversary of the date of

grant and to the extent such an Award provides for vesting or saleability in installments over a period of no less than three years, such vesting shall occur ratably on each of the first three anniversaries of the date of grant and requiring the forfeiture of unvested or nonsaleable shares subject to such Award at the time a participant is no longer an Employee;

provided, that, such restrictions shall not apply to (v) Awards to newly hired Employees, (w) performance based Awards, (x) Awards to Employees in connection with acquisitions (whether by asset purchase, merger or otherwise); (y) Awards to Employees who subsequently retire or have plans for retirement from the Company or one of its Subsidiaries or (z) Awards made in lieu of a cash bonus. Notwithstanding the foregoing, (i) any award agreement may provide for any additional vesting requirements, including but not limited to longer periods of required employment or the achievement of performance goals; (ii) any award agreement may provide that all or a portion of the shares subject to such Award vest immediately or, alternatively, vest in accordance with the vesting schedule but without regard to the requirement for continued employment in the event of a Change in Control, or in the case of termination of employment due to death, disability, layoff, retirement or divestiture, or in the case of a vesting period longer than three years, vest and become exercisable or fail to be forfeited and continue to vest in accordance with the schedule in the award agreement prior to the expiration of any period longer than three years for any reason designated by the Committee.

8. Other Terms and Conditions.

(a) No Assignment; Limited Transferability of Options. Except as provided below, no Award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise then by will or by the laws of descent and distribution. Notwithstanding the foregoing, the Committee may, in its discretion, authorize all or a portion of the stock options (other than incentive stock options) granted to a Participant to be on terms which permit transfer by such Participant to:

- (i) the spouse, children or grandchildren of the Participant (Immediate Family Members);
- (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, or;
- (iii) a partnership in which such Immediate Family Members are the only partners, provided that:

(A) there may be no consideration for any such transfer;

(B) the Award Agreement pursuant to which such stock options are granted expressly provides for transferability in a manner consistent with this Section 8(a); and

(C) subsequent transfers of transferred options shall be prohibited except those in accordance with Section 8(b).

Following transfer, any such options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Section 8(b) hereof the term Participant shall be deemed to refer to the transferee. The provisions of the stock option relating to the period of exercisability and expiration of the stock option shall continue to be applied with respect to the original Participant, and the stock options shall be exercisable by the transferee only to the extent, and for the periods, set forth in said stock option.

(b) Beneficiary Designation. Each Participant under the Plan may name, from time to time, any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his death before he receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to his estate.

(c) Termination of Employment. The termination of each Award in the event of the retirement, disability, death or other termination of a Participant's employment shall be as determined by the Committee and set forth in the Award Agreement.

(d) Rights as a Shareholder. A Participant shall have no rights as a stockholder with respect to shares covered by an Award until the date the Participant or his nominee, guardian or legal representative is the holder of record. No adjustment will be made for dividends or other rights for which the record date is prior to such date.

(e) Payments by Participants. The Committee may determine that Awards for which a payment is due from a Participant may be payable: (i) in cash by personal check, bank draft or money order payable to the order of the Corporation, by money transfers or direct account debits; (ii) through the delivery or deemed delivery based on attestation to the ownership of previously acquired shares of Common Stock with a Fair Market Value equal to the total payment due from the Participant; (iii) by a combination of the methods described in (i) and (ii) above; (iv) except as may be prohibited by applicable law, in cash by a broker-dealer acceptable to the Corporation to whom the Participant has submitted an irrevocable notice of exercise; or (v) by such other methods as the Committee may deem appropriate, including, but not limited to loans by the Corporation on such terms and conditions as the Committee shall determine to the extent permitted by applicable law.

(f) Withholding. Except as otherwise provided by the Committee in the Award Agreement or otherwise (i) the deduction of withholding and any other taxes required by law will be made from all amounts paid in cash, and (ii) in the case of the exercise of options or payments of Awards in shares of Common Stock, the Participant shall be required to pay or have paid by a broker-dealer acceptable to the Corporation to whom the Participant has submitted an irrevocable notice of exercise the amount of any taxes required to be withheld in cash prior to receipt of such stock, or alternatively, to elect to have a number of shares the Fair Market Value of which equals the amount required to be withheld deducted from the shares to be received upon such exercise or payment or deliver such number of previously-acquired shares of Common Stock.

(g) **Deferral.** The receipt of payment of cash or delivery of shares of Common Stock that would otherwise be due to a Participant under any Award other than a stock option (including an incentive stock option) or stock appreciation right may be deferred to the extent permitted by an applicable deferral plan established by the Corporation or a Subsidiary. The Committee shall establish rules and procedures relating to any such deferrals and the payment of any tax withholding with respect thereto.

(h) **No Repricing.** Notwithstanding anything in this Plan to the contrary and subject to Section 10, without the approval of the shareholders of the Corporation, neither the Board nor the Committee will amend or replace any previously granted stock option, incentive stock option or stock appreciation right in a transaction that constitutes a repricing, as such term is used in the listing rules of the principal stock exchange on which the Common Stock is traded.

9. **Amendments, Modification and Termination.** The Board may at any time and from time to time, terminate, suspend or discontinue this Plan. The Board of Directors may at any time and from time to time, alter or amend this Plan, subject to any requirement of shareholder approval imposed by applicable law, rule or regulation, provided that any material amendment to the Plan will not be effective unless approved by the Company's shareholders. For this purpose, a material amendment is any amendment that would (i) materially increase the number of shares available under the Plan or issuable to a participant (other than a change in the number of shares made pursuant to Section 10); (ii) change the types of awards that may be granted under the Plan; (iii) expand the class of persons eligible to receive awards or otherwise participate in the Plan; or (iv) reduce the price at which an option is exercisable either by amendment of an Award Agreement or by substitution of a new option at a reduced price (other than as permitted in Section 10). No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

10. **Recapitalization.** The aggregate number of shares of Common Stock as to which Awards may be granted to Participants, the limitations on the maximum number of shares of Common Stock which may be made subject to Awards granted to a Participant during a Plan Year, the number of shares of Common Stock covered by each outstanding Award, and the price per share of Common Stock in each such Award, shall all be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a subdivision or consolidation of shares or other capital adjustment, or the payment of a stock dividend or other increase or decrease in such shares, effected without receipt of consideration by the Corporation, or other change in corporate or capital structure; provided, however, that any fractional shares resulting from any such adjustment shall be eliminated. The Committee may also make the foregoing changes and any other changes, including changes in the classes of securities available, to the extent it is deemed necessary or desirable to preserve the intended benefits of the Plan for the Corporation and the Participants in the event of any other reorganization, recapitalization, merger, consolidation, spinoff, extraordinary dividend or other distribution or similar transaction.

11. **Rights as Employees, Directors or Consultants.** No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a

Participant the right to be retained in the employ of or as a Director of or as a consultant to the Corporation or a Subsidiary. Further, the Corporation and each Subsidiary expressly reserve the right at any time to dismiss a Participant free from any liability, or any claim under the Plan, except as provided herein or in any Award Agreement issued hereunder.

12. Change of Control.

(a) Notwithstanding anything contained in this Plan or any Award Agreement to the contrary, in the event of a Change of Control, as defined below, the following shall occur with respect to any and all Awards outstanding as of such Change of Control:

(i) any and all options and stock appreciation rights granted hereunder shall become immediately exercisable, and shall remain exercisable throughout their entire term, subject to any limitations on such term provided in the Award Agreement or pursuant to Section 8(c) hereof;

(ii) any restrictions imposed on restricted shares shall lapse and all restricted share units shall become fully vested;

(iii) unless otherwise specified in a Participant's Award Agreement at time of grant, the maximum payout opportunities attainable under all outstanding Awards of performance units, performance shares and Other Incentive Awards shall be deemed to have been fully earned at the maximum level for the entire performance period(s) as of the effective date of the Change of Control, and the vesting of all such Awards shall be accelerated as of the effective date of the Change of Control; and

(iv) the Board (as constituted prior to such Change of Control) may, in its discretion:

(A) require that shares of stock of the corporation resulting from such Change of Control, or a parent corporation thereof, be substituted for some or all of the shares of Common Stock subject to an outstanding Award, with an appropriate and equitable adjustment to such Award as shall be determined by the Board or the Committee in accordance with Section 10; and/or

(B) require outstanding Awards, in whole or in part, to be surrendered to the Corporation by the holder, and to be immediately cancelled by the Corporation, and to provide for the holder to receive (1) a cash payment in an amount equal to (a) in the case of a stock option, incentive stock option or stock appreciation right, the number of shares of Common Stock then subject to the portion of such Award surrendered multiplied by the excess, if any, of the highest per share price offered to holders of Common Stock in any transaction whereby the Change of Control takes place, over the purchase price or base price per share of Common Stock subject to such Award and (b) in the case of restricted shares, restricted share units, performance shares, performance share units or Other Incentive Awards, the number of shares of Common Stock or units then subject to the portion of such Award surrendered multiplied by the highest per share price

offered to holders of Common Stock in any transaction whereby the Change of Control takes place; (2) shares of capital stock of the corporation resulting from such Change of Control, or a parent corporation thereof, having a fair market value not less than the amount determined under clause (1) above; or (3) a combination of the payment of cash pursuant to clause (1) above and the issuance of shares pursuant to clause (2) above.

(b) A Change of Control of the Corporation shall be deemed to have occurred upon the happening of any of the following events:

(i) The acquisition, other than from the Corporation, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then outstanding shares of Common Stock of the Corporation or the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by the Corporation or any of its Subsidiaries, or any employee benefit plan (or related trust) of the Corporation or its Subsidiaries, or any corporation with respect to which, following such acquisition, more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of all or substantially all directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the Common Stock and voting securities of the Corporation immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock of the Corporation or the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors, as the case may be; or

(ii) Individuals who, as of the date hereof, constitute the Board (as of the date hereof the Incumbent Board) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Corporation (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) The consummation of a reorganization, merger or consolidation of the Corporation, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the

Common Stock and voting securities of the Corporation immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of Common Stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or a complete liquidation or dissolution of the Corporation or of the sale or other disposition of all or substantially all of the assets of the Corporation.

13. Governing Law. To the extent that federal laws do not otherwise control, the Plan and all Award Agreements hereunder shall be construed in accordance with and governed by the law of the State of Illinois, provided, however, that in the event the Corporation's state of incorporation shall be changed, then the law of the new state of incorporation shall govern.

14. Savings Clause. This Plan is intended to comply in all aspects with applicable law and regulation, including, with respect to those Employees who are officers or directors for purposes of Section 16 of the Exchange Act, Rule 16b-3 of the Securities and Exchange Commission. In case any one or more of the provisions of this Plan shall be held invalid, illegal or unenforceable in any respect under applicable law and regulation (including Rule 16b-3), the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provision shall be deemed null and void; however, to the extent permissible by law, any provision which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Plan to be construed in compliance with all applicable laws (including Rule 16b-3) so as to foster the intent of this Plan.

15. Effective Date and Term. The Plan shall be effective as of the Effective Date, provided it is approved by the shareholders of the Corporation at its 2007 special meeting. The Plan shall remain in effect until terminated by the Board, provided, however, that no incentive stock option shall be granted under this Plan on or after the ten year anniversary of the Effective Date.

The Directors and Officers of
cordially invite you to attend our
Special Meeting of Shareholders
Tuesday, January 9, 2007, 10:00 a.m.
Deerpath Inn
255 East Illinois Road,
Lake Forest, Illinois 60045

You can vote in one of three ways: 1) By Mail, 2) By Internet, 3) By Phone.

See the reverse side of this sheet for instructions.

IF YOU ARE NOT VOTING BY TELEPHONE OR BY INTERNET, COMPLETE BOTH SIDES OF PROXY
CARD,

DETACH AND RETURN IN THE ENCLOSED ENVELOPE TO:

Illinois Stock Transfer Co.
209 West Jackson Boulevard, Suite 903
Chicago, Illinois 60606

IMPORTANT

DETACH PROXY CARD HERE	Please complete both sides of the PROXY CARD, sign, date, detach and return in the enclosed envelope.	DETACH ATTENDANCE CARD HERE AND MAIL WITH PROXY CARD
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**This proxy is solicited on behalf of the Board of
Directors. If not otherwise specified on the reverse
side, this proxy will be voted FOR Proposal 1.
The undersigned revokes all proxies heretofore given
to vote at such meeting and all adjournments or
postponements.**

**Wintrust Financial
Corporation**

COMMON

If you personally plan to attend
the Special Meeting of
Shareholders, please check the
box below and list names of
attendees on reverse side.

Dated

Return this stub in the enclosed
envelope with your completed
proxy card.

(Please sign here)

Please sign your name exactly as it appears above. If executed by a corporation, a duly authorized officer should sign. Executors, administrators, attorneys, guardians and trustees should so indicate when signing. If shares are held jointly, all holders must sign.

I/We do plan to attend the Special Meeting. o

**TO
VOTE
BY
MAIL**

To vote by mail, complete both sides, sign and date the proxy card below. Detach the card below and return it in the envelope provided.

**TO VOTE
BY
INTERNET**

Your Internet vote is quick, confidential and your vote is immediately submitted. Just follow these easy steps:

1. Read the accompanying Proxy Statement.
2. Visit our Internet voting site at <http://www.illinoisstocktransfer.com>, click on the heading Internet Voting and follow the instructions on the screen.
3. When prompted for your Voter Control Number, enter the number printed just above your name on the front of the proxy card.

Please note that all votes cast by Internet must be **completed** and **submitted** prior to Sunday, January 7, 2007 at 11:59 p.m. Central Time.

Your Internet vote authorizes the named proxies to vote your shares to the same extent as if you marked, signed, dated and returned the proxy card.

This is a secured web page site. Your software and/or Internet provider must be enabled to access this site. Please call your software or Internet provider for further information if needed.

If You Vote By INTERNET, Please Do Not Return Your Proxy Card By Mail

**TO VOTE BY
TELEPHONE**

Your telephone vote is quick, confidential and immediate. Just follow these easy steps:

1. Read the accompanying Proxy Statement.
2. Using a Touch-Tone telephone, call Toll Free 1-800-555-8140 and follow the instructions.
3. When asked for your Voter Control Number, enter the number printed just above your name on the front of the proxy card below.

Please note that all votes cast by telephone must be **completed** and **submitted** prior to Sunday, January 7, 2007 at 11:59 p.m. Central Time.

Your telephone vote authorizes the named proxies to vote your shares to the same extent as if you marked, signed, dated and returned the proxy card.

If You Vote By TELEPHONE, Please Do Not Return Your Proxy Card By Mail

COMMON

PLEASE LIST
NAMES OF PERSONS ATTENDING

Wintrust Financial Corporation

REVOCABLE PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints John S. Lillard and Edward J. Wehmer and either of them as Proxies, each with the power to appoint his substitute, and hereby authorizes each of them to represent and to vote, as designated below, all the shares of Common Stock of Wintrust Financial Corporation which the undersigned is entitled to vote at the Special Meeting of Shareholders to be held on January 9, 2007 or any adjournment thereof. If any other business is presented at the Special Meeting, including whether or not to adjourn the meeting, this proxy will be voted, to the extent legally permissible, by those named in this proxy in their best judgment.

Proposal 1 To adopt the 2007 Stock Incentive Plan and the issuance of up to 500,000 shares of common stock thereunder.

For **Against** **Abstain**

(to be signed on the other side)

=>

Capital surplus
597.3

566.5

Retained earnings

877.2

977.3

Accumulated other comprehensive loss

(165.0

)

(143.9

)

Total stockholders' equity

1,314.4

1,404.9

Total liabilities and stockholders' equity

\$

9,394.9

\$

9,449.2

See Notes to Condensed Consolidated Financial Statements.

