

MASTERCARD INC

FORM 10-Q (Quarterly Report)

Filed 08/01/07 for the Period Ending 06/30/07

Address	2000 PURCHASE STREET PURCHASE, NY 10577
Telephone	9142492000
CIK	0001141391
Symbol	MA
SIC Code	7389 - Business Services, Not Elsewhere Classified
Industry	Consumer Financial Services
Sector	Financial
Fiscal Year	12/31

MASTERCARD INC

FORM
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Filed 8/1/2007 For Period Ending 6/30/2007

Address	2000 PURCHASE STREET PURCHASE, New York 10577
Telephone	914-249-2000
CIK	0001141391
Fiscal Year	12/31

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended **June 30, 2007**

Or

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

For the transition period from _____ to _____

Commission file number: **001-32877**

MasterCard Incorporated

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

**2000 Purchase Street
Purchase, NY**

(Address of principal executive offices)

13-4172551

*(IRS Employer
Identification Number)*

10577

(Zip Code)

(914) 249-2000

(Registrant's telephone number, including area code)

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of July 26, 2007, there were 79,837,897 shares outstanding of the registrant's Class A common stock, par value \$.0001 per share, 55,337,407 shares outstanding of the registrant's Class B common stock, par value \$.0001 per share, and 1,636 shares outstanding of the registrant's Class M common stock, par value \$.0001 per share.

MASTERCARD INCORPORATED

FORM 10-Q

TABLE OF CONTENTS

	<u>Page No.</u>
PART I — FINANCIAL INFORMATION	
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	
Consolidated Balance Sheets — June 30, 2007 and December 31, 2006	3
Consolidated Statements of Operations — Three and Six Months Ended June 30, 2007 and 2006	4
Consolidated Statements of Cash Flows — Six Months Ended June 30, 2007 and 2006	5
Consolidated Statement of Changes in Stockholders' Equity — Six Months Ended June 30, 2007	6
Consolidated Condensed Statements of Comprehensive Income — Three and Six Months Ended June 30, 2007 and 2006	6
Notes to Consolidated Financial Statements	7
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	24
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	37
ITEM 4. CONTROLS AND PROCEDURES	37
Report of Independent Registered Public Accounting Firm	38
PART II — OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	39
ITEM 1A. RISK FACTORS	39
ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES	39
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	39
ITEM 6. EXHIBITS	40
SIGNATURES	41

Table of Contents

**MASTERCARD INCORPORATED
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

	June 30, 2007	December 31, 2006
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 1,520,323	\$ 1,185,080
Investment securities, at fair value:		
Trading	5,342	12,261
Available-for-sale	1,304,920	1,286,580
Accounts receivable	480,939	451,261
Settlement due from members	276,409	311,953
Restricted security deposits held for members	122,153	109,897
Prepaid expenses	169,200	130,849
Other current assets	109,248	89,348
Total Current Assets	3,988,534	3,577,229
Property, plant and equipment, at cost (less accumulated depreciation of \$236,246 and \$220,720)	269,985	252,731
Deferred income taxes	278,337	216,782
Goodwill	222,543	217,013
Other intangible assets (less accumulated amortization of \$330,269 and \$309,110)	286,289	271,373
Municipal bonds held-to-maturity	192,989	193,477
Prepaid expenses	261,849	235,654
Other assets	106,023	118,211
Total Assets	\$ 5,606,549	\$ 5,082,470
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 236,662	\$ 278,656
Settlement due to members	256,602	286,059
Restricted security deposits held for members	122,153	109,897
Obligations under U.S. merchant lawsuit and other litigation settlements — current (Note 9)	120,675	117,275
Accrued expenses	889,279	936,427
Short-term debt	80,000	—
Other current liabilities	122,245	83,276
Total Current Liabilities	1,827,616	1,811,590
Deferred income taxes	67,029	66,198
Obligations under U.S. merchant lawsuit and other litigation settlements (Note 9)	377,799	359,640
Long-term debt	149,647	229,668
Other liabilities	325,842	246,395
Total Liabilities	2,747,933	2,713,491
Commitments and Contingencies (Notes 12 and 14)		
Minority interest	4,620	4,620
Stockholders' Equity		
Class A common stock, \$.0001 par value; authorized 3,000,000,000 shares, 79,837,897 and 79,631,983 shares issued and outstanding, respectively	8	8
Class B common stock, \$.0001 par value; authorized 1,200,000,000 shares, 55,337,407 shares issued and outstanding, respectively	6	6
Class M common stock, \$.0001 par value, authorized 1,000,000 shares, 1,635 and 1,600 shares issued and outstanding, respectively	—	—
Additional paid-in capital	3,268,457	3,289,879
Accumulated deficit	(540,830)	(1,029,196)
Accumulated other comprehensive income, net of tax:		
Cumulative foreign currency translation adjustments	144,514	119,655
Defined benefit pension and other postretirement plans	(9,679)	(11,402)
Investment securities available-for-sale	(5,966)	(3,065)
Derivatives accounted for as hedges	(2,514)	(1,526)
Total accumulated other comprehensive income, net of tax	126,355	103,662
Total Stockholders' Equity	2,853,996	2,364,359
Total Liabilities and Stockholders' Equity	\$ 5,606,549	\$ 5,082,470

The accompanying notes are an integral part of these consolidated financial statements.

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands, except per share data)			
Revenues, net	\$996,959	\$ 846,489	\$1,912,062	\$1,584,942
Operating Expenses				
General and administrative	431,463	365,161	829,990	712,998
Advertising and market development	268,253	307,066	446,703	489,749
Litigation settlements	3,400	23,250	3,400	23,250
Charitable contributions to the MasterCard Foundation	—	400,285	—	400,285
Depreciation and amortization	25,027	24,693	49,216	49,913
Total operating expenses	<u>728,143</u>	<u>1,120,455</u>	<u>1,329,309</u>	<u>1,676,195</u>
Operating income (loss)	<u>268,816</u>	<u>(273,966)</u>	<u>582,753</u>	<u>(91,253)</u>
Other Income (Expense)				
Investment income, net	36,466	28,999	72,714	49,691
Interest expense	(11,170)	(16,068)	(25,526)	(26,708)
Other income, net	92,187	443	92,147	595
Total other income/(expense)	<u>117,483</u>	<u>13,374</u>	<u>139,335</u>	<u>23,578</u>
Income (loss) before income taxes	386,299	(260,592)	722,088	(67,675)
Income tax expense	134,013	49,868	254,897	116,041
Net Income (Loss)	<u>\$252,286</u>	<u>\$ (310,460)</u>	<u>\$ 467,191</u>	<u>\$ (183,716)</u>
Basic Net Income (Loss) per Share (Note 2)	<u>\$ 1.86</u>	<u>\$ (2.30)</u>	<u>\$ 3.44</u>	<u>\$ (1.36)</u>
Basic Weighted Average Shares Outstanding (Note 2)	<u>135,865</u>	<u>135,252</u>	<u>135,856</u>	<u>135,127</u>
Diluted Net Income (Loss) per Share (Note 2)	<u>\$ 1.85</u>	<u>\$ (2.30)</u>	<u>\$ 3.42</u>	<u>\$ (1.36)</u>
Diluted Weighted Average Shares Outstanding (Note 2)	<u>136,687</u>	<u>135,252</u>	<u>136,643</u>	<u>135,127</u>

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

**MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)**

	Six Months Ended June 30,	
	2007	2006
	(In thousands)	
Operating Activities		
Net income (loss)	\$ 467,191	\$ (183,716)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	49,216	49,913
Charitable contribution of common stock to the MasterCard Foundation	—	394,785
Share based payments	23,382	6,825
Deferred income taxes	(1,557)	(7,370)
Taxes related to share based payments	(11,193)	—
Excess tax benefit on share based payments	(6,734)	—
Accretion of imputed interest on litigation settlement	18,644	20,974
Other	4,620	4,965
Changes in operating assets and liabilities:		
Trading securities	6,919	4,648
Accounts receivable	(23,141)	(57,398)
Settlement due from members	43,000	(16,842)
Prepaid expenses	(36,647)	(14,295)
Other current assets	(5,067)	(5,082)
Prepaid expenses, long-term	(23,392)	3,998
Litigation settlement accruals	2,915	23,140
Accounts payable	(43,314)	15,818
Settlement due to members	(36,166)	20,014
Accrued expenses	6,524	(85,614)
Net change in other assets and liabilities	10,961	8,818
Net cash provided by operating activities	<u>446,161</u>	<u>183,581</u>
Investing Activities		
Purchases of property, plant and equipment	(40,942)	(15,670)
Capitalized software	(33,741)	(15,886)
Purchases of investment securities available-for-sale	(1,924,024)	(1,506,806)
Proceeds from sales and maturities of investment securities available-for-sale	1,896,975	1,356,768
Other investing activities	5,005	(1,403)
Net cash used in investing activities	<u>(96,727)</u>	<u>(182,997)</u>
Financing Activities		
Cash received from sale of common stock, net of issuance costs	—	2,449,910
Cash payment for redemption of common stock	—	(1,799,937)
Dividends paid	(33,099)	—
Cash proceeds from exercise of stock options	1,083	—
Excess tax benefit on share based payments	6,734	—
Net cash (used in) provided by financing activities	<u>(25,282)</u>	<u>649,973</u>
Effect of exchange rate changes on cash and cash equivalents	11,091	14,026
Net increase in cash and cash equivalents	335,243	664,583
Cash and cash equivalents — beginning of period	1,185,080	545,273
Cash and cash equivalents — end of period	<u>\$ 1,520,323</u>	<u>\$ 1,209,856</u>

The accompanying notes are an integral part of these consolidated financial statements.

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	<u>Total</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income, Net of Tax</u> (In thousands)	<u>Common Shares</u>		<u>Additional Paid-in Capital</u>
				<u>Class A</u>	<u>Class B</u>	
Balance at January 1, 2007	\$2,364,359	\$(1,029,196)	\$ 103,662	\$ 8	\$ 6	\$3,289,879
Net income	467,191	467,191	—	—	—	—
Other comprehensive income, net of tax	22,693	—	22,693	—	—	—
Adoption of new tax accounting standard (Note 13)	21,175	21,175	—	—	—	—
Cash dividends declared on Class A and Class B common stock, \$.30 per share	(41,428)	—	—	—	—	(41,428)
Share based compensation	23,382	—	—	—	—	23,382
Tax withholding net of tax benefit for share based compensation	(4,459)	—	—	—	—	(4,459)
Cash proceeds from exercise of stock options	1,083	—	—	—	—	1,083
Balance at June 30, 2007	<u>\$2,853,996</u>	<u>\$ (540,830)</u>	<u>\$ 126,355</u>	<u>\$ 8</u>	<u>\$ 6</u>	<u>\$3,268,457</u>

MASTERCARD INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(In thousands)			
Net Income (Loss)	\$252,286	\$(310,460)	\$467,191	\$(183,716)
Other comprehensive income:				
Foreign currency translation adjustments	11,167	19,548	24,859	36,472
Defined benefit pension and postretirement plans, net of tax	4	—	1,723	—
Unrealized gain (loss) and reclassification adjustment for realized (gain) loss on investment securities available-for-sale, net of tax	(3,366)	(1,638)	(2,901)	(4,292)
Change in fair value of derivatives accounted for as hedges, net of tax	(447)	(943)	(988)	(3,398)
Other comprehensive income, net of tax	7,358	16,967	22,693	28,782
Comprehensive Income (Loss)	<u>\$259,644</u>	<u>\$(293,493)</u>	<u>\$489,884</u>	<u>\$(154,934)</u>

The accompanying notes are an integral part of these consolidated financial statements.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(In thousands, except per share and percent data)

Note 1. Summary of Significant Accounting Policies

Organization — MasterCard Incorporated and its consolidated subsidiaries (“MasterCard” or the “Company”), including its principal operating subsidiary, MasterCard International Incorporated (doing business as MasterCard Worldwide) (“MasterCard International”), and MasterCard Europe sprl (“MasterCard Europe”), provide transaction processing and related services to customers principally in support of their credit, debit, electronic cash and Automated Teller Machine (“ATM”) payment card programs, and travelers cheque programs.

Consolidation and basis of presentation — The consolidated financial statements include the accounts of MasterCard and its majority-owned and controlled entities, including the Company’s variable interest entity. The Company’s variable interest entity was established for the purpose of constructing the Company’s global technology and operations center; it is not an operating entity and has no employees. Intercompany transactions and balances are eliminated in consolidation. The Company follows accounting principles generally accepted in the United States of America.

The balance sheet as of December 31, 2006 was derived from the audited consolidated financial statements as of December 31, 2006. Amounts previously reported within Accumulated Other Comprehensive Income as of December 31, 2006 have been adjusted to reflect a revision of \$22,804 to increase cumulative foreign currency translation adjustments with a corresponding decrease in defined benefit pension and other postretirement plans. The revision had no impact on total accumulated other comprehensive income, net of tax. The consolidated financial statements for the three and six months ended June 30, 2007 and 2006 and as of June 30, 2007 are unaudited, and, in the opinion of management, include all normal recurring adjustments that are necessary to present fairly the results for interim periods. Due to seasonal fluctuations and other factors, the results of operations for the three and six months ended June 30, 2007 are not necessarily indicative of the results to be expected for the full year.

The accompanying unaudited consolidated financial statements are presented in accordance with the U.S. Securities and Exchange Commission requirements of Quarterly Reports on Form 10-Q and, consequently, do not include all of the disclosures required by accounting principles generally accepted in the United States of America. Reference should be made to the MasterCard Incorporated Annual Report on Form 10-K for the year ended December 31, 2006 for additional disclosures, including a summary of the Company’s significant accounting policies.

Recent Accounting Pronouncements — In February 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of SFAS 115” (“SFAS 159”). SFAS 159 allows entities to choose to measure many financial instruments and certain other items at fair value. In addition, SFAS 159 includes an amendment to SFAS 115, “Accounting for Certain Investments in Debt and Equity Securities”, and applies to all entities with available-for-sale and trading securities. SFAS 159 is effective for the Company commencing in 2008. The Company is in the process of evaluating the impact that SFAS 159 will have on its financial statements.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

Note 2. Earnings (Loss) Per Share (“EPS”)

The components of basic and diluted earnings (loss) per share are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Numerator:				
Net income (loss)	\$252,286	\$(310,460)	\$467,191	\$(183,716)
Denominator:				
Basic EPS weighted-average shares outstanding	135,865	135,252	135,856	135,127
Dilutive stock options and restricted stock units	822	—	787	—
Diluted EPS weighted-average shares outstanding	136,687	135,252	136,643	135,127
Earnings (Loss) per Share:				
Basic	\$ 1.86	\$ (2.30)	\$ 3.44	\$ (1.36)
Diluted	\$ 1.85	\$ (2.30)	\$ 3.42	\$ (1.36)

The calculation of diluted earnings per share excluded approximately 186 and 330 stock options for the three and six months ended June 30, 2007, respectively, because the effect would be antidilutive. The calculation of diluted earnings (loss) per share for the three and six months ended June 30, 2006 excluded 1,200 restricted stock units and 553 stock options because the effect would be antidilutive.

In connection with our ownership and governance transactions in May 2006, we reclassified all of our approximately 100,000 outstanding shares of existing Class A redeemable common stock so that our previous stockholders received 1.35 shares of our Class B common stock, par value \$.0001 per share (the “Class B common stock”), for each share of Class A redeemable common stock that they held prior to the reclassification and a single share of our Class M common stock, par value \$.0001 per share. Accordingly, shares and per share data were retroactively restated in the financial statements subsequent to the reclassification to reflect the reclassification as if it were effective at the start of the first period being presented in the financial statements.

Note 3. Non-Cash Financing Activities

	Six Months Ended June 30,	
	2007	2006
Shares donated to the MasterCard Foundation	\$ —	\$394,785
Conversion of cash-based to stock-based compensation	—	51,209
Dividend declared but not yet paid	20,713	—

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

Note 4. Prepaid Expenses

Prepaid expenses consist of the following:

	June 30, 2007	December 31, 2006
Customer and merchant incentives	\$ 342,929	\$ 293,289
Advertising and market development	42,981	33,321
Other	45,139	39,893
Total prepaid expenses	431,049	366,503
Prepaid expenses, current	(169,200)	(130,849)
Prepaid expenses, long-term	<u>\$ 261,849</u>	<u>\$ 235,654</u>

Prepaid customer and merchant incentives represent payments made to customers and merchants under business agreements in order to encourage loyalty to the MasterCard brand, increase volumes and promote acceptance. These prepayments are recorded as contra-revenue over the term of the business agreement or in the same period that the customer or merchant achieves the performance hurdles specified in the business agreement.

Note 5. Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2007	December 31, 2006
Customer and merchant incentives	\$398,573	\$ 386,582
Personnel costs	160,237	248,262
Advertising and market development	132,727	141,864
Taxes	98,997	83,509
Other	98,745	76,210
	<u>\$889,279</u>	<u>\$ 936,427</u>

Note 6. Pension Plans

The Company maintains a noncontributory defined benefit pension plan (the "Pension Plan") with a cash balance feature covering substantially all of its U.S. employees. In March 2007, the Company announced it was modifying the Pension Plan by maintaining employee pay credit percentages at the 2007 level, eliminating funding for employees to purchase healthcare in retirement and limiting plan participation to employees hired before July 1, 2007. These changes are expected to reduce the benefit obligation of the Pension Plan measured as of December 31, 2006 by approximately \$13,300, or 7%. The Company has determined that the reduction in the benefit obligation and the related decrease in net periodic pension cost for 2007 are not significant and do not require an interim measurement of the Pension Plan. Additionally, the Company has an unfunded nonqualified supplemental executive retirement plan that provides certain key employees with supplemental retirement benefits in excess of limits imposed on qualified plans by U.S. tax laws. For both plans, net periodic pension cost is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	\$ 4,715	\$ 4,650	\$ 9,433	\$ 9,300
Interest cost	3,045	2,717	6,095	5,434
Expected return on plan assets	(4,092)	(3,830)	(8,184)	(7,660)
Amortization of prior service credit	(57)	(52)	(114)	(104)
Recognized actuarial loss	—	300	—	600
Net periodic pension cost	<u>\$ 3,611</u>	<u>\$ 3,785</u>	<u>\$ 7,230</u>	<u>\$ 7,570</u>

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

For the three and six months ended June 30, 2007, \$57 and \$114 of prior service credit was amortized from accumulated other comprehensive income into net periodic pension cost, respectively.

The funded status of the Pension Plan exceeds minimum funding requirements. No voluntary contributions were made during the three and six months ended June 30, 2007 and 2006.

Note 7. Postretirement Health and Life Insurance Benefits

The Company maintains a postretirement plan (the “Postretirement Plan”) providing health coverage and life insurance benefits for substantially all of its U.S. employees and retirees. Net periodic postretirement benefit cost is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	\$ 589	\$ 792	\$1,178	\$1,584
Interest cost	848	905	1,696	1,810
Amortization of prior service cost	—	17	—	34
Amortization of transition obligation	53	145	106	290
Recognized actuarial loss	—	53	—	106
Net periodic postretirement benefit cost	<u>\$1,490</u>	<u>\$1,912</u>	<u>\$2,980</u>	<u>\$3,824</u>

For the three and six months ended June 30, 2007, \$53 and \$106, respectively, of transition obligation was amortized from accumulated other comprehensive income into net periodic postretirement benefit cost. In addition, the Company amended the life insurance benefits under the Postretirement Plan effective January 1, 2007. The impact, net of taxes, of this amendment was an increase of \$1,715 to accumulated other comprehensive income in the six months ended June 30, 2007.

The Company funds its postretirement benefits as payments are required with cash flows from operations.

Note 8. Credit Facility

On April 27, 2007, the Company extended its committed unsecured \$2,500,000 revolving credit facility (the “Credit Facility”) for one year. The new expiration date of the Credit Facility is April 27, 2010. Except for the maturity extension, the original terms and conditions in the credit facility remain unchanged. MasterCard was in compliance with the covenants of the Credit Facility as of June 30, 2007. There were no borrowings under the Credit Facility at June 30, 2007 and December 31, 2006. The majority of Credit Facility lenders are customers or affiliates of customers of MasterCard International.

Note 9. U.S. Merchant Lawsuit and Other Litigation Settlements

In 2003, MasterCard settled the U.S. merchant lawsuit described under the caption “U.S. Merchant and Consumer Litigations” in Note 14 below and contract disputes with certain customers. On June 4, 2003, MasterCard International and plaintiffs in the U.S. merchant lawsuit signed a settlement agreement (the “Settlement Agreement”) which required the Company to pay \$125,000 in 2003 and \$100,000 annually each December from 2004 through 2012. In addition, in 2003, several other lawsuits were initiated by merchants who opted not to participate in the plaintiff class in the U.S. merchant lawsuit. The “opt-out” merchant lawsuits were not covered by the terms of the Settlement Agreement, however, all have been individually settled. As more fully described in Note 14 below, MasterCard is also a party to a number of currency conversion litigations. In connection with the settlement of certain other litigations disclosed in Note 14, MasterCard recorded reserves of \$3,400 and made payments of \$485 during the three months ended June 30, 2007. Total liabilities for the U.S. merchant lawsuit and other litigation settlements changed from December 31, 2006 as follows:

Balance as of December 31, 2006	\$476,915
Provision for litigation settlements (Note 14)	3,400
Interest accretion on U.S. merchant lawsuit	18,644
Payments	(485)
Balance as of June 30, 2007	<u>\$498,474</u>

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

Note 10. Share Based Payment and Other Benefits

On March 1, 2007, the Company granted approximately 314 performance units, 330 stock options and 14 restricted stock units under the MasterCard Incorporated 2006 Long-Term Incentive Plan ("LTIP"). The fair value of the performance units and restricted stock units, based on the closing price on the New York Stock Exchange on the date of grant, was \$106.29. The fair value of the stock options estimated on the date of grant using a Black-Scholes option pricing model was \$39.67. The performance units and restricted stock units will primarily vest on or about February 28, 2010. The stock options vest ratably over four years and expire ten years from the date of grant. Compensation expense is recorded net of estimated forfeitures over the shorter of the vesting period or the date the individual award recipient becomes eligible to retire under the LTIP. The Company uses the straight-line method of attribution for expensing equity awards. With regard to the performance units, the ultimate number of shares to be received by the employee upon vesting will be determined by the Company's performance against predetermined net income and return on equity goals for the three-year period commencing January 1, 2007. Estimates are adjusted as appropriate.

