

MoneyGram Payment Systems, Inc. and Subsidiaries

(A Wholly Owned Subsidiary of MoneyGram Payment Systems
Worldwide, Inc., a Wholly Owned Subsidiary of MoneyGram International, Inc.)

Consolidated Financial Statements as of December 31, 2022 and 2021, and for each of the Two Years in the Period
Ended December 31, 2022, Schedule of Net Worth as of and for the year ended December 31, 2022, and Independent
Auditors' Report

MONEYGRAM PAYMENT SYSTEMS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of MoneyGram Payment Systems Worldwide, Inc., a Wholly Owned Subsidiary of MoneyGram International, Inc.)

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GLOSSARY OF TERMS

This glossary highlights some of the terms used in the Consolidated Financial Statements and is not a complete list of all the defined terms used herein.

Abbreviation	Term
CFPB	Consumer Financial Protection Bureau was created by the Dodd-Frank Act to issue and enforce consumer protection initiatives governing financial products and services, including money transfer services, in the U.S.
CID	Civil Investigative Demand
Consent Order	Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction
Corridor	With regard to a money transfer transaction, the originating "send" location and the designated "receive" location are referred to as a corridor
COVID-19	Coronavirus disease
Digital Channel	Transactions in which either the send transaction, receive transaction or both occur through one of the Company's digital properties such as moneygram.com, the native mobile application or virtual agents
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DPA	Deferred Prosecution Agreement dated November 9, 2012 by and between MoneyGram International, Inc and the United States Department of Justice and the United States Attorney's Office for the Middle District of Pennsylvania, as amended.
Fitch	Fitch Ratings, Inc.
FPP	Financial Paper Products
FTC	Federal Trade Commission
GFT	Global Funds Transfer
IRS	Internal Revenue Service
Merger	Merger Sub will merge with and into the Company
Merger Agreement	On February 14, 2022, the Company, entered into an Agreement and Plan of Merger
Merger Sub	Mobius Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent
MDP	Madison Dearborn Partners, LLC, a Delaware limited liability company
MGO	MoneyGram Online
Moody's	Moody's Investor Service
MPSI	MoneyGram Payment Systems, Inc.
Non-U.S. dollar	The impact of non-U.S. dollar exchange rate fluctuations on the Company's financial results is typically calculated as the difference between current period activity translated using the current period's exchange rates and the comparable prior-year period's exchange rates; this method is used to calculate the impact of changes in non-U.S. dollar exchange rates on revenues, commissions and other operating expenses for all countries where the functional currency is not the U.S. dollar.
NYAG	New York State Office of the Attorney General
NYDFS	New York Department of Financial Services
OFAC	U.S. Treasury Department's Office of Foreign Assets Control
Parent	Mobius Parent Corp.
Pension	The Company's Pension Plan and SERPs
Pension Plan	Defined benefit pension plan
Postretirement Benefits	Defined benefit postretirement plan
Receiver	Person receiving a money transfer transaction
Retail Channel	Transactions in which both the send transaction and receive transaction occur at one of the Company's physical agent locations
ROU	Right-of-use

SERPs	Supplemental executive retirement plans
S&P	Standard & Poor's
SEC	U.S. Securities and Exchange Commission
U.S. DOJ	U.S. Department of Justice, Criminal Division, Money Laundering and Asset Recovery Section
U.S. GAAP	Accounting principles generally accepted in the United States of America
U.S. Judge	United States Judge for the Middle District of Pennsylvania

Independent Auditors' Report

The Board of Directors

MoneyGram Payment Systems, Inc.:

Opinion

We have audited the consolidated financial statements of MoneyGram Payment Systems, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedule of net worth is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Dallas, Texas

March 10, 2023

MONEYGRAM PAYMENT SYSTEMS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of MoneyGram Payment Systems Worldwide, Inc., a Wholly Owned
Subsidiary of MoneyGram International, Inc.)

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31,

(Amounts in millions, except share data)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 171.2	\$ 155.2
Settlement assets	3,607.2	3,591.4
Property and equipment, net	134.5	133.9
Goodwill	442.2	442.2
Right-of-use assets	42.5	52.6
Intercompany receivables, net	18.9	16.5
Other assets	73.6	97.4
Total assets	<u>\$ 4,490.1</u>	<u>\$ 4,489.2</u>
LIABILITIES		
Payment service obligations	\$ 3,607.2	\$ 3,591.4
Pension and other postretirement benefits	53.3	67.1
Lease liabilities	45.4	56.3
Accounts payable and other liabilities	173.5	172.4
Total liabilities	<u>3,879.4</u>	<u>3,887.2</u>
COMMITMENTS AND CONTINGENCIES (NOTE 13)		
STOCKHOLDER'S EQUITY		
Common stock, 0.01 par value, 1,000 shares authorized, one share issued and one share outstanding	—	—
Additional paid-in capital	2,118.1	2,112.9
Retained loss	(1,442.5)	(1,448.1)
Accumulated other comprehensive loss	(64.9)	(62.8)
Total stockholder's equity	610.7	602.0
Total liabilities and stockholder's equity	<u>\$ 4,490.1</u>	<u>\$ 4,489.2</u>

See Notes to the Consolidated Financial Statements

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MONEYGRAM PAYMENT SYSTEMS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of MoneyGram Payment Systems Worldwide, Inc., a Wholly Owned
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CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

(Amounts in millions)

	2022	2021
REVENUE		
Fee and other revenue	\$ 1,259.6	\$ 1,272.8
Investment revenue	37.9	7.8
Total revenue	<u>1,297.5</u>	<u>1,280.6</u>
COST OF REVENUE		
Commissions and other fee expense	610.7	622.7
Investment commissions expense	21.9	0.9
Direct transaction expense	57.6	60.5
Total cost of revenue	<u>690.2</u>	<u>684.1</u>
GROSS PROFIT	<u>607.3</u>	<u>596.5</u>
OPERATING EXPENSES		
Compensation and benefits	228.0	227.8
Transaction and operations support	184.6	177.1
Occupancy, equipment and supplies	59.8	61.9
Depreciation and amortization	51.7	57.0
Total operating expenses	<u>524.1</u>	<u>523.8</u>
OPERATING INCOME	<u>83.2</u>	<u>72.7</u>
Other expenses		
Other non-operating expense	4.0	3.7
Total other expenses	<u>4.0</u>	<u>3.7</u>
Income before income taxes	79.2	69.0
Income tax expense	17.2	16.7
NET INCOME	<u>\$ 62.0</u>	<u>\$ 52.3</u>

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31,

(Amounts in millions)

	2022	2021
NET INCOME	\$ 62.0	\$ 52.3
OTHER COMPREHENSIVE LOSS		
Net change in unrealized holding gain on available-for-sale securities arising during the period net of tax expense of \$0.2 and \$0.1 for the years ended December 31, 2022 and 2021, respectively	0.7	0.3
Net change in pension liability due to amortization of prior service cost and net actuarial loss, net of tax benefit of \$0.5 and \$0.6 for the years ended December 31, 2022 and 2021, respectively	1.8	1.9
Pension settlement gain, net of tax benefit of \$0.1 for the year ended December 31, 2022	(0.4)	—
Valuation adjustment for pension and postretirement benefits, net of tax expense of \$1.7 and \$0.4 for the years ended December 31, 2022 and 2021, respectively	5.6	1.4
Unrealized non-U.S. dollar translation adjustments, net of tax expense of \$0.0 and \$0.0 for the years ended December 31, 2022 and 2021, respectively	(9.8)	(8.0)
Other comprehensive loss	(2.1)	(4.4)
COMPREHENSIVE INCOME	\$ 59.9	\$ 47.9

See Notes to the Consolidated Financial Statements

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(A Wholly Owned Subsidiary of MoneyGram Payment Systems Worldwide, Inc., a Wholly Owned
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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

(Amounts in millions)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 62.0	\$ 52.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51.7	57.0
Signing bonus amortization	50.1	56.4
Change in right-of-use assets	10.1	12.6
Deferred income tax expense	(6.3)	1.9
Non-cash compensation and pension expense	16.9	10.2
Signing bonus payments	(36.9)	(36.0)
Change in other assets and intercompany receivables, net	1.4	6.8
Change in lease liabilities	(10.9)	(13.7)
Change in accounts payable and other liabilities and intercompany payables	(3.8)	(69.9)
Other non-cash items, net	(0.5)	0.3
Net cash provided by operating activities	<u>133.8</u>	<u>77.9</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(53.8)	(41.4)
Proceeds from available-for-sale investments	0.6	0.8
Purchases of interest-bearing investments	(956.4)	(768.0)
Proceeds from interest-bearing investments	951.0	766.6
Net cash used in investing activities	<u>(58.6)</u>	<u>(42.0)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend to parent	(57.0)	(73.6)
Capital contribution	—	—
Change in receivables, net	(406.6)	124.6
Change in payment service obligations	15.8	(111.5)
Payments to tax authorities for stock-based compensation	(8.0)	(3.8)
Net cash used in financing activities	<u>(455.8)</u>	<u>(64.3)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND SETTLEMENT CASH AND CASH EQUIVALENTS	(380.6)	(28.4)
CASH AND CASH EQUIVALENTS AND SETTLEMENT CASH AND CASH EQUIVALENTS—Beginning of year	<u>2,050.9</u>	<u>2,079.3</u>
CASH AND CASH EQUIVALENTS AND SETTLEMENT CASH AND CASH EQUIVALENTS—End of year	<u>\$ 1,670.3</u>	<u>\$ 2,050.9</u>

See Notes to the Consolidated Financial Statements

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Supplemental disclosures to the Consolidated Statements of Cash Flows are presented below:

FOR THE YEARS ENDED DECEMBER 31,

<i>(Amounts in millions)</i>	2022	2021
Cash payments for taxes, net of refunds	\$ 9.5	\$ 6.8

The following table provides a reconciliation of Cash and Cash Equivalents as reported in the Consolidated Statements of Cash Flows to the line items within the Consolidated Balance Sheets as of December 31:

<i>(Amounts in millions)</i>	2022	2021
Cash and cash equivalents	\$ 171.2	\$ 155.2
Settlement cash and cash equivalents	1,499.1	1,895.7
Cash and cash equivalents and settlement cash and cash equivalents	<u>\$ 1,670.3</u>	<u>\$ 2,050.9</u>

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CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

<i>(Amounts in millions)</i>	Additional Paid-In Capital	Retained Loss	Accumulated Other Comprehensive Loss	Total
December 31, 2020	\$ 2,110.6	\$ (1,425.1)	\$ (58.4)	627.1
Net income	—	52.3	—	52.3
Dividend to parent	—	(73.6)	—	(73.6)
Stock-based compensation activity	2.4	(1.8)	—	0.6
Other comprehensive loss	—	—	(4.4)	(4.4)
December 31, 2021	2,113.0	(1,448.2)	(62.8)	602.0
Net income	—	62.0	—	62.0
Dividend to parent	—	(57.0)	—	(57.0)
Stock-based compensation activity	5.1	0.7	—	5.8
Other comprehensive loss	—	—	(2.1)	(2.1)
December 31, 2022	<u>\$ 2,118.1</u>	<u>\$ (1,442.5)</u>	<u>\$ (64.9)</u>	<u>\$ 610.7</u>

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MONEYGRAM PAYMENT SYSTEMS, INC. AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of the Business and Basis of Presentation

MoneyGram Payment Systems, Inc. is a wholly owned subsidiary of MoneyGram Payment Systems Worldwide, Inc. (“Worldwide”), which is a wholly owned subsidiary of MoneyGram International, Inc. (“MGI”). References to “MPSI,” the “Company,” “we,” “us” and “our” are to MoneyGram Payment Systems, Inc. and its subsidiaries. References to “MoneyGram” are to MoneyGram International, Inc. and its subsidiaries.