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THE WESTERN UNION COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in millions)

	Six Months Ended		
	June 30,		
	2016		2015
Cash flows from operating activities			
Net income	\$ 391.3		\$ 393.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	36.3		32.6
Amortization	95.2		94.2
Other non-cash items, net	42.3		24.9
Increase/(decrease) in cash resulting from changes in:			
Other assets	9.2		(57.6)
Accounts payable and accrued liabilities	(99.5)		(23.1)
Income taxes payable	5.3		10.9
Other liabilities	5.5		(9.4)
Net cash provided by operating activities	485.6		465.7
Cash flows from investing activities			
Capitalization of contract costs	(60.0)		(74.7)
Capitalization of purchased and developed software	(21.3)		(20.8)
Purchases of property and equipment	(27.4)		(26.9)
Purchases of non-settlement related investments	(34.9)		(100.0)
Proceeds from maturity of non-settlement related investments	11.0		—
Purchases of held-to-maturity non-settlement related investments	(26.5)		—

Proceeds from held-to-maturity non-settlement related investments	2.0		—	
Net cash used in investing activities	(157.1)	(222.4)
Cash flows from financing activities				
Cash dividends paid	(157.4)	(160.0)
Common stock repurchased (Note 7)	(334.0)	(313.8)
Proceeds from exercise of options and other	9.6		77.8	
Net cash used in financing activities	(481.8)	(396.0)
Net change in cash and cash equivalents	(153.3)	(152.7)
Cash and cash equivalents at beginning of period	1,315.9		1,783.2	
Cash and cash equivalents at end of period	\$	1,162.6	\$	1,630.5
Supplemental cash flow information:				
Interest paid	\$	78.4	\$	81.7
Income taxes paid	\$	50.6	\$	42.5

See Notes to Condensed Consolidated Financial Statements.

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THE WESTERN UNION COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Business and Basis of Presentation

Business

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

The Western Union business consists of the following segments:

Consumer-to-Consumer - The Consumer-to-Consumer operating segment facilitates money transfers between two consumers, primarily through a network of third-party agents. The Company's multi-currency, real-time money transfer service is viewed by the Company as one interconnected global network where a money transfer can be sent from one location to another, around the world. This service is available for international cross-border transfers - that is, the transfer of funds from one country to another - and, in certain countries, intra-country transfers - that is, money transfers from one location to another in the same country. This segment also includes money transfer transactions that can be initiated through websites and mobile devices.

Consumer-to-Business - The Consumer-to-Business operating segment facilitates bill payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, 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 spot rates, which enable customers to make cross-currency payments. In addition, in certain countries, the Company writes foreign currency forward and option contracts for customers to facilitate future payments.

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

There are legal or regulatory limitations on transferring certain assets of the Company outside of the countries where these assets are located. However, there are generally no limitations on the use of these assets within those countries. Additionally, the Company must meet minimum capital requirements in some countries in order to maintain operating licenses. As of December 31, 2015, the amount of net assets subject to these limitations totaled approximately \$300 million, and there have been no material changes to these limitations subsequent to that date.

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.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited and were prepared in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X. In compliance with those instructions, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") have been condensed or omitted.

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THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The unaudited condensed consolidated financial statements in this quarterly report are presented on a consolidated basis and include the accounts of the Company and its majority-owned subsidiaries. Results of operations and cash flows for the interim periods are not necessarily indicative of the results that may be expected for the entire year. All significant intercompany transactions and accounts were eliminated as of June 30, 2016 and December 31, 2015 and for all periods presented.

In the opinion of management, these condensed consolidated financial statements include all the normal recurring adjustments necessary to fairly present the Company's condensed consolidated results of operations, financial position and cash flows as of June 30, 2016 and for all periods presented. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements within the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Consistent with industry practice, the accompanying Condensed 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.

Use of Estimates

The preparation of financial statements in conformity with 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.

New Accounting Pronouncements

On January 1, 2016, the Company adopted an accounting pronouncement that requires capitalized debt issuance costs to be presented as a reduction to the carrying value of debt, with adoption retrospective for periods previously presented. The adoption of this standard resulted in a reduction of \$9.7 million to the "Other assets" and "Borrowings" lines within the Condensed Consolidated Balance Sheet as of December 31, 2015.

In May 2014, the Financial Accounting Standards Board issued a new accounting pronouncement regarding revenue from contracts with customers. This new standard provides guidance on recognizing revenue, including a five step model to determine when revenue recognition is appropriate. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is required to adopt the new standard on January 1, 2018. Management is currently evaluating the potential impact that the adoption of this standard will have on the Company's financial position, results of operations, and related disclosures.

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

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

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THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

In March 2016, the Financial Accounting Standards Board issued a new accounting pronouncement regarding share-based payments to employees. This new standard requires that all excess tax benefits and tax deficiencies be recognized as income tax expense (benefit) in the income statement and that excess tax benefits be included as an operating activity for the cash flow statement. While this new standard also allows entities to either estimate share-based awards that are expected to vest or account for forfeitures as they occur, the Company intends to continue its current practice of estimating forfeitures when calculating compensation expense. Furthermore, the new standard also changes the tax withholding threshold for awards to qualify for accounting in equity. However, as all of the Company's awards have qualified for equity accounting, such change is not expected to impact the Company's current practices related to the accounting for share-based payments. The Company is required to adopt the new standard on January 1, 2017. Management believes that the adoption of this standard will not have a material impact on the Company's financial position, results of operations, and related disclosures.

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

2. Earnings Per Share

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

For the three months ended June 30, 2016 and 2015, there were 3.3 million and 1.5 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation, as their effect was anti-dilutive. For the six months ended June 30, 2016 and 2015, there were 4.6 million and 5.2 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation, as their effect was anti-dilutive.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Basic weighted-average shares outstanding	490.3	515.2	495.1	518.1
Common stock equivalents	2.7	4.6	3.0	4.4
Diluted weighted-average shares outstanding	493.0	519.8	498.1	522.5

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THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

3. 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 the Company's consolidated financial statements within the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

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	
June 30, 2016			
Assets:			
Settlement assets:			
State and municipal debt securities	\$ —	\$ 1,015.0	\$ —\$ 1,015.0
State and municipal variable rate demand notes	—	237.5	— 237.5
Corporate and other debt securities	—	45.6	— 45.6
Other assets:			
Derivatives	—	428.9	— 428.9
Total assets	\$ —	\$ 1,727.0	\$ —\$ 1,727.0
Liabilities:			
Derivatives	\$ —	\$ 339.2	\$ —\$ 339.2
Total liabilities	\$ —	\$ 339.2	\$ —\$ 339.2
	Fair Value Measurement Using		Assets/ Liabilities at Fair Value
	Level 1	Level 2	
December 31, 2015			
Assets:			
Settlement assets:			
State and municipal debt securities	\$ —	\$ 1,052.5	\$ —\$ 1,052.5
State and municipal variable rate demand notes	—	42.9	— 42.9
Corporate and other debt securities	—	67.2	— 67.2
Other assets:			
Derivatives	—	396.3	— 396.3
Total assets	\$ —	\$ 1,558.9	\$ —\$ 1,558.9
Liabilities:			
Derivatives	\$ —	\$ 283.7	\$ —\$ 283.7
Total liabilities	\$ —	\$ 283.7	\$ —\$ 283.7

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THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

No non-recurring fair value adjustments were recorded during the three and six months ended June 30, 2016 and 2015.

Other Fair Value Measurements

The carrying amounts for many of the Company's financial instruments, including cash and cash equivalents, settlement cash and cash equivalents, and settlement receivables and settlement obligations approximate fair value due to their short maturities. The Company's borrowings are classified as Level 2 of the valuation hierarchy, and the aggregate fair value of these borrowings was based on quotes from multiple banks and excluded the impact of related interest rate swaps. Fixed rate notes are carried in the Company's Condensed Consolidated Balance Sheets at their original issuance values as adjusted over time to accrete that value to par, except for portions of notes hedged by these interest rate swaps, as disclosed in Note 8. As of June 30, 2016, the carrying value and fair value of the Company's borrowings was \$3,228.5 million and \$3,340.3 million, respectively (see Note 9). As of December 31, 2015, the carrying value and fair value of the Company's borrowings was \$3,215.9 million and \$3,279.6 million, respectively.

The Company's investments in foreign corporate debt securities are classified as held-to-maturity securities within Level 2 of the valuation hierarchy and are recorded at amortized cost in "Other Assets" in the Company's Condensed Consolidated Balance Sheets. As of June 30, 2016, the carrying value and fair value of the Company's foreign corporate debt securities was \$35.4 million and \$35.5 million, respectively. As of December 31, 2015, the carrying value and fair value of the Company's foreign corporate debt securities was \$9.3 million.

4. Commitments and Contingencies

Letters of Credit and Bank Guarantees

The Company had approximately \$80 million in outstanding letters of credit and bank guarantees as of June 30, 2016. The letters of credit and bank guarantees are primarily held in connection with lease arrangements and certain agent agreements. The letters of credit and bank guarantees have expiration dates through 2021, with many having a one-year renewal option. The Company expects to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

Litigation and Related Contingencies

The Company is subject to certain claims and litigation that could result in losses, including damages, fines and/or civil penalties, which could be significant, and in some cases, criminal charges. The Company regularly evaluates the status of legal matters to assess whether a loss is probable and reasonably estimable in determining whether an accrual is appropriate. Furthermore, in determining whether disclosure is appropriate, the Company evaluates each legal matter to assess if there is at least a reasonable possibility that a loss or additional loss may have been incurred and whether an estimate of possible loss or range of loss can be made. Unless otherwise specified below, the Company believes that there is at least a reasonable possibility that a loss or additional loss may have been incurred for each of the matters described below. For certain of these matters, management is unable to provide a meaningful estimate of the possible loss or range of loss because, among other reasons: (a) the proceedings are in preliminary stages; (b) specific damages have not been sought; (c) damage claims are unsupported and/or unreasonable; (d) there is uncertainty as to the outcome of pending appeals or motions; (e) there are significant factual issues to be resolved; or (f) novel legal issues or unsettled legal theories are being asserted.

State of Arizona Settlement Agreement

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

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THE WESTERN UNION COMPANY

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

The Amendment provides that if WUFSI is unable to implement an effective AML compliance program along the U.S. and Mexico border, as determined by the Monitor and subject to limited judicial review, within the timeframes for implementing the Monitor's primary recommendations, the State may, within 180 days after the Monitor delivers a final report on the primary recommendations finding such noncompliance, 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 Southwest Border Agreement and pursue remedies under the Southwest Border 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 (collectively, the "Primary Period Remedies"). There are currently more than 70 primary recommendations and groups of primary recommendations.

The Amendment also provides that if the Monitor concludes that WUFSI has implemented an effective AML compliance program along the U.S. and Mexico border within the timeframes for implementing the Monitor's primary recommendations, the State cannot pursue either of the Primary Period 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.

The Company submitted its implementation of all of the primary recommendations to the Monitor for review prior to October 31, 2015. On June 29, 2016, the Monitor provided notice to the Company and the State that the Monitor had determined that (i) the Company had successfully implemented all of the primary recommendations, and (ii) the Company has implemented an effective AML compliance program along the U.S. and Mexico border. On July 27, 2016, the Monitor delivered its final report for the primary recommendations period and the Superior Court of Arizona in and for Maricopa County accepted the report. Accordingly, the State cannot pursue any of the Primary Period Remedies listed above.

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

Additionally, under the Amendment, if the Monitor determined that WUFSI has implemented an effective AML compliance program along the U.S. and Mexico border but had 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 have required WUFSI to pay \$500,000 per such secondary recommendation or group of recommendations. As noted above, however, all primary recommendations have been successfully implemented by the Company. As a result, there are no 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 Amendment requires WUFSI to continue funding the Monitor's reasonable expenses in \$500,000 increments as requested by the Monitor. The Amendment also requires WUFSI to make a one-time payment of \$250,000, which was paid in March 2014, and thereafter \$150,000 per month for five years to fund the activities and expenses of a money transfer transaction data analysis center formed by WUFSI and a Financial Crimes Task Force comprised of federal, state and local law enforcement representatives, including those from the State. In addition, California, Texas, and New Mexico are participating in the money transfer transaction data analysis center.

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The changes in WUFISI's AML compliance program required by the Southwest Border Agreement, including the Amendment, and the Monitor's recommendations have had, and will continue to have, adverse effects on the Company's business, including additional costs. The Company is unable at this stage to predict whether the Monitor will conclude at the end of the timeframe for implementing the secondary recommendations that the Company has successfully implemented the secondary recommendations and has an effective AML compliance program, and, accordingly, whether the State will pursue the Secondary Period Remedy.

United States Department of Justice Investigations

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-CDCA") seeking documents relating to Shen Zhou International ("US Shen Zhou"), a former Western Union agent located in Monterey Park, California. The principal of US Shen Zhou was indicted in 2010 and in December 2013, pled guilty to one count of structuring international money transfers in violation of United States federal law in U.S. v. Zhi He Wang (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-CDCA seeking additional documents relating to US Shen Zhou, materials relating to certain other former and current agents and other materials relating to the Company's AML 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 has provided and continues to provide information and documents to the government. Due to the investigative stage of the matter and the fact that no criminal charges or civil claims have been brought, the Company is unable to predict the outcome of the government's investigation, or reasonably estimate the possible loss or range of loss, if any, which could be associated with the resolution of any possible charges or 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, results of operations, and cash flows.

In March 2012, the Company was served with a federal grand jury subpoena issued by the United States Attorney's Office for the Eastern District of Pennsylvania ("USAO-EDPA") seeking documents relating to Hong Fai General Contractor Corp. (formerly known as Yong General Construction) ("Hong Fai"), a former Western Union agent located in Philadelphia, Pennsylvania. Since March 2012, the Company has received additional subpoenas from the USAO-EDPA seeking additional documents relating to Hong Fai. The government's investigation is ongoing and the Company may receive additional requests for information as part of the investigation. The Company has provided and continues to provide information and documents to the government. The government has interviewed several current and former Western Union employees. In March 2016, the government filed a criminal complaint against the principal of Hong Fai General Contractor Corp. and in June 2016, he pled guilty to one count of mail fraud, two counts of transporting illegal aliens and one count of tax evasion in violation of United States federal law in U.S. v. Yong Quan Zheng (2:16-cr-00212-AB E. D. Pa.). Due to the investigative stage of the matter and the fact that no criminal charges or civil claims have been brought, the Company is unable to predict the outcome of the government's investigation, or reasonably estimate the possible loss or range of loss, if any, which could be associated with the resolution of any possible charges or 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

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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 has interviewed several current and former employees and has served grand jury subpoenas seeking testimony from several current and former employees. The government has indicated that it believes Western Union failed to timely terminate or suspend certain Western Union agents who allegedly paid or forwarded thousands of fraud-induced transactions sent from the United States to various countries from at least 2008 to 2012. The government's investigation is ongoing and the Company may receive additional requests for information as part of the investigation. The Company has provided and continues to provide information and documents to the government. Due to the investigative stage of the matter and the fact that no criminal charges or civil claims have been brought, the Company is unable to predict the outcome of the government's investigation, or reasonably estimate the possible loss or range of loss, if any, which could be associated with the resolution of any possible charges or 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, results of operations, and cash flows.