Note 11. Stockholders' Equity

At the annual meeting of stockholders of the Company on June 7, 2007, the Company's stockholders approved amendments to the Company's certificate of incorporation designed to facilitate an accelerated, orderly conversion of Class B common stock into Class A common stock, par value \$.0001 per share (the "Class A Common Stock"), for subsequent sale. Through "conversion transactions", in amounts and at times to be designated by the Company, current holders of shares of Class B common stock who elect to participate will be eligible to convert their shares, on a one-for-one basis, into shares of Class A common stock for subsequent sale to public investors, within 30 days. Holders of Class B common stock will not be allowed to participate in any vote of holders of Class A common stock during this "transitory" ownership period. The number of shares of Class B common stock eligible for conversion transactions will be determined by the Company and limited to an annual aggregate number of up to 10% of the total combined outstanding shares of Class A common stock and Class B common stock, based upon the total number of shares outstanding as of December 31 of the prior calendar year. In addition, prior to May 31, 2010, a conversion transaction will not be permitted that will cause shares of Class B common stock to represent less than 15% of total outstanding shares of Class A common stock and Class B common stock outstanding.

The Company has announced a program for the conversion of up to 13,400 shares of Class B common stock into Class A common stock and subsequent sale to public investors in an initial conversion window expected to be open from August 4, 2007 to October 5, 2007. In addition, also based upon a previously announced Board decision that was contingent upon the stockholder approvals noted above, the Company expects to repurchase up to \$500,000 of Class A common stock in open market transactions during 2007. No common stock had yet been converted or repurchased as of June 30, 2007.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

Note 12. Commitments and Contingent Liabilities

The future minimum payments under non-cancelable leases for office buildings and equipment, sponsorships, licensing and other agreements at June 30, 2007 are as follows:

	<u>Total</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Sponsorship, Licensing and Other</u>
The remainder of 2007	\$266,664	\$ 4,572	\$ 22,486	\$ 239,606
2008	230,716	6,237	32,312	192,167
2009	137,607	4,132	23,156	110,319
2010	67,831	1,822	8,210	57,799
2011	41,380	1,822	5,488	34,070
Thereafter	91,598	38,656	25,270	27,672
Total	<u>\$835,796</u>	<u>\$57,241</u>	<u>\$116,922</u>	<u>\$ 661,633</u>

Included in the table above are capital leases with imputed interest expense of \$11,458 and a net present value of minimum lease payments of \$45,783. In addition, at June 30, 2007, \$65,149 of the future minimum payments in the table above for leases, sponsorship, licensing and other agreements was accrued. Consolidated rental expense for the Company's office space was approximately \$8,759 and \$7,917 for the three months ended June 30, 2007 and 2006, respectively, and \$17,225 and \$15,883 for the six months ended June 30, 2007 and 2006, respectively. Consolidated lease expense for automobiles, computer equipment and office equipment was \$1,627 and \$1,991 for the three months ended June 30, 2007 and 2006, respectively, and \$3,494 and \$4,771 for the six months ended June 30, 2007 and 2006, respectively. In addition, the table above has been adjusted since December 31, 2006 to remove the commitment of \$180,000 for the sponsorship of the 2010 and 2014 World Cup soccer events. See Note 17 for additional information.

MasterCard licenses certain software to its customers. The license agreements contain guarantees under which the Company indemnifies licensees from any adverse judgments arising from claims of intellectual property infringement by third parties. The terms of the guarantees are equal to the terms of the license to which they relate. The amount of the guarantees are limited to damages, losses, costs, expenses or other liabilities incurred by the licensee as a result of any intellectual property rights claims. The Company has historically experienced no intellectual property rights claims relating to the software it licenses to its customers and therefore management believes the probability of future claims is negligible. In addition, the Company does not generate significant revenues from software licenses. However, if circumstances in the future change, the Company may need to reassess whether it would be necessary to assess the fair value of these guarantees.

Note 13. Income Taxes

Effective Income Tax Rate

The effective income tax rate was 34.7% and 19.1% for the three months ended June 30, 2007 and 2006, respectively, and 35.3% and 171.5% for the six months ended June 30, 2007 and 2006, respectively. The rate for the six months ended June 30, 2007 differs significantly from that for the six months ended June 30, 2006 primarily due to the charitable contribution of \$394,785 of shares of Class A common stock to the MasterCard Foundation (the "Foundation"). Under the terms of the contribution to the Foundation, the donation was not deductible to MasterCard for tax purposes.

Apart from the contribution to the Foundation, the change in the effective income tax rate primarily relates to the effect of a New York state tax law change and a net increase in the accrual of income tax liabilities for uncertain tax positions, as required under the recently adopted FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement 109" ("FIN 48"). The New York tax law change resulted in a reduction in the Company's state income tax rate. Accordingly, the Company's deferred tax assets and liabilities at June 30, 2007 were revalued, which resulted in a one-time increase in income tax expense of \$6,804.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

FIN 48

On July 13, 2006, the FASB issued FIN 48. The adoption of FIN 48 on January 1, 2007 required the Company to inventory, evaluate, and measure all uncertain tax positions taken or to be taken on tax returns, and to record liabilities for the amount of such positions that would not be sustained, or would only partially be sustained, upon examination by the relevant taxing authorities.

At the date of adoption, the Company had unrecognized tax benefits of \$109,476. If the unrecognized tax benefits would be recognized, substantially all amounts would impact the Company's effective income tax rate offset by related tax deductions or tax credits, the tax effects of which amounted to \$48,682, resulting in a net tax impact of \$60,794. As of December 31, 2006, the Company had recorded \$56,870 of tax liabilities under the provisions of the Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" ("SFAS 5"). As a result of certain additional liabilities related to state tax positions recorded pursuant to FIN 48, the Company was required to increase deferred tax assets by \$26,194 to reflect the higher anticipated tax rates at which such assets will reverse in future periods. In the event the Company is able to reduce tax liabilities under FIN 48, the deferred tax assets will be correspondingly reduced, resulting in a charge to earnings in that period. Additionally, the Company recorded balance sheet reclassifications to reflect certain liabilities and related assets on a gross basis, as well as additional interest reserves. As a result of these adjustments, the impact of the adoption of FIN 48 was a net overall decrease to opening accumulated deficit of \$21,175.

For the three months and six months ended June 30, 2007 increases in unrecognized tax benefits for tax positions were partially offset by the results of a federal income tax audit settlement. The net increase was not significant to the Company's consolidated financial statements. The Company's unrecognized tax benefits for uncertain tax positions as of June 30, 2007 are not expected to change significantly over the next twelve months.

It is the Company's policy to account for interest expense related to income tax matters as interest expense in its statement of operations, and to include penalties related to income tax matters in the income tax provision. On the date of adoption, the Company had cumulatively recognized \$12,466 of interest, and \$2,609 of potential penalties. For the six months ended June 30, 2007, there were no significant changes in interest and penalties.

The Company is subject to tax in the United States and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to federal, state, local and foreign examinations by tax authorities for years before 2001.

Note 14. Legal and Regulatory Proceedings

MasterCard is a party to legal and regulatory proceedings with respect to a variety of matters in the ordinary course of business. Some of these proceedings involve complex claims that are subject to substantial uncertainties and unspecified damages. Therefore, the probability of loss and an estimation of damages is not possible to ascertain at present. Accordingly, MasterCard has not established reserves for any of these proceedings other than for the currency conversion litigations and the West Virginia consumer litigation described below. Except for those matters described below, MasterCard does not believe that any legal or regulatory proceedings to which it is a party would have a material impact on its results of operations, financial position, or cash flows. Although MasterCard believes that it has strong defenses for the litigations and regulatory proceedings described below, it could in the future incur judgments or fines or enter into settlements of claims that could have a material adverse effect on its results of operations, financial position or cash flows. Notwithstanding MasterCard's belief, in the event it was found liable in a large class-action lawsuit or on the basis of a claim entitling the plaintiff to treble damages or under which it was jointly and severally liable, charges it may be required to record could be significant and could materially and adversely affect its results of operations, cash flow and financial condition, or, in certain circumstances, even cause MasterCard to become insolvent. Moreover, an adverse outcome in a regulatory proceeding could result in fines and/or lead to the filing of civil damage claims and possibly result in damage awards in amounts that could be significant and could materially and adversely affect the Company's results of operations, cash flows and financial condition.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

Department of Justice Antitrust Litigation and Related Private Litigations

In October 1998, the U.S. Department of Justice (“DOJ”) filed suit against MasterCard International, Visa U.S.A., Inc. and Visa International Corp. in the U.S. District Court for the Southern District of New York alleging that both MasterCard’s and Visa’s governance structure and policies violated U.S. federal antitrust laws. First, the DOJ claimed that “dual governance”—the situation where a financial institution has a representative on the board of directors of MasterCard or Visa while a portion of its card portfolio is issued under the brand of the other association—was anti-competitive and acted to limit innovation within the payment card industry. Second, the DOJ challenged MasterCard’s Competitive Programs Policy (“CPP”) and a Visa bylaw provision that prohibited financial institutions participating in the respective associations from issuing competing proprietary payment cards (such as American Express or Discover). The DOJ alleged that MasterCard’s CPP and Visa’s bylaw provision acted to restrain competition.

On October 9, 2001, the District Court judge issued an opinion upholding the legality and pro-competitive nature of dual governance. However, the judge also held that MasterCard’s CPP and the Visa bylaw constituted unlawful restraints of trade under the federal antitrust laws.

On November 26, 2001, the judge issued a final judgment that ordered MasterCard to repeal the CPP insofar as it applies to issuers and enjoined MasterCard from enacting or enforcing any bylaw, rule, policy or practice that prohibits its issuers from issuing general purpose credit or debit cards in the United States on any other general purpose card network. The Second Circuit upheld the final judgment and the Supreme Court denied certiorari. The parties agreed that October 15, 2004 would serve as the effective date of the final judgment. The final judgment also provided for a two-year period of rescission rights for an issuer to enter into an agreement with American Express or Discover.

On September 18, 2003, MasterCard filed a motion before the District Court judge in the DOJ case seeking to enjoin Visa, pending completion of the appellate process, from enforcing a newly-enacted bylaw requiring Visa’s 100 largest issuers of debit cards in the United States to pay a so-called “settlement service” fee if they reduce their Visa debit volume by more than 10%. This bylaw was later modified to clarify that the settlement service fee would only be imposed if an issuer shifted its portfolio of debit cards to MasterCard. Visa implemented this bylaw provision following the settlement of the U.S. merchant lawsuit described under the heading “U.S. Merchant and Consumer Litigations” below. MasterCard believes that this bylaw is punitive and violates the final judgment in the DOJ litigation, which enjoins Visa and MasterCard from enacting, maintaining, or enforcing any bylaw or policy that prohibits issuers from issuing general purpose cards or debit cards in the United States on any other general purpose card network. On July 7, 2006, a special master appointed by the District Court to conduct an evidentiary hearing issued a report and recommendation to the District Court finding that the continuation of Visa’s settlement service fee after the effective date of the final judgment on October 15, 2004 violated the final judgment. On June 7, 2007, the District Court judge issued an opinion and order agreeing with the special master’s finding that the SSF violated the final judgment in the DOJ litigation. The Court’s order requires Visa to repeal the SSF and also permits any of Visa’s largest 100 debit issuers who entered into an agreement relating to debit card issuance with Visa while the SSF was in place to terminate its agreement with Visa in order to enter into an agreement with MasterCard to issue MasterCard-branded debit cards. On June 13, 2007, MasterCard and Visa entered into an agreement to extend the statute of limitations on the time MasterCard has to file potential claims that MasterCard may have against Visa in connection with the SSF. On June 29, 2007, Visa filed a notice of appeal with the Second Circuit. That same day, Visa filed a motion before the District Court judge requesting a stay of the portion of the District Court’s order that permitted Visa’s largest 100 debit issuers to terminate their debit agreements with Visa in order to enter into an agreement with MasterCard.

On October 4, 2004, Discover Financial Services, Inc. filed a complaint against MasterCard, Visa U.S.A. Inc. and Visa International Services Association. The complaint was filed in the U.S. District Court for the Southern District of New York and was designated as a related case to the DOJ litigation, and was assigned to the same judge who issued the DOJ decision described above. In an amended complaint filed on January 7, 2005, Discover alleged that the implementation and enforcement of MasterCard’s CPP, Visa’s bylaw provision and the Honor All Cards rule violated Sections 1 and 2 of the Sherman Act in an alleged market for general purpose card network services and an alleged market for debit card network services. Specifically, Discover claimed that MasterCard’s CPP unreasonably restrained trade by prohibiting financial institutions who were members of MasterCard from issuing payment cards on the Discover network. Discover requested that the District Court apply collateral estoppel with respect to its final judgment in the DOJ litigation and enter an order that the CPP and Visa’s bylaw provision have

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

injured competition and caused injury to Discover. Under the doctrine of collateral estoppel, a court has the discretion to preclude one or more issues from being relitigated in a subsequent action but only if (1) those issues are identical to issues actually litigated and determined in the prior action, (2) proof of those issues were necessary to reach the prior judgment, and (3) the party to be estopped had a full and fair opportunity to litigate those issues in the prior action. Accordingly, if the District Court were to give effect to collateral estoppel on one or more issues in the future, then significant elements of plaintiff's claims would be established, thereby making it more likely that MasterCard would be found liable and making the possibility of an award of damages that much more likely. In the event all issues are subsequently decided against MasterCard in dispositive motions during the course of the litigation then there is the possibility that the sole issue remaining will be whether a damage award is appropriate and, if so, what the amount of damages should be. Discover seeks treble damages in an amount to be proved at trial along with attorneys' fees and costs. On February 7, 2005, MasterCard moved to dismiss Discover's amended complaint in its entirety for failure to state a claim. On April 14, 2005, the District Court denied, at this stage in the litigation, Discover's request to give collateral estoppel effect to the findings in the DOJ litigation. However, the District Court indicated that Discover may refile a motion for collateral estoppel after discovery. On October 24, 2005, the District Court granted MasterCard's motion to dismiss Discover's Section 2 monopolization and attempted monopolization claims against MasterCard. On June 7, 2007, Discover filed a second amended complaint that mirrored the claims in its amended complaint but deleted allegations relating to MasterCard's Honor All Cards rule as well as Discover's Section 2 monopolization and attempted monopolization claims against MasterCard based upon the court's October 24, 2005 ruling. Fact discovery was completed on May 31, 2007. Briefing on dispositive motions, including collateral estoppel, is scheduled to be completed by February 15, 2008, with trial to commence on September 9, 2008. At this time, it is not possible to determine the ultimate resolution of, or estimate the liability related to, the Discover litigation. No provision for losses has been provided in connection with this matter.

On November 15, 2004, American Express filed a complaint against MasterCard, Visa and eight member banks, including JPMorgan Chase & Co., Bank of America Corp., Capital One Financial Corp., U.S. Bancorp, Household International Inc., Wells Fargo & Co., Provident Financial Corp. and USAA Federal Savings Bank. Subsequently, USAA Federal Savings Bank, Bank of America Corp. and Household International Inc. announced settlements with American Express and have been dismissed from the case. The complaint, which was filed in the U.S. District Court for the Southern District of New York, was designated as a related case to the DOJ litigation and was assigned to the same judge. The complaint alleges that the implementation and enforcement of MasterCard's CPP and Visa's bylaw provision violated Sections 1 and 2 of the Sherman Act in an alleged market for general purpose card network services and a market for debit card network services. Specifically, American Express claimed that MasterCard's CPP unreasonably restrained trade by prohibiting financial institutions who were members of MasterCard from issuing payment cards on the American Express network. American Express seeks treble damages in an amount to be proved at trial, along with attorneys' fees and costs. On January 14, 2005, MasterCard filed a motion to dismiss the complaint for failure to state a claim. American Express also requested that the Court apply collateral estoppel with respect to its final judgment in the DOJ litigation. On April 14, 2005, the District Court denied, at this stage in the litigation, American Express' request to give collateral estoppel effect to the findings in the DOJ litigation. However, the Court indicated that American Express may refile a motion for collateral estoppel after discovery. As with the lawsuit brought by Discover that is described in the preceding paragraph, if the Court were to give effect to collateral estoppel on one or more issues in the future, then significant elements of plaintiff's claims would be established, thereby making it more likely that MasterCard would be found liable and making the possibility of an award of damages that much more likely. In the event all issues are subsequently decided against MasterCard in dispositive motions during the course of the litigation then there is the possibility that the sole issue remaining will be whether a damage award is appropriate and, if so, what the amount of damages should be. Fact discovery was completed on May 31, 2007. Briefing on dispositive motions, including collateral estoppel, is scheduled to be completed by February 15, 2008, with trial to commence on September 9, 2008. At this time, it is not possible to determine the ultimate resolution of, or estimate the liability related to, this matter. No provision for losses has been provided in connection with this matter.

Currency Conversion Litigations

MasterCard International, together with Visa U.S.A., Inc. and Visa International Corp., are defendants in a state court lawsuit in California. The lawsuit alleges that MasterCard and Visa wrongfully imposed an asserted one percent currency conversion "fee" on every credit card transaction by U.S. MasterCard and Visa cardholders involving the purchase of goods or services in a foreign country, and that such alleged "fee" is unlawful. This action, titled *Schwartz v. Visa Int'l Corp., et al.*, was brought in the Superior Court of California in February 2000, purportedly on behalf of the general public. Trial of the Schwartz matter commenced on May 20, 2002 and

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

concluded on November 27, 2002. The Schwartz action claims that the alleged “fee” grossly exceeds any costs the defendants might incur in connection with currency conversions relating to credit card purchase transactions made in foreign countries and is not properly disclosed to cardholders. MasterCard denies these allegations.

On April 8, 2003, the trial court judge issued a final decision in the Schwartz matter. In his decision, the trial judge found that MasterCard’s currency conversion process does not violate the Truth in Lending Act or regulations, nor is it unconscionably priced under California law. However, the judge found that the practice is deceptive under California law, and ordered that MasterCard mandate that members disclose the currency conversion process to cardholders in cardholder agreements, applications, solicitations and monthly billing statements. As to MasterCard, the judge also ordered restitution to California cardholders. The judge issued a decision on restitution on September 19, 2003, which requires a traditional notice and claims process in which consumers have approximately six months to submit their claims. The court issued its final judgment on October 31, 2003. On December 29, 2003, MasterCard appealed the judgment. The final judgment and restitution process have been stayed pending MasterCard’s appeal. On August 6, 2004, the court awarded plaintiff’s attorneys’ fees and costs in the amount of \$28,224 to be paid equally by MasterCard and Visa. Accordingly, during the three months ended September 30, 2004, MasterCard accrued amounts totaling \$14,112. MasterCard subsequently filed a notice of appeal on the attorneys’ fee award on October 1, 2004. With respect to restitution, MasterCard believes that it is likely to prevail on appeal. In February 2005, MasterCard filed an appeal regarding the applicability of Proposition 64, which amended sections 17203 and 17204 of the California Business and Professions Code, to this action. On September 28, 2005, the appellate court reversed the trial court, finding that the plaintiff lacked standing to pursue the action in light of Proposition 64. On May 8, 2007, the trial court dismissed the case.

MasterCard International, Visa U.S.A., Inc., Visa International Corp., several member banks including Citibank (South Dakota), N.A., Chase Manhattan Bank USA, N.A., Bank of America, N.A. (USA), MBNA, and Citicorp Diners Club Inc. are also defendants in a number of federal putative class actions that allege, among other things, violations of federal antitrust laws based on the asserted one percent currency conversion “fee.” Pursuant to an order of the Judicial Panel on Multidistrict Litigation, the federal complaints have been consolidated in MDL No. 1409 before Judge William H. Pauley III in the U.S. District Court for the Southern District of New York. In January 2002, the federal plaintiffs filed a Consolidated Amended Complaint (“MDL Complaint”) adding MBNA Corporation and MBNA America Bank, N.A. as defendants. This pleading asserts two theories of antitrust conspiracy under Section 1 of the Sherman Act: (i) an alleged “inter-association” conspiracy among MasterCard (together with its members), Visa (together with its members) and Diners Club to fix currency conversion “fees” allegedly charged to cardholders of “no less than 1% of the transaction amount and frequently more;” and (ii) two alleged “intra-association” conspiracies, whereby each of Visa and MasterCard is claimed separately to have conspired with its members to fix currency conversion “fees” allegedly charged to cardholders of “no less than 1% of the transaction amount” and “to facilitate and encourage institution—and collection—of second tier currency conversion surcharges.” The MDL Complaint also asserts that the alleged currency conversion “fees” have not been disclosed as required by the Truth in Lending Act and Regulation Z.