Nature of Operations — MoneyGram offers products and services under its two reporting segments: Global Funds Transfer (“GFT”) and Financial Paper Products (“FPP”). The GFT segment provides global money transfer services and bill payment services to consumers through two primary distribution channels: retail and digital. Through our Retail Channel, we offer services through third-party agents, including retail chains, independent retailers, post offices and other financial institutions. Additionally, we have limited Company-operated retail locations. We offer services through moneygram.com (“MGO”), digital partnerships, direct transfers to bank accounts, mobile wallets and card solutions, such as Visa Direct, as part of our Digital Channel. The FPP segment provides official check outsourcing services and money orders through financial institutions and agent locations.

Basis of Presentation — The accompanying consolidated financial statements of the Company are prepared in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The Consolidated Balance Sheets are unclassified due to the timing uncertainty surrounding the payment of settlement obligations.

Impact of COVID-19 Pandemic On Our Financial Statements — The global spread of COVID-19 and the unprecedented impact of the COVID-19 pandemic is complex and ever-evolving. In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended extensive containment and mitigation measures worldwide. The outbreak reached all regions in which we do business, and governmental authorities around the world implemented numerous measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, border closings, quarantines, shelter-in-place orders, shutdowns, limitations or closures of non-essential businesses, school closures and social distancing requirements. The global spread of COVID-19 and its subsequent variants, in combination with the government actions taken in response to the virus have caused and may continue to cause significant economic and business disruption, volatility, financial uncertainty and a continued significant global economic downturn. This has had and may continue to have, a negative impact on the mobility of the global workforce, our agents, customers, consumer spending and global financial markets. Even after the initial impact of the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of inflation, economic weakness and lower disposable income. Therefore, the Company cannot reasonably estimate the future impact at this time.

There were no other material impacts to our Consolidated Financial Statements as of and for the year ended December 31, 2022, based on MoneyGram's assessment of its estimates. As additional information becomes available to us, our future assessment of these estimates, including our expectations at the time regarding the duration, scope and severity of the pandemic, as well as other factors, could materially and adversely impact our Consolidated Financial Statements in the future.

Use of Estimates — The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience, future expectations, impact of the COVID-19 pandemic and other factors and assumptions the Company believes to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis and are revised when necessary. Changes in estimates are recorded in the period of change. Actual amounts may differ from these estimates.

Principles of Consolidation — The Consolidated Financial Statements include the accounts of MoneyGram Payment Systems, Inc. and its subsidiaries. Intercompany profits, transactions and account balances have been eliminated in consolidation, other than those with MGI and Worldwide. “Intercompany receivable, net” and “Intercompany payable” on the Consolidated Balance Sheets as of December 31, 2022 and 2021, are presented on a separate net basis with MGI and Worldwide, respectively. The Company reflects intercompany income tax receivables and payables in “Other assets” and “Accounts payable and other liabilities,” respectively, as further disclosed in Note 12 — *Income Taxes*.

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Merger Update — On February 14, 2022, we entered into a Merger Agreement by and among MoneyGram, Parent and an affiliate of MDP, and Merger Sub. The Merger Agreement provides that, subject to the terms and conditions set forth in the Merger Agreement, Merger Sub will merge with and into MoneyGram. Following the Merger, MoneyGram will become a subsidiary of Parent. At the effective time of the Merger, each outstanding share of common stock will be automatically canceled and converted into the right to receive \$11.00 in cash.

On May 23, 2022, MoneyGram held a virtual-only special meeting of stockholders related to the Merger Agreement and stockholders approved and adopted the Merger Agreement.

To date, money transmission regulators in all applicable U.S. states and territories have provided their approval or non-objection of the transaction. In addition, the parties have obtained all but one approval from international money transmission regulators and have received approval from the Financial Conduct Authority ("FCA") in the United Kingdom and the National Bank of Belgium where MoneyGram holds its European license. While, the waiting period under the Hart-Scott-Rodino ("HSR") Antitrust Improvements Act of 1976 had previously expired, the parties recently refiled the application as the existing approval was set to expire. The new HSR waiting period is set to expire on March 13, 2023.

The final regulatory approval is to be issued by the Reserve Bank of India ("RBI"). The RBI is the issuer of MoneyGram's Money Transfer Service Scheme ("MTSS") license in India. Since the Company and MDP signed the Merger Agreement, the RBI issued a new Circular covering approval requirements related to Payment System Operators ("PSO") such as MoneyGram. The Merger will be one of the first PSOs undergoing a sale since the Circular was issued. As a result, the process has been taking longer than originally anticipated. MoneyGram has been in active dialogue with the RBI and the Central Government of India regarding its review of the Merger.

Prior to closing, the parties will engage in a financing marketing period which, pursuant to the merger agreement, may last for as long as fifteen consecutive business days. Closing would occur within a matter of days after completing the marketing period.

The parties have agreed to extend the end date beyond February 14, 2023, in accordance with the Merger Agreement, to May 14, 2023. In light of the timing and factors discussed above, the parties now expect to close the Merger either late in the first quarter or early in the second quarter of 2023.

Note 2 — Summary of Significant Accounting Policies

Cash and cash equivalents — The Company defines cash and cash equivalents and settlement cash and cash equivalents as cash on hand and all highly liquid debt instruments with original maturities of three months or less at the purchase date.

Settlement assets and payment service obligations — The Company records payment service obligations relating to amounts payable under money transfers, money orders and consumer payment service arrangements. These obligations are recognized by the Company at the time the underlying transaction occurs. The Company records corresponding settlement assets, which represent funds received or to be received for unsettled money transfers, money orders and consumer payments. Settlement assets consist of settlement cash and cash equivalents, receivables and investments. Payment service obligations primarily consist of outstanding payment instruments; amounts owed to financial institutions for funds paid to the Company to cover clearings of official check payment instruments, remittances and clearing adjustments; amounts owed to agents for funds paid to consumers on behalf of the Company; commissions owed to financial institution customers and agents for instruments sold; amounts owed to investment brokers for purchased securities and unclaimed instruments owed to various states.

Receivables, net (included in settlement assets) — The Company has receivables due from financial institutions and agents for payment instruments sold and amounts advanced by the Company to certain agents for operational and local regulatory purposes. These receivables are outstanding from the day of the sale of the payment instrument until the financial institution or agent remits the funds to the Company. The Company provides an allowance for the portion of the receivable estimated to become uncollectible based on its history of collection experience, known collection issues, such as agent suspensions and bankruptcies, consumer credit card chargebacks and insufficient funds and other matters the Company identifies in its routine collection monitoring. Receivables are generally considered past due one day after the contractual remittance schedule, which is typically one day to three days after the sale of the underlying payment instrument. Receivables are generally written off against the allowance one year after becoming past due.

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The following summary details the activity within the allowance for credit losses for the years ended December 31:

<i>(Amounts in millions)</i>	2022	2021
Beginning balance	\$ 6.7	\$ 9.5
Provision	13.3	11.1
Write-offs, net of recoveries	(13.9)	(13.9)
Ending balance	<u>\$ 6.1</u>	<u>\$ 6.7</u>

Interest-Bearing and Available-For-Sale Investments (included in settlement assets) — The Company classifies securities as available-for-sale. The Company has no securities classified as trading or held-to-maturity. Time deposits and certificates of deposits with original maturities of up to 24 months are classified as interest-bearing investments and recorded at amortized cost. Securities held for indefinite periods of time, including any securities that may be sold to assist in the clearing of payment service obligations or in the management of the investment portfolio, are classified as available-for-sale securities. These securities are recorded at fair value, with the net after-tax unrealized gain or loss recorded within "Accumulated other comprehensive loss" in the stockholder's equity section of the Consolidated Balance Sheets. Realized gains and losses and other-than-temporary impairments are recorded in the Consolidated Statements of Operations under "Total other expenses."

Interest income on residential mortgage-backed securities for which risk of credit loss is deemed remote is recorded utilizing the level yield method. Changes in estimated cash flows, both positive and negative, are accounted for with retrospective changes to the carrying value of investments in order to maintain a level yield over the life of the investment. Interest income on residential mortgage-backed securities for which risk of credit loss is not deemed remote is recorded under the prospective method as adjustments of yield. Additionally, the Company applies the cost recovery method of accounting for interest to some of the investments within the available-for-sale portfolio as it believes it is probable that it will not recover all, or substantially all, of its principal investment and interest for its asset-backed and other securities given the sustained deterioration in the investment and securities market, the collapse of many asset-backed securities and the low levels to which the securities have been written down.

The Company evaluates all residential mortgage-backed and other asset-backed investments for impairment based on management's evaluation of the underlying reasons for the decline in fair value on an individual security basis. When an adverse change in expected cash flows occurs, and if the fair value of a security is less than its carrying value, the investment is written down to fair value through a permanent reduction to its amortized cost in the period the impairment occurs. Securities gains and losses are recognized upon the sale, call or maturity of securities using the specific identification method to determine the cost basis of securities sold.

Fair Value of Financial Instruments — Financial instruments consist of cash and cash equivalents, settlement cash and cash equivalents, investments, derivatives, payment service obligations and debt. The carrying values of cash and cash equivalents, settlement cash and cash equivalents, interest-bearing investments and payment service obligations approximate fair value. The carrying value of debt is stated at amortized cost; however, for disclosure purposes the fair value is estimated. See Note 4 — *Fair Value Measurement* for information regarding the principles and processes used to estimate the fair value of financial instruments.

Derivative Financial Instruments — The Company recognizes derivative financial instruments on the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value is recognized through "Transaction and operations support" in the Consolidated Statements of Operations in the period of change. See Note 6 — *Derivative Financial Instruments* for additional disclosure.

Property and Equipment — Property and equipment includes computer hardware, computer software, signage, equipment at agent locations, office furniture and equipment and leasehold improvements and is stated at cost net of accumulated depreciation and amortization. Property and equipment is depreciated and amortized using a straight-line method over the useful life or term of the lease or license. The cost and related accumulated depreciation and amortization of assets sold or disposed of are removed from the financial statements, with the resulting gain or loss, if any, recognized within "Occupancy, equipment and supplies" in the Consolidated Statements of Operations. See Note 7 — *Property and Equipment* for additional disclosure.

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The following table summarizes the estimated useful lives by major asset category:

<u>Type of Asset</u>	<u>Useful Life</u>
Computer hardware	3 years
Computer software	5 - 7 years
Signage	3 years
Equipment at agent locations	3 - 7 years
Office furniture and equipment	7 years
Leasehold improvements	10 years

Tenant allowances for leasehold improvements are capitalized as leasehold improvements upon completion of the improvement and amortized over the shorter of the remaining term of the lease or 10 years. Computer software includes acquired and internally developed software.

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable by comparing the carrying value of the assets to the estimated future undiscounted cash flows to be generated by the asset. If an impairment is determined to exist for property and equipment, the carrying value of the asset is reduced to the estimated fair value.

Goodwill and Intangible Assets — Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is assigned to the reporting unit in which the acquired business will operate. Intangible assets are recorded at their estimated fair value at the date of acquisition. In the year following the period in which identified intangible assets become fully amortized, the fully amortized balances are removed from the gross asset and accumulated amortization amounts. Intangible assets with indefinite lives are not amortized. Intangible assets that are not amortized are evaluated for impairment on a quarterly basis. As of December 31, 2022 and 2021, the Company had no indefinite-lived intangible assets. Intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable by comparing the carrying value of the assets to the estimated future undiscounted cash flows to be generated by the asset. If an impairment is determined to exist for intangible assets, the carrying value of the asset is reduced to the estimated fair value.