On March 6, 2014, the Company was served with a federal grand jury subpoena issued by the United States Attorney's Office for the Southern District of Florida ("USAO-SDFL") seeking a variety of AML compliance materials, including documents relating to the Company's AML, Bank Secrecy Act ("BSA"), Suspicious Activity Report ("SAR") and Currency Transaction Report procedures, transaction monitoring protocols, BSA and AML training programs and publications, AML compliance investigation reports, compliance-related agent termination files, SARs, BSA audits, BSA and AML-related management reports and AML compliance staffing levels. The subpoena also calls for Board meeting minutes and organization charts. The period covered by the subpoena is January 1, 2007 to November 27, 2013. The Company has received additional subpoenas from the USAO-SDFL and the Broward County, Florida Sheriff's Office relating to the investigation, including a federal grand jury subpoena issued by the USAO-SDFL on March 14, 2014, seeking information about 33 agent locations in Costa Rica such as ownership and operating agreements, SARs and AML compliance and BSA filings for the period January 1, 2008 to November 27, 2013. Subsequently, the USAO-SDFL served the Company with seizure warrants requiring the Company to seize all money transfers sent from the United States to two agent locations located in Costa Rica for a 10-day period beginning in late March 2014. On July 8, 2014, the government served a grand jury subpoena calling for records relating to transactions sent from the United States to Nicaragua and Panama between September 1, 2013 and October 31, 2013. Further, the government recently served Western Union with a subpoena calling for data relating to transactions sent and received by 43 Nicaraguan agents from October 1, 2008 to October 31, 2013 and transactions sent from the United States to the Bahamas, Peru, Dominican Republic, and Haiti from September 1, 2013 to January 2, 2014 and certain documents relating to those agents. The government also advised the Company that it is investigating concerns the Company was aware there were gaming transactions being sent to Panama, Nicaragua, Haiti, Philippines, Vietnam, the Dominican Republic, Peru, Antigua, and the Bahamas (in addition to Costa Rica) and that the Company failed to take proper steps to stop the activity. The government has also notified the Company that it is a target of the investigation. The government has interviewed several current and former Western Union employees. The government's investigation is ongoing and the Company may receive additional requests for information or seizure warrants as part of the investigation. The Company has provided and continues to provide information and documents to the government. Due to the investigative stage of the matter and the fact that no criminal charges or civil

claims have been brought, the Company is unable to predict the outcome of the government's investigation, or reasonably estimate the possible loss or range of loss, if any, which could be associated with the resolution of any possible charges or 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, results of operations, and cash flows.

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Other Matters

The Company and one of its subsidiaries are defendants in two purported class action lawsuits: James P. Tennille v. The Western Union Company and Robert P. Smet v. The Western Union Company, both of which are pending in the United States District Court for the District of Colorado. The original complaints asserted claims for violation of various consumer protection laws, unjust enrichment, conversion and declaratory relief, based on allegations that the Company waits too long to inform consumers if their money transfers are not redeemed by the recipients and that the Company uses the unredeemed funds to generate income until the funds are escheated to state governments. The Tennille complaint was served on the Company on April 27, 2009. The Smet complaint was served on the Company on April 6, 2010. On September 21, 2009, the Court granted the Company's motion to dismiss the Tennille complaint and gave the plaintiff leave to file an amended complaint. On October 21, 2009, Tennille filed an amended complaint. The Company moved to dismiss the Tennille amended complaint and the Smet complaint. On November 8, 2010, the Court denied the motion to dismiss as to the plaintiffs' unjust enrichment and conversion claims. On February 4, 2011, the Court dismissed the plaintiffs' consumer protection claims. On March 11, 2011, the plaintiffs filed an amended complaint that adds a claim for breach of fiduciary duty, various elements to its declaratory relief claim and WUFISI as a defendant. On April 25, 2011, the Company and WUFISI filed a motion to dismiss the breach of fiduciary duty and declaratory relief claims. WUFISI 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 Condensed Consolidated Balance Sheets. These fees and other expenses are currently estimated to be approximately \$50 million. During the final approval hearing, the Court overruled objections to the settlement that had been filed by several class members. In July 2013, two of those class members filed notices of appeal. On May 1, 2015, the United States Court of Appeals for the Tenth Circuit affirmed the District Court's decision to overrule the objections filed by the two class members who appealed. On January 11, 2016, the United States Supreme Court denied petitions for certiorari that were filed by the two class members who appealed. On February 1, 2016, pursuant to the settlement agreement and the Court's June 25, 2013 final approval order, Western Union deposited the class members' unclaimed money transfer funds into a class settlement fund, from which class member claims, administrative fees and class counsel's fees, as well as other expenses will be paid. On November 6, 2013, the Attorney General of California notified Western Union of the California Controller's position that Western Union's deposit of the unclaimed money transfer funds into the class settlement fund pursuant to the settlement "will not satisfy Western Union's obligations to report and remit funds" under California's unclaimed property law, and that "Western Union will remain liable to the State of California" for the funds that would have escheated to California in the absence of the settlement. The State of Pennsylvania and District of Columbia have previously expressed similar views. Other states have also recently expressed concerns about the settlement and many have not yet expressed an opinion. Since some states and jurisdictions believe that the Company must escheat its full share of the settlement fund and that the deductions for class counsel's fees, administrative costs, and other expenses that are required under the settlement agreement are not permitted, there is a reasonable possibility a loss could result up to approximately the amount of those fees and other expenses. However, given the number of jurisdictions involved and the fact that no actions have been brought, the Company is unable to provide a more precise estimate of the range of possible loss.

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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 from the FTC requesting that the Company produce (i) all documents relating to communications with the Monitor appointed pursuant to the Southwest Border 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 civil investigative demand 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 civil investigative demand. On October 7, 2014, the United States Court of Appeals for the Second Circuit entered a summary order reversing in part and vacating and remanding in part the June 6, 2013 order entered by the United States District Court for the Southern District of New York. On October 22, 2014, the Company received another civil investigative demand issued by the FTC requesting documents and information since January 1, 2004 relating to the Company's consumer fraud program, its policies and procedures governing agent termination, suspension, probation and reactivation, its efforts to comply with its 2005 agreement with 47 states and the District of Columbia regarding consumer fraud prevention, and complaints made to the Company by or on behalf of consumers concerning fraud-induced money transfers that were sent to or from the United States, excluding complaint-related documents that were produced to the FTC in response to the earlier civil investigative demands. The civil investigative demand also seeks various documents concerning approximately 720 agents, including documents relating to the transactions they sent and paid and the Company's investigations of and communications with them. On July 31, 2015, the Company received another civil investigative demand requesting documents and information relating to the total number of agent and subagent locations in 13 countries annually since 2010, the average and median dollar values for money transfers sent anywhere in the world annually since 2010, copies of the Company's anti-fraud programs, know your agent policy, know your customer policy, representative agent contracts, transaction data, background investigation documents and fraud complaints associated with four agents in Greece, Peru and Mexico and consumer fraud reports not already produced to the FTC. The Company has responded to each of the civil investigative demands it has received from the FTC and may receive additional civil investigative demands. The FTC recently advised the Company of its view that the Company violated Section 5 of the Federal Trade Commission Act and the Telemarketing Sales Rule by failing to take timely, appropriate, and effective measures to mitigate fraud in the processing of money transfers sent by consumers. The Company is in discussions with the FTC and is seeking to reach an appropriate resolution of this matter. The Company has accrued \$15 million toward a proposed resolution based upon facts and circumstances known to the Company at this time. Due to the stage of the discussions, the Company is unable to predict the possible range of additional loss exceeding the amount already accrued for this matter. There can be no assurance that the Company will reach an agreement with the FTC. The FTC staff has advised the Company that it has been directed to request authority from the FTC to file a complaint against the Company in United States federal court if it is not able to reach an agreement with the Company. Should the Company enter into a settlement agreement with the FTC, or if the FTC files a complaint against the Company, the Company could be required to make significant restitution and/or disgorgement payments and changes to its programs, any of which separately or combined could have a material adverse effect on the Company's business, financial condition and results of operations. If the FTC files a complaint against the Company, the Company intends to defend itself vigorously.

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

On February 10, 2015, Caryn Pincus filed a purported class action lawsuit in the United States District Court for the Southern District of Florida against Speedpay, Inc. ("Speedpay"), a subsidiary of the Company, asserting claims based on allegations that Speedpay imposed an unlawful surcharge on credit card transactions and that Speedpay engages in money transmission without a license. The complaint requests certification of a class and two subclasses generally comprised of consumers in Florida who made a payment through Speedpay's bill payment services using a credit card and were charged a surcharge for such payment during the four-year and five-year periods prior to the filing of the complaint through the date of class certification. On April 6, 2015, Speedpay filed a motion to dismiss the complaint. On April 23, 2015, in response to the motion to dismiss, Pincus filed an amended complaint that adds claims (1) under the Florida Civil Remedies for Criminal Practices Act, which authorizes civil remedies for certain criminal conduct; and (2) for violation of the federal Racketeer Influenced and Corrupt Organizations Act ("RICO"). On May 15, 2015, Speedpay filed a motion to dismiss the amended complaint. On October 6, 2015, the Court entered an order denying Speedpay's motion to dismiss. On October 20, 2015, Speedpay filed an answer to the amended complaint. On December 1, 2015, Pincus filed a second amended complaint that revised her factual allegations, but added no new claims. On December 18, 2015, Speedpay filed an answer to the second amended complaint. On May 20, 2016, Speedpay filed a motion for judgment on the pleadings as to Pincus' Florida Civil Remedies for Criminal Practices Act and federal RICO claims. On June 7, 2016, Pincus filed an opposition to Speedpay's motion for judgment on the pleadings. On June 17, 2016, Speedpay filed a reply brief in support of the motion. As this action is in a preliminary stage, the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with this action. Speedpay intends to vigorously defend itself in this matter.

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

On January 26, 2006, the First Data Corporation ("First Data") Board of Directors announced its intention to pursue the distribution of all of its money transfer and consumer payments business and its interest in a Western Union money transfer agent, as well as its related assets, including real estate, through a tax-free distribution to First Data shareholders (the "Spin-off"). The Spin-off resulted in the formation of the Company and these assets and businesses

no longer being part of First Data. Pursuant to the separation and distribution agreement with First Data in connection with the Spin-off, First Data and the Company are each liable for, and agreed to perform, all liabilities with respect to their respective businesses. In addition, the separation and distribution agreement also provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of the Company's business with the Company and financial responsibility for the obligations and liabilities of First Data's retained businesses with First Data. The Company also entered into a tax allocation agreement ("Tax Allocation Agreement") that sets forth the rights and obligations of First Data and the Company with respect to taxes imposed on their respective businesses both prior to and after the Spin-off as well as potential tax obligations for which the Company may be liable in conjunction with the Spin-off (see Note 10).

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5. Related Party Transactions

The Company has ownership interests in certain of its agents accounted for under the equity method of accounting. The Company pays these agents commissions for money transfer and other services provided on the Company's behalf. Commission expense recognized for these agents for the three months ended June 30, 2016 and 2015 totaled \$17.1 million and \$17.2 million, respectively, and \$32.7 million and \$32.9 million for the six months ended June 30, 2016 and 2015, respectively.

6. Settlement Assets and Obligations and Non-Settlement Related Investments

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 and obligations consisted of the following (in millions):

	2016	2015
Settlement assets:		
Cash and cash equivalents	\$895.5	\$1,075.7
Receivables from selling agents and Business Solutions customers	1,163.5	1,070.4
Investment securities	1,298.1	1,162.6
	\$3,357.1	\$3,308.7
Settlement obligations:		
Money transfer, money order and payment service payables	\$2,453.7	\$2,428.5
Payables to agents	903.4	880.2
	\$3,357.1	\$3,308.7

Investment securities included in "Settlement assets" in the Company's Condensed Consolidated Balance Sheets consist primarily of highly-rated state and municipal debt securities, including fixed rate term notes and variable rate demand notes. Variable rate demand note securities can be put (sold at par) typically on a daily basis with settlement periods ranging from the same day to one week, but have varying maturities through 2049. These securities may be used by the Company for short-term liquidity needs and held for short periods of time. The Company is required to hold highly-rated, investment grade securities and such investments are restricted to satisfy outstanding settlement obligations in accordance with applicable state and foreign country requirements.

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

Unrealized gains and losses on available-for-sale securities are excluded from earnings and presented as a component of accumulated other comprehensive loss, net of related deferred taxes. 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. Proceeds from the sale and maturity of available-for-sale securities during the six months ended June 30, 2016 and 2015 were \$1.2 billion and \$7.8 billion,

respectively. The decline in proceeds from the sale and maturity of available-for-sale securities for the six months ended June 30, 2016 compared to the prior period was primarily due to reduced sales of variable rate demand note securities.

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

June 30, 2016	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains
Settlement assets:					
Available-for-sale securities:					
State and municipal debt securities (a)	\$ 993.2	\$1,015.0	\$ 22.4	\$ (0.6)	\$ 21.8
State and municipal variable rate demand notes	237.5	237.5	—	—	—
Corporate and other debt securities	44.9	45.6	0.7	—	0.7
	1,275.6	1,298.1	23.1	(0.6)	22.5
Other assets:					
Held-to-maturity securities:					
Foreign corporate debt securities	35.4	35.5	0.1	—	0.1
	\$ 1,311.0	\$ 1,333.6	\$ 23.2	\$ (0.6)	\$ 22.6
December 31, 2015	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains/ (Losses)
Settlement assets:					
Available-for-sale securities:					
State and municipal debt securities (a)	\$ 1,040.3	\$1,052.5	\$ 14.2	\$ (2.0)	\$ 12.2
State and municipal variable rate demand notes	42.9	42.9	—	—	—
Corporate and other debt securities	67.3	67.2	—	(0.1)	(0.1)
	1,150.5	1,162.6	14.2	(2.1)	12.1
Other assets:					
Held-to-maturity securities:					
Foreign corporate debt securities	9.3	9.3	—	—	—
	\$ 1,159.8	\$ 1,171.9	\$ 14.2	\$ (2.1)	\$ 12.1

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

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The following summarizes the contractual maturities of settlement-related debt securities as of June 30, 2016 (in millions):

	Fair Value
Due within 1 year	\$ 157.5
Due after 1 year through 5 years	578.1
Due after 5 years through 10 years	327.8
Due after 10 years	234.7
	\$ 1,298.1

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 \$2.9 million, \$20.0 million and \$214.6 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 significant majority of the held-to-maturity foreign corporate debt securities are due within 1 year.

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7. Stockholders' Equity

Accumulated other comprehensive loss

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Unrealized gains on investment securities, beginning of period	\$11.0	\$9.9	\$7.8	\$8.9
Unrealized gains/(losses)	6.2	(9.6)	12.2	(7.3)
Tax (expense)/benefit	(2.3)	3.6	(4.4)	2.7
Reclassification of gains into "Other revenues"	(0.7)	(1.2)	(1.8)	(1.8)
Tax expense related to reclassifications	0.3	0.4	0.7	0.6
Net unrealized gains/(losses) on investment securities	3.5	(6.8)	6.7	(5.8)
Unrealized gains on investment securities, end of period	\$14.5	\$3.1	\$14.5	\$3.1
Unrealized gains on hedging activities, beginning of period	\$3.6	\$89.2	\$41.4	\$48.6
Unrealized gains/(losses)	20.1	(19.8)	(6.2)	38.4
Tax (expense)/benefit	0.2	0.4	2.3	(2.7)
Reclassification of gains into "Transaction fees"	(7.5)	(14.2)	(18.2)	(25.5)
Reclassification of gains into "Foreign exchange revenues"	(3.4)	(5.9)	(7.8)	(10.3)
Reclassification of losses into "Interest expense"	0.9	0.9	1.8	1.8
Tax expense related to reclassifications	0.4	0.4	1.0	0.7
Net unrealized gains/(losses) on hedging activities	10.7	(38.2)	(27.1)	2.4
Unrealized gains on hedging activities, end of period	\$14.3	\$51.0	\$14.3	\$51.0
Foreign currency translation adjustments, beginning of period	\$(68.3)	\$(51.8)	\$(66.0)	\$(49.2)
Foreign currency translation adjustments	(0.6)	(1.7)	(3.9)	(4.3)
Tax expense	(1.2)	—	(0.2)	—
Net foreign currency translation adjustments	(1.8)	(1.7)	(4.1)	(4.3)
Foreign currency translation adjustments, end of period	\$(70.1)	\$(53.5)	\$(70.1)	\$(53.5)
Defined benefit pension plan adjustments, beginning of period	\$(125.4)	\$(125.4)	\$(127.1)	\$(127.2)
Reclassification of losses into "Cost of services"	2.6	2.8	5.3	5.7
Tax benefit related to reclassifications and other	(0.9)	(1.5)	(1.9)	(2.6)
Net defined benefit pension plan adjustments	1.7	1.3	3.4	3.1
Defined benefit pension plan adjustments, end of period	\$(123.7)	\$(124.1)	\$(123.7)	\$(124.1)
Accumulated other comprehensive loss, end of period	\$(165.0)	\$(123.5)	\$(165.0)	\$(123.5)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Cash Dividends Paid

The Company's Board of Directors declared quarterly cash dividends of \$0.16 per common share in both the first and second quarters of 2016, representing \$157.4 million in total dividends. Of this amount, \$78.1 million was paid on June 30, 2016 and \$79.3 million was paid on March 31, 2016. The Company's Board of Directors declared quarterly cash dividends of \$0.155 per common share in both the first and second quarters of 2015, representing \$160.0 million in total dividends. Of this amount, \$79.5 million was paid on June 30, 2015 and \$80.5 million was paid on March 31, 2015.