On July 20, 2006, MasterCard and the other defendants in the MDL action entered into agreements settling the MDL action and related matters, as well as the Schwartz matter. Pursuant to the settlement agreements, MasterCard has paid \$72,480 to be used for defendants’ settlement fund to settle the MDL action and \$13,440, which is expected to be paid in the third quarter of 2007, to settle the Schwartz matter. On November 8, 2006, Judge Pauley granted preliminary approval of the settlement agreements. The settlement agreements are subject to final approval by Judge Pauley, and resolution of all appeals. The hearing on final approval of the settlement agreements has been scheduled for November 2, 2007. On November 15, 2006, the plaintiff in one of the New York state court cases appealed the preliminary approval of the settlement agreement to the U.S. Court of Appeals for the Second Circuit. On June 6, 2007, the appellate court granted MasterCard’s motion to defer briefing until a final settlement is approved in the MDL action.

With regard to other state court currency conversion actions, MasterCard has reached agreements in principle with the plaintiffs for a total of \$3,557, which has been accrued. Settlement agreements have been executed with plaintiffs in the Ohio, Pennsylvania, Florida, Texas, Arkansas, Tennessee, Arizona, New York, Minnesota and Illinois actions.

Based upon litigation developments, certain of which were favorable to MasterCard, and progress in ongoing settlement discussions in these currency conversion cases, and pursuant to Statement of Financial Accounting Standards No. 5, “Accounting for Contingencies,” litigation settlements were previously recorded for the amounts noted above. At this time, it is not possible to predict with certainty the ultimate resolution of these matters.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

U.S. Merchant and Consumer Litigations

Commencing in October 1996, several class action suits were brought by a number of U.S. merchants against MasterCard International and Visa U.S.A., Inc. challenging certain aspects of the payment card industry under U.S. federal antitrust law. Those suits were later consolidated in the U.S. District Court for the Eastern District of New York. The plaintiffs claimed that MasterCard's "Honor All Cards" rule (and a similar Visa rule), which required merchants who accept MasterCard cards to accept for payment every validly presented MasterCard card, constituted an illegal tying arrangement in violation of Section 1 of the Sherman Act. Plaintiffs claimed that MasterCard and Visa unlawfully tied acceptance of debit cards to acceptance of credit cards. The plaintiffs also claimed that MasterCard and Visa conspired to monopolize what they characterized as the point-of-sale debit card market, thereby suppressing the growth of regional networks such as ATM payment systems. On June 4, 2003, MasterCard International signed a settlement agreement to settle the claims brought by the plaintiffs in this matter, which the Court approved on December 19, 2003. On January 24, 2005, the Second Circuit Court of Appeals issued an order affirming the District Court's approval of the settlement agreement. Accordingly, the settlement is now final.

In addition, individual or multiple complaints have been brought in 19 different states and the District of Columbia alleging state unfair competition, consumer protection and common law claims against MasterCard International (and Visa) on behalf of putative classes of consumers. The claims in these actions largely mirror the allegations made in the U.S. merchant lawsuit and assert that merchants, faced with excessive merchant discount fees, have passed these overcharges to consumers in the form of higher prices on goods and services sold. MasterCard has been successful in dismissing cases in seventeen of the jurisdictions as courts have granted MasterCard's motions to dismiss for failure to state a claim or plaintiffs have voluntarily dismissed their complaints. However, there are outstanding cases in New Mexico, California and West Virginia. The parties are awaiting a decision on MasterCard's motion to dismiss in New Mexico. Discovery is now proceeding in the California cases as the California appellate court rejected MasterCard's petition to reverse the lower court's decision denying MasterCard's motion to dismiss plaintiffs' Section 17200 claims. On March 26, 2007, the West Virginia court stayed discovery pending briefing by the parties on the question of whether the state law unfair competition claims should be dismissed in light of the opinions from other states dismissing similar unfair competition claims on standing grounds. Based upon litigation developments and settlement negotiations in that state, and pursuant to Financial Accounting Standards No. 5, "Accounting for Contingencies," MasterCard recorded legal reserves for the West Virginia consumer litigation during the second quarter of 2007.

On April 29, 2005, a complaint was filed in California state court on behalf of a putative class of consumers under California unfair competition law (Section 17200) and the Cartwright Act. The claims in this action seek to piggyback on the portion of the DOJ antitrust litigation in which the United States District Court for the Southern District of New York found that MasterCard's CPP and Visa's bylaw constitute unlawful restraints of trade under the federal antitrust laws. See "—Department of Justice Antitrust Litigation and Related Private Litigations." MasterCard and Visa moved to dismiss the complaint and the court granted the defendants' motion to dismiss the plaintiffs' Cartwright claims but denied the defendants' motion to dismiss the plaintiffs' Section 17200 unfair competition claims. MasterCard filed an answer to the complaint on June 19, 2006 and the parties are proceeding with discovery.

At this time, it is not possible to determine the outcome of, or, except as indicated above in the West Virginia consumer action, estimate the liability related to, the remaining consumer cases and no provision for losses has been provided in connection with them. The consumer class actions are not covered by the terms of the settlement agreement in the U.S. merchant lawsuit.

eFunds Litigation

In December 2003, MasterCard and eFunds Corporation ("eFunds") entered into a Marketing Sales and Services Alliance Agreement (the "Agreement") whereby the parties agreed to work together to provide debit processing services to financial institutions. After analysis of the needs of its customers and its business, on December 13, 2006, MasterCard notified eFunds that, pursuant to one of the provisions in the Agreement, it was terminating the Agreement. On or about January 30, 2007, eFunds filed a verified complaint against MasterCard in Superior Court for the State of Arizona, alleging that MasterCard's termination of the Agreement was improper. The complaint asserts several causes of action including declaratory judgment, breach of contract, breach of the covenant

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

of good faith and fair dealing, and fraudulent inducement. eFunds seeks a declaratory judgment that the Agreement remains in full force and effect, or, in the alternative, monetary damages. MasterCard has moved to dismiss certain of eFunds' causes of action and the court heard oral argument on the motion on June 29, 2007. The parties are awaiting a decision on the motion and discovery is now proceeding.

At this time, it is not possible to determine the outcome of, or estimate the liability related to, the eFunds litigation and no provision for losses has been provided in connection with it.

Global Interchange Proceedings

Interchange fees represent a sharing of payment system costs among the financial institutions participating in a four-party payment card system such as MasterCard's. Typically, interchange fees are paid by the acquirer to the issuer in connection with transactions initiated with the payment system's cards. These fees reimburse the issuer for a portion of the costs incurred by it in providing services which are of benefit to all participants in the system, including acquirers and merchants. MasterCard or its members establish a default interchange fee in certain circumstances that applies when there is no other interchange fee arrangement between the issuer and the acquirer. MasterCard establishes a variety of interchange rates depending on such considerations as the location and the type of transaction, and collects the interchange fee on behalf of the institutions entitled to receive it and remits the interchange fee to eligible institutions. As described more fully below, MasterCard or its members' interchange fees are subject to regulatory or legal review and/or challenges in a number of jurisdictions. At this time, it is not possible to determine the ultimate resolution of, or estimate the liability related to, any of the interchange proceedings described below. No provision for losses has been provided in connection with them.

United States. On October 8, 2004, a purported class action lawsuit was filed by a group of merchants in the U.S. District Court for the Northern District of California against MasterCard International, Visa U.S.A., Inc., Visa International Corp. and several member banks in California alleging, among other things, that MasterCard's and Visa's interchange fees contravene the Sherman Act and the Clayton Act. The plaintiffs seek damages and an injunction against MasterCard (and Visa) setting interchange and engaging in "joint marketing activities," which plaintiffs allege include the purported negotiation of merchant discount rates with certain merchants. MasterCard moved to dismiss the claims in the complaint for failure to state a claim and, in the alternative, also moved for summary judgment with respect to certain of the claims. On July 25, 2005, the court issued an order granting MasterCard's motion to dismiss and dismissed the complaint with prejudice which plaintiffs have appealed. Oral argument on the appeal was held on June 11, 2007. The parties are awaiting a decision.

On June 22, 2005, a purported class action lawsuit was filed by a group of merchants in the U.S. District Court of Connecticut against MasterCard International Incorporated, Visa U.S.A., Inc. Visa International Service Association and a number of member banks alleging, among other things, that MasterCard's and Visa's purported setting of interchange fees violates Section 1 of the Sherman Act. In addition, the complaint alleges MasterCard's and Visa's purported tying and bundling of transaction fees also constitutes a violation of Section 1 of the Sherman Act. The suit seeks treble damages in an unspecified amount, attorneys' fees and injunctive relief. Since the filing of this complaint, there have been approximately fifty similar complaints (the majority styled as class actions although a few complaints are on behalf of individual plaintiffs) filed on behalf of merchants against MasterCard and Visa (and in some cases, certain member banks) in federal courts in California, New York, Wisconsin, Pennsylvania, New Jersey, Ohio, Kentucky and Connecticut. On October 19, 2005, the Judicial Panel on Multidistrict Litigation issued an order transferring these cases to Judge Gleeson of the U.S. District Court for the Eastern District of New York for coordination of pre-trial proceedings. On April 24, 2006, the group of purported class plaintiffs filed a First Amended Class Action Complaint. Taken together, the claims in the First Amended Class Action Complaint and in the complaints brought on the behalf of the individual merchants are generally brought under Sections 1 and 2 of the Sherman Act. Specifically, the complaints contain some or all of the following claims: (i) that MasterCard's and Visa's setting of interchange fees (for both credit and offline debit transactions) violates Section 1 of the Sherman Act; (ii) that MasterCard and Visa have enacted and enforced various rules, including the no surcharge rule and purported anti-steering rules, in violation of Section 1 or 2 of the Sherman Act; (iii) that MasterCard's and Visa's purported bundling of the acceptance of premium credit cards to standard credit cards constitutes an unlawful tying arrangement; and (iv) that MasterCard and Visa have unlawfully tied and bundled transaction fees. In addition to the claims brought under federal antitrust law, some of these complaints contain certain state unfair competition law claims based upon the same conduct described above. These interchange-related litigations also seek treble damages in an unspecified amount (although several of the complaints allege that the plaintiffs expect that damages will range in the tens of billions of dollars), as well as attorneys' fees and injunctive relief.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

On June 9, 2006, MasterCard answered the complaint and moved to dismiss or, alternatively, moved to strike the pre-2004 damage claims that were contained in the First Amended Class Action Complaint and moved to dismiss the Section 2 claims that were brought in the individual merchant complaints. The parties are awaiting a decision. Fact discovery is scheduled to be completed by June 30, 2008, with briefing on case dispositive motions to be completed by June 30, 2009. No trial date has been scheduled. On July 5, 2006, the group of purported class plaintiffs filed a supplemental complaint alleging that the IPO and certain purported agreements entered into between MasterCard and its member financial institutions in connection with the IPO (1) violate Section 7 of the Clayton Act because their effect allegedly may be to substantially lessen competition, (2) violate Section 1 of the Sherman Act because they allegedly constitute an unlawful combination in restraint of trade and (3) constitute a fraudulent conveyance because the member banks are allegedly attempting to release without adequate consideration from the member banks MasterCard's right to assess the member banks for MasterCard's litigation liabilities in these interchange-related litigations and in other antitrust litigations pending against it. The plaintiffs seek unspecified damages and an order reversing and unwinding the IPO. On September 15, 2006, MasterCard moved to dismiss all of the claims contained in the supplemental complaint. The parties are awaiting a decision.

European Union . In September 2000, the European Commission issued a "Statement of Objections" challenging Visa International's cross-border interchange fee under European Community competition rules. On July 24, 2002, the European Commission announced its decision to exempt the Visa interchange fee from these rules through the end of 2007 based on certain changes proposed by Visa to its interchange fees. Among other things, in connection with the exemption order, Visa agreed to adopt a cost-based methodology for calculating its interchange fees similar to the methodology employed by MasterCard, which considers the costs of certain specified services provided by issuers, and to reduce its interchange rates for debit and credit transactions to amounts at or below certain specified levels.

On September 25, 2003, the European Commission issued a Statement of Objections challenging MasterCard Europe's cross-border interchange fees. On June 23, 2006, the European Commission issued a supplemental Statement of Objections covering credit, debit and commercial card fees. On November 14 and 15, 2006, the European Commission held hearings on MasterCard Europe's cross-border interchange fees. On March 23, 2007, the European Commission issued a Letter of Facts, also covering credit, debit and commercial card fees and discussing its views on the impact of the MasterCard initial public offering on the case. MasterCard Europe responded to the Statements of Objections and Letter of Facts and made presentations on a variety of issues at the hearings.

When the European Commission completes its review of MasterCard Europe's cross-border interchange fees, which could happen as early as fall 2007, it appears likely that it will issue a prohibition decision ordering MasterCard to change the manner in which it calculates its cross-border interchange fees, with the effect that such fees might have to be significantly reduced. MasterCard Europe would likely appeal such a decision to the European Court of First Instance and seek interim relief to prevent the order from becoming effective before the outcome of the appeal. The European Commission has informed MasterCard that it does not intend to levy a fine against MasterCard even if it determines that MasterCard's cross-border interchange fees violate European Community competition rules. Because cross-border interchange fees constitute an essential element of MasterCard Europe's operations, changes to them could significantly impact MasterCard International's European members and MasterCard Europe's business. In addition, a negative decision by the European Commission could lead to the filing of private actions against MasterCard Europe by merchants and/or consumers seeking substantial damages.

On June 13, 2005, the European Commission announced a "sector inquiry" into the financial services industry, which includes an investigation of interchange fees. On April 12, 2006, the European Commission released its interim report on its sector inquiry into the payments card industry. In the report, the European Commission criticizes or expresses concern about a large number of industry practices, including interchange fees, of a multiplicity of industry participants, and warns of possible regulatory or legislative action. On January 31, 2007, the European Commission issued its final report on the sector inquiry, and repeated its warnings of possible regulatory or legislative action. However, the report does not indicate against whom any such regulatory action might be taken or what legislative changes might be sought.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

United Kingdom Office of Fair Trading . On September 25, 2001, the Office of Fair Trading of the United Kingdom (“OFT”) issued a Rule 14 Notice under the U.K. Competition Act 1998 challenging the MasterCard interchange fee and multilateral service fee (“MSF”), the fee paid by issuers to acquirers when a customer uses a MasterCard-branded card in the United Kingdom either at an ATM or over the counter to obtain a cash advance. Until November 2004, the interchange fee and MSF were established by MasterCard U.K. Members Forum Limited (“MMF”) (formerly MasterCard Europay U.K. Ltd. (“MEPUK”)) for domestic credit card transactions in the United Kingdom. The notice contained preliminary conclusions to the effect that the MasterCard U.K. interchange fee and MSF may infringe U.K. competition law and do not qualify for an exemption in their present forms. On February 11, 2003, the OFT issued a supplemental Rule 14 Notice, which also contained preliminary conclusions challenging MasterCard’s U.K. interchange fee under the Competition Act. On November 10, 2004, the OFT issued a third notice (now called a Statement of Objections) claiming that the interchange fee infringes U.K. and European Union competition law.

On November 18, 2004, MasterCard’s board of directors adopted a resolution withdrawing the authority of the U.K. members to set domestic MasterCard interchange fees and MSFs and conferring such authority exclusively on MasterCard’s President and Chief Executive Officer.

On September 6, 2005, the OFT issued its decision, concluding that MasterCard’s U.K. interchange fees that were established by MMF prior to November 18, 2004 contravene U.K. and European Union competition law. The OFT decided not to impose penalties on MasterCard or MMF. On November 2 and 4, 2005, respectively, MMF and MasterCard appealed the OFT’s decision to the U.K. Competition Appeals Tribunal. On June 19, 2006, the U.K. Competition Appeals Tribunal set aside the OFT’s decision, following the OFT’s request to the Tribunal to withdraw the decision and end its case against MasterCard’s U.K. interchange fees in place prior to November 18, 2004.

However, the OFT has commenced a new investigation of MasterCard’s current U.K. interchange fees and announced on February 9, 2007 that the investigation would also cover so-called “immediate debit” cards. If the OFT determines that any of MasterCard’s U.K. interchange fees contravene U.K. and European Union competition law, it may issue a new decision and possibly levy fines accruing from the date of its first decision. MasterCard would likely appeal a negative decision by the OFT in any future proceeding to the Competition Appeals Tribunal. Such an OFT decision could lead to the filing of private actions against MasterCard by merchants and/or consumers which, if its appeal of such an OFT decision were to fail, could result in an award or awards of substantial damages.

Poland. In April 2001, in response to merchant complaints, the Polish Office for Protection of Competition and Consumers (the “PCA”) initiated an investigation of MasterCard’s (and Visa’s) domestic credit and debit card interchange fees. MasterCard Europe filed several submissions and met with the PCA in connection with the investigation. In January 2007, the PCA issued a decision that MasterCard’s (and Visa’s) interchange fees are unlawful under Polish competition law, and imposed fines on MasterCard’s (and Visa’s) licensed financial institutions. MasterCard and the financial institutions have appealed the decision. If the appeals are unsuccessful and the PCA’s decision is allowed to stand, it could have a significant adverse impact on the revenues of MasterCard’s Polish members and on MasterCard’s overall business in Poland.

New Zealand. In November 2003, MasterCard assumed responsibility for setting domestic interchange fees in New Zealand, which previously had been set by MasterCard’s member financial institutions in New Zealand. In early 2004, the New Zealand Competition Commission (the “NZCC”) commenced an investigation of MasterCard’s domestic interchange fees. MasterCard has cooperated with the NZCC in its investigation, made a number of submissions concerning its New Zealand domestic interchange fees and met with the NZCC on several occasions to discuss its investigation. In November 2006, the NZCC filed a lawsuit alleging that MasterCard’s (and Visa’s) domestic interchange fees do not comply with New Zealand competition law, and is seeking penalties. Several large merchants subsequently filed similar lawsuits seeking damages. A negative decision in these lawsuits could have a significant adverse impact on the revenues of MasterCard’s New Zealand members and on MasterCard’s overall business in New Zealand.

Other Jurisdictions. In January 2006, a German retailers association filed a complaint with the Federal Cartel Office in Germany concerning MasterCard’s (and Visa’s) domestic interchange fees. The complaint alleges that MasterCard’s (and Visa’s) German domestic interchange fees are not transparent to merchants and include so-called “extraneous costs.” MasterCard understands that the Federal Cartel Office is continuing to review the complaint. MasterCard is aware that regulatory authorities and/or central banks in certain other jurisdictions including Brazil,

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

Colombia, Mexico, South Africa, Singapore, Hungary, Portugal and Switzerland are reviewing MasterCard's and/or its members' interchange fees and/or related practices and may seek to regulate the establishment of such fees and/or such practices.

Note 15. Settlement and Travelers Cheque Risk Management

MasterCard International's rules generally guarantee the payment of certain MasterCard, Cirrus and Maestro branded transactions between its principal members. The term and amount of the guarantee are unlimited. Settlement risk is the exposure to members under MasterCard International's rules ("Settlement Exposure"), due to the difference in timing between the payment transaction date and subsequent settlement. Settlement Exposure is estimated using the average daily card charges during the quarter multiplied by the estimated number of days to settle. The Company has global risk management policies and procedures, which include risk standards, to provide a framework for managing the Company's settlement risk. Member-reported transaction data and the transaction clearing data underlying the settlement risk calculation may be revised in subsequent reporting periods.

In the event that MasterCard International effects a payment on behalf of a failed member, MasterCard International may seek an assignment of the underlying receivables. Subject to approval by the Board of Directors, members may be charged for the amount of any settlement loss incurred during the ordinary activities of the Company.

MasterCard requires certain members that are not in compliance with the Company's risk standards in effect at the time of review to post collateral, typically in the form of letters of credit and bank guarantees. This requirement is based on management review of the individual risk circumstances for each member that is out of compliance. In addition to these amounts, MasterCard holds collateral to cover variability and future growth in member programs. The Company also holds collateral to pay merchants in the event of merchant bank/acquirer failure. Although it is not contractually obligated under MasterCard International's rules to effect such payments, the Company may elect to do so to protect brand integrity. MasterCard monitors its credit risk portfolio on a regular basis to estimate potential concentration risks and the adequacy of collateral on hand. Additionally, from time to time, the Company reviews its risk management methodology and standards. As such, the amounts of estimated settlement risk are revised as necessary.

Estimated Settlement Exposure, and the portion of the Company's uncollateralized Settlement Exposure for MasterCard-branded transactions that relates to members that are deemed not to be in compliance with, or that are under review in connection with, the Company's risk management standards, were as follows:

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
MasterCard-branded transactions:		
Gross Settlement Exposure	\$19,772,028	\$ 18,059,691
Collateral held for Settlement Exposure	(1,887,574)	(1,611,537)
Net uncollateralized Settlement Exposure	<u>\$17,884,454</u>	<u>\$ 16,448,154</u>
Uncollateralized Settlement Exposure attributable to non-compliant members	<u>\$ 118,369</u>	<u>\$ 89,319</u>
Cirrus and Maestro transactions:		
Gross Settlement Exposure	<u>\$ 2,956,857</u>	<u>\$ 2,626,998</u>

Although MasterCard holds collateral at the member level, the Cirrus and Maestro estimated settlement exposures are calculated at the regional level. Therefore, these settlement exposures are reported on a gross basis, rather than net of collateral.

Of the total estimated Settlement Exposure under the MasterCard brand, net of collateral, the U.S. accounted for approximately 47% and 48% at June 30, 2007 and December 31, 2006, respectively. The second largest country that accounted for this Settlement Exposure was the United Kingdom at approximately 10% and 11% at June 30, 2007 and December 31, 2006, respectively. Of the total uncollateralized Settlement Exposure attributable to non-compliant members, five members represented approximately 69% and 60% at June 30, 2007 and December 31, 2006, respectively.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

MasterCard guarantees the payment of MasterCard-branded travelers cheques in the event of issuer default. The guarantee estimate is based on all outstanding MasterCard-branded travelers cheques, reduced by an actuarial determination of cheques that are not anticipated to be presented for payment. The term and amount of the guarantee are unlimited. MasterCard calculated its MasterCard-branded travelers cheques exposure under this guarantee as \$604,215 and \$690,527 at June 30, 2007 and December 31, 2006, respectively. The reduction in travelers cheques exposure is attributable to a decision by the Company's two largest issuers to stop selling MasterCard-branded cheques.