Intangible assets with finite lives are amortized using a straight-line method over their respective useful lives as follows:

<u>Type of Intangible Asset</u>	<u>Useful Life</u>
Contractual and customer relationships	3 - 15 years
Non-compete agreements	3 - 5 years
Developed technology	5 - 7 years

Goodwill is not amortized but is instead subject to impairment testing. The Company evaluates its goodwill for impairment annually as of October 1 of each year or more frequently if impairment indicators arise in accordance with Accounting Standards Codification ("ASC") Topic 350, *Intangibles - Goodwill and Other*. When testing goodwill for impairment, the Company may elect to perform either a qualitative test or a quantitative test to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value. During a qualitative analysis, the Company considers the impact of any changes to the following factors: macroeconomic, industry and market factors, cost factors and changes in overall financial performance, as well as any other relevant events and uncertainties impacting a reporting unit. If the qualitative assessment does not conclude that it is more likely than not that the estimated fair value of the reporting unit is greater than the carrying value, the Company performs a quantitative analysis. In a quantitative test, the carrying value of the reporting unit is compared to its estimated fair value. If the fair value of a reporting unit exceeds its carrying amount, there is no impairment. If not, to the extent the carrying amount of the reporting unit exceeds its fair value, an impairment charge of the reporting unit's goodwill would be recognized; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit.

Payments on Long-Term Contracts — The Company makes payments to certain agents and financial institution customers as an incentive to enter into long-term contracts. The payments, or signing bonuses, are generally required to be refunded pro rata in the event of nonperformance under, or cancellation of, the contract by the customer. Signing bonuses are viewed as prepaid commissions expense and are, therefore, capitalized and amortized over the life of the related contract. Amortization of signing bonuses on long-term contracts is recorded within "Fee and other commissions expense" in the Consolidated Statements of

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Operations. The carrying values of the signing bonuses are reviewed whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Income Taxes — The provision for income taxes is computed based on the pre-tax income (loss) included in the Consolidated Statements of Operations. Deferred tax assets and liabilities are recorded based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax basis and operating loss and tax credit carry-forwards on a taxing jurisdiction basis. The Company measures deferred tax assets and liabilities using enacted statutory tax rates that will apply in the years in which the Company expects the temporary differences to be recovered or paid. The Company's ability to realize deferred tax assets depends on the ability to generate sufficient taxable income within the carry-back or carry-forward periods provided for in the tax law. The Company establishes valuation allowances for its deferred tax assets based on a more-likely-than-not threshold. To the extent management believes that recovery is not likely, a valuation allowance is established in the period in which the determination is made.

The liability for unrecognized tax benefits is recorded as a non-cash item within "Accounts payable and other liabilities" on the Consolidated Balance Sheets. The Company records interest and penalties for unrecognized tax benefits within "Income tax expense" in the Consolidated Statements of Operations. See Note 12—*Income Taxes* for additional disclosure.

Non-U.S. Dollar Translation — The Company converts assets and liabilities of foreign operations to their U.S. dollar equivalents at rates in effect at the balance sheet dates and records the translation adjustments within "Accumulated other comprehensive loss" on the Consolidated Balance Sheets. Income statements of foreign operations are translated from the operation's functional currency to U.S. dollar equivalents at the average exchange rate for the month. Non-U.S. dollar exchange transaction gains and losses are reported within "Transaction and operations support" in the Consolidated Statements of Operations.

Revenue Recognition — The Company earns revenues from consideration specified in contracts with customers and recognizes revenue when it satisfies its performance obligations by transferring control over its services and products to customers. Revenue is recognized net of any taxes collected from customers that are subsequently remitted to governmental authorities. The following is a description of the principal activities, separated by reporting segments, from which the Company generates revenues. For tabular revenue disclosures see Note 14 — *Revenue Recognition*.

GFT Segment:

Money transfer fee revenue — The Company earns money transfer revenues primarily from consumer transaction fees and the management of currency exchange spreads on money transfer transactions involving different "send" and "receive" currencies. Fees are collected from consumers at the time of transaction. In a cash-to-cash money transfer transaction, both the agent initiating the transaction and the receiving agent earn a commission that is generally a fixed fee or is based on a percentage of the fee charged to the consumer. When a money transfer transaction is initiated at a MoneyGram-owned store or via our online platform, typically only the receiving agent earns a commission. Each money transfer is considered a separate agreement between the Company and the consumer and includes only one performance obligation that is satisfied at a point in time, which is when the funds are made available for pick up. Money transfer funds are typically available for pick up within 24 hours of being sent. The consumer is in control of the service, as the consumer picks the "send" and "receive" locations as well as the transaction currency. Normally, the Company provides fee refunds to consumers only if the transaction is canceled within 30 minutes of initiating the transfer and the transfer amount has not been picked up by the Receiver. As such, fee refunds are accounted for within the same period as the origination of the transaction and no liability for the amount of expected returns is recorded on the Consolidated Balance Sheets. The Company recognizes revenues on a gross basis for money transfer services as the Company is considered the principal in these transactions. Under our loyalty programs for money transfer services, consumers earn rewards based on transaction frequency. In 2018, the Company introduced the MoneyGram Plus Rewards program, which allows members to earn discounts on future transactions. The MoneyGram Plus Rewards program activity for the years ended December 31, 2022 and 2021 was insignificant to the Company's results of operations.

Bill payment services fee revenue — Bill payment revenues are earned primarily from fees charged to consumers for each transaction completed. Our primary bill payment service offering is our ExpressPayment service, which we offer at substantially all of our money transfer agent locations, at certain agent locations in select Caribbean and European countries and through our digital solutions. Through our bill payment services, consumers can complete urgent bill payments, pay routine bills, or load and reload prepaid debit cards with cash at an agent location or with a credit or debit card. We offer consumers same-day and two or three-day payment service options; the service option is dependent upon our agreement with the biller. Each bill payment service is considered a separate agreement with the consumer and includes only one performance obligation that is satisfied at a point in time, when the funds are transferred to the designated institution, which is generally within the same day. The consumer is in control of the service, as the consumer picks out the "send" location and time. MoneyGram does

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not offer refunds for bill payment services and revenue is recognized on a gross basis as the Company is considered the principal in these transactions.

Other revenue — Includes breakage income, fees from royalties, contract terminations, insufficient funds and other one-time charges. The Company recognizes breakage revenue for unclaimed money transfers when the likelihood of consumer pick-up becomes remote based on historical experience and there is no requirement for remitting balances to government agencies.

FPP Segment:

Money order fee revenue — Consumers use our money orders to make payments in lieu of cash or personal checks. We generate revenue from money orders by charging per item and other fees, as well as from the investment of funds underlying outstanding money orders. The Company contracts with agents and/or financial institutions for this product and associated services. We sell money orders under the MoneyGram brand and on a private label or on a co-branded basis with certain agents and financial institutions in the U.S. The Company recognizes revenue when an agent sells a money order because the funds are immediately made available to the consumer. As such, each sale of a money order and related service is considered a separate performance obligation that is satisfied at a point in time.

Official check outsourcing services fee revenue — Official checks are used by consumers where a payee requires a check drawn on a bank. Financial institutions also use official checks to pay their own obligations. Like money orders, the Company generates revenue from official check outsourcing services through U.S. banks and credit unions by charging per item and other fees, as well as from the investment of funds underlying outstanding official checks. The Company's consumer for official checks is considered the financial institution. The official checks services and products are considered a bundle of services and products that are provided to the financial institution on an ongoing basis. As such, revenue from these services is recognized on a monthly basis. Revenue corresponds directly with the value of MoneyGram's services and/or products completed to date and for which the Company has a right to invoice. Monthly revenue may vary based on the number of official checks issued and other ancillary services provided to the financial institution.

Other revenue — Includes fees from money order service revenue, proof adjustments, early contract terminations, money order photo and replacement fees and other one-time charges. The Company recognizes service revenue from money orders that have not been redeemed within a one-year period from issuance. Proof adjustment fees are generally unresolved and not recouped as they pertain to immaterial bank variances. The Company recognizes as revenue the net proof adjustments amount on a monthly basis.

Investment Revenue — Investment revenue, which is not within the scope of ASC Topic 606 per ASC 606-10-15-2, is earned from the investment of funds generated from the sale of payment instruments, primarily official checks and money orders and consists of interest income, dividend income, income received on our cost recovery securities and amortization of premiums and discounts. Investment revenue varies depending on the level of investment balances and the yield on our investments.

Commissions and Other Fee Expense — The Company incurs fee commissions primarily related to our GFT services. In a money transfer transaction, both the agent initiating the transaction and the receiving agent earn a commission that is generally either a fixed fee or is based on a percentage of the fee charged to the consumer. The agent initiating the transaction and the receiving agent also earn non-U.S. dollar exchange commissions, which are generally based on a percentage of the non-U.S. dollar exchange spread. In a bill payment transaction, the agent initiating the transaction receives a commission that is generally based on a percentage of the fee charged to the consumer and, in limited circumstances, the biller receives a commission that is based on a percentage of the fee charged to the consumer. The Company generally does not pay commissions to agents on the sale of money orders, except, in certain limited circumstances, for large agents where we may pay a fixed commission based on total money order transactions.

Investment Commissions Expense — Investment commissions expense consists of amounts paid to financial institution customers based on short-term interest rate indices times the average outstanding cash balances of official checks sold by the financial institution. Investment commissions are recognized each month based on the average outstanding balances of each financial institution customer and their contractual variable rate for that month.

Direct Transaction Expense — Direct transaction expense includes expenses related to the processing of money transfers, such as customer authentication and funding costs.

Marketing and Advertising Expense — Marketing and advertising costs are expensed as incurred or at the time the advertising first takes place and are recorded in the "Transaction and operations support" line in the Consolidated Statements of Operations. Marketing and advertising expense was \$39.4 million and \$27.7 million for 2022 and 2021, respectively.

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Stock-Based Compensation — Stock-based compensation awards are measured at fair value at the date of grant and expensed using the straight-line method over their vesting or service periods. For grants to employees, expense, net of estimated forfeitures, is recognized in the "Compensation and benefits" line. The Company accounts for modifications to its share-based payment awards in accordance with the provisions of ASC Topic 718, *Compensation - Stock Compensation*. Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the share price and other pertinent factors at that date and is recognized as compensation cost on the date of modification (for vested awards) or over the remaining vesting or service period (for unvested awards). Any unrecognized compensation cost remaining from the original award is recognized over the vesting period of the modified award. See Note 11 — *Stock-Based Compensation* for additional disclosure of the Company's stock-based compensation.

Recently Issued Accounting Standards and Related Developments Not Yet Adopted — In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This ASU changes how entities account for convertible instruments and contracts in an entity's own equity and simplifies the accounting for convertible instruments by removing certain separation models for convertible instruments. This ASU also modifies the guidance on diluted earnings per share calculations. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. We do not believe the adoption of ASU 2020-06 will have a material impact on our Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit impairment standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking expected loss model that generally will result in the earlier recognition of allowances for credit losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. To further assist with adoption and implementation of ASU 2016-13, the FASB issued the following ASUs:

- ASU 2018-19 (Issued November 2018) — *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*
- ASU 2019-04 (Issued April 2019) — *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*
- ASU 2019-05 (Issued May 2019) — *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief*
- ASU 2019-10 (Issued November 2019) — *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*
- ASU 2019-11 (Issued November 2019) — *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*
- ASU 2020-02 (Issued February 2020) — *Financial Instruments - Credit Losses (Topic 326) and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842) (SEC Update)*
- ASU 2020-03 (Issued March 2020) — *Codification Improvements to Financial Instruments*
- ASU 2022-02 (Issued March 2022) — *Financial Instruments - Credit Losses (Topic 326): Trouble Debt Restructurings and Vintage Disclosures*

MoneyGram will adopt the amendments in these standards in 2023. We do not believe the adoption of these ASUs will have a material impact on our Consolidated Financial Statements.