On July 14, 2016, the Company's Board of Directors declared a quarterly cash dividend of \$0.16 per common share payable on September 30, 2016.

Share Repurchases

During the six months ended June 30, 2016 and 2015, 16.9 million and 15.0 million shares were repurchased for \$317.5 million and \$306.3 million, respectively, excluding commissions, at an average cost of \$18.81 and \$20.47, respectively. These amounts represent shares authorized by the Board of Directors for repurchase under the publicly announced authorizations. As of June 30, 2016, \$394.3 million remained available under the share repurchase authorization approved by the Company's Board of Directors through December 31, 2017. The amounts included in the "Common stock repurchased" line in the Company's Condensed Consolidated Statements of Cash Flows represent both shares authorized by the Board of Directors for repurchase under the publicly announced authorization as well as shares withheld from employees to cover tax withholding obligations on restricted stock units that have vested.

8. Derivatives

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

The Company executes derivatives with established financial institutions, with the substantial majority of these financial institutions having credit ratings of "A-" or better from a major credit rating agency. The Company also writes Business Solutions derivatives mostly with small and medium size enterprises. The primary credit risk inherent in derivative agreements represents the possibility that a loss may occur from the nonperformance of a counterparty to the agreements. The Company performs a review of the credit risk of these counterparties at the inception of the contract and on an ongoing basis. The Company also monitors the concentration of its contracts with any individual counterparty. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements, but takes action when doubt arises about the counterparties' ability to perform. These actions may include requiring Business Solutions customers to post or increase collateral, and for all counterparties, the possible termination of the related contracts. The Company's hedged foreign currency exposures are in liquid currencies;

consequently, there is minimal risk that appropriate derivatives to maintain the hedging program would not be available in the future.

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Foreign Currency Derivatives

The Company's policy is to use longer-term foreign currency forward contracts, with maturities of up to 36 months at inception and a targeted weighted-average maturity of approximately one year, to help mitigate some of the risk that changes in foreign currency exchange rates compared to the United States dollar could have on forecasted revenues denominated in other currencies related to its business. As of June 30, 2016, the Company's longer-term foreign currency forward contracts had maturities of a maximum of 24 months with a weighted-average maturity of approximately one year. These contracts are accounted for as cash flow hedges of forecasted revenue, with effectiveness assessed based on changes in the spot rate of the affected currencies during the period of designation. Accordingly, all changes in the fair value of the hedges not considered effective or portions of the hedge that are excluded from the measure of effectiveness are recognized immediately in "Derivative gains, net" within the Company's Condensed Consolidated Statements of Income.

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

The aggregate equivalent United States dollar notional amounts of foreign currency forward contracts as of June 30, 2016 were as follows (in millions):

Contracts designated as hedges:	
Euro	\$373.6
British pound	139.9
Canadian dollar	99.9
Australian dollar	45.8
Swiss franc	42.1
Other	81.8
Contracts not designated as hedges:	
Euro	\$215.6
British pound	72.8
Canadian dollar	54.8
Australian dollar	47.7
Singapore dollar	35.6
Indian rupee	28.9
Other (a)	153.9

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

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Business Solutions Operations

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

The aggregate equivalent United States dollar notional amount of foreign currency derivative customer contracts held by the Company in its Business Solutions operations as of June 30, 2016 was approximately \$6.0 billion. The significant majority of customer contracts are written in major currencies such as the Australian dollar, British pound, Canadian dollar, and euro.

Interest Rate Hedging

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

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

The Company held interest rate swaps in an aggregate notional amount of \$975.0 million as of June 30, 2016 and December 31, 2015. Of this aggregate notional amount held at June 30, 2016, \$500.0 million related to notes due in 2017, \$300.0 million related to notes due in 2018, and \$175.0 million related to notes due in 2020.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Balance Sheet

The following table summarizes the fair value of derivatives reported in the Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015 (in millions):

	Derivative Assets			Derivative Liabilities		
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value	
		June 30, 2016	December 31, 2015		June 30, 2016	December 31, 2015
Derivatives — hedges:						
Interest rate fair value hedges	Other assets	\$ 19.6	\$ 7.6	Other liabilities	\$ 0.2	\$ —
Foreign currency cash flow hedges	Other assets	36.8	59.7	Other liabilities	8.5	2.4
Total		\$ 56.4	\$ 67.3		\$ 8.7	\$ 2.4
Derivatives — undesignated:						
Business Solutions operations — foreign currency (a)	Other assets	\$ 368.2	\$ 326.1	Other liabilities	\$ 325.8	\$ 277.1
Foreign currency	Other assets	4.3	2.9	Other liabilities	4.7	4.2
Total		\$ 372.5	\$ 329.0		\$ 330.5	\$ 281.3
Total derivatives		\$ 428.9	\$ 396.3		\$ 339.2	\$ 283.7

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

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The following tables summarize the gross and net fair value of derivative assets and liabilities as of June 30, 2016 and December 31, 2015 (in millions):

Offsetting of Derivative Assets

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Derivatives Not Offset in the Condensed Consolidated Balance Sheets	Net Amounts
June 30, 2016					
Derivatives subject to a master netting arrangement or similar agreement	\$ 260.2	\$	—\$ 260.2	\$ (158.2)	\$ 102.0
Derivatives that are not or may not be subject to master netting arrangement or similar agreement	168.7				
Total	\$ 428.9				

December 31, 2015

Derivatives subject to a master netting arrangement or similar agreement	\$ 224.3	\$	—\$ 224.3	\$ (119.2)	\$ 105.1
Derivatives that are not or may not be subject to master netting arrangement or similar agreement	172.0				
Total	\$ 396.3				

Offsetting of Derivative Liabilities

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Derivatives Not Offset in the Condensed Consolidated Balance Sheets	Net Amounts
June 30, 2016					
Derivatives subject to a master netting arrangement or similar agreement	\$ 186.2	\$	—\$ 186.2	\$ (158.2)	\$ 28.0
Derivatives that are not or may not be subject to master netting arrangement or similar agreement	153.0				
Total	\$ 339.2				

December 31, 2015

Derivatives subject to a master netting arrangement or similar agreement	\$ 169.6	\$	—\$ 169.6	\$ (119.2)	\$ 50.4
Derivatives that are not or may not be subject to master netting arrangement or similar agreement	114.1				
Total	\$ 283.7				

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Income Statement

The following tables summarize the location and amount of gains and losses of derivatives in the Condensed Consolidated Statements of Income segregated by designated, qualifying hedging instruments and those that are not, for the three and six months ended June 30, 2016 and 2015 (in millions):

Fair Value Hedges

The following table presents the location and amount of gains/(losses) from fair value hedges for the three months ended June 30, 2016 and 2015 (in millions):

Derivatives	Gain/(Loss) Recognized in Income on Derivatives			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 June 30, 2016	Amount June 30, 2015		Income Statement Location	Amount June 30, 2016	Amount June 30, 2015			
Interest rate contracts	Interest expense	\$4.2	\$(0.3)	Fixed rate debt	Interest expense	\$(1.6)	\$3.5	Interest expense	\$0.1	\$(0.1)
Total gain/(loss)		\$4.2	\$(0.3)			\$(1.6)	\$3.5		\$0.1	\$(0.1)

The following table presents the location and amount of gains/(losses) from fair value hedges for the six months ended June 30, 2016 and 2015 (in millions):

Derivatives	Gain/(Loss) Recognized in Income on Derivatives			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 June 30, 2016	Amount June 30, 2015		Income Statement Location	Amount June 30, 2016	Amount June 30, 2015			
Interest rate contracts	Interest expense	\$15.4	\$10.6	Fixed rate debt	Interest expense	\$(10.1)	\$(4.0)	Interest expense	\$0.3	\$0.6
Total gain/(loss)		\$15.4	\$10.6			\$(10.1)	\$(4.0)		\$0.3	\$0.6

Cash Flow Hedges

The following table presents the location and amount of gains/(losses) from cash flow hedges for the three months ended June 30, 2016 and 2015 (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 June 30, 2016	Amount June 30, 2015		Income Statement Location	Amount June 30, 2016	Amount June 30, 2015		
Foreign currency contracts	\$20.1	\$(19.8)	Revenue	\$10.9	\$20.1	Revenue	\$1.0	\$0.8

					Derivative		
					gains, net		
Interest rate contracts (c)	—	—	Interest expense	(0.9)	(0.9)	Interest expense	—
Total gain/(loss)	\$20.1	\$(19.8)		\$10.0	\$ 19.2		\$1.0 \$ 0.8

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(Unaudited)

The following table presents the location and amount of gains/(losses) from cash flow hedges for the six months ended June 30, 2016 and 2015 (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	
	June 30, 2016	June 30, 2015	Income Statement Location	Amount June 30, 2016	Amount June 30, 2015	Income Statement Location	June 30, 2016	June 30, 2015
Foreign currency contracts	\$(6.2)	\$ 38.4	Revenue	\$26.0	\$ 35.8	Derivative gains, net	\$ 2.7	\$ —
Interest rate contracts (c)	—	—	Interest expense	(1.8)	(1.8)	Interest expense	—	—
Total gain/(loss)	\$(6.2)	\$ 38.4		\$24.2	\$ 34.0		\$ 2.7	\$ —

Undesignated Hedges

The following table presents the location and amount of net gains/(losses) from undesignated hedges for the three and six months ended June 30, 2016 and 2015 (in millions):

Derivatives	Gain/(Loss) Recognized in Income on Derivatives (d)		Amount	
	Income Statement Location	Amount	Three Months Ended June 30, 2016	Six Months Ended June 30, 2015
Foreign currency contracts (e)	Selling, general and administrative	\$3.1	\$(11.2)	\$(14.5)
Foreign currency contracts (f)	Derivative gains, net	0.4	(0.8)	(0.8)
Total gain/(loss)		\$3.5	\$(12.0)	\$(15.3)

(a) The gain/(loss) of \$(1.6) million and \$3.5 million in the three months ended June 30, 2016 and 2015, respectively, consisted of a gain/(loss) in value on the debt of \$(4.3) million and \$0.4 million, respectively, and amortization of hedge accounting adjustments of \$2.7 million and \$3.1 million, respectively. The loss of \$10.1 million and \$4.0 million in the six months ended June 30, 2016 and 2015, respectively, consisted of a loss in value on the debt of \$15.7 million and \$11.2 million, respectively, and amortization of hedge accounting adjustments of \$5.6 million and \$7.2 million, respectively.

(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 Condensed Consolidated Balance Sheets. These amounts are reclassified to "Interest expense" in the Condensed 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.

The Company uses foreign currency forward contracts to offset foreign exchange rate fluctuations on settlement assets and obligations as well as certain foreign currency denominated positions. Foreign exchange gains/(losses) on settlement assets and obligations, cash balances, and other assets and liabilities, not including amounts related to (e) derivatives activity as displayed above and included in "Selling, general and administrative" in the Condensed Consolidated Statements of Income were \$(9.7) million and \$8.0 million for the three months ended June 30, 2016 and 2015, respectively, and \$6.7 million and \$(21.5) million for the six months ended June 30, 2016 and 2015, respectively.

(f) The derivative contracts used in the Company's revenue hedging program are not designated as hedges in the final month of the contract.

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An accumulated other comprehensive pre-tax gain of \$23.9 million related to the foreign currency forward contracts is expected to be reclassified into revenue within the next 12 months as of June 30, 2016. Approximately \$3.4 million of net losses on the forecasted debt issuance hedges are expected to be recognized in "Interest expense" in the Condensed Consolidated Statements of Income within the next 12 months as of June 30, 2016. No amounts have been reclassified into earnings as a result of the underlying transaction being considered probable of not occurring within the specified time period.

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9. Borrowings

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

	June 30, 2016	December 31, 2015
Notes:		
5.930% notes due 2016 (a)	\$1,000.0	\$ 1,000.0
2.875% notes due 2017 (a)	500.0	500.0
3.650% notes (effective rate of 4.2%) due 2018	400.0	400.0
3.350% notes due 2019 (a)	250.0	250.0
5.253% notes due 2020 (a)	324.9	324.9
6.200% notes due 2036 (a)	500.0	500.0
6.200% notes due 2040 (a)	250.0	250.0
Other borrowings	5.4	5.5
Total borrowings at par value	3,230.3	3,230.4
Fair value hedge accounting adjustments, net (b)	17.7	7.6
Unamortized discount and debt issuance costs (c)	(19.5)	(22.1)
Total borrowings at carrying value (d)	\$3,228.5	\$ 3,215.9

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

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

(b) 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 Condensed 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.

On January 1, 2016, the Company adopted an accounting pronouncement that requires capitalized debt issuance costs to be presented as a reduction to the carrying value of debt, with adoption retrospective for periods previously presented. The adoption of this standard resulted in a reduction of \$9.7 million to the carrying value of borrowings as of December 31, 2015.

(d) As of June 30, 2016, the Company's weighted-average effective rate on total borrowings was approximately 4.9%.

The following summarizes the Company's maturities of borrowings at par value as of June 30, 2016 (in millions):

Due within 1 year	\$1,005.4
Due after 1 year through 2 years	500.0
Due after 2 years through 3 years	650.0
Due after 3 years through 4 years	324.9
Due after 5 years	750.0

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

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Term Loan Facility

On April 11, 2016, the Company entered into a term loan agreement, which matures in April 2021, providing for an unsecured delayed draw term loan facility in an aggregate amount of \$575.0 million (the "Term Loan Facility"). The Company may draw term loans under the Term Loan Facility from time to time until October 11, 2016 (the "Commitment Termination Date"). In addition, the Company has the option to increase the commitments under the Term Loan Facility, either before or after the Commitment Termination Date, in an aggregate amount up to \$250.0 million. Any such increases would be subject to obtaining additional commitments from existing or new lenders under the Term Loan Facility. The Company plans to use the proceeds of the term loans to refinance a portion of the Company's issued and outstanding 5.930% notes due October 2016 and for general corporate purposes; provided, that no more than \$450.0 million in proceeds from the loans under the Term Loan Facility may be used for purposes other than redeeming, repaying, purchasing or refinancing the Company's notes due October 2016 and paying any fees and expenses in connection with the Term Loan Facility and other related loan documents.

The Term Loan Facility contains covenants, subject to certain exceptions, that, among other things, limit or restrict the Company's ability to sell or transfer assets or merge or consolidate with another company, grant certain types of security interests, incur certain types of liens, impose restrictions on subsidiary dividends, enter into sale and leaseback transactions, incur certain subsidiary level indebtedness, or use proceeds in violation of anti-corruption or anti-money laundering laws. The Term Loan Facility requires the Company to maintain a consolidated adjusted EBITDA interest coverage ratio of greater than 3:1 for each period of four consecutive fiscal quarters. The Term Loan Facility also contains customary representations, warranties and events of default.

Generally, interest under the Term Loan Facility is calculated using a selected LIBOR rate plus an interest rate margin of 150 basis points. A commitment fee of 15 basis points on the unused amount of the commitments under the facility is also payable quarterly until the Commitment Termination Date. Both the interest rate margin and commitment fee percentage are based on certain of the Company's credit ratings, and will increase or decrease in the event of certain upgrades or downgrades in the Company's credit ratings.

In addition to the payment of interest, the Company is required to make certain periodic amortization payments with respect to the outstanding principal of the term loans commencing after the second anniversary of the closing of the Term Loan Facility. The final maturity date of the Term Loan Facility is April 11, 2021.

As of June 30, 2016, the Company had no outstanding borrowings under the Term Loan Facility.