A significant portion of the Company's travelers cheque risk is concentrated in one MasterCard travelers cheque issuer. MasterCard has obtained an unlimited guarantee estimated at \$486,118 and \$553,925 at June 30, 2007 and December 31, 2006, respectively, from a financial institution that is a member, to cover all of the exposure of outstanding travelers cheques with respect to that issuer. In addition, MasterCard has obtained guarantees estimated at \$19,022 and \$21,709 at June 30, 2007 and December 31, 2006, respectively, from financial institutions that are members in order to cover the exposure of outstanding travelers cheques with respect to another issuer. These guarantee amounts have also been reduced by an actuarial determination of cheques that are not anticipated to be presented for payment.

Based on the Company's ability to charge its members for settlement and travelers cheque losses, the effectiveness of the Company's global risk management policies and procedures, and the historically low level of losses that the Company has experienced from settlement and travelers cheques, management believes that the probability of future payments for settlement and travelers cheque losses in excess of existing reserves is negligible.

Note 16. Foreign Exchange Risk Management

The Company enters into foreign currency forward contracts to minimize risk associated with anticipated receipts and disbursements which are either transacted in a non-functional currency or valued based on a currency other than our functional currencies. The Company also enters into contracts to offset possible changes in value due to foreign exchange fluctuations of assets and liabilities denominated in foreign currencies. MasterCard's forward contracts are classified by functional currency as summarized below:

U.S. Dollar Functional Currency

	June 30, 2007		December 31, 2006	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Forward Contracts				
Commitments to purchase foreign currency	\$89,736	\$ 896	\$34,680	\$ 86
Commitments to sell foreign currency	60,676	(2,456)	17,268	86

Euro Functional Currency

	June 30, 2007		December 31, 2006	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Forward Contracts				
Commitments to purchase foreign currency	\$56,742	\$ (2,495)	\$121,351	\$ (2,312)
Commitments to sell foreign currency	25,302	309	45,123	147

Brazilian Real Functional Currency

	June 30, 2007		December 31, 2006	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Forward Contracts				
Commitments to purchase foreign currency	—	—	\$10,954	\$ (841)

The currencies underlying the foreign currency forward contracts consist primarily of euro, U.K. pound sterling, Brazilian real, Australian dollar, Mexican peso, Canadian dollar and Japanese yen. The fair value of the foreign currency forward contracts generally reflects the estimated amounts that the Company would receive or (pay), on a pre-tax basis, to terminate the contracts at the reporting date based on broker quotes for the same or similar

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
(In thousands, except per share and percent data)

instruments. The terms of the foreign currency forward contracts are generally less than 18 months. The Company has deferred \$2,514 and \$1,526 of net losses, after tax, in accumulated other comprehensive income as of June 30, 2007 and December 31, 2006, respectively, all of which is expected to be reclassified to earnings as the contracts mature to provide an economic offset to the earnings impact of the anticipated cash flows hedged.

The Company's derivative financial instruments are subject to both credit and market risk. Credit risk is the risk of loss due to failure of the counterparty to perform its obligations in accordance with contractual terms. Market risk is the potential change in an instrument's value caused by fluctuations in interest rates and other variables related to currency exchange rates. Credit and market risk related to derivative instruments were not material at June 30, 2007 and December 31, 2006, respectively.

Generally, the Company does not obtain collateral related to forward contracts because of the high credit ratings of the counterparties, which are also members of MasterCard International. The amount of loss the Company would incur if the counterparties failed to perform according to the terms of the contracts is not considered material.

Note 17. Other Income

On June 21, 2007, the Company signed a settlement agreement to discontinue its relationship with the organization which operates the World Cup soccer events and not sponsor the 2010 and 2014 World Cup soccer events. The organization which operates the World Cup soccer events agreed to pay the Company \$90,000 to resolve all disputes and this was recorded as other income in the three and six months ended June 30, 2007.

Note 18. Subsequent Event

As of June 30, 2007, MasterCard had approximately a 4% investment in an affiliate, Redecard S.A., recorded at \$12,856 under the historical cost method of accounting. In July 2007, this affiliate successfully completed an initial public offering in Brazil of its shares. MasterCard elected not to participate as a selling stockholder in the initial public offering. Following the initial public offering, the quoted market value of these shares will be used to determine their fair value and these securities will be classified as available for sale securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The quoted market value of such shares was approximately \$460,000 as of July 31, 2007. In anticipation of such initial public offering, MasterCard entered into a lock-up agreement with the other shareholders of Redecard S.A., who were all selling shareholders in the initial public offering. Under the terms of this lock-up agreement and following the closing of the initial public offering, MasterCard may: (i) sell all of its investment to qualified institutional buyers, (ii) make sales in the market with respect to 25% of its investment, subject to certain pricing and volume restrictions for six-months following the initial public offering, and (iii) make sales in the market with respect to the remaining 75% of its investment, subject to the same pricing and volume restrictions, for an additional six months following the initial six-month holding period. After the elapse of such holding periods, MasterCard may sell these shares in any manner that it deems appropriate.

Table of Contents

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion should be read in conjunction with the consolidated financial statements and notes of MasterCard Incorporated and its consolidated subsidiaries. In this discussion, references to the "Company," "MasterCard," "we," "us" or "our" refer to the MasterCard brand generally, and to the business conducted by MasterCard Incorporated and its consolidated subsidiaries, including our principal operating subsidiary, MasterCard International Incorporated (doing business as MasterCard Worldwide), and MasterCard Europe sprl.

Forward-Looking Statements and Non-GAAP Financial Information

This Report on Form 10-Q contains forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. When used in this Report, the words "believe," "expect," "could," "may," "would", "will" and similar words are intended to identify forward-looking statements. These forward-looking statements relate to the Company's future prospects, developments and business strategies and include, without limitation, the Company's strong liquidity and capital position, the Company's belief in its ability to drive growth by further penetrating its existing customer base and by expanding its role in targeted geographies and higher-growth segments of the global payments industry, enhancing its merchant relationships, maintaining unsurpassed acceptance and continuing to invest in its brands and increasing its volume of business with key customers over time, pursuing incremental payment processing opportunities and driving and executing marketing programming at regional and local levels. Many factors and uncertainties relating to our operations and business environment, all of which are difficult to predict and many of which are outside of our control, influence whether any forward-looking statements can or will be achieved. Any one of those factors could cause our actual results to differ materially from those expressed or implied in writing in any forward-looking statements made by MasterCard or on its behalf. We believe there are certain risk factors that are important to our business, and these could cause actual results to differ from our expectations. Reference should be made to the Company's Annual Report on Form 10-K for the year ended December 31, 2006 for a complete discussion of these risk factors in Item 1A — Risk Factors.

Non-GAAP financial information is defined as a numerical measure of a company's performance that excludes or includes amounts so as to be different than the most comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Pursuant to the requirements of Regulation G, portions of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" include a comparison of certain non-GAAP financial measures to the most directly comparable GAAP financial measures. The presentation of non-GAAP financial measures should not be considered in isolation or as a substitute for the Company's related financial results prepared in accordance with GAAP. Specifically, we are presenting information regarding changes in operating expenses in the three and six months ended June 30, 2007 compared to the same periods in 2006 that exclude a non-cash charge associated with the donation of shares of Class A common stock, par value \$.0001 per share (the "Class A common stock") to the MasterCard Foundation (the "Foundation") and charges associated with litigation settlements (collectively, the "special items") as well as gross assessments excluding certain pricing modifications principally involving currency conversion, because the Company's management believes that exclusion of this information facilitates understanding of our results of operations and provides meaningful comparison of results between periods. See "–Operating Expenses" for a table which provides a reconciliation of operating expenses excluding special items to the most directly comparable GAAP measure. Similarly, we present the effective tax rate with and without the impact of the stock donation to the MasterCard Foundation for the three and six months ended June 30, 2006 because the stock donation to the Foundation is a non-cash and non-recurring item that was completed in conjunction with our change in governance and ownership structure implemented during the second quarter of 2006. The effective tax rate without the impact of the stock donation to the Foundation is more meaningful to investors in understanding our financial results, including comparability to the same periods in 2007.

Overview

We are a global payment solutions company that provides a variety of services in support of our customers' credit, debit and related payment programs. We manage a family of well-known, widely accepted payment card brands including MasterCard[®], MasterCard Electronic[™], Maestro[®] and Cirrus[®], which we license to our customers. As part of managing these brands, we also establish and enforce rules and standards surrounding the use of our payment card system. Cardholder and merchant relationships are managed principally by our customers. Accordingly, we do not issue cards, extend credit to cardholders, determine the interest rates (if applicable) or other fees charged to cardholders by issuers, or establish the merchant discount charged by acquirers in connection with the acceptance of cards that carry our brands.

We achieved revenue growth of 17.8% and 20.6% in the three and six months ended June 30, 2007, of which 2.0% and 2.3%, respectively, is due to the impact of foreign currency fluctuation related to the euro. The growth in revenues was principally due to increased transactions and volumes. Approximately 2% of our revenue growth for the six months ended June 30, 2007 was due to

Table of Contents

the restructuring of the currency conversion pricing and other less significant pricing modifications in April 2006. Our revenue growth was moderated by a \$40 million, or 14.7%, and \$94 million, or 19.2%, increase in rebates and incentives to our customers and merchants in the three and six months ended June 30, 2007, respectively.

Operating expenses decreased 35.0% and 20.7% in the three and six months ended June 30, 2007, respectively. Excluding the impact of special items specifically identified in the reconciliation table included in “– Operating Expenses”, operating expenses increased 3.2% and 5.4% in the three and six months ended June 30, 2007, respectively, of which 0.7% and 1.0%, respectively, is due to the impact of foreign currency fluctuation related to the euro. The increase in operating expenses was primarily due to an increase in general and administrative expenses to support our customer-focused strategy, partially offset by a decrease in advertising and marketing expenses due to higher costs in the first half of 2006 relating to the sponsorship of the World Cup soccer events. Excluding the impact of special items, our operating expenses as a percentage of total net revenues were 72.7% and 69.3% in the three and six months ended June 30, 2007, respectively, versus 83.0% and 79.4% in the comparable periods in 2006, respectively.

Our liquidity and capital position are strong, as we had \$2.8 billion in cash, cash equivalents and available-for-sale securities, and \$2.9 billion in stockholders’ equity as of June 30, 2007.

We believe that the trend within the global payments industry from paper-based forms of payment such as cash and checks toward electronic forms of payment such as cards creates significant opportunities for the continued growth of our business. Our strategy is to continue our growth by further penetrating our existing customer base and by expanding our role in targeted geographies and higher-growth opportunities of the global payments industry (such as corporate, premium and debit payments), enhancing our merchant relationships, maintaining unsurpassed acceptance and continuing to invest in our brands. We are committed to providing our key customers with coordinated services through integrated, dedicated account teams in a manner that allows us to capitalize on our expertise in payment programs, brand marketing, product development, technology, processing and consulting services for these customers. By investing in strong customer relationships over the long-term, we believe that we can increase our volume of business with key customers over time. In support of this strategy, we are continuing to hire additional personnel and develop our existing workforce. We intend to expand our role in targeted geographies by, among other things, pursuing incremental payment processing opportunities in Europe, Latin America and Asia/Pacific countries.

There is increased regulatory scrutiny of interchange fees and other aspects of the payments industry which could have an adverse impact on our business. In addition, we face exposure to antitrust and other types of litigation. Competition and pricing pressure within the global payments industry is increasing, due in part to consolidation within the banking sector and the growing power of merchants. Regulatory actions, litigation and pricing pressure may lead us to change our pricing arrangements and could reduce our overall revenues. See Item 1A – Risk Factors in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006 for these and other risks facing our business.

Table of Contents

Impact of Foreign Currency Rates

Our operations are impacted by changes in foreign currency exchange rates. In most regions, except Europe, assessments are calculated based on local currency volume converted to U.S. dollar volume using average exchange rates for the related assessment period. In Europe, the local currency volumes are converted to the euro. As a result, assessment revenues are impacted by the overall strengthening or weakening of the U.S. dollar or euro compared to the foreign currencies of the related local volumes in each period. In the three and six months ended June 30, 2007, the U.S. dollar weakened as evidenced by a 16.4% and 17.7%, respectively, increase in gross dollar volume (“GDV”) on a U.S. dollar converted basis exceeding local currency GDV growth of 13.3% and 14.7%, respectively, compared to the same periods in the prior year.

We are especially impacted by the movements of the euro relative to the U.S. dollar since the functional currency of MasterCard Europe, our principal European operating subsidiary, is the euro. The strengthening or devaluation of the U.S. dollar against the euro impacts the translation of MasterCard Europe’s operating results into U.S. dollar amounts and is summarized as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
Euro to U.S. dollar average exchange rate	\$ 1.35	\$ 1.26	\$ 1.33	\$ 1.23
Strengthening (devaluation) of U.S. dollar related to the euro from prior year	(7.2)%	0.2%	(8.1)%	4.2%
Revenue change attributable to translation of MasterCard Europe revenues to U.S. dollars	2.0%	(0.1)%	2.3%	(1.1)%
Operating expense change attributable to translation of MasterCard Europe expenses to U.S. dollars	0.7%	(0.1)%	1.0%	(1.4)%

Revenues

We generate revenues from the fees that we charge our customers for providing transaction processing and other payment-related services (operations fees) and by charging assessments to our customers based on the GDV of activity on the cards that carry our brands (assessments). GDV includes the aggregated dollar amount of usage (purchases, cash disbursements, balance transfers and convenience checks) on MasterCard-branded cards. Our pricing for transactions and services is complex. Each category of revenue has numerous fee components depending on the types of transactions or services provided. We review our pricing and implement pricing changes on an ongoing basis. In addition, standard pricing varies among our regional businesses, and such pricing can be customized further for our customers through incentive and rebate agreements. Our revenues are based upon transactional information accumulated by our systems or reported by our customers. We earned approximately 73.1% and 72.3% of our net revenues from net operations fees in the three and six months ended June 30, 2007, respectively, compared to 72.3% and 69.8% in the same periods in 2006, respectively. From net assessments, we earned approximately 26.9% and 27.7% of our net revenues in the three and six months ended June 30, 2007, respectively, compared to 27.7% and 30.2% in the same periods in 2006, respectively. In the six months ended June 30, 2007, 1.6% of the shift to operations fees from assessments was due to the restructuring of the currency conversion pricing in April 2006.

Operations fees are typically transaction-based and are charged for facilitating the processing of payment transactions and information management among our customers. A typical transaction processed through MasterCard’s system involves four participants in addition to us: an issuer (the cardholder’s bank), an acquirer (the merchant’s bank), the merchant and the cardholder. Operations fees are charged to issuers, acquirers or their delegated processors for transaction processing services, specific programs to promote MasterCard-branded card acceptance and additional services to assist them in managing their businesses. The significant components of operations fees are as follows:

- Authorization occurs when a merchant requests approval for a cardholder’s transaction. We charge a fee for routing the authorization for approval to or from the issuer or, in certain circumstances, such as when the issuer’s systems are unavailable, for approval by us or others on behalf of the issuer in accordance with the issuer’s instructions. Our rules, which vary across regions, establish the circumstances under which merchants and acquirers must seek authorization of transactions. These fees are primarily paid by issuers.
- Settlement refers to the process in which we determine the amounts due between issuers and acquirers for payment transactions and associated fees. First, we clear a transaction by transferring the financial transaction details among issuers, acquirers or their designated third-party processors. Then we settle or exchange the related funds among the issuers and acquirers. We charge a fee for these settlement and clearing services. These fees are primarily paid by issuers.

Table of Contents

- Switch fees are charges for the use of the MasterCard Debit Switch, our debit processing system. The MasterCard Debit Switch transmits financial messages between acquirers and issuers and provides transaction and statistical reporting and performs settlement between members and other debit transaction processing networks. These fees are primarily paid by issuers.
- Currency conversion and cross-border are volume-based revenues. Cross-border volumes are generated by transactions in which the cardholder and merchant geography are different. We process transactions denominated in more than 160 currencies through our global system, providing cardholders with the ability to utilize, and merchants to accept, MasterCard cards across multiple country borders. We can also perform currency conversion services by processing transactions in a merchant's local currency and converting the amount to the currency of the issuer, who in turn may add foreign exchange charges and post the transaction on the cardholder's statement in their own home currency. In April 2006, we restructured our currency conversion revenues by initiating a charge to our issuers and acquirers for all cross-border transaction volumes regardless of whether we perform the currency conversion or it is performed by a third party at the point-of-sale. We also generally decreased the price we charge issuers for performing currency conversion.
- Acceptance development fees are charged to issuers based on components of GDV and support our focus on developing merchant relationships and promoting acceptance at the point of sale. These fees are primarily U.S.-based.
- Warning bulletin fees are charged to issuers and acquirers for listing invalid or fraudulent accounts either electronically or in paper form and for distributing this listing to merchants.
- Connectivity fees are charged to issuers and acquirers for network access, equipment, and the transmission of authorization and settlement messages.
- Consulting and research fees as well as outsourcing services fees are primarily generated by MasterCard Advisors, our professional advisory services group. We provide a wide range of consulting, information and outsourcing services associated with our customers' payment activities and programs. Research includes revenues from subscription-based services, access to research inquiry, and peer networking services generated by our independent financial and payments industry research group. We do not anticipate consulting and research fees becoming a significant percentage of our business.
- Other operations fees are primarily user-pay services including the sale of manuals, publications, holograms, a variety of account and transaction enhancement services, information and reports, as well as compliance programs and penalties, to assist our customers in administering and managing their businesses. In addition, other operations fees include fees for cardholder services in connection with the benefits provided with MasterCard-branded cards, such as insurance, telecommunications assistance for lost cards and locating automated teller machines.

Generally, we process certain MasterCard-branded domestic transactions in the United States, United Kingdom, Canada, Brazil and Australia. We process substantially all cross-border transactions using MasterCard, Maestro and Cirrus-branded cards. We charge relatively higher operations fees for settlement, authorization and switch fees on cross-border transactions and earn cross-border revenues as well as currency conversion revenues if the transactions require conversion between two different currencies. Operations fees for offline debit transactions, which are generally signature-based debit transactions, are priced similar to credit transactions. Operations fees for processing domestic online debit transactions are priced in a similar manner as domestic offline debit and credit transactions, while cross-border offline debit and credit transactions are priced higher than cross-border online debit transactions.

Assessments are primarily based on GDV for a specific time period and the rates vary depending on the nature of the transactions that generate GDV. Assessment rates vary by region. Most of our assessment rates are tiered and rates decrease when customers meet incremental volume hurdles. These assessment rates also vary by the type of transaction. We generally assess at higher rates for cross-border volumes compared to domestic volumes. We also assess at higher rates for retail purchases versus cash withdrawals. Credit and offline debit transactions are assessed at higher rates than online debit transactions. In addition, from time to time the Company may introduce assessments for specific purposes such as market development programs. Assessments that are based on quarterly GDV are estimated utilizing aggregate transaction information and projected customer performance.

Table of Contents

Gross revenues grew 17.1% and 20.3% in the three and six months ended June 30, 2007, respectively, compared to the same periods last year. A component of our revenue growth in the six months ended June 30, 2007 was the result of restructuring currency conversion pricing in April 2006. Our overall revenue growth is being moderated by the demand from our customers for better pricing arrangements and greater rebates and incentives. Accordingly, we have entered into business agreements with certain customers and merchants to provide GDV and other performance-based support incentives. These pricing arrangements reflect enhanced competition in the global payments industry, the continued consolidation and globalization of our key customers, the growing power of merchants and the impact of restructured pricing. The rebates and incentives are calculated on a monthly basis based upon estimated performance and the terms of the related business agreements. Rebates and incentives are recorded as a reduction of gross revenue in the same period that performance occurs.

The United States remains our largest geographic market based on revenues. Revenue generated in the United States was approximately 51.8% and 52.3% of total revenues in the three and six months ended June 30, 2007, respectively, compared to 52.0% and 52.6% in the same periods in 2006, respectively. No individual country, other than the United States, generated more than 10% of total revenues in any period. Certain non-U.S. economies have experienced more growth than the U.S. economy. Accordingly, some non-U.S. revenues grew at a slightly faster rate than U.S. revenues in the three and six months ended June 30, 2007 compared to the same period in 2006. The growth was not specifically related to any one region in which we do business.

Our business is dependent on certain world economies and consumer behaviors. In particular, a portion of our revenues are dependent on international travel. In the past, our revenues have been impacted by specific events such as the war in Iraq, the SARS outbreak and the September 11, 2001 terrorist attack because these events impact travel patterns and related cross-border transaction volumes. Our revenues can also be impacted by a number of factors related to consumer behavior, including consumers' confidence in the MasterCard brand.