The Company has determined that there have been no other recently adopted or issued accounting standards that had, or will have, a material impact on its Consolidated Financial Statements.

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Note 3 — Settlement Assets and Payment Service Obligations

MoneyGram's primary licensed entities are MoneyGram Payment Systems, Inc. ("MPSI"), MoneyGram International SA and MoneyGram International Limited, which enable us to offer our money transfer service in the European Economic Area as well as around the globe. MPSI is regulated by various U.S. state agencies that generally require the Company to maintain a pool of assets with an investment rating bearing one of the three highest grades as defined by a nationally recognized rating agency ("permissible investments") in an amount equal to the payment service obligations, as defined by each state, for those regulated payment instruments, namely teller checks, agent checks, money orders and money transfers. The regulatory payment service assets measure varies by state but in all cases excludes investments rated below A-. The most restrictive states may also exclude assets held at banks that do not belong to a national insurance program, varying amounts of accounts receivable balances and/or assets held in the SPE. The regulatory payment service obligations measure varies by state but in all cases is substantially lower than the Company's payment service obligations as disclosed on the Consolidated Balance Sheets as the Company is not regulated by state agencies for payment service obligations primarily resulting from outstanding cashier's checks.

We are also subject to licensing or other regulatory requirements in various other jurisdictions. Licensing requirements may include minimum net worth, provision of surety bonds or letters of credit, compliance with operational procedures, agent oversight and the maintenance of settlement assets in an amount equivalent to outstanding payment service obligations, as defined by our various regulators.

The regulatory and contractual requirements do not require the Company to specify individual assets held to meet its payment service obligations, nor is the Company required to deposit specific assets into a trust, escrow or other special account. Rather, the Company must maintain a pool of liquid assets sufficient to comply with the requirements. No third-party places limitations, legal or otherwise, on the Company regarding the use of its individual liquid assets. The Company is able to withdraw, deposit or sell its individual liquid assets at will, with no prior notice or penalty, provided the Company maintains a total pool of liquid assets sufficient to meet the regulatory and contractual requirements. Regulatory requirements also require MPSI to maintain positive net worth, with certain states requiring that MPSI maintain positive tangible net worth. The Company was in compliance with its contractual and financial regulatory requirements as of December 31, 2022.

The following table summarizes the amount of settlement assets and payment service obligations as of December 31:

<i>(Amounts in millions)</i>	2022	2021
Settlement assets:		
Settlement cash and cash equivalents	\$ 1,499.1	\$ 1,895.7
Receivables, net	1,107.0	700.4
Interest-bearing investments	998.1	992.3
Available-for-sale investments	3.0	3.0
	<u>\$ 3,607.2</u>	<u>\$ 3,591.4</u>
Payment service obligations	<u>\$ (3,607.2)</u>	<u>\$ (3,591.4)</u>

Note 4 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants on the measurement date. A three-level hierarchy is used for fair value measurements based upon the observability of the inputs to the valuation of an asset or liability as of the measurement date. Under the hierarchy, the highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), followed by observable inputs (Level 2) and unobservable inputs (Level 3). A financial instrument's level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the Company's valuation methodologies used to estimate the fair value for assets and liabilities:

Assets and liabilities that are measured at fair value on a recurring basis:

- *Available-for-sale investments* — For residential mortgage-backed securities issued by U.S. government agencies, fair value measures are obtained from an independent pricing service. As market quotes are generally not readily available or accessible for these specific securities, the pricing service measures fair value through the use of pricing models

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utilizing reported market quotes adjusted for observable inputs, such as market prices for comparable securities, spreads, prepayment speeds, yield curves and delinquency rates. Accordingly, these securities are classified as Level 2 financial instruments.

For asset-backed and other securities, which include investments in limited partnerships, market quotes are generally not available. The Company utilizes broker quotes to measure market value, if available. Because the inputs and assumptions that brokers use to develop prices are unobservable, valuations that are based on brokers' quotes are classified as Level 3. Also, the Company uses pricing services that utilize pricing models based on market observable and unobservable data. The observable inputs include quotes for comparable securities, yield curves, default indices, interest rates, historical prepayment speeds and delinquency rates. These pricing models also apply an inactive market adjustment as a significant unobservable input. Accordingly, asset-backed and other securities valued using third-party pricing models are classified as Level 3.

- *Derivative financial instruments* — Derivatives consist of forward contracts to manage income statement exposure to non-U.S. dollar exchange risk arising from the Company's assets and liabilities denominated in non-U.S. dollar currencies. The Company's forward contracts are well-established products, allowing the use of standardized models with market-based inputs. These models do not contain a high level of subjectivity, and the inputs are readily observable. Accordingly, the Company has classified its forward contracts as Level 2 financial instruments. See Note 6 — *Derivative Financial Instruments* for additional disclosure on the Company's forward contracts.

There were no transfers between Level 1 and Level 2, or transfers into or out of level 3 of the fair value hierarchy. The following table summarizes the Company's financial assets and liabilities measured at fair value by hierarchy level on a recurring basis:

<i>(Amounts in millions)</i>	Level 2	Level 3	Total
December 31, 2022			
Financial assets:			
Available-for-sale investments:			
Residential mortgage-backed securities	\$ 1.5	\$ —	\$ 1.5
Asset-backed and other securities	—	1.5	1.5
Forward contracts	5.2	—	5.2
Total financial assets	\$ 6.7	\$ 1.5	\$ 8.2
Financial liabilities:			
Forward contracts	\$ 3.3	\$ —	\$ 3.3
December 31, 2021			
Financial assets:			
Available-for-sale investments:			
Residential mortgage-backed securities	\$ 2.3	\$ —	\$ 2.3
Asset-backed and other securities	—	0.7	0.7
Forward contracts	0.1	—	0.1
Total financial assets	\$ 2.4	\$ 0.7	\$ 3.1
Financial liabilities:			
Forward contracts	\$ 0.2	\$ —	\$ 0.2

The following table provides a roll-forward of the asset-backed and other securities classified as Level 3, which are measured at fair value on a recurring basis for the years ended December 31:

<i>(Amounts in millions)</i>	2022	2021
Beginning balance	\$ 0.7	\$ 0.5
Change in unrealized gains	0.8	0.2
Ending balance	\$ 1.5	\$ 0.7

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Assets and liabilities that are disclosed at fair value — The carrying amounts for the Company's cash and cash equivalents, settlement cash and cash equivalents, receivables, interest-bearing investments and payment service obligations approximate fair value as of December 31, 2022 and 2021.

The Company records the investments in its Pension Plan trust at fair value. The majority of the Pension Plan's investments is common/collective trusts held by the Pension Plan's trustee. The fair values of the Pension Plan's investments are determined based on the current market values of the underlying assets. See Note 9 — *Pension and Other Benefits* for additional disclosure of investments held by the Pension Plan.

Assets and liabilities measured at fair value on a non-recurring basis — Assets and liabilities that are measured at fair value on a non-recurring basis relate primarily to the Company's property and equipment, goodwill and other intangible assets, which are remeasured only in the event of an impairment.

Fair value remeasurements are normally based on significant unobservable inputs (Level 3). Tangible and intangible asset fair values are derived using accepted valuation methodologies. If it is determined an impairment has occurred, the carrying value of the asset is reduced to fair value with a corresponding charge to "Other expenses" in the Consolidated Statements of Operations.

Note 5 — Investment Portfolio

The Company's portfolio is invested in cash and cash equivalents, interest-bearing investments and available-for-sale investments as described in Note 2 — *Summary of Significant Accounting Policies*. The following table shows the components of the investment portfolio as of December 31:

<i>(Amounts in millions)</i>	2022	2021
Cash and cash equivalents and settlement cash and cash equivalents	\$ 1,670.3	\$ 2,050.9
Interest-bearing investments	998.1	992.3
Available-for-sale investments	3.0	3.0
Total investment portfolio	<u>\$ 2,671.4</u>	<u>\$ 3,046.2</u>

Cash and Cash Equivalents — Cash and cash equivalents consist of interest-bearing deposit accounts, non-interest-bearing transaction accounts and money market securities. The Company's money market securities are invested in one fund, which is AAA rated and consists of U.S. Treasury bills, notes or other obligations issued or guaranteed by the U.S. government and its agencies, as well as repurchase agreements secured by such instruments.

Interest-bearing Investments — Interest-bearing investments consist of time deposits and certificates of deposit with maturities of up to 24 months and are issued from financial institutions rated A- or better as of December 31, 2022.

Available-for-sale Investments — Available-for-sale investments consist of residential mortgage-backed securities and asset-backed and other securities. The following table is a summary of the amortized cost and fair value of available-for-sale investments:

<i>(Amounts in millions)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
Residential mortgage-backed securities	\$ 1.5	\$ —	\$ —	\$ 1.5
Asset-backed and other securities	—	1.5	—	1.5
Total	<u>\$ 1.5</u>	<u>\$ 1.5</u>	<u>\$ —</u>	<u>\$ 3.0</u>
December 31, 2021				
Residential mortgage-backed securities	\$ 2.1	\$ 0.2	\$ —	\$ 2.3
Asset-backed and other securities	—	0.7	—	0.7
Total	<u>\$ 2.1</u>	<u>\$ 0.9</u>	<u>\$ —</u>	<u>\$ 3.0</u>

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As of December 31, 2022 and 2021, 50% and 77%, respectively, of the fair value of the available-for-sale portfolio were invested in residential mortgage-backed securities issued by U.S. government agencies. These securities have the implicit backing of the U.S. government and the Company expects to receive full par value upon maturity or pay-down, as well as all interest payments.

Gains and Losses — For the years ended December 31, 2022 and 2021, the Company had no realized gains and losses.

Investment Ratings — In rating the securities in its investment portfolio, the Company uses ratings from Moody's Investor Service ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch"). If the rating agencies have split ratings, the Company uses the lower of the highest two out of three ratings across the rating agencies for disclosure purposes. If the institution has only two ratings, the Company uses the lower of the two ratings for disclosure purposes. Securities issued or backed by U.S. government agencies are included in the AAA rating category. Investment grade is defined as a security having a Moody's equivalent rating of Aaa, Aa, A or Baa or an S&P or Fitch equivalent rating of AAA, AA, A or BBB. The Company's investments consisted of the following ratings as of December 31:

<i>(Dollar amounts in millions)</i>	2022			2021		
	Number of Securities	Fair Value	Percent of Investments	Number of Securities	Fair Value	Percent of Investments
Investment grade	9	\$ 1.5	50 %	9	\$ 2.3	78 %
Below investment grade	33	1.5	50 %	33	0.7	22 %
Total	42	\$ 3.0	100 %	42	\$ 3.0	100 %

Had the Company used the lowest rating from the rating agencies in the information presented above, there would be no change to the classifications as of December 31, 2022 and 2021.

Contractual Maturities — Actual maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations, sometimes without call or prepayment penalties. Maturities of residential mortgage-backed and asset-backed and other securities depend on the repayment characteristics and experience of the underlying obligations.

Fair Value Determination — The Company uses various sources of pricing for its fair value estimates of its available-for-sale portfolio. The percentage of the portfolio for which the various pricing sources were used is as follows as of December 31, 2022 and 2021, 89% and 93% used a third-party pricing service and 11% and 7% used broker quotes, respectively.