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10. Income Taxes

The Company's effective tax rates on pre-tax income for the three months ended June 30, 2016 and 2015 were 7.6% and 8.5%, respectively, and 11.1% and 10.5% for the six months ended June 30, 2016 and 2015, respectively. The decrease in the Company's effective tax rate for the three months ended June 30, 2016 compared to the prior period was primarily due to various discrete items, including the tax-related effects of an accrual for the FTC matter, as further discussed in Note 4, and changes in tax contingency reserves, partially offset by smaller tax planning benefits in the current period. The increase in the Company's effective tax rate for the six months ended June 30, 2016 compared to the prior period was primarily due to smaller tax planning benefits in the current period and changes in the composition between higher-taxed and lower-taxed foreign earnings, partially offset by various discrete items, including the tax-related effects of the FTC matter accrual, and changes in tax contingency reserves. For the year ended December 31, 2015, 103% of the Company's pre-tax income was derived from foreign sources, and the Company currently expects that approximately 99% of the Company's pre-tax income will be derived from foreign sources for the year ending December 31, 2016. 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.

Uncertain Tax Positions

The Company has established contingency reserves for a variety of material, known tax exposures. 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 in the facts and circumstances (i.e., new information) surrounding a tax issue during the period 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 Condensed Consolidated Balance Sheets. The total amount of unrecognized tax benefits as of June 30, 2016 and December 31, 2015 was \$107.5 million and \$105.6 million, respectively, excluding interest and penalties. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$95.8 million and \$96.8 million as of June 30, 2016 and December 31, 2015, respectively, excluding interest and penalties.

The Company recognizes interest and penalties with respect to unrecognized tax benefits in "Provision for income taxes" in its Condensed Consolidated Statements of Income, and records the associated liability in "Income taxes payable" in its Condensed Consolidated Balance Sheets. The Company recognized \$3.2 million and \$1.0 million in interest and penalties during the three months ended June 30, 2016 and 2015, respectively, and \$2.5 million and \$1.0 million during the six months ended June 30, 2016 and 2015, respectively. The Company has accrued \$19.0 million and \$17.0 million for the payment of interest and penalties as of June 30, 2016 and December 31, 2015, respectively.

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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The United States Internal Revenue Service ("IRS") completed its examination of the United States federal consolidated income tax returns of First Data for 2003 and 2004, which included the Company, and issued a Notice of Deficiency in December 2008. In December 2011, the Company reached an agreement with the IRS resolving substantially all of the issues related to the Company's restructuring of its international operations in 2003 ("IRS Agreement"). As a result of the IRS Agreement, the Company expects to make cash payments of approximately \$190 million, plus additional accrued interest, of which \$94.1 million has been paid as of June 30, 2016. A substantial majority of these payments were made in the year ended December 31, 2012. The Company expects to pay the remaining amount in 2016 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. Discussions with the IRS concerning these adjustments are ongoing. The Company believes its reserves are adequate with respect to both the agreed and unagreed adjustments.

As of June 30, 2016, no provision has been made for United States federal and state income taxes on certain of the Company's outside tax basis differences, which primarily relate to accumulated foreign earnings of approximately \$6.4 billion, which have been reinvested and are expected to continue to be reinvested outside the United States indefinitely. Over the last several years, such earnings have been used to pay for the Company's international acquisitions and operations and provide initial Company funding of global principal payouts for Consumer-to-Consumer and Business Solutions transactions. Upon distribution of those earnings to the United States in the form of actual or constructive dividends, the Company would be subject to United States income taxes (subject to an adjustment for foreign tax credits), state income taxes and possible withholding taxes payable to various foreign countries. Such taxes could be significant. Determination of this amount of unrecognized United States deferred tax liability is not practicable because of the complexities associated with its hypothetical calculation.

Tax Allocation Agreement with First Data

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

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

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THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

11. Stock Compensation Plans

For the three and six months ended June 30, 2016, the Company recognized stock-based compensation expense of \$9.7 million and \$22.0 million, respectively, resulting from stock options, restricted stock units, performance-based restricted stock units and bonus/deferred stock units in the Condensed Consolidated Statements of Income. For the three and six months ended June 30, 2015, the Company recognized stock-based compensation expense of \$10.2 million and \$21.9 million, respectively.

During the six months ended June 30, 2016, the Company granted 0.6 million options at a weighted-average exercise price of \$18.19 and 3.3 million performance-based restricted stock units and restricted stock units at a weighted-average grant date fair value of \$16.82. As of June 30, 2016, the Company had 9.6 million outstanding options at a weighted-average exercise price of \$17.62, of which 7.6 million options were exercisable at a weighted-average exercise price of \$17.82. The Company had 7.5 million performance-based restricted stock units (based on target performance) and restricted stock units at a weighted-average grant date fair value of \$16.57 as of June 30, 2016. The majority of stock units do not provide for the payment of dividend equivalents. For those units, their value is reduced by the net present value of the foregone dividend equivalent payments.

12. 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 chief operating decision maker in deciding where to allocate resources and in assessing performance.

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

The Consumer-to-Business operating segment facilitates bill payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, 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 include the Company's money order and other services.

Corporate costs, including stock-based compensation and other overhead, are allocated to the segments primarily based on a percentage of the segments' revenue compared to total revenue.

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THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The following table presents the Company's reportable segment results for the three and six months ended June 30, 2016 and 2015, respectively (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Consumer-to-Consumer:				
Transaction fees	\$795.0	\$816.1	\$1,545.6	\$1,592.3
Foreign exchange revenues	283.4	268.9	534.9	513.0
Other revenues	17.4	16.5	32.7	34.5
	1,095.8	1,101.5	2,113.2	2,139.8
Consumer-to-Business:				
Transaction fees	147.5	151.6	298.2	303.0
Foreign exchange and other revenues	6.7	6.3	12.1	12.7
	154.2	157.9	310.3	315.7
Business Solutions:				
Foreign exchange revenues	89.9	87.5	179.3	175.4
Transaction fees and other revenues	10.9	10.1	20.7	20.2
	100.8	97.6	200.0	195.6
Other:				
Total revenues	24.9	26.6	49.9	53.4
Total consolidated revenues	\$1,375.7	\$1,383.6	\$2,673.4	\$2,704.5
Operating income/(loss):				
Consumer-to-Consumer	\$235.3	\$256.6	\$466.6	\$496.8
Consumer-to-Business (a)	17.7	(6.4)	40.6	23.1
Business Solutions	5.1	(0.4)	7.5	1.7
Other	2.2	1.0	4.2	1.5
Total consolidated operating income	\$260.3	\$250.8	\$518.9	\$523.1

For the three and six months ended June 30, 2015, Consumer-to-Business operating income/(loss) included \$35.3 (a) million of expenses related to a settlement agreement between the Consumer Financial Protection Bureau and one of the Company's subsidiaries, Paymap, Inc.

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THE WESTERN UNION COMPANY
MANAGEMENT'S
DISCUSSION
AND ANALYSIS
OF FINANCIAL
CONDITION
AND RESULTS
OF OPERATIONS

Item 2.

This report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as "expects," "intends," "anticipates," "believes," "estimates," "guides," "provides guidance," "provides outlook" and other similar expressions or future or conditional verbs such as "may," "will," "should," "would," "could," and "might" are intended to identify such forward-looking statements. Readers of the Form 10-Q of The Western Union Company (the "Company," "Western Union," "we," "our" or "us") should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed in the "Risk Factors" section and throughout the Annual Report on Form 10-K for the year ended December 31, 2015. 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: (i) events related to our business and industry, such as: changes in general economic conditions and economic conditions in the regions and industries in which we operate, including global economic and trade downturns, or significantly slower growth or declines in the money transfer, payment service, and other markets in which we operate, including downturns or declines related to interruptions in migration patterns, or non-performance by our banks, lenders, insurers, or other financial services providers; failure to compete effectively in the money transfer and payment service industry, including among other things, with respect to price, with global and niche or corridor money transfer providers, banks and other money transfer and payment service providers, including electronic, mobile and Internet-based services, card associations, and card-based payment providers, and with digital currencies and related protocols, and other innovations in technology and business models; deterioration in customer confidence in our business, or in money transfer and payment service providers generally; our ability to adopt new technology and develop and gain market acceptance of new and enhanced services in response to changing industry and consumer needs or trends; changes in, and failure to manage effectively, exposure to foreign exchange rates, including the impact of the regulation of foreign exchange spreads on money transfers and payment transactions; any material breach of security, including cybersecurity, or safeguards of or interruptions in any of our systems or those of our vendors or other third parties; cessation of or defects in various services provided to us by third-party vendors; mergers, acquisitions and integration of acquired businesses and technologies into our Company, and the failure to realize anticipated financial benefits from these acquisitions, and events requiring us to write down our goodwill; political conditions and related actions in the United States and abroad which may adversely affect our business and economic conditions as a whole, including interruptions of United States or other government relations with countries in which we have or are implementing significant business relationships with agents or clients; failure to manage credit and fraud risks presented by our agents, clients and consumers; failure to maintain our agent network and business relationships under terms consistent with or more advantageous to us than those currently in place, including due to increased costs or loss of business as a result of increased compliance requirements or difficulty for us, our agents or their subagents in establishing or maintaining relationships with banks needed to conduct our services; decisions to change our business mix; changes in tax laws, or their interpretation, and

unfavorable resolution of tax contingencies; adverse rating actions by credit rating agencies; our ability to realize the anticipated benefits from productivity and cost-savings and other related initiatives, which may include decisions to downsize or to transition operating activities from one location to another, and to minimize any disruptions in our workforce that may result from those initiatives; our ability to protect our brands and our other intellectual property rights and to defend ourselves against potential intellectual property infringement claims; our ability to attract and retain qualified key employees and to manage our workforce successfully; material changes in the market value or liquidity of securities that we hold; restrictions imposed by our debt obligations; (ii) events related to our regulatory and litigation environment, such as: liabilities or loss of business resulting from a failure by us, our agents or their subagents to comply with laws and regulations and regulatory or judicial interpretations thereof, including laws and regulations designed to protect consumers, or detect and prevent money laundering, terrorist financing, fraud and other illicit activity; increased costs or loss of business due to regulatory initiatives and changes in laws, regulations and industry practices and standards, including changes in interpretations in the United States and globally, affecting us, our agents or their subagents, or the banks with which we or our agents maintain bank accounts needed to provide our services,

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including related to anti-money laundering regulations, anti-fraud measures, customer due diligence, agent and subagent due diligence, registration and monitoring requirements, and consumer protection 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; the potential impact on our business from the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), as well as regulations issued pursuant to it and the actions of the Consumer Financial Protection Bureau and similar legislation and regulations enacted by other governmental authorities related to consumer protection; liabilities resulting from litigation, including class-action lawsuits and similar matters, including costs, expenses, settlements and judgments; failure to comply with regulations and evolving industry standards regarding consumer privacy and data use and security; effects of unclaimed property laws; failure to maintain sufficient amounts or types of regulatory capital or other restrictions on the use of our working capital to meet the changing requirements of our regulators worldwide; changes in accounting standards, rules and interpretations or industry standards affecting our business; and (iii) other events, such as: 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.

Overview

We are a leading provider of money movement and payment services, operating in three business segments: Consumer-to-Consumer - The Consumer-to-Consumer operating segment facilitates money transfers between two consumers, primarily through a network of third-party agents. Our multi-currency, real-time money transfer service is viewed by us as one interconnected global network where a money transfer can be sent from one location to another, around the world. Our money transfer services are available for international cross-border transfers - that is, the transfer of funds from one country to another - and, in certain countries, intra-country transfers - that is, money transfers from one location to another in the same country. This segment also includes money transfer transactions that can be initiated through websites and mobile devices.

Consumer-to-Business - The Consumer-to-Business operating segment facilitates bill payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, 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 spot rates, which enable customers to make cross-currency payments. In addition, in certain countries, we write foreign currency forward and option contracts for customers to facilitate future payments.

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

Corporate costs, including stock-based compensation and other overhead, are allocated to the segments primarily based on a percentage of the segments' revenue compared to total revenue.

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Results of Operations

The following discussion of our consolidated results of operations and segment results refers to the three and six months ended June 30, 2016 compared to the same periods in 2015. The results of operations should be read in conjunction with the discussion of our segment results of operations, which provide more detailed discussions concerning certain components of the Condensed Consolidated Statements of Income. All significant intercompany accounts and transactions between our segments were eliminated and the below information has been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"). All amounts provided in this section are rounded to the nearest tenth of a million, except as otherwise noted. As a result, the percentage changes and margins disclosed herein may not recalculate precisely using the rounded amounts provided.

Our operating income for the three and six months ended June 30, 2015 was impacted by \$35.3 million of expenses related to restitution, penalties, and other costs as a result of a settlement agreement between the Consumer Financial Protection Bureau and one of our subsidiaries, Paymap, Inc., which operates solely in the United States (the "Paymap Settlement Agreement"). These charges are reflected within "Selling, general and administrative" expenses in our Condensed Consolidated Statements of Income and have been recognized within our Consumer-to-Business operating segment.

The following table sets forth our consolidated results of operations for the three and six months ended June 30, 2016 and 2015.

(in millions, except per share amounts)	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	% Change	2016	2015	% Change
Revenues:						
Transaction fees	\$961.3	\$988.3	(3)%	\$1,880.3	\$1,936.9	(3)%
Foreign exchange revenues	378.8	362.1	5 %	724.3	700.1	3 %
Other revenues	35.6	33.2	7 %	68.8	67.5	2 %
Total revenues	1,375.7	1,383.6	(1)%	2,673.4	2,704.5	(1)%
Expenses:						
Cost of services	821.9	799.4	3 %	1,601.3	1,571.2	2 %
Selling, general and administrative	293.5	333.4	(12)%	553.2	610.2	(9)%
Total expenses	1,115.4	1,132.8	(2)%	2,154.5	2,181.4	(1)%
Operating income	260.3	250.8	4 %	518.9	523.1	(1)%
Other income/(expense):						
Interest income	0.7	2.5	(70)%	1.6	5.4	(70)%
Interest expense	(41.0)	(43.1)	(5)%	(81.5)	(84.9)	(4)%
Derivative gains, net	1.4	—	(a)	1.9	1.0	94 %
Other income/(expense), net	1.1	(3.3)	(a)	(0.9)	(5.1)	(83)%
Total other expense, net	(37.8)	(43.9)	(14)%	(78.9)	(83.6)	(6)%
Income before income taxes	222.5	206.9	8 %	440.0	439.5	0 %
Provision for income taxes	16.9	17.6	(4)%	48.7	46.3	5 %
Net income	\$205.6	\$189.3	9 %	\$391.3	\$393.2	0 %
Earnings per share:						
Basic	\$0.42	\$0.37	14 %	\$0.79	\$0.76	4 %
Diluted	\$0.42	\$0.36	17 %	\$0.79	\$0.75	5 %
Weighted-average shares outstanding:						

Basic	490.3	515.2	495.1	518.1
Diluted	493.0	519.8	498.1	522.5

(a) Calculation not meaningful

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Revenues overview

For both the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year, consolidated revenues decreased 1%. This was primarily due to the strengthening of the United States dollar compared to foreign currencies, which negatively impacted revenue by 4% for both the three and six months ended June 30, 2016, net of the impact of foreign currency hedges. This decrease was partially offset by transaction growth of 3% in our Consumer-to-Consumer segment for both the three and six months ended June 30, 2016.

Fluctuations in the exchange rate between the United States dollar and other currencies, net of the impact of foreign currency hedges, resulted in a reduction to revenues for the three and six months ended June 30, 2016 of \$48.9 million and \$106.3 million, respectively, relative to the corresponding periods in the prior year. Foreign currency hedges benefited revenues by \$10.9 million and \$26.0 million for the three and six months ended June 30, 2016, respectively. We use foreign currency forwards to hedge certain foreign exchange impacts on our forecasted revenues. To the extent these derivatives are effective in managing our foreign exchange risk, we reflect the hedge impact in revenues in the period the hedged revenues are recorded.

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 detect 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 similar regulations outside the United States, and other matters. In coming periods, we expect these enhancements will continue to result in changes to certain of our business practices and increased costs. Some of these changes have had, and we believe will continue to have, an adverse effect on our business, financial condition and results of operations.

Cost of services

Cost of services primarily consists of agent commissions, which represented approximately 60% of total cost of services for both the three and six months ended June 30, 2016. Cost of services increased for both the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year due to increased technology expenses, partially offset by a decrease in agent commissions, which generally fluctuate with revenues.