Table of Contents

Results of Operations

	For the three months ended June 30,		Percent Increase (Decrease)	For the six months ended June 30,		Percent Increase (Decrease)
	2007	2006	2007 vs. 2006	2007	2006	2007 vs. 2006
	(In millions, except per share, percentages and GDV amounts)					
Net operations fees	\$ 729	\$ 612	19.1%	\$1,382	\$1,107	24.8%
Net assessments	268	234	14.5%	530	478	10.9%
Total revenue	997	846	17.8%	1,912	1,585	20.6%
General and administrative	432	365	18.2%	830	713	16.4%
Advertising and market development	268	307	(12.6)%	447	490	(8.8)%
Litigation settlements	3	23	(85.4)%	3	23	(85.4)%
Charitable contributions to the MasterCard Foundation	—	400	(100.0)%	—	400	(100.0)%
Depreciation and amortization	25	25	—	49	50	(1.4)%
Total operating expenses	728	1,120	(35.0)%	1,329	1,676	(20.7)%
Operating income (loss)	269	(274)	198.1%	583	(91)	738.6%
Total other income (expense), net	117	13	778.4%	139	23	491.0%
Income (loss) before income tax expense	386	(261)	248.2%	722	(68)	1167.0%
Income tax expense	134	50	168.7%	255	116	119.7%
Net income (loss)	\$ 252	\$ (310)	181.3%	\$ 467	\$ (184)	354.3%
Net income (loss) per share (basic) ¹	\$ 1.86	\$ (2.30)	180.9%	\$ 3.44	\$ (1.36)	352.9%
Weighted average shares outstanding (basic) ¹	136	135	0.5%	136	135	0.5%
Net income (loss) per share (diluted) ¹	\$ 1.85	\$ (2.30)	180.4%	\$ 3.42	\$ (1.36)	351.5%
Weighted average shares outstanding (diluted) ¹	137	135	1.1%	137	135	1.1%
Effective income tax rate	34.7%	19.1% ³	**	35.3%	171.5% ³	**
Gross dollar volume on a U.S. dollar converted basis (in billions) ²	\$ 555	\$ 476	16.4%	\$1,063	\$ 903	17.7%
Processed transactions	4,595	3,989	15.2%	8,800	7,510	17.2%

* Note that the figures in the preceding table may not sum due to rounding

** Not meaningful

¹ In connection with our ownership and governance transactions in May 2006, we reclassified all of our approximately 100 outstanding shares of existing Class A redeemable common stock so that our previous stockholders received 1.35 shares of our Class B common stock for each share of Class A redeemable common stock that they held prior to the reclassification and a single share of our Class M common stock. Accordingly, shares and per share data were retroactively restated in the financial statements subsequent to the reclassification to reflect the reclassification as if it were effective at the start of the first period being presented in the financial statements.

² In the three and six months ended June 30, 2007, GDV excludes commercial funds transfers in China, which are generally transactions that facilitate the transfer of funds between bank branches, but do not involve traditional cash withdrawals or balance transfers. Data for the comparable periods in 2006 has been restated to be consistent with this approach.

³ The 2006 effective tax rates include the impact of a \$395 million donation of shares of Class A common stock to the MasterCard Foundation, a charitable contribution which is not deductible for tax purposes.

Table of Contents

Operations Fees

	For the three months ended June 30,		Dollar Increase (Decrease)	Percent Increase (Decrease)	For the six months ended June 30,		Dollar Increase (Decrease)	Percent Increase (Decrease)
	2007	2006	2007 vs. 2006	2007 vs. 2006	2007	2006	2007 vs. 2006	2007 vs. 2006
	(In millions, except percentages)							
Authorization, settlement and switch	\$339	\$284	\$ 55	19.4%	\$ 645	\$ 549	\$ 96	17.5%
Currency conversion and cross-border	208	166	42	25.3%	394	244	150	61.5%
Acceptance development fees	66	54	12	22.2%	124	101	23	22.8%
Warning bulletin fees	19	18	1	5.6%	37	35	2	5.7%
Connectivity	24	21	3	14.3%	47	39	8	20.5%
Consulting and research fees	18	19	(1)	(5.3)%	35	36	(1)	(2.8)%
Other operations fees	133	113	20	17.7%	250	215	35	16.3%
Gross operations fees	807	675	132	19.6%	1,532	1,219	313	25.7%
Rebates	(78)	(63)	(15)	23.8%	(150)	(112)	(38)	33.9%
Net operations fees	<u>\$729</u>	<u>\$612</u>	<u>\$ 117</u>	19.1%	<u>\$1,382</u>	<u>\$1,107</u>	<u>\$ 275</u>	24.8%

- Authorization, settlement and switch revenues increased due to the number of transactions processed through our systems, increasing 15.2% and 17.2% in the three and six months ended June 30, 2007 from the comparable periods in 2006. The increase in revenue was also attributable to higher utilization and pricing changes for stand-in authorization services of approximately 3.2% and 1.8% for the three and six months ended June 30, 2007. Stand-in occurs if the issuer's primary authorization routing options fail and MasterCard approves the requests on behalf of the issuer based on issuer-defined parameters. Offsetting the increase in growth for the six months ended June 30, 2007 was a 1.9% reduction of revenues due to the implementation of price changes in April 2006 to make our pricing compliant with the Single European Payment Area ("SEPA") initiative. The SEPA price changes are slightly positive on a total gross revenue basis; however, these changes impact individual revenue categories, in particular authorization, settlement and switch, currency conversion and cross-border revenues and assessments.
- Currency conversion and cross-border revenues increased primarily due to an increase in cross-border transaction volumes of 17.3% and 17.7% in the three and six months ended June 30, 2007, respectively. In April 2006, we restructured our currency conversion pricing by initiating a charge to our issuers, and, in most regions, acquirers for all cross-border transactions regardless of whether we perform the currency conversion or it is performed by a third party at the point of sale. We also generally decreased the price we charge our issuers for currency conversion. Of the increase in the six months ended June 30, 2007, \$31 million was due to the reclassification of certain assessment revenues in Europe to cross-border volume revenue which was recorded in the three months ended March 31, 2007.
- Acceptance development fees in the three and six months ended June 30, 2007 increased compared to the same periods in 2006 primarily due to increased volumes.
- Warning bulletin fees fluctuate with our customer requests for distribution of invalid account information.
- Connectivity revenues in the three and six months ended June 30, 2007 increased compared to the same periods in 2006 due to increased volumes.
- Consulting and research fees remained relatively constant in the three months ended June 30, 2007 compared to the same period in 2006. Our business agreements with certain customers may include consulting services as an incentive. Consulting services provided to customers as a result of incentive agreements remained relatively constant in all periods.
- Other operations fees represent various revenue streams, including cardholder services, compliance and penalty fees, holograms, user pay for a variety of account and transaction enhancement services, and manuals and publications. The change in any individual revenue component was not material.
- Rebates relating to operations fees are primarily based on transactions and volumes and, accordingly, increase as these variables increase. Rebates have been increasing due to agreements with new customers, the impact of restructured pricing, renewals of existing agreements, ongoing consolidation of our customers and competition.

Table of Contents

Assessments

Assessments are revenues that are calculated based on our customers' GDV. The components of assessments are as follows:

	For the three months ended June 30,		Dollar Increase (Decrease)	Percent Increase (Decrease)	For the six months ended June 30,		Dollar Increase (Decrease)	Percent Increase (Decrease)
	2007	2006	2007 vs. 2006	2007 vs. 2006	2007	2006	2007 vs. 2006	2007 vs. 2006
	(In millions, except percentages)							
Gross assessments	\$ 503	\$ 444	\$ 59	13.3%	\$ 963	\$ 855	\$ 108	12.6%
Rebates and incentives	(235)	(210)	(25)	11.9%	(433)	(377)	(56)	14.9%
Net assessments	<u>\$ 268</u>	<u>\$ 234</u>	<u>\$ 34</u>	14.5%	<u>\$ 530</u>	<u>\$ 478</u>	<u>\$ 52</u>	10.9%

GDV growth was 13.3% and 14.7% in the three and six months ended June 30, 2007, respectively, when measured in local currency terms, and 16.4% and 17.7%, respectively, when measured on a U.S. dollar converted basis. A portion of our GDV growth relates to an increase in online debit transactions, which are priced at a lower assessment rate compared to credit and offline debit transactions. Accordingly, gross assessments are increasing at a lower rate than GDV. Assessments were also impacted in the six months ended June 30, 2007 by a reclassification of \$31 million from assessments to currency conversion and cross-border revenues, offset by \$12 million in pricing increases related to our SEPA pricing changes in the three months ended March 31, 2007. Our gross assessments would have increased 14.9% for the six months ended June 30, 2007 if these pricing modifications were not made in April 2006.

Rebates and incentives provided to customers and merchants reduce net assessments growth. Rebates and incentives are primarily based on GDV and may also contain fixed components for the issuance of new cards, launch of new programs or consulting services. The increase in rebates and incentives in the three and six months ended June 30, 2007 is due to the impact of new merchant agreements signed in the fourth quarter of 2006, earlier accrual in 2007 of certain merchant bonuses based on performance than in 2006 and increased customer volumes on which we pay rebates and incentives. These increases were partially offset by the decline in significant card incentives recorded in the three and six months ended June 30, 2006 to support the conversion of a large payment card program to MasterCard.

Table of Contents

Operating Expenses

Our operating expenses are comprised of general and administrative, advertising and market development, litigation settlements, charitable contributions and depreciation and amortization expenses. In the three and six months ended June 30, 2007, there was a decrease in operating expenses of \$392 million and \$347 million, respectively, or (35.0)% and (20.7)%, respectively, compared to the same periods in 2006. As described above, the following table shows a reconciliation of operating expenses excluding special items and as adjusted to the most directly comparable GAAP measure, which management believes creates a more meaningful comparison of results between periods:

	For the three months ended June 30, 2007			For the three months ended June 30, 2006			Percent Increase (Decrease) Actual	Percent Increase (Decrease) As Adjusted
	Special		As Adjusted	Special		As Adjusted		
	Actual	Items		Actual	Items			
	(In millions, except percentages)							
General and Administrative	\$ 432	\$ —	\$ 432	\$ 365	—	\$ 365	18.2%	18.2%
Advertising and Marketing	268	—	268	307	—	307	(12.6)%	(12.6)%
Litigation Settlements	3	3	—	23	23	—	(85.4)%	—
Charitable Contributions	—	—	—	400	395 ^a	5	(100.0)%	(100.0)%
Depreciation and Amortization	25	—	25	25	—	25	—	—
Total operating expenses	<u>\$ 728</u>	<u>\$ 3</u>	<u>\$ 725</u>	<u>\$ 1,120</u>	<u>\$ 418</u>	<u>\$ 702</u>	(35.0)%	3.2%
Total operating expenses as a percentage of total net revenues	73.0%		72.7%	132.4%		83.0%		
	For the six months ended June 30, 2007			For the six months ended June 30, 2006			Percent Increase (Decrease) Actual	Percent Increase (Decrease) As Adjusted
	Special		As Adjusted	Special		As Adjusted		
	Actual	Items		Actual	Items			
	(In millions, except percentages)							
General and Administrative	\$ 830	\$ —	\$ 830	\$ 713	\$ —	\$ 713	16.4%	16.4%
Advertising and Marketing	447	—	447	490	—	490	(8.8)%	(8.8)%
Litigation Settlements	3	3	—	23	23	—	(85.4)%	—
Charitable Contributions	—	—	—	400	395 ^a	5	(100.0)%	(100.0)%
Depreciation and Amortization	49	—	49	50	—	50	(1.4)%	(1.4)%
Total operating expenses	<u>\$ 1,329</u>	<u>\$ 3</u>	<u>\$ 1,326</u>	<u>\$ 1,676</u>	<u>\$ 418</u>	<u>\$ 1,258</u>	(20.7)%	5.4%
Total operating expenses as a percentage of total net revenues	69.5%		69.3%	105.8%		79.4%		

^a Contribution of 13.5 million shares of our Class A common stock to the MasterCard Foundation, a charitable entity which is controlled by directors who are independent of us and our customers.

Table of Contents

General and Administrative

General and administrative expenses consist primarily of personnel, professional fees, data processing, telecommunications and travel. The major components of general and administrative expenses were as follows:

	For the three months ended June 30,		Dollar Increase (Decrease)	Percent Increase (Decrease)	For the six months ended June 30,		Dollar Increase (Decrease)	Percent Increase (Decrease)
	2007	2006	2007 vs. 2006	2007 vs. 2006	2007	2006	2007 vs. 2006	2007 vs. 2006
Personnel	\$281	\$234	\$ 47	20.1%	\$534	\$461	\$ 73	15.8%
Professional fees	53	44	9	20.5%	106	76	30	39.5%
Telecommunications	17	17	—	—	34	34	—	—
Data processing	16	15	1	6.7%	30	30	—	—
Travel and entertainment	30	27	3	11.1%	56	49	7	14.3%
Other	35	28	7	25.0%	70	63	7	11.1%
General and administrative expenses	<u>\$432</u>	<u>\$365</u>	<u>\$ 67</u>	18.2%	<u>\$830</u>	<u>\$713</u>	<u>\$ 117</u>	16.4%

- Personnel expense increased in the three and six months ended June 30, 2007 primarily due to hiring additional staff and contractors to support our strategic initiatives. In addition, we have increased our accruals for higher performance awards as a result of better than anticipated performance against company objectives. Accordingly, our salaries and benefits costs have increased. Additionally, there were lower costs for severance and lower costs for long-term incentives due to the timing and vesting of equity awards in the three and six months ended June 30, 2007, which partially offset the increases noted above.
- Professional fees increased in the three and six months ended June 30, 2007 primarily due to legal costs to defend our outstanding litigation and consulting services used for implementing our strategic initiatives.
- Telecommunications expense consists of expenses to support our global payments system infrastructure as well as our other telecommunication needs.
- Data processing consists of expenses to operate and maintain MasterCard's computer systems. These expenses vary with business volume growth, system upgrades and usage.
- Travel and entertainment expenses are incurred primarily for travel to customer and regional meetings and, accordingly, have increased with the corresponding increase in our business activity.
- Other includes rental expense for our facilities, foreign exchange gains and losses and other miscellaneous administrative expenses.

Advertising and Market Development

Advertising and market development consists of expenses associated with advertising, marketing, promotions and sponsorships, which promote our brand and assist our customers in achieving their goals by raising consumer awareness and usage of cards carrying our brands. Advertising and market development expenses decreased \$39 million and \$43 million or (12.6)% and (8.8)% in the three and six months ended June 30, 2007, respectively, versus the comparable period in 2006. In the three and six months ended June 30, 2007 and 2006 our initiatives continued to support our customer-focused strategy, however, in the three and six months ended June 30, 2006, a significant component of those initiatives were incurred through the sponsorship of 2006 World Cup soccer events. During the six months ended June 30, 2007, we reached an agreement to discontinue our sponsorship of the 2010 and 2014 World Cup soccer events. We intend to shift marketing funds originally earmarked for World Cup soccer events to drive and execute marketing programming at the regional and local levels.

Our brands, principally MasterCard, are valuable strategic assets that drive card acceptance and usage and facilitate our ability to successfully introduce new service offerings and access new markets. Our approach to marketing activities combines advertising, sponsorships, promotions, interactive media and public relations as part of an integrated package designed to increase MasterCard brand awareness and preference and usage of MasterCard cards. We are committed to maintaining and enhancing our brands and image through advertising and marketing efforts on a global scale.

Table of Contents

Other Income (Expense)

Other income (expense) is comprised primarily of investment income, interest expense and other gains and losses.

- Investment income increased \$7 million and \$23 million in the three and six months ended June 30, 2007, respectively, due to higher cash and short-term investment balances principally related to the proceeds received from our initial public offering in May 2006, increases in interest rates and cash generated by our business.
- Interest expense decreased \$5 million and \$1 million in the three and six months ended June 30, 2007, respectively, primarily relating to reduced interest reserve requirements for our tax reserves.
- Other income, net increased \$92 million in each of the three and six months ended June 30, 2007 from the comparable periods in 2006 primarily due to a settlement agreement to discontinue our sponsorship of the 2010 and 2014 World Cup soccer events. The organization which operates the World Cup soccer events agreed to pay us \$90 million to resolve all disputes, of which \$87.5 million was paid in the second quarter of 2007 and of which \$2.5 million is expected to be paid in the third quarter of 2007. In addition, other income includes a \$2 million gain on the sale of an investment in an affiliate.

Income Taxes

Our effective income tax rate was 34.7% and 19.1% for the three months ended June 30, 2007 and 2006, respectively, and 35.3% and 171.5% for the six months ended June 30, 2007, and 2006, respectively. For the three and six months ended June 30, 2006, our effective income tax rate included the impact of the \$395 million charitable contribution of shares of Class A common stock to the Foundation. This contribution was recorded as an expense in the statement of operations; however it is not deductible for tax purposes. This resulted in a significant impact on our effective tax rate for the three and six months ended June 30, 2006 as follows:

	GAAP Actual	GAAP Effective Tax Rate	Stock Donation	Non- GAAP Adjusted	Non- GAAP Effective Tax Rate
Three months ended June 30, 2006:					
Income (Loss) before income taxes	\$(261)	19.1%	\$ 395	\$ 134	33.6%
Income tax expense ¹	<u>50</u>			<u>45</u>	
Net Income (Loss)	<u>\$(310)</u>			<u>\$ 89</u>	
Six months ended June 30, 2006:					
Income (Loss) before income taxes	\$ (68)	171.5%	\$ 395	\$ 327	34.0%
Income tax expense ¹	<u>116</u>			<u>111</u>	
Net Income (Loss)	<u>\$(184)</u>			<u>\$ 216</u>	

* Note that the figures in the preceding table may not sum due to rounding

¹ Income tax expense has been calculated with and without the impact of the Class A common stock donation to the Foundation.

The effective income tax rates for the three and six months ended June 30, 2007 (34.7% and 35.3%, respectively) are higher than the comparable 2006 non-GAAP effective tax rates in the table above (33.6% and 34.0%, respectively) primarily due to an increase in the accrual of state income tax liabilities for uncertain tax positions as required under the recently adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes". In addition, there was a one-time increase to state income tax expense attributable to the revaluation of deferred state income taxes resulting from changes in New York tax laws, which was offset by the effect of a federal income tax audit settlement. See Note 13 to the Consolidated Financial Statements included in Item 1.

Table of Contents

Liquidity

We need capital resources and liquidity to fund our global development, to provide for credit and settlement risk, to finance capital expenditures and any future acquisitions, to repurchase our Class A common stock in our \$500 million repurchase program discussed below and to service the payments of principal and interest on our outstanding debt and our obligations under the U.S. merchant lawsuit settlement. At June 30, 2007 and December 31, 2006, we had \$2.8 billion and \$2.5 billion, respectively, of cash, cash equivalents and available-for-sale securities with which to manage operations. We expect that the cash generated from operations and our borrowing capacity will be sufficient to meet our operating, working capital and capital needs in 2007. However, our liquidity could be negatively impacted by the adverse outcome of any of the legal or regulatory proceedings to which we are a party. See Item 1A – Risk Factors of the Company’s Annual Report on Form 10-K for the year ended December 31, 2006 for these and other risks facing our business. See also Note 14 to the Consolidated Financial Statements included in Item 1.

	Six Months Ended June 30,		Percent
	2007	2006	Increase (Decrease) 2007 vs. 2006
(In millions, except percentages)			
Cash flow data:			
Net cash provided by operating activities	\$ 446	\$ 184	143.0%
Net cash used in investing activities	(97)	(183)	47.1%
Net cash (used in) provided by financing activities	(25)	650	(103.9)%

	June 30,	December 31,	Percent
	2007	2006	Increase (Decrease) 2007 vs. 2006
Balance sheet data:			
Current assets	\$3,989	\$ 3,577	11.5%
Current liabilities	1,828	1,812	0.9%
Long-term liabilities	920	902	2.0%
Equity	2,854	2,364	20.7%

Net cash provided by operating activities in the six months ended June 30, 2007 was \$446 million compared to \$184 million in the six months ended June 30, 2006. The increase in cash from operations was principally due to our stronger operating performance. In addition, the organization which operates the World Cup soccer events paid us \$87.5 million in the second quarter of 2007 and is expected to pay us \$2.5 million in the third quarter of 2007 pursuant to a settlement agreement. See “–Other Income (Expense)”.

Net cash used in investing activities in the six months ended June 30, 2007 relates to investments in leasehold and building improvements to support increased workforce, data center equipment and capital software to support increased functionality and net purchases of available-for-sale securities. We intend to continue to invest in our infrastructure to support our growing business and strategic initiatives. In the six months ended June 30, 2006, cash used in investing activities related principally to the net purchases of available-for-sale securities.

As of June 30, 2007, MasterCard had approximately a 4% investment in an affiliate, Redecard S.A. recorded at \$12.9 million under the historical cost method of accounting. In July 2007, Redecard S.A. successfully completed an initial public offering in Brazil of its shares. We elected not to participate as a selling stockholder in the initial public offering. Following the initial public offering, the quoted market value of these shares will be used to determine their fair value and these securities will be classified as available for sale securities in accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities”. The quoted market value of such shares was approximately \$460 million as of July 31, 2007. In anticipation of such initial public offering, we entered into a lock-up agreement with the other shareholders of Redecard S.A., who were all selling shareholders in the initial public offering. Under the terms of this lock-up agreement and following the closing of the initial public offering, MasterCard may: (i) sell all of its investment to qualified institutional buyers, (ii) make sales in the market with respect to 25% of its investment, subject to certain pricing and volume restrictions for six-months following the initial public offering, and (iii) make sales in the market with respect to the remaining 75% of its investment, subject to the same pricing and volume restrictions, for an additional six months following the initial six-month holding period. After the elapse of such holding periods, we may sell these shares in any manner that we deem appropriate. We are in the process of evaluating our strategy for this investment.

Cash used in financing activities in the six months ended June 30, 2007 primarily relates to the payment of dividends compared to the net increase in cash provided by financing activities in the comparable period in 2006. In 2006, approximately \$2.5 billion

Table of Contents

in proceeds were received from the sale of Class A common stock to investors in our initial public offering (including the proceeds received pursuant to the underwriters' option to purchase additional shares), offset by \$1.8 billion of cash used for the redemption of Class B common stock.