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Note 6 — Derivative Financial Instruments

The Company uses forward contracts to manage its non-U.S. dollar needs and non-U.S. dollar exchange risk arising from its assets and liabilities denominated in non-U.S. dollars. While these contracts may mitigate certain non-U.S. dollar risk, they are not designated as hedges for accounting purposes and will result in gains and losses in the Consolidated Statements of Operations. The Company also reports gains and losses from the spread differential between the rate set for its transactions and the actual cost of currency at the time the Company buys or sells in the open market.

The following net gains (losses) related to assets and liabilities denominated in non-U.S. dollar are included in "Transaction and operations support" in the Consolidated Statements of Operations and in the "Net cash provided by operating activities" line in the Consolidated Statements of Cash Flows:

<i>(Amounts in millions)</i>	2022	2021
Net realized non-U.S. dollar loss	\$ (38.2)	\$ (20.4)
Net gain from the related forward contracts	39.8	18.4
Net gain (loss) from the related forward contracts	<u>\$ 1.6</u>	<u>\$ (2.0)</u>

As of December 31, 2022 and 2021, the Company had \$816.0 million and \$698.7 million, respectively, of outstanding notional amounts relating to its non-U.S. dollar forward contracts. As of December 31, 2022 and 2021, the Company reflects the following fair values of derivative forward contract instruments in its Consolidated Balance Sheets on a net basis, allowing for the right of offset by counterparty and cash collateral:

<i>(Amounts in millions)</i>	Gross Amount of Recognized Assets		Gross Amount of Offset		Cash Collateral Posted		Net Amount of Assets Presented on the Consolidated Balance Sheets	
	2022	2021	2022	2021	2022	2021	2022	2021
Balance Sheet Location								
"Other assets"	\$ 1.8	\$ 0.4	\$ (1.6)	\$ (0.3)	\$ 5.0	\$ —	\$ 5.2	\$ 0.1

<i>(Amounts in millions)</i>	Gross Amount of Recognized Liabilities		Gross Amount of Offset		Cash Collateral Received		Net Amount of Liabilities Presented on the Consolidated Balance Sheets	
	2022	2021	2022	2021	2022	2021	2022	2021
Balance Sheet Location								
"Accounts payable and other liabilities"	\$ 4.9	\$ 0.6	\$ (1.6)	\$ (0.4)	\$ —	\$ —	\$ 3.3	\$ 0.2

The Company's forward contracts are primarily executed with counterparties governed by International Swaps and Derivatives Association agreements that generally include standard netting arrangements. Asset and liability positions from forward contracts and all other non-U.S. dollar exchange transactions with the same counterparty are net settled upon maturity. In addition, the Company nets derivative liabilities against any receivables for cash collateral placed with the same counterparties.

The Company is exposed to credit loss in the event of non-performance by counterparties to its derivative contracts. The Company actively monitors its exposure to credit risk through the use of credit approvals and credit limits and by selecting major international banks and financial institutions as counterparties. Collateral generally is not required of the counterparties, however, it is required of the Company in some contracts. In the unlikely event the counterparty fails to meet the contractual terms of the derivative contract, the Company's risk is limited to the fair value of the instrument. The Company has not had any historical instances of non-performance by any counterparties, nor does it anticipate any future instances of non-performance.

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Note 7 — Property and Equipment

The following table is a summary of "Property and equipment, net" as of December 31:

<i>(Amounts in millions)</i>	2022	2021
Computer hardware and software	\$ 476.2	\$ 529.9
Signage	41.6	50.6
Equipment at agent locations	47.9	50.2
Office furniture and equipment	11.6	19.5
Leasehold improvements	21.1	22.1
Total property and equipment	598.4	672.3
Accumulated depreciation and amortization	(463.9)	(538.4)
Total property and equipment, net	<u>\$ 134.5</u>	<u>\$ 133.9</u>

Depreciation and amortization expense for property and equipment for 2022 and 2021 was \$51.3 million and \$56.4 million, respectively. No impairments of property and equipment were recorded during 2022 and 2021.

At December 31, 2022 and 2021, the Company had \$0.3 million and \$1.7 million, respectively, in accrued purchases of property and equipment included within "Accounts payable and other liabilities" on the Consolidated Balance Sheets.

During 2022 and 2021, the Company had nominal losses related to disposals of its property and equipment. The loss was recorded within "Occupancy, equipment and supplies" in the Consolidated Statements of Operations.

For the years ended December 31, 2022 and 2021, software development costs of \$45.2 million and \$35.0 million, respectively, were capitalized. At December 31, 2022 and 2021, there were \$113.6 million and \$104.3 million, respectively, of unamortized software development costs included in property and equipment.

For the years ended December 31, 2022 and 2021, the Company had \$5.8 million and \$1.0 million, respectively, in net capitalized implementation costs related to hosting arrangements that are service contracts. These costs are recorded within "Other assets" on the Consolidated Balance Sheets and the related amortization is recorded in the same line item in the Consolidated Statements of Operations as other fees associated with the service arrangements.

Note 8 — Goodwill and Intangible Assets

Goodwill — The Company's goodwill balance was \$442.2 million as of December 31, 2022 and 2021, and all relates to the GFT segment. During the fourth quarter of 2022 and 2021, the Company performed a qualitative assessment of goodwill. No impairments of goodwill were recorded in 2022 and 2021.

Intangibles — All of the Company's intangible assets are included within "Other assets" on the Consolidated Balance Sheets. The following table is a summary of finite-lived intangible assets as of December 31:

<i>(Amounts in millions)</i>	2022			2021		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Contractual and customer relationships	\$ 3.5	\$ (3.5)	\$ —	\$ 4.1	\$ (3.7)	\$ 0.4
Developed technology	—	—	—	0.6	(0.6)	—
Total finite-intangible assets	<u>\$ 3.5</u>	<u>\$ (3.5)</u>	<u>\$ —</u>	<u>\$ 4.7</u>	<u>\$ (4.3)</u>	<u>\$ 0.4</u>

Intangible asset amortization expense for 2022 and 2021 was \$0.4 million and \$0.6 million, respectively. There is no future intangible asset amortization expense.

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Note 9 — Pension and Other Benefits

Pension Benefits — The Company's Pension Plan is a frozen, non-contributory funded plan under which no new service or compensation credits are accrued by the plan participants. Cash accumulation accounts continue to be credited with interest credits until participants withdraw their money from the Pension Plan. It is the Company's policy to fund at least the minimum required contribution each year plus additional discretionary amounts as available and necessary to minimize expenses of the plan.

Supplemental Executive Retirement Plans — The Company has obligations under various legacy SERPs, which are unfunded non-qualified defined benefit pension plans providing postretirement income to their participants. As of December 31, 2022, all benefit accruals under the SERPs are frozen with the exception of one plan for which service is frozen but future pay increases are reflected for active participants. It is the Company's policy to fund the SERPs as benefits are paid.

The Company's Pension Plan and SERPs are collectively referred to as our "Pension."

Postretirement Benefits Other Than Pensions — The Company has an unfunded defined benefit postretirement plan ("Postretirement Benefits") that provides medical and life insurance for its participants. The Company amended the Postretirement Benefits to close it to new participants as of December 31, 2009. Effective July 1, 2011, the Postretirement Benefits was amended to eliminate eligibility for participants eligible for Medicare coverage. As a result of this plan amendment, the Company no longer receives the Medicare retiree drug subsidy. The Company's funding policy is to make contributions to the Postretirement Benefits as benefits are paid.

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Actuarial Valuation Assumptions — The measurement date for the Company's Pension and Postretirement Benefits is December 31. The following table is a summary of the weighted-average actuarial assumptions used in calculating net periodic benefit expense (income) and the benefit obligation for the years ended and as of December 31:

	Pension Plan		SERPs		Postretirement Benefits	
	2022	2021	2022	2021	2022	2021
Net periodic benefit expense (income):						
Discount rate for benefit obligation	2.86 %	2.51 %	2.81 %	2.41 %	2.95 %	2.64 %
Discount rate for interest cost	2.33 %	1.86 %	2.16 %	1.62 %	2.22 %	1.74 %
Expected return on plan assets	2.76 %	1.80 %	—	—	—	—
Cash balance interest crediting rate	1.92 %	1.36 %	—	—	—	—
Rate of compensation increase	—	—	5.75 %	5.75 %	—	—
Medical trend rate:						
Pre-65 initial healthcare cost trend rate	—	—	—	—	6.38 %	6.46 %
Post-65 initial healthcare cost trend rate	—	—	—	—	6.64 %	7.08 %
Pre and post-65 ultimate healthcare cost trend rate	—	—	—	—	4.50 %	4.50 %
Year ultimate healthcare cost trend rate is reached for pre/post-65, respectively	—	—	—	—	2030	2028
Benefit obligation:						
Discount rate	5.17 %	2.86 %	5.15 %	2.81 %	5.22 %	2.95 %
Cash balance interest crediting rate	3.13 %	1.92 %	—	—	—	—
Rate of compensation increase	—	—	5.75 %	5.75 %	—	—
Medical trend rate:						
Pre-65 initial healthcare cost trend rate	—	—	—	—	6.87 %	6.38 %
Post-65 initial healthcare cost trend rate	—	—	—	—	7.26 %	6.64 %
Pre and post-65 ultimate healthcare cost trend rate	—	—	—	—	4.50 %	4.50 %
Year ultimate healthcare cost trend rate is reached for pre/post-65	—	—	—	—	2031	2030

The Company utilizes a building-block approach in determining the long-term expected rate of return on plan assets. The expected return on plan assets is calculated using a calculated value of plan assets that is determined each year by adjusting the previous year's value by expected returns, benefit payments and contributions. Asset gains and losses are reflected as equal adjustments over a three-year period. Historical markets are studied and long-term historical relationships between equity securities and fixed income securities are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors, such as inflation and interest rates, are evaluated before long-term capital market assumptions are determined. The long-term portfolio return also takes proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed for reasonableness and appropriateness.

Actuarial gains and losses are amortized using the Corridor approach, by amortizing the balance exceeding 10% of the greater of the benefit obligation or the fair value of plan assets. The amortization period is primarily based on the average remaining expected life of plan participants for the Pension and the average remaining expected life of plan participants for the Postretirement Benefits. The Company estimated the interest cost components utilizing a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows.

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Pension Assets — The Company employs a liability-driven investment approach whereby a mix of equity and fixed income securities are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income securities. Furthermore, equity securities are diversified across large and small capitalized securities and international securities. Other assets, such as real estate and high yield bonds, are used to further diversify equity allocations. Fixed income securities are primarily invested in a mix of investment grade corporate bonds, government bonds and a smaller allocation to non-investment grade debt. The Company uses a dynamic strategy to determine the allocation of return-seeking assets driven by the Pension Plan's funded ratio so that when the funded status increases above prescribed levels, the allocation to equities will decrease and fixed income increase proportionally. Investment risk is measured and monitored on an ongoing basis, including quarterly investment portfolio reviews and periodic liability measurements.

As of December 31, 2022, the Pension assets consisted of approximately 6% in equity securities, 81% in fixed income and 13% in real estate.

The Company records its Pension Plan's assets at fair value as described in Note 4 — *Fair Value Measurement*. The following is a description of the Pension Plan's investments at fair value and valuation methodologies:

- *Common/collective trusts* — The fair values of the underlying funds in the common/collective trusts are valued based on the unit value established for each fund at each valuation date. The unit value of a collective investment fund is calculated by dividing the fund's net asset value on the calculation date by the number of units of the fund that are outstanding on the calculation date, which is derived from observable purchase and redemption activity in the collective investment fund.
- *Money market fund* — This investment is valued at the published per share net asset value of shares held by the Plan. There are no significant restrictions on redeeming these investments at net asset value.
- *Real estate* — The Pension Plan trust holds an investment in a real estate development project that the Company considers to be a Level 3 asset for valuation purposes because it requires the use of unobservable inputs in its fair value measurement. The fair value of this investment represents the estimated fair value of the plan's related ownership percentage in the project based upon an appraisal of the underlying real property as of each balance sheet date. The fund investment strategy for this asset is long-term capital appreciation.