Selling, general and administrative

Selling, general and administrative expenses decreased for both the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year due to the Paymap Settlement Agreement of \$35.3 million that was recorded in the second quarter of 2015 and reductions in employee compensation and other costs, partially offset by an accrual related to the United States Federal Trade Commission (the "FTC") matter, as described in Part II, Item I, Legal Proceedings. Additionally, for both periods presented, the strengthening of the United States dollar compared to foreign currencies resulted in a positive impact on the translation of our expenses.

Operating income

Consolidated operating income increased 4% and decreased 1% during the three and six months ended June 30, 2016, respectively, compared to the corresponding periods in the prior year as a result of the changes in revenue and operating expenses described above. The strengthening of the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, negatively impacted operating income by approximately 9% and 8% for the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year, respectively.

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Total other expense, net

For the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year, total other expense, net decreased by 14% and 6%, respectively, due to lower interest expense primarily related to lower average debt balances outstanding. Average debt balances outstanding were \$3,225.2 million and \$3,730.3 million for the three months ended June 30, 2016 and 2015, respectively, and \$3,225.5 million and \$3,729.2 million for the six months ended June 30, 2016 and 2015, respectively. The decrease in average debt balances outstanding during the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year was primarily due to the repayment of \$250 million of our notes in August 2015 and \$250 million of our notes in December 2015.

Income taxes

Our effective tax rates on pre-tax income were 7.6% and 8.5% for the three months ended June 30, 2016 and 2015, respectively, and 11.1% and 10.5% for the six months ended June 30, 2016 and 2015, respectively. The decrease in our effective tax rate for the three months ended June 30, 2016 compared to the prior period was primarily due to various discrete items, including the tax-related effects of an accrual for the FTC matter, as discussed earlier, and changes in tax contingency reserves, partially offset by smaller tax planning benefits in the current period. The increase in our effective tax rate for the six months ended June 30, 2016 compared to the prior period was primarily due to smaller tax planning benefits in the current period and changes in the composition between higher-taxed and lower-taxed foreign earnings, partially offset by various discrete items, including the tax-related effects of the FTC matter accrual, and changes in tax contingency reserves.

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 year ended December 31, 2015, 103% of our pre-tax income was derived from foreign sources, and we currently expect that approximately 99% of our pre-tax income will be derived from foreign sources for the year ending December 31, 2016. 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 June 30, 2016, the total amount of tax contingency reserves was \$114.1 million, including accrued interest and penalties, net of related items. Our tax reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review or other settlement. While we believe that our reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed our related reserve. With respect to these reserves, our income tax expense would include (i) any changes in tax reserves arising from material changes in facts and circumstances (i.e. new information) surrounding a tax issue during the period and (ii) any difference from our tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in our consolidated financial statements in future periods and could impact our operating cash flows.

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Earnings per share

During the three months ended June 30, 2016 and 2015, basic earnings per share were \$0.42 and \$0.37, respectively, and diluted earnings per share were \$0.42 and \$0.36, respectively. During the six months ended June 30, 2016 and 2015, basic earnings per share were \$0.79 and \$0.76, respectively, and diluted earnings per share were \$0.79 and \$0.75, respectively. Outstanding options to purchase Western Union stock and unvested shares of restricted stock are excluded from basic shares outstanding. Diluted earnings per share reflects the potential dilution that could occur if outstanding stock options at the presented dates are exercised and shares of restricted stock have vested. For the three months ended June 30, 2016 and 2015, there were 3.3 million and 1.5 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation under the treasury stock method as their effect was anti-dilutive. For the six months ended June 30, 2016 and 2015, there were 4.6 million and 5.2 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 increased for both the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year due to lower weighted-average shares outstanding, and earnings per share for the three months ended June 30, 2016 were also positively impacted by the previously described factors impacting net income. The lower number of shares outstanding was due to stock repurchases exceeding stock issuances related to the Company's stock compensation programs.

Segment Discussion

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

The following table sets forth the components of segment revenues as a percentage of the consolidated totals for the three and six months ended June 30, 2016 and 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Consumer-to-Consumer	80 %	80 %	79 %	79 %
Consumer-to-Business	11 %	11 %	12 %	12 %
Business Solutions	7 %	7 %	7 %	7 %
Other	2 %	2 %	2 %	2 %
	100%	100%	100%	100%

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Consumer-to-Consumer Segment

The table below sets forth our Consumer-to-Consumer segment results of operations for the three and six months ended June 30, 2016 and 2015.

(dollars and transactions in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	% Change	2016	2015	% Change
Revenues:						
Transaction fees	\$795.0	\$816.1	(3)%	\$1,545.6	\$1,592.3	(3)%
Foreign exchange revenues	283.4	268.9	5 %	534.9	513.0	4 %
Other revenues	17.4	16.5	5 %	32.7	34.5	(5)%
Total revenues	\$1,095.8	\$1,101.5	(1)%	\$2,113.2	\$2,139.8	(1)%
Operating income	\$235.3	\$256.6	(8)%	\$466.6	\$496.8	(6)%
Operating income margin	21	% 23	%	22	% 23	%
Key indicator:						
Consumer-to-Consumer transactions	67.7	65.8	3 %	131.4	127.5	3 %

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

Significant allocations are made in determining the transaction and revenue changes under the regional view in the table that follows. The geographic split for transactions and revenue, including transactions initiated through westernunion.com, is determined based upon the region where the money transfer is initiated and the region where the money transfer is paid. For transactions originated and paid in different regions, we split the transaction count and revenue between the two regions, with each region receiving 50%. For money transfers initiated and paid in the same region, 100% of the transactions and revenue are attributed to that region. Included in each region's transaction and revenue percentages in the tables below are transactions initiated through westernunion.com for the three and six months ended June 30, 2016. Regional results for the three and six months ended June 30, 2015 have also been adjusted to include transactions initiated through westernunion.com. Prior to January 1, 2016, we reported westernunion.com initiated transactions as a separate region with 100% of the corresponding transactions and revenue attributed to that region. Where reported separately in the discussion below, westernunion.com consists of 100% of the transactions and revenue that are initiated through westernunion.com, regardless of where the transactions are paid out.

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Due to the significance of our Consumer-to-Consumer segment to our overall results and the effect that foreign exchange fluctuations against the United States dollar can have on our reported revenues, constant currency results have been provided in the table below. Constant currency results assume foreign revenues are translated from foreign currencies to the U.S. dollar, net of the effect of foreign currency hedges, at rates consistent with those in the prior year. Constant currency is a non-GAAP financial measure and is provided so that revenue can be viewed without the effect of fluctuations in foreign currency exchange rates, which is consistent with how management evaluates our revenue results and trends. We believe that this measure provides management and investors with information about operating results and trends that eliminates currency volatility and provides greater clarity regarding, and increases the comparability of, our underlying results and trends. This constant currency disclosure is provided in addition to, and not as a substitute for, the percentage change in revenue on a GAAP basis for the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

The table below sets forth revenue and transaction changes by geographic region compared to the corresponding periods in the prior year:

	Three Months Ended June 30, 2016				Six Months Ended June 30, 2016			
	Revenue Growth/(Decline) as Reported	Constant Currency Revenue Growth/(Decline) as Reported	Exchange Rate Impact (a) - (GAAP)	Transaction Growth/(Decline) (Non-GAAP)	Revenue Growth/(Decline) as Reported	Constant Currency Revenue Growth/(Decline) as Reported	Exchange Rate Impact (a) - (GAAP)	Transaction Growth/(Decline) (Non-GAAP)
Consumer-to-Consumer regional growth/(decline):								
North America	6 %	(1) %	7 %	7 %	5 %	(1) %	6 %	7 %
Europe and CIS	(3) %	(2) %	(1) %	3 %	(3) %	(2) %	(1) %	3 %
Middle East and Africa	(4) %	(1) %	(3) %	(5) %	(4) %	(2) %	(2) %	(4) %
Asia Pacific ("APAC")	(3) %	(2) %	(1) %	(3) %	(4) %	(3) %	(1) %	(3) %
Latin America and the Caribbean ("LACA")	0 %	(6) %	6 %	12 %	(2) %	(6) %	4 %	11 %
Total Consumer-to-Consumer growth/(decline):	(1) %	(3) %	2 %	3 %	(1) %	(2) %	1 %	3 %
westernunion.com (b)	19 %	(1) %	20 %	25 %	17 %	(2) %	19 %	25 %

(a) Constant currency revenue growth assumes that revenues denominated in foreign currencies are translated to the U.S. dollar, net of the effect of foreign currency hedges, at rates consistent with those in the prior periods.

(b) Westernunion.com revenues have also been included in each region, as described earlier.

The table below sets forth regional revenues as a percentage of our Consumer-to-Consumer revenue for the three and six months ended June 30, 2016 and 2015.

Three Months Ended June 30, 2016	Six Months Ended June 30, 2015
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Consumer-to-Consumer revenue as a percentage of segment revenue:

North America	28%	27%	28%	27%
Europe and CIS	26%	26%	26%	26%
Middle East and Africa	20%	21%	20%	21%
APAC	15%	15%	15%	15%
LACA	11%	11%	11%	11%

Westernunion.com, which is included in the regional percentages above, represented approximately 8% of our Consumer-to-Consumer revenue for both the three and six months ended June 30, 2016. Westernunion.com represented approximately 6% of our Consumer-to-Consumer revenue for both the three and six months ended June 30, 2015.

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Our consumers transferred \$20.4 billion and \$20.8 billion in Consumer-to-Consumer principal for the three months ended June 30, 2016 and 2015, respectively, of which \$18.5 billion and \$18.8 billion related to cross-border principal, for the corresponding periods described above. Our consumers transferred \$39.5 billion and \$40.3 billion in Consumer-to-Consumer principal for the six months ended June 30, 2016 and 2015, respectively, of which \$35.8 billion and \$36.3 billion related to cross-border principal, for the corresponding periods described above.

Consumer-to-Consumer segment revenues

Consumer-to-Consumer money transfer revenue decreased 1% for both the three and six months ended June 30, 2016, compared to the corresponding periods in the prior year, on transaction growth of 3% for both periods. The strengthening of the United States dollar compared to foreign currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 3% and 2% for the three and six months ended June 30, 2016, respectively.

Fluctuations in the exchange rate between the United States dollar and other currencies, net of the impact of foreign currency hedges, resulted in a reduction to revenues of \$23.0 million and \$53.5 million for the three and six months ended June 30, 2016, respectively, relative to the corresponding periods in the prior year. Foreign currency hedges benefited revenues by \$10.9 million and \$26.0 million for the three and six months ended June 30, 2016, respectively.

Our North America region experienced increased revenue of 6% and 5% for the three and six months ended June 30, 2016, compared to the corresponding periods in the prior year, respectively, and transaction growth of 7% for both the three and six months ended June 30, 2016. The increase in revenue was primarily due to transaction growth in our United States outbound services, including our United States to Mexico and Latin America corridors.

Our Europe and CIS region experienced decreased revenue of 3% for both the three and six months ended June 30, 2016, compared to the corresponding periods in the prior year, and transaction growth of 3% in both periods.

Fluctuations in the exchange rate between the United States dollar and the euro and other currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 2% for both the three and six months ended June 30, 2016. Revenue was also negatively impacted by declines in Russia, partially offset by growth in Germany.

Our Middle East and Africa region experienced decreased revenue of 4% for both the three and six months ended June 30, 2016, compared to the corresponding periods in the prior year, and transaction declines of 5% and 4%, respectively. Fluctuations in the exchange rate between the United States dollar and other currencies negatively impacted revenue by 1% and 2% for the three and six months ended June 30, 2016, respectively. Declines in Nigeria and Libya also contributed to the decrease in revenue.

Our APAC region experienced decreased revenue of 3% and 4% for the three and six months ended June 30, 2016, respectively, compared to the corresponding periods in the prior year, and transaction declines of 3% for both the three and six months ended June 30, 2016. Fluctuations in the exchange rate between the United States dollar and other currencies, net of the impact of foreign currency hedges, negatively impacted revenue by 2% and 3% for the three and six months ended June 30, 2016, respectively. Declines in India contributed to the decrease in revenue for the three months ended June 30, 2016. Additionally, declines in the Philippines negatively impacted revenue for the three and six months ended June 30, 2016, compared to the corresponding periods in the prior year.

Our LACA region experienced flat revenue for the three months ended June 30, 2016 and decreased revenue of 2% for the six months ended June 30, 2016, compared to the corresponding periods in the prior year, and transaction growth of 12% and 11%, respectively. Fluctuations in the exchange rate between the United States dollar and other currencies, primarily the Argentine peso, negatively impacted revenue by 6% for both the three and six months ended June 30, 2016. Price reductions implemented in Argentina also negatively impacted revenue, partially offset by growth from transactions originated in the United States, as discussed above.

Foreign exchange revenues in our Consumer-to-Consumer segment increased 5% and 4%, for the three and six months ended June 30, 2016, compared to the corresponding periods in the prior year, respectively, primarily due to increases in foreign exchange spreads which we began implementing during the first quarter of 2015 that were largely offset by corresponding reductions in transaction fees in certain corridors.

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We have historically implemented and will likely continue to implement price reductions from time to time in response to competition and other factors. Price reductions generally reduce margins and adversely affect financial results in the short term and may also adversely affect financial results in the long term if transaction volumes do not increase sufficiently. Consumer-to-Consumer net pricing changes had a minimal effect on segment revenue for the three months ended June 30, 2016 and negatively impacted segment revenue by 1% for the six months ended June 30, 2016.

Operating income

Consumer-to-Consumer operating income declined 8% and 6% for the three and six months ended June 30, 2016, respectively, compared to the corresponding periods in the prior year. Results for the three and six months ended June 30, 2016 were impacted by increased technology expenses and an accrual related to the FTC matter, as described in Part II, Item I, Legal Proceedings, partially offset by reductions in employee compensation and other costs. Revenues and expenses were also impacted by the strengthening of the United States dollar compared to foreign currencies. Operating margins in the segment were also impacted by these factors.

Consumer-to-Business Segment

The table below sets forth our Consumer-to-Business segment results of operations for the three and six months ended June 30, 2016 and 2015. To assist in an understanding of the comparable periods' results, we are including additional line items in the table below reflecting Consumer-to-Business operating income and operating income margin excluding the effect of the \$35.3 million of expenses related to the Paymap Settlement Agreement that were recorded in the second quarter of 2015. Operating income, excluding Paymap Settlement Agreement and operating income margin, excluding Paymap Settlement Agreement, are non-GAAP financial measures and are used by management in evaluating the operating income results and trends of our Consumer-to-Business segment. We believe that, by adjusting operating income and operating income margin to exclude the effects of significant charges associated with the settlement of litigation that can impact operating trends, management and investors are provided with measures that increase the comparability of our underlying operating results. This disclosure is provided in addition to, and not as a substitute for, operating income/(loss) and operating income/(loss) margin on a GAAP basis.

(dollars in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	% Change	2016	2015	% Change
Revenues:						
Transaction fees	\$147.5	\$151.6	(3)%	\$298.2	\$303.0	(2)%
Foreign exchange and other revenues	6.7	6.3	6 %	12.1	12.7	(5)%
Total revenues	\$154.2	\$157.9	(2)%	\$310.3	\$315.7	(2)%
Operating income/(loss) — (GAAP)	\$17.7	\$(6.4)	(a)	\$40.6	\$23.1	(a)
Paymap Settlement Agreement	—	35.3		—	35.3	
Operating income, excluding Paymap Settlement Agreement — (Non-GAAP)	\$17.7	\$28.9		\$40.6	\$58.4	
Operating income/(loss) margin — (GAAP)	12	% (4)%		13	% 7	%
Operating income margin, excluding Paymap Settlement Agreement — (Non-GAAP)	12	% 18	%	13	% 18	%

(a) Calculation not meaningful or not applicable

Revenues

For both the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year, Consumer-to-Business revenue decreased 2%. This was primarily due to declines related to foreign currency

translation in our bill payments in Argentina, partially offset by increases in our United States electronic bill payments. The strengthening of the United States dollar against the Argentine peso negatively impacted our Consumer-to-Business revenue growth by 14% for both the three and six months ended June 30, 2016.