On June 7, 2007, our Board of Directors declared a quarterly cash dividend of \$0.15 per share payable on August 10, 2007 to holders of record on July 3, 2007 of our Class A common stock and Class B common stock. The aggregate amount payable for this dividend was \$20.7 million. The declaration and payment of any future dividends will be at the sole discretion of our Board of Directors after taking into account various factors, including our financial condition, settlement guarantees, operating results, available cash and current and anticipated cash needs.

On April 27, 2007, the Company extended its committed unsecured \$2.5 billion revolving credit facility (the "Credit Facility") for one year. The new expiration date of the Credit Facility is April 27, 2010. All remaining terms of the Credit Facility are unchanged. The Company was in compliance with the covenants of the Credit Facility as of June 30, 2007. There were no borrowings under the Credit Facility at June 30, 2007 or December 31, 2006. The majority of Credit Facility lenders are customers or affiliates of customers of MasterCard International.

The Company's stockholders approved amendments to the Company's certificate of incorporation designed to facilitate an accelerated, orderly conversion of Class B common stock into Class A common stock for subsequent sale. See Note 11 to the Consolidated Financial Statements included in Item 1. In addition, the Company has approved (i) the conversion of up to 13.4 million shares of Class B common stock into Class A common stock in "conversion transactions" during 2007 and (ii) the repurchase of up to \$500 million of Class A common stock in open market transactions during 2007. We intend to utilize our cash, cash equivalents and available-for-sale securities to repurchase our Class A common stock in the second half of 2007.

Future Obligations

The following table summarizes as of June 30, 2007, our obligations that are expected to impact liquidity and cash flow in future periods. We believe we will be able to fund these obligations through cash generated from operations and our existing cash balances.

	Payments Due by Period				
	Total	Remaining 2007	2008 - 2009 (In millions)	2010 - 2011	2012 and thereafter
Capital leases ¹	\$ 57	\$ 5	\$ 10	\$ 4	\$ 38
Operating leases ²	117	23	55	14	25
Sponsorship, licensing & other ³	662	240	302	92	28
Litigation settlements ⁴	620	120	200	200	100
Debt ⁵	235	3	232	—	—
Total	<u>\$1,691</u>	<u>\$ 391</u>	<u>\$ 799</u>	<u>\$ 310</u>	<u>\$ 191</u>

¹ Most capital leases relate to certain property, plant and equipment used in our business. Our largest capital lease relates to our Kansas City, Missouri co-processing facility.

² We enter into operating leases in the normal course of business, including the lease on our facility in O'Fallon, Missouri. Substantially all lease agreements have fixed payment terms based on the passage of time. Some lease agreements provide us with the option to renew the lease or purchase the leased property. Our future operating lease obligations would change if we exercised these renewal options and if we entered into additional lease agreements.

³ Amounts primarily relate to sponsorships with certain organizations to promote the MasterCard brand. The amounts included are fixed and non-cancelable. The table above has been adjusted since December 31, 2006 to remove the commitment of \$180 million for the sponsorship of the World Cup soccer events, (see Item 1, Note 17 for additional information). In addition, these amounts include amounts due in accordance with leases for computer hardware, software licenses and other service agreements. Future cash payments that will become due to our customers under agreements which provide pricing rebates on our standard fees and other incentives in exchange for increased transaction volumes are not included in the table because the amounts due are indeterminable and contingent until such time as performance has occurred. MasterCard has accrued \$399 million as of June 30, 2007 related to customer and merchant agreements.

⁴ Represents amounts due in accordance with the settlement agreement in the U.S. merchant lawsuit and other litigation settlements.

⁵ Debt primarily represents principal and interest owed on our subordinated notes due June 2008 and the principal owed on our Series A Senior Secured Notes due September 2009. We also have various credit facilities for which there were no outstanding balances at June 30, 2007 that, among other things, would provide liquidity in the event of settlement failures by our members. Our debt obligations would change if one or more of our members failed and we borrowed under these credit facilities to settle on our members' behalf or for other reasons.

Table of Contents

Recent Accounting Pronouncements

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of SFAS 115” (“SFAS 159”). SFAS 159 allows entities to choose to measure many financial instruments and certain other items at fair value. In addition, SFAS 159 includes an amendment to SFAS 115, “Accounting for Certain Investments in Debt and Equity Securities, and applies to all entities with available-for-sale and trading securities. SFAS 159 is effective for the Company commencing in 2008. We are in the process of evaluating the impact that SFAS 159 will have on our financial statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

MasterCard has limited exposure to market risk or the potential for economic losses on market risk sensitive instruments arising from adverse changes in market factors such as interest rates, foreign currency exchange rates, and equity price risk. Management establishes and oversees the implementation of policies, which have been approved by the Audit Committee, governing our funding, investments, and use of derivative financial instruments. We monitor risk exposures on an ongoing basis. There have been no material changes in our market risk exposures at June 30, 2007 as compared to December 31, 2006.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

The management of MasterCard Incorporated, including the President and Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the Company’s disclosure controls and procedures (as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Based on that evaluation, the Company’s President and Chief Executive Officer and Chief Financial Officer concluded that MasterCard Incorporated had effective disclosure controls and procedures for (i) recording, processing, summarizing and reporting information that is required to be disclosed in its reports under the Securities Exchange Act of 1934, as amended, within the time periods specified in the Securities and Exchange Commission’s rules and forms and (ii) ensuring that information required to be disclosed in such reports is accumulated and communicated to MasterCard Incorporated’s management, including its President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

In connection with the evaluation by the Company’s Chief Executive Officer and Chief Financial Officer of changes in internal control over financial reporting that occurred during the Company’s last fiscal quarter, no change in the Company’s internal control over financial reporting was identified that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Other Financial Information

With respect to the unaudited consolidated financial statements of MasterCard Incorporated and its subsidiaries for the three and six months ended June 30, 2007 and 2006, PricewaterhouseCoopers LLP (“PricewaterhouseCoopers”) reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report dated August 1, 2007 appearing below, states that they did not audit and they do not express an opinion on that unaudited financial information. PricewaterhouseCoopers has not carried out any significant or additional audit tests beyond those which would have been necessary if their report had not been included. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (“the Act”) for their report on the unaudited consolidated financial statements because that report is not a “report” or a “part” of a registration statement prepared or certified by PricewaterhouseCoopers within the meaning of Sections 7 and 11 of the Act.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of MasterCard Incorporated:

We have reviewed the accompanying consolidated balance sheet of MasterCard Incorporated and its subsidiaries (the “Company”) as of June 30, 2007, the related consolidated statements of operations and consolidated condensed statements of comprehensive income for each of the three and six month periods ended June 30, 2007 and 2006, the consolidated statements of cash flows for each of the six month periods ended June 30, 2007 and 2006, and the consolidated statement of changes in stockholders’ equity for the six month period ended June 30, 2007. These interim financial statements are the responsibility of the Company’s management.

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

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2006, and the related consolidated statements of operations, of comprehensive income, of changes in stockholders’ equity, and of cash flows for the year then ended, management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2006 and the effectiveness of the Company’s internal control over financial reporting as of December 31, 2006; and in our report dated February 28, 2007, we expressed unqualified opinions thereon. The consolidated financial statements and management’s assessment of the effectiveness of internal control over financial reporting referred to above are not presented herein. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2006, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP
New York, New York
August 1, 2007

MASTERCARD INCORPORATED

FORM 10-Q

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

Refer to Note 14 to the Consolidated Financial Statements included herein.

Item 1A. *Risk Factors*

For a discussion of the Company's risk factors, see the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Item 2. *Unregistered Sale of Equity Securities*

On July 26, 2007, the Company, in the ordinary course of its business, issued 28 shares of its Class M common stock to new principal members of MasterCard International Incorporated ("MasterCard International"), its principal operating subsidiary, pursuant to the amended and restated Certificate of Incorporation of the Company (the "Charter"). In the aggregate, these issuances were more than one percent of the Class M shares outstanding. Pursuant to Article IV, Section 4.3(G) of the Charter, the Company issues a share of Class M common stock upon each principal member of MasterCard International becoming a member and executing a license agreement with MasterCard International.

The shares of Class M common stock were issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act of 1933, as amended, on the basis that the transaction, the issuance of a share upon the issuance of a license, did not involve any public offering.

Item 4. *Submission of Matters To A Vote of Security Holders*

The annual meeting of stockholders (the "Annual Meeting") of the Company was held on June 7, 2007. Stockholders approved each of the proposals on the agenda for the Annual Meeting, which included the following:

1. Election of two persons to serve on the Board of Directors as Class A Directors, belonging to Class I;
2. Approval of the Amended and Restated MasterCard Incorporated 2006 Long Term Incentive Plan;
3. Approval of an amendment of Section 4.3 of the Company's amended and restated certificate of incorporation; and
4. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2007.

Each of these proposals is fully described in the Company's proxy statement, dated April 26, 2007 and filed with the Securities and Exchange Commission.

Pursuant to the Company's certificate of incorporation and bylaws, only holders of the Company's Class A common stock were entitled to vote on proposals 1, 2 and 4 above and holders of the Company's Class A common stock, Class B common stock and Class M common stock were entitled to vote, each separately as a class, on proposal 3 above.

Class A Common Stock Voting Items

A total of 73,685,991 shares of Class A common stock were represented in person or by proxy at the Annual Meeting.

Proposal 1—Election of Class A Directors

Nancy J. Karch and Edward Suning Tian were elected as Class A directors belonging to Class I with a term expiring in 2010. Ms. Karch received 73,470,474 votes "for" and had 215,517 votes "withheld" and Mr. Tian received 70,607,565 votes "for" and had 3,078,426 votes "withheld." There were no broker non-votes or abstentions on this proposal.

Proposal 2—Approval of the Amended and Restated MasterCard Incorporated 2006 Long Term Incentive Plan.

Proposal 2 received 53,486,588 votes "for," 5,655,129 votes "against" and 83,538 abstentions and was adopted by the Class A common stockholders. There were 14,460,736 broker non-votes on this proposal.

Proposal 4—Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2007.

Proposal 4 received 73,508,571 votes "for," 153,501 votes "against" and 23,923 abstentions and was adopted by the Class A common stockholders. There were no broker non-votes on this proposal.

Table of Contents

Class A, Class B and Class M Common Stock Voting Item

A total of 41,359,315 shares of Class B common stock and a total of 759,495,740 shares of Class M common stock, representing 75.9% of the 1,000 Class M votes outstanding and entitled to be cast, were represented in person or by proxy at the Annual Meeting.

Proposal 3—Approval of an amendment of Section 4.3 of the Company’s amended and restated certificate of incorporation.

Proposal 3 received 59,021,047 votes “for,” 127,160 votes “against” and 77,051 abstentions from the Class A common stockholders; 41,230,445 votes “for,” 10,025 votes “against” and 118,845 abstentions from the Class B common stockholders; and 755,873,200 votes “for,” 0.16589 votes “against” and 3.45665 abstentions from the Class M common stockholders. There were 14,460,733 broker non-votes with respect to the Class A common stock on this proposal.

Item 6. Exhibits

Refer to the Exhibit Index included herein.

Table of Contents

SIGNATURES

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

Date: August 1, 2007

MASTERCARD INCORPORATED
(Registrant)

Date: August 1, 2007

By: /s/ ROBERT W. SELANDER
Robert W. Selander
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 1, 2007

By: /s/ CHRIS A. MCWILTON
Chris A. McWilton
Chief Financial Officer
(Principal Financial Officer)

Date: August 1, 2007

By: /s/ TARA A. MAGUIRE
Tara A. Maguire
Corporate Controller
(Principal Accounting Officer)

Table of Contents

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1	Amended and Restated Certificate of Incorporation of MasterCard Incorporated
10.1	MasterCard Incorporated Deferral Plan, as amended and restated effective for account balances established after December 31, 2004.
10.2	MasterCard Incorporated 2006 Long Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 7, 2007 (No. 001-32877)).
15	Letter from the Company's Independent Registered Public Accounting Firm
31.1	Certification of Robert W. Selander, President and Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chris A. McWilton, Chief Financial Officer, pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Robert W. Selander, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chris A. McWilton, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF MASTERCARD INCORPORATED

MasterCard Incorporated (the “Corporation”), a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

A. The name of the Corporation is MasterCard Incorporated. The Corporation was originally incorporated under the name MasterCard Incorporated. The Corporation’s original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on May 9, 2001. The Corporation’s Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 28, 2002 and May 30, 2006.

B. This Amended and Restated Certificate of Incorporation, which amends and restates the Corporation’s Amended and Restated Certificate of Incorporation in its entirety, was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware (the “DGCL”).

C. The Amended and Restated Certificate of Incorporation of the Corporation shall read in its entirety as follows:

ARTICLE I

Section 1.1. Name. The name of the Corporation is MasterCard Incorporated (the “Corporation”).

ARTICLE II

Section 2.1. Address. The registered office of the Corporation in the State of Delaware is 1209 Orange Street, Wilmington, New Castle County, Delaware 19801; and the name of the Corporation’s registered agent at such address is The Corporation Trust Company.

ARTICLE III

Section 3.1. Purpose. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the “DGCL”).

ARTICLE IV

Section 4.1. Capitalization.

(A) The total number of shares of all classes of stock that the Corporation is authorized to issue is 4,501,000,000 shares, consisting of (i) 300,000,000 shares of Preferred Stock, par value \$.0001 per share (“Preferred Stock”), (ii) 3,000,000,000 shares of Class A Common Stock, par value \$.0001 per share (“Class A Common Stock”), (iii) 1,200,000,000

shares of Class B Common Stock, par value \$.0001 per share (“Class B Common Stock”) and (iv) 1,000,000 shares of Class M Common Stock, par value \$.0001 per share (“Class M Common Stock”) and, together with the Class A Common Stock and the Class B Common Stock, the “Common Stock”). The number of authorized shares of any of the Class A Common Stock, Class B Common Stock, Class M Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Class A Common Stock, Class B Common Stock, Class M Common Stock or Preferred Stock voting separately as a class shall be required therefor.

(B) Upon the filing of this Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the “Filing Time”), each share of common stock of the Corporation, however designated, issued and outstanding immediately prior thereto (“Old Common Stock”), shall automatically, without further action on the part of the Corporation or any holder of such Old Common Stock, be reclassified as and shall become: (i) 1.35 new validly issued, fully paid and nonassessable shares of Class B Common Stock; and (ii) that fraction of a new validly issued, fully paid and nonassessable share of Class M Common Stock that will result in each holder of Old Common Stock receiving one share of Class M Common Stock. Fractional shares of Class B Common Stock will be issued to the extent necessary, but only if fractional shares of Old Common Stock exist as of the Filing Time. The reclassification of the Old Common Stock into Class B Common Stock and Class M Common Stock will be deemed to occur at the Filing Time, regardless of when any certificates previously representing such shares of Old Common Stock (if such shares are held in certificated form) are physically surrendered to the Corporation in exchange for certificates representing such new Class B Common Stock or Class M Common Stock.

Section 4.2. Preferred Stock .

(A) The Board of Directors of the Corporation (the “Board”) is hereby expressly authorized, by resolution or resolutions, to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, the voting powers (if any) of the shares of such series, and the powers, preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The powers, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

(B) Except as otherwise required by law, holders of a series of Preferred Stock, as such, shall be entitled only to such voting rights, if any, as shall expressly be granted thereto by this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to such series).

Section 4.3. *Common Stock* .

(A) *Voting Rights* .

(1) Each holder of Class A Common Stock, as such, shall be entitled to one vote for each share of Class A Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote (which, for the avoidance of doubt, shall not include the election of Class M Directors (as defined below)); *provided, however*, that to the fullest extent permitted by law, holders of Class A Common Stock, as such, shall have no voting power with respect to, and shall not be entitled to vote on (a) any amendment to this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) or pursuant to the DGCL, or (b) any amendment to Section 4.3(A)(3)(c).

(2) To the fullest extent permitted by law, holders of Class B Common Stock, as such, shall have no voting power and shall not be entitled to vote on any matter.

(3) (a) Except as expressly set forth in Article IV, Section 4.3(A)(3)(b) and Article V, Section 5.1, to the fullest extent permitted by law, holders of Class M Common Stock, as such, shall have no voting power and shall not be entitled to vote on any matter; *provided, however*, that, in addition to any other vote required by law, for so long as any shares of Class M Common Stock remain issued and outstanding, the affirmative vote of at least a majority of the votes cast thereon by the holders of the Class M Common Stock, voting separately as a class, shall be required for:

1) any sale, lease or exchange of all or substantially all of the Corporation's assets or of any subsidiary of the Corporation, in each case which requires the approval of the stockholders of the Corporation under the DGCL, or approval of any sale, lease or exchange of all or substantially all of the assets of MasterCard International Incorporated ("*MasterCard International*");

2) the consummation of any merger or consolidation of the Corporation or any approval of the consummation of any merger or consolidation of MasterCard International, in either case, (a) with any other corporation or entity prior to the date that is 20 years and 11 months following the date of the consummation of the Corporation's initial public offering of the Class A Common Stock (the "*Initial Public Offering*"), or (b) with (i) any competitor of the Corporation, as determined by the Board in its sole discretion, (ii) any Member (as defined below) or (iii) any financial institution that is eligible to become a Member, as determined by the Board in its sole discretion;

3) any amendment or modification of this Amended and Restated Certificate of Incorporation to authorize the issuance of capital stock other than Class A Common Stock, Class B Common Stock, Class M Common Stock or Preferred Stock prior to the date that is 20 years and 11 months following the date of the consummation of the Initial Public Offering;

4) the Corporation to cease to engage (directly or through its subsidiaries) in the business of providing core network authorization, clearing and settlement services for branded payment card transactions;

5) any alteration, amendment or repeal of any provision of this Amended and Restated Certificate of Incorporation if such alteration, amendment or repeal would have the effect of permitting (i) any Person (as defined below) to Beneficially Own (as defined below) (a) shares of Class A Common Stock representing more than 15% of the aggregate outstanding shares or voting power of Class A Common Stock; (b) shares of any other class or series of stock of the Corporation entitled to vote generally in the election of directors (which, for the avoidance of doubt, shall not include Class M Common Stock) (“*Other Voting Stock*”) representing more than 15% of the aggregate outstanding shares or voting power of such class or series of Other Voting Stock; or (c) shares of Class A Common Stock and/or Other Voting Stock representing more than 15% of the aggregate voting power of all the then outstanding shares of stock of the Corporation entitled to vote at an election of directors, voting as a single class, or (ii) any Member or Similar Person (as defined below) to Beneficially Own any share of Class A Common Stock or Other Voting Stock; and

6) any alteration, amendment or repeal of any provision of this Article IV, Section 4.3(A)(3), the last sentence of Article V, Section 5.1, Article VI, Section 6.1(A), Article VI, Section 6.4 or Article VI, Section 6.5 of this Amended and Restated Certificate of Incorporation or the adoption of any provision inconsistent therewith.

(b) For so long as any shares of Class M Common Stock are outstanding, holders of outstanding Class M Common Stock, voting separately as a class, shall be entitled to elect a number of directors of the Corporation (each, a “*Class M Director*”) that is equal to the lesser of (x) three and (y) the product of $\frac{1}{4}$ multiplied by the total number of directors that will be in office immediately following such election (rounded down to the nearest whole number). For so long as any shares of Class M Common Stock are outstanding, any Class M Director may be removed without cause by the affirmative vote of at least a majority in voting power of all the then outstanding shares of Class M Common Stock, voting separately as a class.

(c) The aggregate number of votes that may be cast by all holders of the Class M Common Stock shall on all matters equal 1000 and each holder of Class M Common Stock, without regard to the number of shares of Class M Common Stock held by such holder, shall be entitled to that number of votes or fraction thereof that equals the product of 1000 multiplied by such holder's Global Proxy Calculation, as such term is defined in, and determined in accordance with this Section 4.3(A)(3) (c). For purposes of determining the number of votes, or fraction thereof, to which each holder of Class M Common Stock shall be entitled, the Global Proxy Calculation for each such holder of Class M Common Stock shall be equal to the sum obtained by adding (A) .25 multiplied by a fraction, the numerator of which is such holder's Gross Dollar Volume (GDV) and the denominator of which is the Corporation's Gross Dollar Volume (GDV) attributable to all holders of Class M Common Stock of the Corporation, plus (B) .25 multiplied by a fraction, the numerator of which is such holder's Gross Acquiring Volume (GAV) and the denominator of which is the Corporation's Gross Acquiring Volume (GAV) attributable to all holders of Class M Common Stock of the Corporation, plus (C) .50 multiplied by a fraction, the numerator of which is the sum of (1) the Revenues Paid by such holder to the Corporation and its consolidated subsidiaries relating to all matters other than travelers cheque programs, plus (2) two times the Revenues Paid by the holder to the Corporation and its consolidated subsidiaries relating to travelers cheque programs, and the denominator of which is the sum of (1) the Revenues Paid by all holders of Class M Common Stock to the Corporation and its consolidated subsidiaries relating to all matters other than travelers cheque programs, plus (2) two times the Revenues Paid by all holders of Class M Common Stock to the Corporation and its consolidated subsidiaries relating to travelers cheque programs, in each case for the applicable period. No Gross Dollar Volume (GDV) or Gross Acquiring Volume (GAV) shall be attributable to travelers cheque programs for purposes of the Global Proxy Calculation. The Board may fix a record date for the purposes of determining those holders of Class M Common Stock of record whose Gross Dollar Volume (GDV), Gross Acquiring Volume (GAV) and Revenues Paid shall be included in determining a Global Proxy Calculation for a particular period, which record date shall not be more than 30 days prior to the end of any such period. Only actual, as opposed to estimated, Gross Dollar Volume (GDV) and Gross Acquiring Volume (GAV) and Revenues Paid information will be used in determining the Global Proxy Calculation for each holder of Class M Common Stock.