The following table is a summary of the Pension Plan's financial assets recorded at fair value, by hierarchy level:

<i>(Amounts in millions)</i>	Level 3	Total
December 31, 2022		
Real estate	\$ 4.5	\$ 4.5
Total investments in the fair value hierarchy	4.5	4.5
Investments measured at net asset value ⁽¹⁾		30.9
Total financial assets		<u>\$ 35.4</u>
December 31, 2021		
Real estate	\$ 4.2	\$ 4.2
Total investments in the fair value hierarchy	4.2	4.2
Investments measured at net asset value ⁽¹⁾		41.1
Total financial assets		<u>\$ 45.3</u>

⁽¹⁾ Common/collective trusts investments and money market funds that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total fair value of plan assets presented in the summary of plan assets further below.

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The Company does not have participant redemption restrictions for its common/collective trust investments. The following table sets forth additional disclosures for the Pension Plan assets fair value estimated using net asset value per share:

<i>(Amounts in millions)</i>	Fair Value	Redemptions Frequency (if currently eligible)	Redemption Notice Period
December 31, 2022			
Money market fund	\$ 0.9	Daily	Same day
Multi-asset credit fund	0.4	Monthly	10 Days
Equity and fixed income securities	29.6	Daily	15 Days
Investments measured at net asset value	<u>\$ 30.9</u>		

December 31, 2021			
Money market fund	\$ 0.9	N/A	N/A
Multi-asset credit fund	0.8	Monthly	10 Days
Equity and fixed income securities	39.4	Daily	15 Days
Investments measured at net asset value	<u>\$ 41.1</u>		

Plan Financial Information — Net periodic benefit expense for the Pension includes the following components for the years ended December 31:

<i>(Amounts in millions)</i>	Pension		Benefits	
	2022	2021	2022	2021
Interest cost	\$ 2.4	\$ 2.0	\$ —	\$ —
Expected return on plan assets	(1.2)	(0.7)	0.1	—
Amortization of net actuarial loss	2.3	2.4	—	0.1
Settlement gain	(0.5)	—	—	—
Net periodic benefit expense	<u>\$ 3.0</u>	<u>\$ 3.7</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>

Net periodic benefit expense for the Pension and Postretirement Benefits is recorded within "Other non-operating expense" in the Consolidated Statements of Operations. Settlement charge, amortization of net actuarial loss and prior service cost were reclassified out of the components of "Accumulated other comprehensive loss".

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The following tables are a summary of the amounts recognized in other comprehensive (loss) income and net periodic benefit expense for the years ended December 31:

<i>(Amounts in millions)</i>	Pension	Postretirement Benefits
2022		
Net actuarial gain	\$ (7.3)	\$ —
Amortization of net actuarial loss	(2.3)	—
Settlement gain	0.5	—
Total recognized in other comprehensive loss	(9.1)	—
Total recognized in net periodic benefit expense	3.0	0.1
Total recognized in other comprehensive loss and net periodic benefit expense	<u>\$ (6.1)</u>	<u>\$ 0.1</u>
2021		
Net actuarial gain	\$ (1.8)	\$ —
Amortization of net actuarial loss	(2.4)	(0.1)
Total recognized in other comprehensive loss	(4.2)	(0.1)
Total recognized in net periodic benefit expense	3.7	0.1
Total recognized in other comprehensive loss and net periodic benefit expense	<u>\$ (0.5)</u>	<u>\$ —</u>

The following table is a summary of the unfunded status of the Pension and Postretirement Benefits, which is recorded within "Pension and other postretirement benefits" on the Consolidated Balance Sheets, the benefit obligation and plan assets, and changes to the benefit obligation and plan assets as of and for the years ended December 31:

<i>(Amounts in millions)</i>	Pension		Postretirement Benefits		Total	
	2022	2021	2022	2021	2022	2021
Change in benefit obligation:						
Benefit obligation at the beginning of the year	\$ 111.9	\$ 120.1	\$ 0.6	\$ 0.6	\$ 112.5	\$ 120.7
Interest cost	2.4	2.0	—	—	2.4	2.0
Actuarial (gain) loss	(18.6)	(2.6)	0.1	—	(18.5)	(2.6)
Benefits paid	(7.3)	(7.6)	(0.2)	—	(7.5)	(7.6)
Benefit obligation at the end of the year	<u>88.4</u>	<u>111.9</u>	<u>0.5</u>	<u>0.6</u>	<u>88.9</u>	<u>112.5</u>
Change in plan assets:						
Fair value of plan assets at the beginning of the year	45.4	46.2	—	—	45.4	46.2
Actual return on plan assets	(10.0)	(0.1)	—	—	(10.0)	(0.1)
Employer contributions	7.5	6.9	0.2	—	7.7	6.9
Benefits paid	(7.3)	(7.6)	(0.2)	—	(7.5)	(7.6)
Fair value of plan assets at the end of the year	<u>35.6</u>	<u>45.4</u>	<u>—</u>	<u>—</u>	<u>35.6</u>	<u>45.4</u>
Unfunded status at the end of the year	<u>\$ 52.8</u>	<u>\$ 66.5</u>	<u>\$ 0.5</u>	<u>\$ 0.6</u>	<u>\$ 53.3</u>	<u>\$ 67.1</u>

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In 2022, the net actuarial gain of \$18.6 million affecting the benefit obligation of the Pension was due to the increase in discount rate. Net actuarial loss affecting the benefit obligation of the Postretirement Benefits was \$0.1 million.

In 2021, the net actuarial gain of \$2.6 million affecting the benefit obligation of the Pension was due to the increase in discount rate and no material net actuarial gain or loss affecting the benefit obligation of the Postretirement Benefits.

In October 2022, the Retirement Plans Experience Committee ("RPEC") of the Society of Actuaries ("SOA") issued a mortality improvement update. The Company adopted the mortality projection scales on its measurement date, which decreased the Pension Plan benefit obligation. The unfunded status of the Pension Plan was \$3.1 million and \$3.3 million at December 31, 2022 and 2021, respectively, and the unfunded status of the SERPs was \$49.7 million and \$63.2 million at December 31, 2022 and 2021, respectively.

The following table summarizes the components recognized in "Accumulated other comprehensive loss" in the stockholder's equity section of the Consolidated Balance Sheets relating to the Pension and Postretirement Benefits as of December 31:

<i>(Amounts in millions)</i>	Pension		Postretirement Benefits		Total	
	2022	2021	2022	2021	2022	2021
Accumulated other comprehensive loss:						
Net actuarial loss, net of tax	\$ 28.1	\$ 35.2	\$ 0.3	\$ 0.2	\$ 28.4	\$ 35.4

The following table summarizes the accumulated benefit obligation for the Pension and Postretirement Benefits fair value of plan assets as of December 31:

<i>(Amounts in millions)</i>	Pension		Postretirement Benefits	
	2022	2021	2022	2021
Accumulated benefit obligation	\$ 88.4	\$ 111.9	\$ 0.5	\$ —
Fair value of plan assets	\$ 35.6	\$ 45.4	\$ —	\$ —

The following table summarizes the estimated future benefit payments for the Pension and Postretirement Benefits for the years ended December 31:

<i>(Amounts in millions)</i>	2023	2024	2025	2026	2027	2028-2032
Pension	\$ 8.4	\$ 7.2	\$ 7.2	\$ 7.2	\$ 7.1	\$ 32.1
Postretirement benefits	—	—	—	—	—	0.1

The Company has no minimum required contribution for the Pension Plan in 2023. The Company will continue to make contributions to the SERPs and the Postretirement Benefits to the extent benefits are paid. Aggregate benefits paid for the unfunded plans are expected to be \$5.5 million in 2023.

Employee Savings Plan — The Company has an employee savings plan that qualifies under Section 401(k) of the Internal Revenue Code of 1986, as amended. Contributions to, and costs of, the 401(k) defined contribution plan totaled \$4.8 million and \$4.4 million in 2022 and 2021, respectively.

International Benefit Plans — The Company's international subsidiaries have certain defined contribution plans. Contributions to, and costs related to, international plans were \$1.5 million and \$1.9 million for 2022 and 2021, respectively.

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Note 10 — Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss — The following table details the components of "Accumulated other comprehensive loss" for the years ended December 31:

<i>(Amounts in millions)</i>	Net Unrealized Gains on Securities Classified as Available-for-sale, Net of Tax	Cumulative non- U.S. dollar Translation Adjustments, Net of Tax	Pension and Postretirement Benefits Adjustment, Net of Tax	Total
December 31, 2020	\$ 1.2	\$ (20.9)	\$ (38.7)	\$ (58.4)
Other comprehensive income before reclassification	0.3	(8.0)	1.4	(6.3)
Amounts reclassified from accumulated other comprehensive loss	—	—	1.9	1.9
Net current year other comprehensive income	0.3	(8.0)	3.3	(4.4)
December 31, 2021	1.5	(28.9)	(35.4)	(62.8)
Other comprehensive loss before reclassification	0.7	(9.8)	5.6	(3.5)
Amounts reclassified from accumulated other comprehensive loss	—	—	1.4	1.4
Net current year other comprehensive loss	0.7	(9.8)	7.0	(2.1)
December 31, 2022	<u>\$ 2.2</u>	<u>\$ (38.7)</u>	<u>\$ (28.4)</u>	<u>\$ (64.9)</u>

Note 11 — Stock-Based Compensation

Employees of the Company participate in the stock compensation plans of MGI which provide for the grant of stock options, stock appreciation rights, restricted stock units and restricted stock awards (collectively, "share-based awards") to eligible employees of the Company. The expense associated with the fair value of MoneyGram share-based awards is allocated to the Company and is recorded in "Compensation and benefits" in the Consolidated Statements of Operations.

The calculated fair value of share-based awards is recognized as compensation cost using the straight-line method over the vesting or service period in the Company's financial statements. Stock-based compensation is recognized only for those share-based awards expected to vest, with forfeitures estimated at the date of grant and evaluated and adjusted periodically to reflect the Company's historical experience and future expectations. Any change in the forfeiture assumption will be accounted for as a change in estimate, with the cumulative effect of the change on periods previously reported being reflected in the financial statements of the period in which the change is made.

The Company recognized stock-based compensation expense of \$14.0 million and \$6.5 million for the years ended December 31, 2022 and 2021, respectively, all of which related to restricted stock units.

Stock Options — All outstanding option awards were granted with an exercise price equal to the closing market price of the Company's common stock on the date of grant. All outstanding stock option award agreements contain certain forfeiture and non-compete provisions.

There were no options granted in 2022 or 2021. All options granted in 2014, 2013 and 2012 have a term of 10 years. Prior to the fourth quarter of 2011, options granted were either time-based, vesting over a four-year period, or performance-based, vesting over a five-year period. All options issued after the fourth quarter of 2011 are time-based, with options granted in the fourth quarter of 2011 through the first part of 2014 vesting over a four-year period, and the remaining options granted in 2014 vesting over a three-year period, in an equal number of shares each year.

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The following table is a summary of the Company's stock option activity for the year ended December 31, 2022:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Options outstanding at December 31, 2021	131,153	\$ 17.54	1.4 years	\$ —
Forfeited/Expired	(20,378)	\$ 17.74		
Options outstanding, vested or expected to vest, and exercisable at December 31, 2022	<u>110,775</u>	\$ 17.51	0.6 years	\$ —

There were no options exercised in 2022 and 2021. For the year ended December 31, 2022, the Company had no unrecognized stock option expense related to outstanding options.