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Operating income/(loss)

For the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year, operating income increased, primarily due to the Paymap Settlement Agreement that was recorded in the second quarter of 2015, partially offset by increased technology expenses and changes in customer mix. The changes in operating margins in the segment were also due to these factors.

Business Solutions

The following table sets forth our Business Solutions segment results of operations for the three and six months ended June 30, 2016 and 2015.

(dollars in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	% Change	2016	2015	% Change
Revenues:						
Foreign exchange revenues	\$89.9	\$87.5	3 %	\$179.3	\$175.4	2 %
Transaction fees and other revenues	10.9	10.1	8 %	20.7	20.2	2 %
Total revenues	\$100.8	\$97.6	3 %	\$200.0	\$195.6	2 %
Operating income/(loss)	\$5.1	\$(0.4)	(a)	\$7.5	\$1.7	(a)
Operating income/(loss) margin	5	% 0	%	4	% 1	%

(a) Calculation not meaningful.

Revenues

For the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year, Business Solutions revenue increased 3% and 2%, respectively. Fluctuations in the exchange rate between the United States dollar and other currencies negatively impacted revenue growth by 3% and 4% for the three and six months ended June 30, 2016, respectively. The increase in revenue for the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year was primarily due to increases in Europe. For the six months ended June 30, 2016 compared to the prior year, the increase in revenue was also due to an increase in sales of our hedging products.

Operating income/(loss)

For the three and six months ended June 30, 2016, operating income increased compared to the corresponding periods in the prior year as a result of the revenue increases described above and reductions in employee compensation costs.

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Other

The following table sets forth Other results for the three and six months ended June 30, 2016 and 2015.

(dollars in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	% Change	2016	2015	% Change
Revenues	\$24.9	\$26.6	(6)%	\$49.9	\$53.4	(7)%
Operating income	\$2.2	\$1.0	(a)	\$4.2	\$1.5	(a)

(a) Calculation not meaningful.

Revenues

For the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year, Other revenue decreased 6% and 7%, respectively, due to declines in our prepaid services, partially offset by increases in our money order business.

Operating income

For the three and six months ended June 30, 2016 compared to the corresponding periods in the prior year, Other operating income increased due to a reduction of expenses in our prepaid services and increased investment income and other revenues in our money order business.

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Capital Resources and Liquidity

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

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

Substantially all of our cash flows from operating activities have been generated from subsidiaries. Most of these cash flows are generated from our regulated subsidiaries. Our regulated subsidiaries may transfer all excess cash to the parent company for general corporate use, except for assets subject to legal or regulatory restrictions, including: (1) requirements to maintain cash and other qualifying investment balances, free of any liens or other encumbrances, related to the payment of certain of our money transfer and other payment obligations and (2) other legal or regulatory restrictions, including statutory or formalized net worth requirements.

We believe we have adequate liquidity to meet our business needs, service our debt obligations, pay dividends, and repurchase shares through our existing cash balances and our ability to generate cash flows through operations. To help ensure availability of our worldwide cash where needed, we utilize a variety of planning and financial strategies, including decisions related to the amounts, timing and manner by which cash is repatriated or otherwise made available from our international subsidiaries. These decisions can influence our overall tax rate and impact our total liquidity.

We also have the 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 September 2020. In addition, we have the capacity to borrow up to \$575 million under the term loan agreement ("Term Loan Facility") we entered into on April 11, 2016, with the option to increase the commitments under the agreement by up to \$250 million, subject to certain provisions, as further described below. As of June 30, 2016, we had no outstanding borrowings under our Revolving Credit Facility, commercial paper program, or Term Loan Facility.

Cash and Investment Securities

As of June 30, 2016 and December 31, 2015, we had cash and cash equivalents of \$1.2 billion and \$1.3 billion, respectively. Approximately \$850 million and \$950 million was held by our foreign entities as of June 30, 2016 and December 31, 2015, respectively. Our ongoing cash management strategies to fund our business needs could cause United States and foreign cash balances to fluctuate.

Repatriating foreign earnings to the United States would, in many cases, result in significant tax obligations because most of these earnings have been taxed at relatively low foreign tax rates compared to our combined federal and state tax rate in the United States. Over the last several years, such earnings have been used to pay for our international acquisitions and operations and provide initial Company funding of global principal payouts for Consumer-to-Consumer and Business Solutions transactions. We regularly evaluate, taking tax consequences and other factors into consideration, our United States cash requirements and also the potential uses of cash internationally

to determine the appropriate level of dividend repatriations of our foreign source income.

In many cases, we receive funds from money transfers and certain other payment services before we settle the payment of those transactions. These funds, referred to as "Settlement assets" on our Condensed 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.

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Investment securities, classified within "Settlement assets," were \$1.3 billion and \$1.2 billion as of June 30, 2016 and December 31, 2015, respectively, and consist primarily of highly-rated state and municipal debt securities, including fixed rate term notes and variable rate demand notes. The substantial majority of our investment securities are held in order to comply with state licensing requirements in the United States and are required to have credit ratings of "A-" or better from a major credit rating agency.

Investment securities are exposed to market risk due to changes in interest rates and credit risk. We regularly monitor credit risk and attempt to mitigate our exposure by investing in highly-rated securities and diversifying our investment portfolio. Our investment securities are also actively managed with respect to concentration. As of June 30, 2016, all investments with a single issuer and each individual security were less than 10% of our investment securities portfolio.

Cash Flows from Operating Activities

Cash provided by operating activities increased to \$485.6 million during the six months ended June 30, 2016, from \$465.7 million in the comparable period in the prior year. Cash provided by operating activities is impacted by changes to our consolidated net income, in addition to fluctuations in our working capital balances, among other factors.

Financing Resources

On April 11, 2016, we entered into a term loan agreement, which matures in April 2021, providing for an unsecured delayed draw term loan facility in an aggregate amount of \$575 million. We may draw term loans under the Term Loan Facility from time to time until October 11, 2016 (the "Commitment Termination Date"). In addition, we have the option to increase the commitments under the Term Loan Facility, either before or after the Commitment Termination Date, in an aggregate amount up to \$250 million. Any such increases would be subject to obtaining additional commitments from existing or new lenders under the Term Loan Facility. We plan to use the proceeds of the term loans to refinance a portion of our issued and outstanding 5.930% notes due October 2016 and for general corporate purposes; provided, that no more than \$450 million in proceeds from the loans under the Term Loan Facility may be used for purposes other than redeeming, repaying, purchasing or refinancing our notes due October 2016 and paying any fees and expenses in connection with the Term Loan Facility and other related loan documents.

The Term Loan Facility contains covenants, subject to certain exceptions, that, among other things, limit or restrict our ability to sell or transfer assets or merge or consolidate with another company, grant certain types of security interests, incur certain types of liens, impose restrictions on subsidiary dividends, enter into sale and leaseback transactions, incur certain subsidiary level indebtedness, or use proceeds in violation of anti-corruption or anti-money laundering laws. The Term Loan Facility requires us to maintain a consolidated adjusted EBITDA interest coverage ratio of greater than 3:1 for each period of four consecutive fiscal quarters. The Term Loan Facility also contains customary representations, warranties and events of default.

Generally, interest under the Term Loan Facility is calculated using a selected LIBOR rate plus an interest rate margin of 150 basis points. A commitment fee of 15 basis points on the unused amount of the commitments under the facility is also payable quarterly until the Commitment Termination Date. Both the interest rate margin and commitment fee percentage are based on certain of our credit ratings, and will increase or decrease in the event of certain upgrades or downgrades in our credit ratings.

In addition to the payment of interest, we are required to make certain periodic amortization payments with respect to the outstanding principal of the term loans commencing after the second anniversary of the closing of the Term Loan Facility. The final maturity date of the Term Loan Facility is April 11, 2021. As of June 30, 2016, we had no outstanding borrowings under our Term Loan Facility.

Our Revolving Credit Facility expires in September 2020 and provides for unsecured financing facilities in an aggregate amount of \$1.65 billion, including a \$250 million letter of credit sub-facility. Interest due under the Revolving Credit Facility is fixed for the term of each borrowing and is payable according to the terms of that borrowing. Generally, interest is calculated using a selected LIBOR rate plus an interest rate margin of 110 basis points. A facility fee of 15 basis points is also payable quarterly on the total facility, regardless of usage. Both the interest rate margin and facility fee percentage are based on certain of our credit ratings.

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The purpose of our Revolving Credit Facility, which is diversified through a group of 18 participating institutions, is to provide general liquidity and to support our commercial paper program, which we believe enhances our short-term credit rating. The largest commitment from any single financial institution within the total committed balance of \$1.65 billion is approximately 11%. As of and during the six months ended June 30, 2016, we had no outstanding borrowings under our Revolving Credit Facility. If the amount available to borrow under the Revolving Credit Facility decreased, or if the Revolving Credit Facility were eliminated, the cost and availability of borrowing under the commercial paper program may be impacted.

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 June 30, 2016. During the three and six months ended June 30, 2016, the average commercial paper balance outstanding was \$15.8 million and \$12.4 million, respectively, and the maximum balance outstanding was \$232.0 million for both periods. Proceeds from our commercial paper borrowings were used for general corporate purposes and working capital needs.

As of June 30, 2016, we have outstanding borrowings at par value of \$3,230.3 million. The substantial majority of these outstanding borrowings consist of unsecured fixed-rate notes and associated swaps with maturities ranging from 2016 to 2040.

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, our Revolving Credit Facility, and our Term Loan 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 \$108.7 million and \$122.4 million for the six months ended June 30, 2016 and 2015, respectively. Amounts paid for new and renewed agent contracts vary depending on the terms of existing contracts as well as the timing of new and renewed contract signings. Other capital expenditures during these periods included investments in our information technology infrastructure and purchased and developed software.

Share Repurchases and Dividends

During the six months ended June 30, 2016 and 2015, 16.9 million and 15.0 million shares were repurchased for \$317.5 million and \$306.3 million, respectively, excluding commissions, at an average cost of \$18.81 and \$20.47 per share, respectively. As of June 30, 2016, \$394.3 million remained available under a share repurchase authorization approved by our Board of Directors through December 31, 2017.

Our Board of Directors declared quarterly cash dividends of \$0.16 per common share in both the first and second quarters of 2016, representing \$157.4 million in total dividends.

On July 14, 2016, our Board of Directors declared a quarterly cash dividend of \$0.16 per common share payable on September 30, 2016.

Debt Service Requirements

Our 2016 and future debt service requirements will include payments on all outstanding indebtedness including any borrowings under our commercial paper program. In October 2016, our 2016 Notes of \$1.0 billion will mature. We plan to fund this maturity by refinancing a portion of this debt through our Term Loan Facility and commercial paper program and repaying a portion using cash, including cash generated from operations.

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

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Off-Balance Sheet Arrangements

Other than facility and equipment leasing arrangements, 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.

Other Commercial Commitments

We had approximately \$80 million in outstanding letters of credit and bank guarantees as of June 30, 2016. The letters of credit and bank guarantees are primarily held in connection with lease arrangements and certain agent agreements. The letters of credit and bank guarantees have expiration dates through 2021, with many having a one-year renewal option. We expect to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

As of June 30, 2016, our total amount of unrecognized income tax benefits was \$126.5 million, including 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 are affected by factors which are variable and outside our control.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates. Our Critical Accounting Policies and Estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" in our 2015 Annual Report on Form 10-K, for which there were no material changes, included:

- Income taxes
- Derivative financial instruments
- Other intangible assets
- Goodwill
- Legal contingencies

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Risk Management

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

Foreign Currency Exchange Rates

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

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

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

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As of December 31, 2015, a hypothetical uniform 10% strengthening or weakening in the value of the United States dollar relative to all other currencies in which our net income is generated would have resulted in a decrease/increase to pre-tax annual income of approximately \$25 million based on our 2016 forecast of Consumer-to-Consumer unhedged exposure to foreign currency at that date. As of June 30, 2016, the exposure for the next twelve months is not materially different based on our forecast of unhedged exposure to foreign currency. There are inherent limitations in this sensitivity analysis, primarily due to the following assumptions: (a) that foreign exchange rate movements are linear and instantaneous, (b) that fixed exchange rates between certain currency pairs are retained, (c) that the unhedged exposure is static, and (d) that we would not hedge any additional exposure. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income.

Interest Rates

We invest in several types of interest bearing assets, with a total value as of June 30, 2016 of \$2.8 billion. Approximately \$2.0 billion of these assets bear interest at floating rates and are therefore sensitive to changes in interest rates. These assets primarily include cash in banks, money market instruments, and state and municipal variable rate securities and are included in our Condensed Consolidated Balance Sheets within "Cash and cash equivalents" and "Settlement assets." To the extent these assets are held in connection with money transfers and other related payment services awaiting redemption, they are classified as "Settlement assets." Earnings on these investments will increase and decrease with changes in the underlying short-term interest rates.

The remainder of our interest bearing assets primarily consists of highly-rated state and municipal debt securities which are fixed rate term notes. These investments may include investments made from cash received from our money order services, money transfer business, and other related payment services awaiting redemption classified within "Settlement assets" in the Condensed 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 Condensed 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 Condensed Consolidated Balance Sheets.

A total of \$975.0 million of our fixed-rate borrowings at par value are effectively floating rate debt through interest rate swap agreements, changing this fixed-rate debt to LIBOR-based floating rate debt, with weighted-average spreads of approximately 200 basis points above LIBOR.

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 June 30, 2016, our weighted-average effective rate on total borrowings was approximately 4.9%.

A hypothetical 100 basis point increase/decrease in interest rates would result in a decrease/increase to pre-tax income for the next twelve months of approximately \$10 million based on borrowings, net of the impact of hedges, on June 30, 2016 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 June 30, 2016 that are sensitive to interest rate fluctuations, would result in an offsetting increase/decrease to pre-tax income for the next twelve months of approximately \$20 million. 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.

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Credit Risk

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information under the caption "Risk Management" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report is incorporated herein by reference.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of the Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our controls and procedures related to our reporting and disclosure obligations as of June 30, 2016, which is the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that, as of June 30, 2016, the disclosure controls and procedures were effective to ensure that information required to be disclosed by us, including our consolidated subsidiaries, in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported, as applicable, within the time periods specified in the rules and forms of the Securities and Exchange Commission, and are designed to ensure that information required to be disclosed by us in the reports that we file or submit is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

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

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Review Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of The Western Union Company

We have reviewed the condensed consolidated balance sheet of The Western Union Company (the Company) as of June 30, 2016, the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015, and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2016 and 2015. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of The Western Union Company as of December 31, 2015, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 19, 2016. In our opinion, the accompanying condensed consolidated balance sheet of The Western Union Company as of December 31, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Denver, Colorado
August 3, 2016

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings

United States Department of Justice Investigations

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-CDCA") seeking documents relating to Shen Zhou International ("US Shen Zhou"), a former Western Union agent located in Monterey Park, California. The principal of US Shen Zhou was indicted in 2010 and in December 2013, pled guilty to one count of structuring international money transfers in violation of United States federal law in U.S. v. Zhi He Wang (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-CDCA seeking additional documents relating to US Shen Zhou, materials relating to certain other former and current agents and other materials relating to the Company's anti-money laundering ("AML") compliance policies and procedures. The government 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 has provided and continues to provide information and documents to the government. Due to the investigative stage of the matter and the fact that no criminal charges or civil claims have been brought, the Company is unable to predict the outcome of the government's investigation, or reasonably estimate the possible loss or range of loss, if any, which could be associated with the resolution of any possible charges or 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, results of operations, and cash flows.