The Global Proxy Calculation shall be calculated for each successive 12-month period beginning on July 1, 2005; *provided, however*, that for Global Proxy Calculations for periods ending after June 30, 2007, the Board may elect to use the Corporation's fiscal year as the basis for the Global Proxy Calculation; and *provided, further*, that the Board may elect to use any other 12-month period as the basis for the Global Proxy Calculation if it determines in its sole

and absolute discretion that such election is necessary or desirable. The Corporation, acting through relevant employees selected by the Chief Executive Officer from time to time, shall compute the Global Proxy Calculation for each holder of Class M Common Stock for each applicable 12-month period and the results of such computation will be on file at the Corporation's principal office and will be made available to any stockholder of the Corporation upon request 180 days after the end of the 12-month period to which the computation relates. The Global Proxy Calculation for any 12-month period shall remain in effect for any and all matters until the calculation for a more recent 12-month period is made available by the Corporation. The Board may make such interpretations with respect to the implementation of the Global Proxy Calculation as it may determine to be necessary or desirable in its sole and absolute discretion and shall have the final authority, which may be delegated to the officers of the Corporation, to determine the Global Proxy Calculation for any period in its sole and absolute discretion, and any such determination shall be final and binding for all purposes unless the Board determines that an error was made in the computation, in which case the computation shall be corrected in accordance with the directions of the Board.

For purposes of this Section 4.3(A)(3)(c):

“card fee assessment” means a bona fide, non *de minimis* fee expressed as a fixed amount in connection with a card.

“Gross Dollar Volume” means processed and non-processed issued Volumes (including domestic and international retail purchases, cash transactions, convenience checks, on-us transactions, intra-processor transactions, local use only transactions and balance and commercial funds transfers) that occur as a result of one or more of (A) a transaction involving any one of the Corporation's brands (e.g., MasterCard[®], Eurocard[®], Maestro[®], Cirrus[®] and ec Picto[®]) or (B) a non-MasterCard branded transaction involving a card which includes any one of the Corporation's brand logos as well as other payment brand logos, provided that such other payment brands are not in direct competition with any of the Corporation's brands, as determined by the Corporation.

“Gross Acquiring Volume” means processed and non-processed acquired Volumes (including domestic and international retail purchases, cash transactions, on-us transactions, intra-processor transactions and local use only transactions) that occur as a result of one or more of (A) a transaction involving any one of the Corporation's brands (e.g., MasterCard[®], Eurocard[®], Maestro[®], Cirrus[®] and ec Picto[®]) or (B) a non-MasterCard branded transaction involving a card which includes any one of the Corporation's brand logos as well as other payment brand logos, provided that such other payment brands are not in direct competition with any of the Corporation's brands, as determined by the Corporation.

“Integration Agreement” means the Share Exchange and Integration Agreement by and among the Corporation, MasterCard International and Europay International S.A., dated as of February 13, 2002, as amended, modified, supplemented or restated from time to time.

“Permitted Purse Brand” means a brand representing a stored value application that is permitted to be used by members of MasterCard International under the By-Laws and Rules of MasterCard International.

“Revenues Paid” for any period means, with respect to a particular holder of Class M Common Stock, all revenues of the Corporation on a consolidated basis, calculated in accordance with U.S. GAAP, that are generated by the activities of that holder, other than (1) any fees or other charges associated with the termination of that holder’s membership in MasterCard International, (2) Integration Assessments (as defined in the By-Laws of MasterCard International) paid by that holder, (3) other assessments, fees and charges paid by that holder in its capacity as a member of MasterCard International if those assessments, fees or charges were imposed on less than all of the members of MasterCard International (except for assessments, fees and charges pertaining to business development, ordinary course of business and other matters deemed to be includable by the management of MasterCard International in its sole discretion) and (4) fines and penalties paid by that holder (except as determined in the sole discretion of the management of MasterCard International).

“volume-based assessment” means a bona fide, non de minimis assessment typically expressed as a percentage of the Gross Dollar Volume (GDV) or Gross Acquiring Volume (GAV) associated with a particular type of transaction.

“Volumes” means the following four types of volumes in the specified percentages:

1. Type 1 shall include 100% of all (1) volumes on cards that include a MasterCard[®] brand logo and that are subject to volume-based assessments or card fee assessments, (2) Maestro[®] and Cirrus[®] processed debit volumes and (3) Maestro[®] and Cirrus[®] debit volumes that are subject to volume-based assessments, so long as Maestro[®], a Permitted Purse Brand and/or Cirrus[®] is the sole acceptance brand on the card.

2. Type 1A shall include 75% of all ec Picto[®] volumes and other similar debit volumes that in each case have been converted to Maestro[®] volumes so long as Maestro[®], a Permitted Purse Brand and/or Cirrus[®] is the sole acceptance brand on the card and the card is subject to card fee assessments.

3. Type 2 shall include the following percentages of all volumes for regional debit brands owned solely by the Corporation on cards that include a Maestro[®] and/or Cirrus[®] logo; provided that such cards are subject to volume-based assessments or card fee assessments; and *provided, further*, that for calculations for the 12-month periods ending June 30, 2005, 2006 and 2007, there is a binding written commitment to remove all acceptance brand logos, other than the Maestro[®] brand logo, the Cirrus[®] brand logo or a Permitted Purse Brand logo, on the cards not later than July 1, 2007:

- a. 40% of such volumes for the 12-month period ending June 30, 2005;

- b. 30% of such volumes for the 12-month period ending June 30, 2006;
- c. 20% of such volumes for the 12-month period ending June 30, 2007; and
- d. 10% of such volumes for subsequent years.

4. Type 3 shall include 1% of (i) volumes for regional debit brands not owned by the Corporation on cards that include a Maestro[®] and/or Cirrus[®] brand logo and are subject to volume-based assessments or card fee assessments and (ii) volumes for balance and commercial funds transfers relating to cards that are subject to volume-based assessments or card fee assessments.

For each Global Proxy Calculation, all Volumes described above will be included in calculating Gross Dollar Volume and Gross Acquiring Volume whether those Volumes are assessed directly or the cards to which they relate are subject to card fee assessments of the type contemplated by the applicable type of Volume. In addition, for each Global Proxy Calculation performed with respect to periods ending on or prior to June 30, 2005, Volumes of the types described above will be included even if they are not subject to volume-based or card fee assessments. References to a “brand” shall include any successors to that brand.

For purposes of determining the Global Proxy Calculation, the conversion of Euros into U.S. dollars will be based on the average exchange rate during the twenty-day period ending on the day prior to the applicable measurement date (the “*Prevailing Exchange Rate*”), provided that during all periods prior to June 30, 2007, the Prevailing Exchange Rate shall be \$.9565 U.S. = 1 Euro for so long as 1 Euro is not less than \$.9065 U.S. and not greater than \$1.0065 U.S. (the “*Currency Conversion Band*”). In the event that the Prevailing Exchange Rate does not fall within the Currency Conversion Band, the currency conversion rate to convert Euros to U.S. Dollars will be \$.9565 adjusted by the difference between such Prevailing Exchange Rate and the upper/lower limit of the Currency Conversion Band, as applicable.

For purposes of determining the Global Proxy Calculation during the period set forth in the preceding paragraph, amounts denominated in the currency of a country within the Europe Region (as defined in the Integration Agreement) other than the Euro shall first be converted into Euros and subsequently converted into U.S. dollars in accordance with the previous paragraph.

Notwithstanding any other provision hereof, for purposes of determining the Global Proxy Calculation for each stockholder for each of the seven years after June 30, 2005, (i) \$100 million will be subtracted from the denominator of the Revenues Paid component of the Global Proxy Calculation relating to all matters other than travelers cheque programs, irrespective of whether the Corporation earned such amount as revenues under U.S. GAAP, and (ii) an “Adjustment Amount” will be subtracted from the numerator of the Revenues Paid component of the Global Proxy Calculation relating to all matters other than travelers cheque programs, irrespective of whether the stockholder paid such amount in revenues to the Corporation. “Adjustment Amount” means: (a) for each stockholder that is designated on the books and records of the Corporation (which shall be conclusive and binding for all purposes) as part of the U.S. Region of the Corporation (a “U.S. Stockholder”), an amount calculated by multiplying \$100 million by a

fraction, the numerator of which is the Revenues Paid by such U.S. Stockholder to the Corporation and its consolidated subsidiaries prior to adjustment pursuant to this Section and the denominator of which is the Revenues Paid by all U.S. Stockholders to the Corporation and its consolidated subsidiaries prior to adjustment pursuant to this Section; and (b) for each other stockholder of the Corporation, zero.

(B) *Dividends and Distributions.*

(1) Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Class A Common Stock and the Class B Common Stock with respect to the payment of dividends, dividends may be declared and paid on the Class A Common Stock and the Class B Common Stock out of the assets of the Corporation that are by law available therefor at such times and in such amounts as the Board in its discretion shall determine. Except as otherwise required by the DGCL, in any circumstance where the Corporation may declare dividends or otherwise make distributions (including, without limitation, any distribution on liquidation, dissolution or winding-up of the Corporation) on either the Class A Common Stock or Class B Common Stock, the Corporation shall declare the same per share dividends or make the same per share distributions, as the case may be, on such other class of Common Stock; *provided, however*, that if any such dividends or distributions are declared with respect to the Class A Common Stock in the form of additional shares of Class A Common Stock, such dividends or distributions shall be made with respect to the Class B Common Stock in the form of an equivalent number of shares of Class B Common Stock and if any such dividends or distributions are declared with respect to the Class B Common Stock in the form of additional shares of Class B Common Stock, such dividends or distributions shall be made with respect to the Class A Common Stock in the form of an equivalent number of shares of Class A Common Stock.

(2) Dividends or other distributions shall not be declared or paid on the Class M Common Stock.

(C) *Ownership of Class B Common Stock.* Class B Common Stock may only be held by (i) a Class A member or affiliate member of MasterCard International, (ii) the Corporation or a subsidiary thereof or (iii) a director, officer or employee of the Corporation or a subsidiary thereof. Any transfer or purported transfer that would result in a violation of the immediately preceding sentence shall be void *ab initio* and any shares of Class B Common Stock held in violation of this Section 4.3(C) may be redeemed by the Corporation, or its designee, at a price per share equal to the lesser of (i) the per share consideration paid in the transaction that resulted in such violative transfer (or, in the case of a devise, gift or other such transaction without consideration, the Market Price at the time of such devise or gift or other such transaction) and (ii) the Market Price on the date the Corporation, or its designee, elects to redeem such shares.

(D) *Conversion* .

(1) (A) Any holder of Class B Common Stock may, at any time and from time to time commencing with the date that is the fourth anniversary of the date of the consummation of the Initial Public Offering, at such holder's option, convert all or any portion of such holder's shares of Class B Common Stock into an equal number of fully paid and nonassessable shares of Class A Common Stock by delivery of written or electronic notice (or such other reasonable means as the Corporation may establish) to the Corporation (and, if such shares are held in certificated form, delivery and surrender to the Corporation of the certificates representing the shares of Class B Common Stock to be so converted); *provided, however* , that nothing herein shall entitle any Person to convert Class B Common Stock into Class A Common Stock if this would result in any Member (including such Person) Beneficially Owning any share of Class A Common Stock except as permitted pursuant to Section 4.3(D)(1)(B). Subject to the provisos contained in the immediately preceding sentence, a conversion pursuant to this Section 4.3(D)(1)(A) may be effected in connection with a transfer of shares Beneficially Owned by a Member. Upon such delivery of written notice (and, if applicable, surrender of certificates) pursuant to this Section 4.3(D)(1)(A), the Corporation shall deliver or cause to be delivered to or upon the written order of the record owner of such shares of Class B Common Stock the number of fully paid and nonassessable shares of Class A Common Stock into which the shares of such Class B Common Stock have been converted in accordance with the provisions of this Section 4.3(D)(1)(A). The Corporation may, in connection with any conversion pursuant to this Section 4.3(D)(1)(A), require such evidence as the Board may determine in its sole discretion, that following such conversion the shares shall not be Beneficially Owned by a Member except as permitted pursuant to Section 4.3(D)(1)(B). The Board may from time to time establish such procedures as it may in its sole and absolute discretion determine to be necessary or desirable for the orderly conversion of Class B Common Stock, which procedures shall be binding upon the holders of Class B Common Stock.

- (B) Without limiting or expanding the rights conferred by Section 4.3(D)(1), the Corporation is hereby expressly authorized to permit holders of Class B Common Stock to convert such shares into an equal number of shares of Class A Common Stock (each, a "Conversion Transaction"), subject to any conditions the Corporation may determine to impose in its sole discretion including, without limitation, any requirements the Corporation may impose to facilitate the orderly entry of converted shares of Class A Common Stock into the public trading market, prior to the fourth anniversary of the date of the consummation of the Initial Public Offering; *provided, however* , that the Corporation shall not authorize a Conversion Transaction if such transaction, given pro forma effect (i) would cause the percentage equal to the number of issued and outstanding shares of Class B Common Stock divided by the sum of the number of issued and outstanding shares of Class A Common Stock and Class B Common Stock, based on the number of shares outstanding as of the end of the prior fiscal quarter or such other more recent date to be established at the discretion of the Corporation, to fall below 15% or (ii) taken together with all other Conversion Transactions

effected during such calendar year, would cause the percentage equal to the number of issued and outstanding shares of Class B Common Stock divided by the sum of the number of issued and outstanding shares of Class A Common Stock and Class B Common Stock based on the number of shares outstanding as of December 31 of the prior calendar year (giving effect to any intervening dividend of additional shares or subdivision, combination or consolidation of outstanding shares) to decrease by more than 10 percentage points.

- (C) Following the occurrence of a conversion pursuant to Section 4.3(D)(1)(A) or 4.3(D)(1)(B) and prior to sale, Members shall be permitted to Beneficially Own Class A Common Stock for a period which shall not exceed 30 days (such period, the “Transitory Ownership Period”); *provided, however*, that during the Transitory Ownership Period, Members shall not be permitted to vote any shares of Class A Common Stock Beneficially Owned by them.

(2) The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Class A Common Stock on the conversion of shares of Class B Common Stock pursuant to Section 4.3(D)(1)(A) or 4.3(D)(1)(B); *provided, however*, that the Corporation shall not be required to pay any taxes which may be payable in respect of any registration of transfer involved in the issue or delivery of shares of Class A Common Stock in a name other than that of the record owner of Class B Common Stock converted or to be converted, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such taxes or has established, to the reasonable satisfaction of the Corporation, that such taxes have been paid.

(3) As long as any shares of Class B Common Stock shall be outstanding, the Corporation shall reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purpose of effecting the conversion of shares of Class B Common Stock, that number of shares of Class A Common Stock necessary to effect the conversion of all of the then outstanding shares of Class B Common Stock. If at any time the Board determines that the number of authorized but unissued shares of Class A Common Stock would be insufficient to effect the conversion of all of the then outstanding shares of Class B Common Stock, the Board shall use all reasonable efforts to cause the Corporation’s authorized but unissued shares of Class A Common Stock to be increased to such number of shares as shall be sufficient to effect such conversion.

(4) Upon the occurrence of a conversion pursuant to Section 4.3(D)(1)(A) or 4.3(D)(1)(B), the Class B Common Stock so converted shall be retired and may not be reissued.

(5) Shares of Class M Common Stock and shares of Class A Common Stock shall not be convertible into any other class or series.

(E) [Reserved].

(F) [Reserved].

(G) *Issuance and Retirement of Class M Common Stock* .

(1) Following the Filing Time, for so long as Class M Common Stock remains issued and outstanding, the Corporation shall issue a share of Class M Common Stock to each new Class A member of MasterCard International upon such new Class A member of MasterCard International becoming such and the delivery by such new Class A member of MasterCard International of a fully executed license agreement to MasterCard International.

(2) In the event that any outstanding share of Class M Common Stock shall cease to be held by a Class A member of MasterCard International (including, without limitation, if a Class A member of MasterCard International holding such share shall cease to retain such status), such share shall automatically and without further action on the part of the Corporation or any holder of Class M Common Stock be transferred to the Corporation and thereupon shall be retired. In addition, and without further action on the part of the Corporation or any holder of Class M Common Stock, all outstanding shares of Class M Common Stock shall automatically be transferred to the Corporation and thereupon shall be retired and thereafter shall be unavailable for issue or reissue, and the Corporation shall not thereafter have the authority to issue additional shares of Class M Common Stock, upon the earliest to occur of:

(a) the approval thereof by the affirmative vote of at least a majority of the votes cast thereon by the holders of Class M Common Stock voting as a separate class; or

(b) the day on which the outstanding shares of Class B Common Stock represent less than 15% of the aggregate outstanding shares of Class A Common Stock and Class B Common Stock.

(H) *Liquidation, Dissolution or Winding Up* . In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and of the preferential and other amounts, if any, to which the holders of Preferred Stock shall be entitled, the holders of all outstanding shares of Class A Common Stock and Class B Common Stock shall be entitled to receive the remaining assets of the Corporation available for distribution ratably in proportion to the number of shares held by each such stockholder. The holders of shares of Class M Common Stock, as such, shall not be entitled to receive any assets of the Corporation in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(I) *Mergers, Consolidation, Etc.* In the event that the Corporation shall enter into any consolidation, merger, combination or other transaction in which shares of Class A Common Stock or Class B Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then, and in such event, the shares of each such class of Common Stock shall be exchanged for or changed into the same per share amount of stock, securities, cash and/or any other property, as the case may be, into which or for which each share of the other class of Common Stock is exchanged or changed; provided, however, that if shares of Class A Common Stock or Class B Common Stock are exchanged for or changed into shares of capital stock, such shares so exchanged for or changed into may differ to the extent and only to the extent that the Class A Common Stock and the Class B Common Stock differ as provided herein.

(J) *Adjustments* . In the event that the Corporation shall, at any time when any shares of Class B Common Stock are outstanding, effect a subdivision, combination or consolidation of the outstanding shares of Class A Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Class A Common Stock, then in each case the Corporation shall, at the same time, effect an equivalent subdivision, combination or consolidation of the outstanding shares of Class B Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Class B Common Stock. In the event that the Corporation shall at any time when any shares of Class A Common Stock are outstanding effect a subdivision, combination or consolidation of the outstanding shares of Class B Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Class B Common Stock, then in each case the Corporation shall, at the same time, effect an equivalent subdivision, combination or consolidation of the outstanding shares of Class A Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Class A Common Stock.

(K) *Limitations on Beneficial Ownership of Class A Common Stock and Class B Common Stock* .

(1) Except as permitted pursuant to Section 4.3(D)(1), no Member or Similar Person (as defined below) shall Beneficially Own any share of Class A Common Stock or any share of Other Voting Stock. Any Beneficial Ownership in violation of this Section 4.3(K)(1) (including, for the avoidance of doubt, any Beneficial Ownership of a Person that shall thereafter become a Member or Similar Person) shall be subject to the provisions set forth in Section 4.3(K)(6)-(9).

(2) No Person shall Beneficially Own (a) shares of Class A Common Stock representing more than 15% of the aggregate outstanding shares or voting power of Class A Common Stock; (b) shares of any class or series of Other Voting Stock representing more than 15% of the aggregate outstanding shares or voting power of such class or series of Other Voting Stock; or (c) shares of Class A Common Stock and/or Other Voting Stock representing more than 15% of the aggregate voting power of all the then outstanding shares of stock of the Corporation entitled to vote at an election of directors, voting as a single class. Any Beneficial Ownership in violation of this Section 4.3(K)(2) shall be subject to the provisions set forth in Section 4.3(K)(6)-(9).

(3) No Person shall directly or indirectly acquire Beneficial Ownership of more than 15% of the aggregate outstanding shares of Class B Common Stock otherwise than as a direct result of a decrease in the number of shares of Class B Common Stock outstanding. If any Transfer is purportedly effected which, if effective, would result in any Person Beneficially Owning shares of Class B Common Stock in violation of this Section 4.3(K)(3) then the intended transferee shall acquire no rights in respect of such shares, including, without limitation, voting rights or rights to dividends or other distributions with respect to such shares, and any shares of Class B Common Stock Beneficially Owned in violation of this Section 4.3(K)(3) may be redeemed by the Corporation, or its designee, at a price per share equal to the lesser of (i) the per share consideration paid in the transaction that resulted in such violative Transfer (or, in the case of a devise, gift or other such transaction without consideration, the Market Price of the Class A Common Stock at the time of such devise or gift or other such transaction) and (ii) the Market Price of the Class A Common Stock on the date the Corporation, or its designee, elects to redeem such shares.

(4) (a) Notwithstanding Section 4.3(K)(1), in the event that, at any time when shares of Class M Common Stock are issued and outstanding, the number of shares of Class B Common Stock outstanding at the end of a fiscal period shall be less than 41% of the aggregate number of shares of Class A Common Stock and Class B Common Stock outstanding at such date, Class A members and affiliate members of MasterCard International shall be permitted to acquire (through purchases in the open market or otherwise) that number of additional shares of Class A Common Stock that would result in the holders of Class B Common Stock, collectively and after giving effect to the conversion of shares provided in the succeeding sentence, holding a number of shares of Class B Common Stock that is equal to 41% of the aggregate number of shares of Class A Common Stock and Class B Common Stock outstanding at such fiscal period end. Any such shares of Class A Common Stock so acquired shall automatically convert into an equal number of shares of Class B Common Stock upon the acquisition thereof by a Member. The Board may establish such procedures as it may in its sole and absolute discretion determine to be necessary or desirable for the orderly acquisition and conversion of Class A Common Stock pursuant to this Section 4.3(K)(4), including, without limitation, procedures relating to the periodicity of such acquisitions and conversions and to the allocation among the Class A members and affiliate members of MasterCard International of the permission to acquire additional shares, which procedures shall be binding upon the stockholders of the Corporation and upon the Class A members and affiliate members of MasterCard International.