Restricted Stock Units — In 2022 and 2021, the Company granted time-based and performance-based restricted stock units. The time-based restricted stock units vest in three equal installments on each anniversary of the grant date. The performance-based restricted stock units are subject to performance conditions and a one-year performance period. When and if the conditions are satisfied at the end of the one-year performance period, vesting of the performance-based restricted stock units are subject only to the passage of time and vest in three equal installments on each anniversary of the grant date.

For purposes of determining the fair value of restricted stock units and performance-based restricted stock units, the fair value is calculated based on the stock price at the time of grant. For performance-based restricted stock units, expense is recognized if achievement of the performance goal is deemed probable, with the amount of expense recognized based on the Company's best estimate of the ultimate achievement level. For grants to employees, expense is recognized in the "Compensation and benefits" line.

The following table is a summary of the Company's restricted stock unit activity as of December 31, 2022:

	Total Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Restricted stock units outstanding at December 31, 2021	3,817,106	\$ 3.72	0.9 years	\$ 30.1
Granted	1,672,010	10.71		
Vested	2,088,126	4.52		
Forfeited	7,302	7.07		
Restricted stock units outstanding at December 31, 2022	<u>3,393,688</u>	\$ 7.55	0.8 years	\$ 37.0

The following table is a summary of the Company's restricted stock unit compensation information for the years ended December 31:

<i>(Amounts in millions)</i>	2022	2021
Weighted-average grant-date fair value of restricted stock units vested during the year	\$ 9.4	\$ 6.1
Total intrinsic value of vested and converted shares	\$ 22.2	\$ 12.5

As of December 31, 2022, the Company's outstanding restricted stock units had unrecognized compensation expense of \$14.9 million with a remaining weighted-average vesting period of 1.2 years. Unrecognized restricted stock unit expense and the remaining weighted-average vesting period are presented using the Company's current estimate of achievement of performance goals.

Note 12 — Income Taxes

The Company's operations are included in the consolidated federal income tax return of MoneyGram. The consolidated federal income tax return of MoneyGram includes the income of the Company and income or loss activity of the other members of the tax filing group. Federal income tax expense is allocated to members of the group by applying ASC 740 to each member as if it

were a separate taxpayer. As a subsidiary of MoneyGram, the Company is responsible for reporting its taxable income or loss and paying the applicable tax to or receiving the applicable refund from MoneyGram. In addition, all state and foreign tax expenses are allocated to the Company.

As the operating entity of the tax filing group, generally all cash tax payments are funded by, and refunds deposited to, the accounts of MoneyGram Payment Systems, Inc. and its subsidiaries. Any activity between the other members of the tax filing group are recorded through intercompany accounts.

The following table is a summary of the components of income before income taxes for the years ended December 31:

<i>(Amounts in millions)</i>	2022	2021
U.S.	\$ 72.8	\$ 62.8
Foreign	6.4	6.2
Income before income taxes	<u>\$ 79.2</u>	<u>\$ 69.0</u>

Foreign income consists of income from the Company's international subsidiaries. Most of the Company's wholly-owned subsidiaries recognize revenue based solely on services agreements with the primary U.S. operating subsidiary. The following table is a summary of the income tax expense for the years ended December 31:

<i>(Amounts in millions)</i>	2022	2021
Current:		
Federal	\$ 21.5	\$ 11.9
State	(2.6)	(2.8)
Foreign	4.6	5.7
Current income tax expense	<u>23.5</u>	<u>14.8</u>
Deferred:		
Federal	(5.2)	4.1
State	(0.9)	(0.3)
Foreign	(0.2)	(1.9)
Deferred income tax (benefit) expense	<u>(6.3)</u>	<u>1.9</u>
Income tax expense	<u>\$ 17.2</u>	<u>\$ 16.7</u>

As of December 31, 2022 and 2021, the Company had tax payable of \$12.3 million and \$20.3 million, respectively and tax receivable of \$2.9 million and \$2.5 million, respectively. Tax payable and tax receivable are recorded within "Accounts payable and other liabilities" and "Other assets", respectively, on the Consolidated Balance Sheets.

The following table is a reconciliation of the expected federal income tax expense at statutory rates to the actual income tax expense for the years ended in December 31:

<i>(Amounts in millions)</i>	2022	2021
Income tax expense at statutory federal income tax rate	\$ 16.7	\$ 14.5
Tax effect of:		
State income tax, net of federal income tax effect	(0.4)	(0.7)
Valuation allowances	(0.3)	0.6
International taxes	2.0	1.0
Other net permanent differences	3.1	5.3
U.S. general business credits	(3.1)	(2.6)
Change in unrecognized tax benefits	(1.5)	(1.7)
Stock-based compensation	0.1	(0.3)
U.S. taxation of foreign earnings	0.3	0.3
Other	0.3	0.3
Income tax expense	<u>\$ 17.2</u>	<u>\$ 16.7</u>

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The following table is a summary of the Company's deferred tax assets and liabilities as of December 31:

<i>(Amounts in millions)</i>	2022	2021
Deferred tax assets:		
Basis difference in revalued investments	\$ 50.2	\$ 50.4
Tax loss carryovers	16.6	19.3
Tax credit carryovers	3.3	2.8
Postretirement benefits and other employee benefits	1.5	5.4
Bad debt and other reserves	1.4	1.6
Lease liabilities	8.8	10.9
Depreciation & amortization	20.7	12.2
Interest expense carryovers	0.8	0.5
Other	3.5	4.9
Valuation allowances	(66.9)	(69.4)
Total deferred tax assets	<u>39.9</u>	<u>38.6</u>
Deferred tax liability:		
Depreciation and amortization and other	(63.8)	(64.0)
Lease right-of-use assets	(8.1)	(10.2)
Total deferred tax liability	<u>(71.9)</u>	<u>(74.2)</u>
Net deferred tax liability	<u>\$ (32.0)</u>	<u>\$ (35.6)</u>

The Company offsets deferred tax asset positions with deferred tax liability positions based on right to offset in each respective tax jurisdiction. As of December 31, 2022, net deferred tax asset positions of \$5.6 million were included within "Other assets" and net deferred tax liability positions of \$37.6 million were included within "Accounts payable and other liabilities" on the Consolidated Balance Sheets. As of December 31, 2021, net deferred tax asset positions of \$6.0 million were reflected within "Other assets" and net deferred tax liability positions of \$41.6 million were included within "Accounts payable and other liabilities" on the Consolidated Balance Sheets. The valuation allowances as of December 31, 2022 and 2021, primarily relate to basis differences in revalued investments, capital loss carryovers, U.S. tax credit carryovers and certain state and foreign tax loss carryovers. The net \$2.5 million decrease in our valuation allowances reflects a net release of \$0.2 million through earnings, a decrease of \$1.4 million through other comprehensive loss and a \$0.9 million decrease with corresponding adjustments to the respective deferred tax asset.

The following table is a summary of the amounts and expiration dates of tax loss carry-forwards (not tax effected) and credit carry-forwards as of December 31, 2022:

<i>(Amounts in millions)</i>	Expiration Date	Amount
U.S. capital loss carry-forwards	2023 - 2026	\$ 43.1
U.S. tax credit carry-forwards	2024 - 2042	\$ 3.3

Unrecognized tax benefits are recorded within "Accounts payable and other liabilities" on the Consolidated Balance Sheets. The following table is a reconciliation of unrecognized tax benefits for the years ended December 31:

<i>(Amounts in millions)</i>	2022	2021
Beginning balance	\$ 14.7	\$ 19.7
Additions based on tax positions related to prior years	0.3	1.5
Additions based on tax positions related to current year	0.8	0.6
Settlements with cash or attributes	(4.8)	(2.3)
Reductions for tax positions of prior years and other	(1.9)	(4.8)
Ending balance	<u>\$ 9.1</u>	<u>\$ 14.7</u>

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As of December 31, 2022 and 2021, the liability for unrecognized tax benefits was \$9.1 million and \$14.7 million, respectively, exclusive of interest and penalties. For 2022 and 2021, the net amount of unrecognized tax benefits that if recognized would impact the effective tax rate was \$9.1 million and \$14.7 million, respectively. The Company accrues interest and penalties for unrecognized tax benefits through "Income tax (benefit) expense" in the Consolidated Statements of Operations. For 2022, the Company's liability for interest and penalties decreased by \$4.6 million, which was comprised of a net decrease in the accrual of \$1.4 million and cash payments of \$3.2 million. For 2022 and 2021, the Company's accrual for interest and penalties decreased by \$4.6 million and \$2.0 million, respectively. As of December 31, 2022 and 2021, the Company had a liability of \$2.8 million and \$7.4 million, respectively, accrued for interest and penalties within "Accounts payable and other liabilities." As a result of the Company's completion of its litigation related to its securities losses discussed in more detail in Note 13 — *Commitments and Contingencies*, the Company is anticipating a \$2.9 million decrease to the total amount of state related unrecognized tax benefits by way of cash or attribute settlements or statute lapses over the next 12 months.

Note 13 — Commitments and Contingencies

Letters of Credit — At December 31, 2022, the Company had no borrowings and no outstanding letters of credit under the Revolving Credit Facility.

Legal Proceedings — The matters set forth below are subject to uncertainties and outcomes that are not predictable. The Company accrues for these matters as any resulting losses become probable and can be reasonably estimated. Further, the Company maintains insurance coverage for many claims and litigation matters. In relation to various legal matters, including those described below, the Company had \$7.5 million and \$15.8 million of liability recorded in "Accounts payable and other liabilities" in the Consolidated Balance Sheets as of December 31, 2022 and December 31, 2021, respectively. No charges were recorded in 2022 and \$13.8 million were recorded for the year 2021 within "Transaction and operations support" in the Consolidated Statements of Operations.

Litigation Commenced Against the Company:

Class Action Securities Litigation — On November 14, 2018, a putative securities class action lawsuit was filed in the United States District Court for the Northern District of Illinois against MoneyGram and certain of its executive officers. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and alleges that MoneyGram made material misrepresentations regarding its compliance with the stipulated order for permanent injunction and final judgment that MoneyGram entered into with the FTC in October 2009 and with the DPA that MoneyGram entered into with the U.S. Attorney's Office for the Middle District of Pennsylvania and the U.S. Department of Justice in November 2012. The lawsuit seeks unspecified damages, equitable relief, interest and costs and attorneys' fees. The Company believes the case is without merit and is vigorously defending this matter. On May 16, 2019, MoneyGram filed a motion to dismiss which the court has yet to rule upon. We are unable to predict the outcome, or the possible loss or range of loss, if any, related to this matter.

Books and Records Requests — MoneyGram has received multiple requests from various putative shareholders for inspection of books and records pursuant to Section 220 of the Delaware General Corporation Law relating to the subject matter of the putative class lawsuit described in the preceding paragraphs. On February 26, 2019, two of these shareholders filed a petition in the Delaware Court of Chancery to compel MoneyGram to produce books and records in accordance with their request but have since dismissed their action. We are unable to predict the outcome, or the possible loss or range of loss, if any, related to these matters.

It is possible that additional shareholder lawsuits could be filed relating to the subject matter of the above putative class action, the Section 220 books and records requests or pertaining to the MDP transaction.

Other Matters — MoneyGram is involved in various other claims and litigation that arise from time to time in the ordinary course of the Company's business. Management does not believe that after final disposition any of these matters is likely to have a material adverse impact on the Company's financial condition, results of operations or cash flows.