In March 2012, the Company was served with a federal grand jury subpoena issued by the United States Attorney's Office for the Eastern District of Pennsylvania ("USAO-EDPA") seeking documents relating to Hong Fai General Contractor Corp. (formerly known as Yong General Construction) ("Hong Fai"), a former Western Union agent located in Philadelphia, Pennsylvania. Since March 2012, the Company has received additional subpoenas from the USAO-EDPA seeking additional documents relating to Hong Fai. The government's investigation is ongoing and the Company may receive additional requests for information as part of the investigation. The Company has provided and continues to provide information and documents to the government. The government has interviewed several current and former Western Union employees. In March 2016, the government filed a criminal complaint against the principal of Hong Fai General Contractor Corp. and in June 2016, he pled guilty to one count of mail fraud, two counts of transporting illegal aliens and one count of tax evasion in violation of United States federal law in U.S. v. Yong Quan Zheng (2:16-cr-00212-AB E. D. Pa.). Due to the investigative stage of the matter and the fact that no criminal charges or civil claims have been brought, the Company is unable to predict the outcome of the government's investigation, or reasonably estimate the possible loss or range of loss, if any, which could be associated with the resolution of any possible charges or 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, results of operations, and cash flows.

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 has interviewed several current and former employees and has served grand jury subpoenas seeking testimony from several current and former employees. The government has indicated that it believes Western Union failed to timely terminate or suspend certain Western Union agents who allegedly paid or forwarded thousands of fraud-induced transactions sent from the United States to various countries from at least 2008 to 2012. The government's investigation is ongoing and the Company may receive additional requests for information as part of the investigation. The Company has provided and continues to provide information and documents to the government. Due to the investigative stage of the matter and the fact that no criminal charges or civil claims have been brought, the Company is unable to predict the outcome of the government's investigation, or reasonably estimate the possible loss or range of loss, if any, which could be associated with the resolution of any possible charges or 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, results of operations, and cash flows.

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On March 6, 2014, the Company was served with a federal grand jury subpoena issued by the United States Attorney's Office for the Southern District of Florida ("USAO-SDFL") seeking a variety of AML compliance materials, including documents relating to the Company's AML, Bank Secrecy Act ("BSA"), Suspicious Activity Report ("SAR") and Currency Transaction Report procedures, transaction monitoring protocols, BSA and AML training programs and publications, AML compliance investigation reports, compliance-related agent termination files, SARs, BSA audits, BSA and AML-related management reports and AML compliance staffing levels. The subpoena also calls for Board meeting minutes and organization charts. The period covered by the subpoena is January 1, 2007 to November 27, 2013. The Company has received additional subpoenas from the USAO-SDFL and the Broward County, Florida Sheriff's Office relating to the investigation, including a federal grand jury subpoena issued by the USAO-SDFL on March 14, 2014, seeking information about 33 agent locations in Costa Rica such as ownership and operating agreements, SARs and AML compliance and BSA filings for the period January 1, 2008 to November 27, 2013. Subsequently, the USAO-SDFL served the Company with seizure warrants requiring the Company to seize all money transfers sent from the United States to two agent locations located in Costa Rica for a 10-day period beginning in late March 2014. On July 8, 2014, the government served a grand jury subpoena calling for records relating to transactions sent from the United States to Nicaragua and Panama between September 1, 2013 and October 31, 2013. Further, the government recently served Western Union with a subpoena calling for data relating to transactions sent and received by 43 Nicaraguan agents from October 1, 2008 to October 31, 2013 and transactions sent from the United States to the Bahamas, Peru, Dominican Republic, and Haiti from September 1, 2013 to January 2, 2014 and certain documents relating to those agents. The government also advised the Company that it is investigating concerns the Company was aware there were gaming transactions being sent to Panama, Nicaragua, Haiti, Philippines, Vietnam, the Dominican Republic, Peru, Antigua, and the Bahamas (in addition to Costa Rica) and that the Company failed to take proper steps to stop the activity. The government has also notified the Company that it is a target of the investigation. The government has interviewed several current and former Western Union employees. The government's investigation is ongoing and the Company may receive additional requests for information or seizure warrants as part of the investigation. The Company has provided and continues to provide information and documents to the government. Due to the investigative stage of the matter and the fact that no criminal charges or civil claims have been brought, the Company is unable to predict the outcome of the government's investigation, or reasonably estimate the possible loss or range of loss, if any, which could be associated with the resolution of any possible charges or 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, results of operations, and cash flows.

Other Governmental Investigations

Since 2011, Western Union has 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 reasonably estimate 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, results of operations, and cash flows.

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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 from the FTC requesting that the Company produce (i) all documents relating to communications with the monitor (the "Monitor") appointed pursuant to the agreement and settlement (the "Southwest Border Agreement") Western Union Financial Services, Inc. entered into with the State of Arizona on February 11, 2010, as amended, including information the Company provided to the Monitor and any reports prepared by the Monitor; and (ii) all documents relating to complaints made to the Company by consumers anywhere in the world relating to fraud-induced money transfers since January 1, 2011. 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 civil investigative demand 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 civil investigative demand. On October 7, 2014, the United States Court of Appeals for the Second Circuit entered a summary order reversing in part and vacating and remanding in part the June 6, 2013 order entered by the United States District Court for the Southern District of New York. On October 22, 2014, the Company received another civil investigative demand issued by the FTC requesting documents and information since January 1, 2004 relating to the Company's consumer fraud program, its policies and procedures governing agent termination, suspension, probation and reactivation, its efforts to comply with its 2005 agreement with 47 states and the District of Columbia regarding consumer fraud prevention, and complaints made to the Company by or on behalf of consumers concerning fraud-induced money transfers that were sent to or from the United States, excluding complaint-related documents that were produced to the FTC in response to the earlier civil investigative demands. The civil investigative demand also seeks various documents concerning approximately 720 agents, including documents relating to the transactions they sent and paid and the Company's investigations of and communications with them. On July 31, 2015, the Company received another civil investigative demand requesting documents and information relating to the total number of agent and subagent locations in 13 countries annually since 2010, the average and median dollar values for money transfers sent anywhere in the world annually since 2010, copies of the Company's anti-fraud programs, know your agent policy, know your customer policy, representative agent contracts, transaction data, background investigation documents and fraud complaints associated with four agents in Greece, Peru and Mexico and consumer fraud reports not already produced to the FTC. The Company has responded to each of the civil investigative demands it has received from the FTC and may receive additional civil investigative demands. The FTC recently advised the Company of its view that the Company violated Section 5 of the Federal Trade Commission Act and the Telemarketing Sales Rule by failing to take timely, appropriate, and effective measures to mitigate fraud in the processing of money transfers sent by consumers. The Company is in discussions with the FTC and is seeking to reach an appropriate resolution of this matter. The Company has accrued \$15 million toward a proposed resolution based upon facts and circumstances known to the Company at this time. Due to the stage of the discussions, the Company is unable to predict the possible range of additional loss exceeding the amount already accrued for this matter. There can be no assurance that the Company will reach an agreement with the FTC. The FTC staff has advised the Company that it has been directed to request authority from the FTC to file a complaint against the Company in United States federal court if it is not able to reach an agreement with the Company. Should the Company enter into a settlement agreement with the FTC, or if the FTC files a complaint against the Company, the Company could be required to make significant restitution and/or disgorgement payments and changes to its programs, any of which separately or combined could have a material adverse effect on the Company's business, financial condition and results of operations. If the FTC files a complaint against the Company, the Company intends to defend itself vigorously.

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Shareholder Actions

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

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In 2014, Stanley Lieblein, R. Andre Klein, City of Cambridge Retirement System, Mayar Fund Ltd, Louisiana Municipal Police Employees' Retirement System, MARTA/ATU Local 732 Employees Retirement Plan, and The Police Retirement System of St. Louis filed shareholder derivative complaints in the United States District Court for the District of Colorado (or were removed to the United States District Court for the District of Colorado) naming the Company's President and Chief Executive Officer and certain current and former directors and a former executive officer as individual defendants, and the Company as a nominal defendant. On January 5, 2015, the court entered an order consolidating the actions and appointing City of Cambridge Retirement System and MARTA/ATU Local 732 Employees Retirement Plan as co-lead plaintiffs. On February 4, 2015, co-lead plaintiffs filed a verified consolidated shareholder derivative complaint naming the Company's President and Chief Executive Officer, two of its former executive officers and all but two of its current directors as individual defendants, and the Company as a nominal defendant. The consolidated complaint asserts separate claims for breach of fiduciary duty against the director defendants and the officer defendants, claims against all of the individual defendants for violations of section 14(a) of the Securities Exchange Act of 1934 ("Exchange Act"), corporate waste and unjust enrichment, and a claim against the former executive officer for breach of fiduciary duties for insider selling and misappropriation of information. The breach of fiduciary duty claim against the director defendants includes allegations that they declined to implement an effective anti-money laundering compliance system after receiving numerous red flags indicating prolonged willful illegality, obstructed the Southwest Border Monitor's efforts to impose effective compliance systems on the Company, failed to take action in response to alleged Western Union management efforts to undermine the Monitor, reappointed the same directors to the Audit Committee and Corporate Governance and Public Policy Committees constituting a majority of those committees between 2006 and 2014, appointed a majority of directors to the Compliance Committee who were directly involved in overseeing the alleged misconduct as members of the Audit Committee and the Corporate Governance and Public Policy Committee, caused the Company to materially breach the Southwest Border Agreement, caused the Company to repurchase its stock at artificially inflated prices, awarded the Company's senior executives excessive compensation despite their responsibility for the Company's alleged willful non-compliance with state and federal anti-money laundering laws, and failed to prevent the former executive officer from misappropriating and profiting from nonpublic information when making allegedly unlawful stock sales. The breach of fiduciary duty claim against the officer defendants includes allegations that they caused the Company and allowed its agents to ignore the recording and reporting requirements of the Bank Secrecy Act and parallel anti-money laundering laws and regulations for a prolonged period of time, authorized and implemented anti-money laundering policies and practices that they knew or should have known to be inadequate, caused the Company to fail to comply with the Southwest Border Agreement and refused to implement and maintain adequate internal controls. The claim for violations of section 14(a) of the Exchange Act includes allegations that the individual defendants caused the Company to issue proxy statements in 2012, 2013 and 2014 containing materially incomplete and inaccurate disclosures - in particular, by failing to disclose the extent to which the Company's financial results depended on the non-compliance with AML requirements, the Board's awareness of the regulatory and criminal enforcement actions in real time pursuant to the 2003 Consent Agreement with the California Department of Financial Institutions and that the directors were not curing violations and preventing misconduct, the extent to which the Board considered the flood of increasingly severe red flags in their determination to re-nominate certain directors to the Audit Committee between 2006 and 2010, and the extent to which the Board considered ongoing regulatory and criminal investigations in awarding multi-million dollar compensation packages to senior executives. The corporate waste claim includes allegations that the individual defendants paid or approved the payment of undeserved executive and director compensation based on the illegal conduct alleged in the consolidated complaint, which exposed the Company to civil liabilities and fines. The corporate waste claim also includes allegations that the individual defendants made improper statements and omissions, which forced the Company to expend resources in defending itself in *City of Taylor Police and Fire Retirement System v. The Western Union Company, et al.*, a lawsuit that was subsequently renamed and dismissed, authorized the repurchase of over \$1.565 billion of the Company's stock at prices they knew or recklessly were aware, were artificially inflated, failed to maintain sufficient internal controls over the Company's marketing and sales

process, failed to consider the interests of the Company and its shareholders, and failed to conduct the proper supervision. The claim for unjust enrichment includes allegations that the individual defendants derived compensation, fees and other benefits from the Company and were otherwise unjustly enriched by their wrongful acts and omissions in managing the Company. The claim for breach of fiduciary duties for insider selling and misappropriation of information includes allegations that the former executive sold Company stock while knowing material, nonpublic information that would have significantly reduced the market price of the stock. On March 16, 2015, the defendants filed a motion to dismiss the consolidated complaint. On March 31, 2016, the Court entered an order granting the defendants' collective motion to dismiss without prejudice, denying as moot a separate motion to dismiss that was filed by the former executive officer, and staying the order for 30 days, within which plaintiffs may file an amended complaint that cures the defects noted in the order. On May 2, 2016, co-lead plaintiffs filed a verified amended consolidated shareholder derivative complaint naming the Company's President and Chief Executive Officer, eight of its current directors (including the Company's President and Chief Executive Officer, who also serves as a director) and one of its former directors as individual defendants, and the Company as a nominal defendant. The amended complaint, among other things, drops the claims against the former executive officer named in the prior complaint, realleges and narrows the breach of fiduciary duty claims, and drops the remaining claims. On June 15, 2016, defendants filed a motion to dismiss the amended consolidated shareholder derivative complaint. On August 1, 2016, plaintiffs filed an opposition to the motion to dismiss.

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

Other Matters

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

On February 10, 2015, Caryn Pincus filed a purported class action lawsuit in the United States District Court for the Southern District of Florida against Speedpay, Inc. ("Speedpay"), a subsidiary of the Company, asserting claims based on allegations that Speedpay imposed an unlawful surcharge on credit card transactions and that Speedpay engages in money transmission without a license. The complaint requests certification of a class and two subclasses generally comprised of consumers in Florida who made a payment through Speedpay's bill payment services using a credit card and were charged a surcharge for such payment during the four-year and five-year periods prior to the filing of the complaint through the date of class certification. On April 6, 2015, Speedpay filed a motion to dismiss the complaint. On April 23, 2015, in response to the motion to dismiss, Pincus filed an amended complaint that adds claims (1) under the Florida Civil Remedies for Criminal Practices Act, which authorizes civil remedies for certain criminal conduct; and (2) for violation of the federal Racketeer Influenced and Corrupt Organizations Act ("RICO"). On May 15, 2015, Speedpay filed a motion to dismiss the amended complaint. On October 6, 2015, the Court entered an order denying Speedpay's motion to dismiss. On October 20, 2015, Speedpay filed an answer to the amended complaint. On December 1, 2015, Pincus filed a second amended complaint that revised her factual allegations, but added no new claims. On December 18, 2015, Speedpay filed an answer to the second amended complaint. On May 20, 2016, Speedpay filed a motion for judgment on the pleadings as to Pincus' Florida Civil Remedies for Criminal Practices Act and federal RICO claims. On June 7, 2016, Pincus filed an opposition to Speedpay's motion for judgment on the pleadings. On June 17, 2016, Speedpay filed a reply brief in support of the motion. As this action is in a preliminary stage, the Company is unable to predict the outcome, or the possible loss or range of loss, if any, which could be associated with this action. Speedpay intends to vigorously defend itself in this matter.

In addition to the principal matters described above and the matters described in Part I, Item 1, Financial Statements, Note 4, "Commitments and Contingencies," the Company is a party to a variety of other legal matters that arise in the normal course of the Company's business. While the results of these other legal matters cannot be predicted with certainty, management believes that the final outcome of these matters will not have a material adverse effect either individually or in the aggregate on the Company's financial condition, results of operations, or cash flows.

Item 1A. Risk Factors

There have been no material changes to the risk factors described in our 2015 Annual Report on Form 10-K.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth stock repurchases for each of the three months of the quarter ended June 30, 2016:

Period	Total Number of Shares Purchased*	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	Remaining Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (In millions)
April 1 - 30	847,336	\$ 19.86	824,400	\$ 455.5
May 1 - 31	2,294,053	\$ 19.19	2,291,100	\$ 411.5
June 1 - 30	901,724	\$ 19.12	898,000	\$ 394.3
Total	4,043,113	\$ 19.32	4,013,500	

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

On February 10, 2015, the Board of Directors authorized \$1.2 billion of common stock repurchases through December 31, 2017, of which \$394.3 million remained available as of June 30, 2016. In certain instances, **management has historically and may continue to establish prearranged written plans pursuant to Rule 10b5-1. A Rule 10b5-1 plan permits us to repurchase shares at times when we may otherwise be unable to do so, provided the plan is adopted when we are not aware of material non-public information.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See "Exhibit Index" for documents filed herewith and incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements 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)

Date: August 3, 2016 By: /s/ Hikmet Ersek

Hikmet Ersek
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 3, 2016 By: /s/ Rajesh K. Agrawal

Rajesh K. Agrawal
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 3, 2016 By: /s/ Amintore T.X. Schenkel

Amintore T.X. Schenkel
Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Description
12	Computation of Ratio of Earnings to Fixed Charges
15	Letter from Ernst & Young LLP Regarding Unaudited Interim Financial Information
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