Government Investigations:

On June 9, 2021, the Government filed an Amended Unopposed Motion to Dismiss that provided additional details about MoneyGram's satisfaction of its obligations under the DPA and enhancements to MoneyGram's compliance program. On June 10, 2021, the United States Judge for the Middle District of Pennsylvania signed an Order dismissing the criminal information with prejudice, which effectively discharged the Government's criminal case against MoneyGram and officially ended the matter.

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NYDFS — As previously reported, on June 22, 2018, MoneyGram received a request for production of documents from the NYDFS related to MoneyGram's failure to maintain an effective anti-money laundering program and to adequately supervise certain of MoneyGram's New York-based agents that conducted suspicious transactions on behalf of customers. This request followed previous inquiries by the NYDFS regarding certain of MoneyGram's New York based agents. Following the June 22, 2018 request for production, MoneyGram received and responded to several inquiries from the NYDFS related to this matter. On March 16, 2022, MoneyGram and the NYDFS entered into a consent order (the "Consent Order") to resolve this matter.

In entering into the Consent Order, the NYDFS acknowledged that there were several mitigating factors with respect to the Consent Order, including that MoneyGram fully cooperated with the NYDFS's investigation, including by reporting on the results of its internal investigation on the matter, had voluntarily undertaken significant enhancements to its compliance program and had undertaken remediation to prevent similar violations from occurring. Such measures and enhancements include termination of certain agents, the creation of new compliance procedures to increase the authority of compliance personnel within MoneyGram, the implementation of new limits on and supervision of high-risk agents and a substantial increase in the resources allocated to compliance. Pursuant to the Consent Order, MoneyGram agreed to, among other things, pay a civil monetary penalty in the amount of \$8.3 million and undertake various reporting obligations. These include the obligation to (i) submit to the NYDFS a written description of MoneyGram's current compliance program with respect to the supervision of its New York-based agents and update such description with the NYDFS at 12 and 24 months after the date of the Consent Order, (ii) deliver to the NYDFS detailed data of all transactions in the State of New York for the one-year period prior to the date of the Consent Order, and (iii) fully cooperate with the NYDFS regarding all terms of the Consent Order. Pursuant to the Consent Order, the NYDFS agreed that it will take no further action against MoneyGram for the conduct subject to the previous request for production of documents, provided that MoneyGram fully complies with the terms of the Consent Order. The \$8.3 million payment, which was made in the first quarter of 2022, is consistent with the estimated amount that the Company previously accrued in the fourth quarter of 2021.

CFPB — As previously reported, on February 12, 2020, MoneyGram received a Report of Examination ("ROE") from the CFPB stating that previous findings from a 2019 exam were not remediated, and the matter would be referred to its Enforcement Unit. On March 18, 2020, MoneyGram received a Civil Investigative Demand ("CID") from the CFPB's Enforcement Unit. On June 11, 2020, MoneyGram provided a timely response to the ROE describing the remedial actions taken and that the findings have been substantially remediated. On August 21, 2020, MoneyGram completed its production in response to the CID. On February 25, 2021, the CFPB provided MoneyGram with a Notice and Opportunity to Respond and Advise ("NORA") letter, documenting the CFPB's intent to take legal action against MoneyGram based on four alleged violations under the Remittance Rule, the Electronic Fund Transfer Act (the "EFTA") and the Consumer Financial Protection Act (the "CFPA"). MoneyGram provided the CFPB with its written response to the NORA letter on March 17, 2021. Over the next several months, MoneyGram and the CFPB engaged in negotiations regarding a potential settlement agreement but were ultimately unable to reach an agreed resolution on this matter. On April 21, 2022, the CFPB and the NYAG filed a complaint (the "Complaint") in the United States District Court for the Southern District of New York against MoneyGram and MoneyGram Payment Systems, Inc., a wholly owned subsidiary of MoneyGram. The Complaint alleges seven counts of violations under the Remittance Rule, the CFPA, the EFTA and New York Executive Law § 63(12) and seeks injunctive relief, restitution, unspecified damages, civil money penalties and costs. On July 5, 2022, the CFPB and the NYAG filed a First Amended Complaint. In response to the First Amended Complaint, on August 4, 2022, MoneyGram filed a consolidated motion to dismiss and to transfer venue to the United States District Court for the Northern District Texas. The CFPB and NYAG responded to MoneyGram's motions on September 19, 2022, and MoneyGram filed its reply brief on October 3, 2022.

In a separate matter, on October 19, 2022, the United States Court of Appeals for the Fifth Circuit held the funding structure of the CFPB to be unconstitutional. On November 14, 2022, the Department of Justice ("DOJ"), on behalf of the CFPB, petitioned the Supreme Court for a writ of certiorari to review and reverse the Fifth Circuit's decision. MoneyGram had previously challenged the constitutionality of the CFPB's funding structure as part of MoneyGram's motion to dismiss the CFPB's and NYAG's case, which was pending in the Southern District of New York. In light of the developments, in the Fifth Circuit and the potential for the U.S. Supreme Court to grant cert, MoneyGram filed a letter motion to stay the case which was granted, over the CFPB's and NYAG's objection, by the United States District Court for the Southern District of New York on December 9, 2022. As a result, the current lawsuit will be on hold pending the Supreme Court's ultimate decision. The parties were ordered to promptly file a joint letter apprising the District Court of the Supreme Court's decision to grant or deny the Petition once the Supreme Court issues any decision, which could impact the length of the District Court's stay. MoneyGram continues to believe the case is without merit and intends to vigorously defend this matter. Based on the prior settlement negotiations which have since terminated, the Company had accrued \$7.5 million as of December 31, 2021, as our best estimate to settle this matter. Notwithstanding the termination of the settlement discussion and the filing of the lawsuit by the CFPB, we continue to maintain the \$7.5 million accrual in accordance with U.S. GAAP as our best loss estimate related to this matter.

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Other Matters — The Company is involved in various other government inquiries and other matters that arise from time to time. Management does not believe that after final disposition any of these other matters is likely to have a material adverse impact on the Company's financial condition, results of operations or cash flows.

Note 14 — Revenue Recognition

The following table is a summary of the Company's revenue streams disaggregated by services and products for each segment and timing of revenue recognition for such services and products excluding other revenue for the years ended December 31:

<i>(Amounts in millions)</i>	2022	2021
GFT revenue		
Money transfer fee revenue	\$ 1,138.4	\$ 1,157.0
Bill payment services fee revenue	35.6	40.5
Other revenue	39.3	28.3
Total GFT fee and other revenue	<u>\$ 1,213.3</u>	<u>\$ 1,225.8</u>
FPP revenue		
Money order fee revenue	5.4	6.3
Official check outsourcing services fee revenue	6.7	7.1
Other revenue	34.2	33.6
Total FPP fee and other revenue	<u>46.3</u>	<u>47.0</u>
Investment revenue	<u>37.9</u>	<u>7.8</u>
Total revenue	<u><u>\$ 1,297.5</u></u>	<u><u>\$ 1,280.6</u></u>
Timing of revenue recognition:		
Services and products transferred at a point in time	\$ 1,179.4	\$ 1,203.8
Products transferred over time	6.7	7.1
Total revenue from services and products	<u>1,186.1</u>	<u>1,210.9</u>
Investment revenue	37.9	7.8
Other revenue	<u>73.5</u>	<u>61.9</u>
Total revenue	<u><u>\$ 1,297.5</u></u>	<u><u>\$ 1,280.6</u></u>

See Note 2 — *Summary of Significant Accounting Policies* for the Company's accounting policies on revenue recognition. Due to the short-term nature of the Company's services and products, the amount of contract assets and liabilities on the Consolidated Balance Sheets as of December 31, 2022 and 2021, is negligible. Assets for unsettled money transfers, money orders and consumer payments are included within "Settlement assets" with a corresponding liability recorded within "Payment service obligations" on the Consolidated Balance Sheets. For more information on these assets and liabilities see Note 2 — *Summary of Significant Accounting Policies*.

Note 15 — Leases

The Company's leases consist primarily of operating leases for buildings, equipment and vehicles. Finance leases are immaterial. The ROU asset and the lease liability are calculated based on the remaining minimum rental payments under current leasing standards for existing operating leases. The reduction in the carrying amount of the ROU asset and changes in the lease liability are presented within "Operating activities" on the Consolidated Statements of Cash Flows. We elected the package of practical expedients, which permitted us to not reassess our prior conclusions about lease identification, lease classification and initial direct costs under the new standard. We did not elect the use of the hindsight practical expedient or the practical expedient pertaining to land easements, as the latter was not applicable to us. We also elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, we did not recognize ROU assets or

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lease liabilities. The Company elected the practical expedient to not separate lease and non-lease components for our real estate and vehicle leases.

The Company's various noncancellable operating leases for buildings, equipment and vehicles terminate through 2030. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. As of December 31, 2022 and 2021, the leases had a weighted-average remaining lease term of 6.5 years and 7.1 years, respectively. As most of our leases do not provide an implicit rate, the Company utilized the portfolio approach in determining the discount rate. The portfolios were grouped based on lease type and geographical location. The Company considered the most relevant major interest rate in the specific geographical location such as the Prime Rate in the U.S. and U.K. or the collateralized interest rate for non-financial institutions of the European Central Bank. These rates were then adjusted for the Company's specific credit ratings or economic conditions and lease terms of the specific portfolio. As of December 31, 2022 and 2021, the weighted-average discount rate was 5.8% and 5.3%, respectively.

The Company recognizes rent expense for operating leases under the straight-line method over the term of the lease where differences between the monthly cash payments and the lease expense are offset to the ROU asset on the Consolidated Balance Sheets. Lease expense for buildings and equipment is included within "Occupancy, equipment and supplies" on the Consolidated Statements of Operations, while lease expense for our vehicles is included within "Compensation and benefits." Some of the Company's building leases include rent expense that is associated with an index or a rate. Subsequent changes from the original index or rate would be treated as variable lease expense. Furthermore, future changes to the non-lease components of our real estate and vehicle leases will be treated as variable lease expenses.

The following table is a summary of the Company's lease expense for its operating leases for the years ended December 31:

<i>(Amounts in millions)</i>	2022	2021
Buildings, equipment and vehicle leases	\$ 10.8	\$ 13.3
Short-term and variable lease cost	0.3	1.1
Total lease cost	<u>\$ 11.1</u>	<u>\$ 14.4</u>

Supplemental cash flow information related to leases was as follows for the years ended December 31:

<i>(Amounts in millions)</i>	2022	2021
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 10.9	\$ 13.7
ROU assets obtained in exchange for lease obligations	\$ —	\$ 10.1

Maturities of operating lease liabilities as of December 31, 2022 were as follows:

<i>(Amounts in millions)</i>	Future Minimum Lease Payments
2023	\$ 9.1
2024	8.9
2025	8.5
2026	7.6
2027	6.2
Thereafter	15.0
Total	<u>55.3</u>
Less: present value discount	(9.9)
Lease liability - operating	<u>\$ 45.4</u>

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MONEYGRAM PAYMENT SYSTEMS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of MoneyGram Payment Systems Worldwide, Inc., a Wholly Owned Subsidiary of MoneyGram International, Inc.)

SCHEDULE OF NET WORTH
FOR THE YEARS ENDED December 31, 2022 and 2021

(Amounts in millions)

December 31, 2020 Equity (net worth)	\$ 627.1
Net income	52.3
Dividend to parent	(73.6)
Stock-based compensation activity	0.6
Other comprehensive income	(4.4)
Change in equity	(25.1)
December 31, 2021 Equity (net worth)	602.0
Net income	62.0
Dividend to parent	(57.0)
Stock-based compensation activity	5.8
Other comprehensive income	(2.1)
Change in equity	8.7
December 31, 2022 Equity (net worth)	\$ 610.7

See accompanying Independent Auditors' Report.

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