(b) Notwithstanding Section 4.3(K)(2), The MasterCard Foundation may Beneficially Own more than 15% of the aggregate outstanding shares of Class A Common Stock; provided that The MasterCard Foundation shall not Beneficially Own more than 20% of the aggregate outstanding shares of Class A Common Stock.

(c) Notwithstanding Section 4.3(K)(1) and (2), an underwriter that participates in a public offering or a private placement of Class A Common Stock or Other Voting Stock (or securities convertible into or exchangeable for Class A Common Stock or Other Voting Stock) may Beneficially Own shares of Class A Common Stock or Other Voting Stock (or securities convertible into or exchangeable for Class A Common Stock or Other Voting Stock) in excess of the limitations on Beneficial Ownership set forth in Sections 4.3(K) (1) and (2), but only to the extent necessary to facilitate such public offering or private placement.

(d) A Person (including, without limitation, a Member or Similar Person) shall not be deemed to Beneficially Own shares of Class A Common Stock or Other Voting Stock (or securities convertible into or exchangeable for Class A Common Stock or Other Voting Stock) for purposes of Section 4.3(K)(1) and (2) if such shares of Class A Common Stock or Other Voting Stock (or securities convertible into or exchangeable for Class A Common Stock or Other Voting Stock) are held for the benefit of third parties or in customer or fiduciary accounts in the ordinary course of such Person's business and if such shares are held by such Person without the purpose or effect of changing or influencing control of the Corporation.

(5) *Definitions* .

(a) "Affiliate" shall have the meaning assigned to such term in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*") (or any successor rule).

(b) "Beneficial Owner" shall have the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act (or any successor rules), except that in calculating the beneficial ownership of any particular Person, such Person will be deemed to have beneficial ownership of all securities that such Person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns", "Beneficial Ownership" and "Beneficially Owned" have a corresponding meaning.

(c) "Charitable Beneficiary" shall mean one or more beneficiaries of the Trust as determined pursuant to Section 4.3 (K)(8)(f), provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code (or any successor provisions).

(d) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

(e) “Market Price” of a security on any date shall mean the last reported sale price for such security, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, for such security, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such security is not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such security is listed or admitted to trading or, if such security is not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such security selected by the Board or, in the event that no trading price is available for such security, the fair market value of such security as determined in good faith by the Board.

(f) “Member” shall mean any Person that at the Filing Time is, or thereafter shall become, a Class A member or affiliate member of MasterCard International or licensee of any of the Corporation’s or MasterCard International’s brands, or an Affiliate of any of the foregoing, whether or not such Person continues to retain such status.

(g) “Person” shall mean an individual, corporation, partnership, limited liability company, estate, trust (including a trust qualified under Sections 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

(h) “Prohibited Owner” shall mean, with respect to any purported Transfer, any Person who, but for the provisions of Sections 4.3(K)(1) or (2), would Beneficially Own shares of Class A Common Stock and/or Other Voting Stock, and if appropriate in the context, shall also mean any Person who would have been the record owner of the shares that the Prohibited Owner would have so owned.

(i) “Similar Person” shall mean any Person that is an operator, member or licensee of any general purpose payment card system that competes with the Corporation, or any Affiliate of such a Person.

(j) “The MasterCard Foundation” shall mean The MasterCard Foundation, a legal entity incorporated as a corporation without share capital under the Canada Corporations Act.

(k) “Transfer” shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire Beneficial Ownership, or any agreement to take any such actions or cause any such events, of Class A Common Stock, Class B Common Stock and/or Other Voting Stock or the right to vote Class A Common Stock and/or Other Voting Stock, including (a) the granting or exercise of any option (or any disposition of any option), (b) any disposition of any securities or rights convertible into or exchangeable for Class A Common Stock, Class B Common Stock and/or Other Voting Stock or any interest in Class A Common Stock, Class B Common Stock and/or Other Voting Stock or any exercise of any such conversion or exchange right and (c) Transfers of interests in other entities that result in changes in Beneficial Ownership of Class A Common Stock, Class B Common Stock and/or Other Voting Stock; in each case, whether voluntary or involuntary, whether owned of record, or Beneficially Owned and whether by operation of law or otherwise. The terms “Transferring” and “Transferred” shall have the correlative meanings.

(l) “Trust” shall mean any trust as defined in Section 4.3(K)(6)(a).

(m) “Trustee” shall mean a Person unaffiliated with the Corporation, a Prohibited Owner or any Member or Similar Person, that is appointed by the Corporation to serve as trustee of a Trust.

(6) *Violative Transfer* . If any Transfer is purportedly effected which, if effective, would result in any Person Beneficially Owning shares of Class A Common Stock and/or Other Voting Stock in violation of Sections 4.3(K)(1) or (2) then the intended transferee shall acquire no rights in respect of such shares, including, without limitation, voting rights or rights to dividends or other distributions with respect to such shares and:

(a) that number of shares of the Class A Common Stock and/or Other Voting Stock the Beneficial Ownership of which otherwise would cause such Person to violate Sections 4.3(K)(1) or (2) (rounded to the next highest whole share) shall be automatically transferred to a trust (“*Trust*”) for the benefit of a Charitable Beneficiary, effective as of the close of business on the business day prior to the date of such transfer, and such Person shall acquire no rights in such shares; or

(b) if the transfer to the Trust described in clause (a) of this Section 4.3(K)(6) would not be effective for any reason to prevent the violation of Sections 4.3(K)(1) or (2), as applicable, then, subject to Section 4.3(K)(10) hereof, the Transfer of that number of shares of Class A Common Stock and/or Other Voting Stock that otherwise would cause any Person to violate Sections 4.3(K)(1) or (2) shall be void *ab initio* .

(7) *Remedies for Breach* . If the Board shall at any time determine in good faith that a Transfer or other event has purportedly taken place that, if effected would result in a violation of Sections 4.3(K)(1) or (2) or that a Person intends to acquire or has attempted to acquire Beneficial Ownership of any shares of Class A Common Stock and/or Other Voting Stock in violation of Sections 4.3(K)(1) or (2) (whether or not such violation is intended), the Board shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Corporation to redeem shares pursuant to Section 4.3(K)(8)(e), refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; *provided, however* , that any Transfer or attempted Transfer or other event in violation of Sections 4.3(K)(1) or (2) shall automatically result in the Transfer to a Trust, and, where applicable, such Transfer (or other event) in violation of Sections 4.3(K)(1) or (2) shall be void *ab initio* irrespective of any action (or non-action) by the Board.

(8) *Transfer of Class A Common Stock and/or Other Voting Stock in Trust* .

(a) *Ownership in Trust* . Upon any purported Transfer that would result in a transfer of shares of Class A Common Stock and/or Other Voting Stock to a Trust pursuant to Section 4.3(K)(6), such shares shall be deemed to have been Transferred to the trustee of the Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such Transfer to the Trustee shall be deemed to be effective as of the close of business on the business day prior to the date of such purported Transfer or other event that results in the Transfer to the Trust pursuant to Section 4.3(K)(6). The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation and any Prohibited Owner or Member. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 4.3(K)(8)(f).

(b) *Status of Shares Held by the Trustee* . Shares of Class A Common Stock and/or Other Voting Stock held by the Trustee shall be issued and outstanding shares of Class A Common Stock and/or Other Voting Stock, respectively, of the Corporation. The Prohibited Owner shall have no rights in the shares held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the shares held in the Trust.

(c) *Dividend and Voting Rights* . The Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Class A Common Stock and/or Other Voting Stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by the Corporation that the shares of Class A Common Stock and/or Other Voting Stock have been transferred to the Trustee shall be paid by the recipient of such dividend or distribution to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividend or distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Trust and, subject to the DGCL, effective as of the date that the shares of Class A Common Stock and/or Other Voting Stock have been transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that the shares of Class A Common Stock and/or Other Voting Stock have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken corporate action pursuant to such vote, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Section 4.3(K), until the Corporation has received notification that shares of Class A Common Stock and/or Other Voting Stock have been transferred into a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

(d) *Sale of Shares by Trustee* . Within 20 days of receiving notice from the Corporation that shares of Class A Common Stock and/or Other Voting Stock have been transferred to the Trust, the Trustee of the Trust shall sell the shares held in the Trust to a Person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Sections 4.3(K)(1) or (2), as applicable. Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Trust (e.g., in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust and (2) the price per share received by the Trustee (net of any commissions and other expenses of sale) from the sale or other disposition of the shares held in the Trust. The Trustee may reduce the amount payable to the Prohibited Owner by the amount of dividends and distributions which have been paid to the Prohibited Owner and are owed by the Prohibited

Owner to the Trustee pursuant to Section 4.3(K)(8)(c). Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Class A Common Stock and/or Other Voting Stock have been transferred to the Trust, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 4.3(K)(8)(d), such excess shall be paid to the Trustee upon demand.

(e) *Right to Redeem Stock Transferred to the Trustee* . Shares of Class A Common Stock and/or Other Voting Stock transferred to the Trustee may be redeemed by the Corporation, or its designee, at a price per share equal to the lesser of (i) the per share consideration paid in the transaction that resulted in such transfer to the Trust (or, in the case of a devise, gift or other such transaction without consideration, the Market Price at the time of such devise or gift or other such transaction) and (ii) the Market Price on the date the Corporation, or its designee, elects to redeem such shares. The Corporation may reduce the amount payable to the Prohibited Owner by the amount of dividends and distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to 4.3(K)(8)(c). The Corporation may pay the amount of such reduction to the Trustee for the benefit of the Charitable Beneficiary. The Corporation shall have the right to redeem such shares until the Trustee has sold the shares held in the Trust pursuant to Section 4.3(K)(8)(d). Upon such a redemption, the interest of the Charitable Beneficiary in the shares shall terminate and the Trustee shall distribute the net proceeds of the redemption to the Prohibited Owner.

(f) *Designation of Charitable Beneficiaries* . By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust such that the shares of Class A Common Stock and/or Other Voting Stock held in the Trust would not violate the restrictions set forth in Sections 4.3(K)(1) or (2) in the hands of such Charitable Beneficiary.

(g) *Notice of Restricted Transfer* . Any Person who acquires or attempts or intends to acquire Beneficial Ownership of shares of Class A Common Stock and/or Other Voting Stock that will or may violate Sections 4.3(K)(1) or (2) or any Person who would have owned shares of Class A Common Stock and/or Other Voting Stock that resulted in a transfer to the Trust pursuant to the provisions of Section 4.3(K)(6) shall immediately give written notice to the Corporation of such event, or in the case of such a proposed or attempted transaction, give at least 15 days prior written notice, and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer on the Corporation.

(10) *NYSE Transactions* . Nothing in this Section 4.3(K) shall preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of this Section 4.3(K) and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Section 4.3(K).

(11) *Ambiguity* . In the case of an ambiguity in the application of any of the provisions of this Section 4.3(K), the Board of the Corporation shall have the power to determine the application of the provisions of this Section 4.3(K) with respect to any situation based on the facts known to it. In the event Section 4.3(K)(7) or (8) requires an action by the Board and this Amended and Restated Certificate of Incorporation fails to provide specific guidance with respect to such action, the Board shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 4.3(K). Absent a decision to the contrary by the Board (which the Board may make in its sole and absolute discretion), if a Person would have (but for the remedies set forth in Section 4.3(K)(7)) acquired Beneficial Ownership of Class A Common Stock and/or Other Voting Stock in violation of Section 4.3(K)(1) or (2), such remedies (as applicable) shall apply first, to the shares of Class A Common Stock and/or Other Voting Stock which, but for such remedies, would have been owned directly by such Person, second, to the shares which, but for such remedies, would have been wholly Beneficially Owned (but not owned directly) by such Person, and thereafter, to the shares which, but for such remedies, would have been Beneficially Owned by such Person, pro rata among the Persons who directly own such shares of Class A Common Stock and/or Other Voting Stock based upon the relative number of the shares of Class A Common Stock and/or Other Voting Stock held by each such Person.

(12) *Enforcement* . The Corporation is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Section 4.3(K).

(13) *Non-Waiver* . No delay or failure on the part of the Corporation or the Board in exercising any right hereunder shall operate as a waiver of any right of the Corporation or the Board, as the case may be, except to the extent specifically waived in writing.

(L) *Legend* . Any certificate for shares of Common Stock shall bear a legend that the shares represented by such certificates are subject to the restrictions on transferability set forth herein.

ARTICLE V

Section 5.1. By-Laws . In furtherance and not in limitation of the powers conferred by the DGCL, the Board is expressly authorized to make, amend, alter, change, add to or repeal the by-laws of the Corporation without the assent or vote of the stockholders in any

manner not inconsistent with the laws of the State of Delaware or this Amended and Restated Certificate of Incorporation. Notwithstanding anything to the contrary contained in this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least 80% of the voting power of all the then outstanding shares of stock of the Corporation entitled to vote generally in the election of directors (which, for the avoidance of doubt, shall not include shares of Class M Common Stock), voting together as a single class, shall be required for the stockholders to alter, amend or repeal any provision of the by-laws of the Corporation or to adopt any provision inconsistent therewith. In addition, the affirmative vote of at least a majority of the votes cast thereon by the holders of Class M Common Stock, voting separately as a class, shall be required to alter, amend or repeal any provision of the by-laws of the Corporation which is to the same effect as Article IV, Section 4.3(A)(3), Article VI, Section 6.1(A), Article VI, Section 6.4 or Article VI, Section 6.5 of this Amended and Restated Certificate of Incorporation or to adopt any provision inconsistent therewith.

ARTICLE VI

Section 6.1. Board of Directors: Composition.

(A) Except as provided in Article VI, Section 6.7, the business and affairs of the Corporation shall be managed by or under the direction of a Board consisting of not less than three directors or more than twelve directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the Board. The Board may also appoint one person, who has previously served on the Board and who is not a director, officer, employee or agent of, and does not represent, a Member, to participate, at the pleasure of the Board, in the deliberations of the Board in a non-voting, advisory capacity (a “Non-Voting Advisor”). The Class M Directors and any directors that may be elected by the holders of any series of Preferred Stock shall be included within the number of directors fixed by or pursuant to this Section 6.1(A).

(B) Commencing with the election of directors at the first annual meeting following the Filing Time (the “First Annual Meeting”), the directors shall be divided into three classes designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board. No more than one Class M Director shall be allocated to any single class of directors. At the First Annual Meeting, Class I directors shall be elected for a term expiring at the next succeeding annual meeting of stockholders, Class II directors shall be elected for a term expiring at the second succeeding annual meeting of stockholders and Class III directors shall be elected for a term expiring at the third succeeding annual meeting of stockholders. At each annual meeting of stockholders following the First Annual Meeting, successors to the class of directors whose term expires at that annual meeting shall be elected for a term expiring at the third succeeding annual meeting of stockholders. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a newly created directorship resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director.

(C) A majority of the total number of directors then in office (but not less than one-third of the number of directors constituting the entire Board) shall constitute a quorum for the transaction of business; *provided*, that a quorum shall not be constituted unless directors who are neither Class M Directors nor officers of the Corporation represent a majority of the directors present. Except as otherwise provided by law, this Amended and Restated Certificate of Incorporation or the by-laws of the Corporation, the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board.

(D) A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

(E) Directors need not be elected by written ballot unless the by-laws shall so provide.

Section 6.2. Board of Directors: Vacancies. Any newly created directorship on the Board that results from an increase in the number of directors and any vacancy occurring in the Board shall be filled only by a majority of the directors then in office who are not Class M Directors, although less than a quorum, or by a sole remaining director who is not a Class M Director; *provided*, that any newly created directorship on the Board that results from an increase in the number of directors and any vacancy occurring in the Board shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director if (a) the Board shall be comprised only of Class M Directors or (b) such newly created directorship or such vacancy relates to a Class M directorship. If any applicable provision of the DGCL expressly confers power on stockholders to fill such a directorship (other than a Class M directorship) at a special meeting of stockholders, such a directorship may be filled at such meeting only by the affirmative vote of at least 80% of the votes cast thereon by the outstanding shares of the Corporation then entitled to vote at an election of directors (which, for the avoidance of doubt, shall not include shares of Class M Common Stock), voting together as a single class. If any applicable provision of the DGCL expressly confers power on stockholders to fill such a Class M directorship at a special meeting of stockholders, such a directorship may be filled at such meeting only by the affirmative vote of at least 80% of the votes cast thereon by the outstanding shares of Class M Common Stock, voting separately as a class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor.

Section 6.3. Removal of Directors. Except as otherwise provided in Article IV, Section 4.3(A)(3)(b) with respect to Class M Directors, directors may be removed only for cause, and only by the affirmative vote of at least 80% in voting power of all the then outstanding shares of stock of the Corporation entitled to vote at an election of directors, voting as a single class.

Section 6.4. Director Qualifications.

(A) To the extent practicable and subject to the Board's fiduciary duties, the Board shall nominate persons for director, whose citizenships and residencies reflect the

geographic regions in which the Corporation operates in a manner approximately proportionate to the Global Proxy Calculation, with the exception of nominees for Class M directorships and, to the extent such officer shall be nominated, the Chief Executive Officer of the Corporation. To the extent practicable and subject to the Board's fiduciary duties, the Board shall nominate persons for Class M directorships so that the Class M Directors at any time shall include: one citizen and resident of a country in, or director, officer, employee, agent or representative of a Class A member of MasterCard International designated on the books and records of the Corporation (which shall be conclusive and binding for all purposes) as belonging to, the Corporation's Americas region; one citizen and resident of a country in, or director, officer, employee, agent or representative of a Class A member of MasterCard International designated on the books and records of the Corporation (which shall be conclusive and binding for all purposes) as belonging to, the Corporation's Europe region; and one citizen and resident of a country in, or director, officer, employee, agent or representative of a Class A member of MasterCard International designated on the books and records of the Corporation (which shall be conclusive and binding for all purposes) as belonging to, the Corporation's Asia/Pacific—Middle East/Africa region; *provided*, that no more than one Class M Director may be a director, officer, employee, agent or representative of a single Class A member or affiliate member of MasterCard International or any affiliate thereof.

(B) A person shall qualify for election and continued service as a director of the Corporation only if the Board shall have determined that such person shall not (1) except in the case of a Class M Director, be a director, officer, employee or agent of, or represent or otherwise be affiliated with, a Member or Similar Person, or have been a director, officer, employee or agent of, or have represented otherwise been affiliated with, a Member or Similar Person during the prior three years or otherwise have any business relationship with a Member or Similar Person that is material to such person or (2) be a trustee, officer, employee or agent of, or represent or otherwise be affiliated with, The MasterCard Foundation, or have been a director, officer, employee or agent of, or have represented or otherwise been affiliated with, The MasterCard Foundation during the prior three years or otherwise have any business relationship with The MasterCard Foundation that is material to such person. In addition, each director of the Corporation (including Class M Directors) shall not be a director, regional board director, officer, employee or agent of, or represent (1) an entity that owns and/or operates a payment card program competitive with the Corporation's comparable card programs, as determined in the sole discretion of the Board (a "Competitor"), or (2) an institution that is represented on any board of a Competitor. If at any time an individual fails to satisfy these qualifications, as determined by the Board in its sole discretion, such individual shall automatically, without further action of the director, cease to be a director of the Corporation.

Section 6.5. **Election of Directors by Class M Common Stock Holders**. Notwithstanding the foregoing, for so long as Class M Common Stock remains issued and outstanding, the election and removal without cause of the Class M Directors shall be governed by Article IV, Section 4.3(A)(3)(b). No more than one Class M Director may serve on any Executive Committee, Audit Committee, Compensation Committee or Nominating and Corporate Governance Committee of the Board. No Class M Director shall (1) serve as Chairman of the Board, (2) participate in the process of nominating any person to serve as a director of the Corporation unless such person is being nominated to serve as a Class M Director or is the Chief Executive Officer of the Corporation or (3) participate in the process of selecting any person to serve as a director of The MasterCard Foundation.

Section 6.6. Election of Directors by Preferred Stock Holders. Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately as a series or separately as a class with one or more such other series, to elect directors at an annual or special meeting of stockholders, the election, term of office, removal, filling of vacancies and other features of such directorships shall be governed by the terms of this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article VI unless expressly provided by such terms.

Section 6.7. European Board.

(A) Subject to paragraph (B) of this Section 6.7, the Corporation's operations in Europe in respect of (1) review of applications for membership; (2) fines; (3) intraregional operating rules; (4) assessments and fees to the extent that such assessments and fees do not have an exclusionary effect; (5) intraregional product and enhancement development to the extent that the development initiatives do not relate to competitively sensitive matters; (6) annual expense budget; (7) surplus funds; and (8) affinity and co-branding rules shall be managed by or under the direction of a regional board (the "European Board"); *provided, however*, that with respect to the matters listed in clauses (1) – (4) above, such authority shall only be exercised subject to guidelines established by the Board from time to time.

(B) The Board, acting by the affirmative vote of at least 75% of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may assume the authority granted to the European Board pursuant to Section 6.7 (A) in its entirety and may terminate the existence of the European Board; *provided, however*, that the holders of Class M Common Stock designated on the books and records of the Corporation (which shall be conclusive and binding for all purposes) as belonging to the Corporation's Europe region (each, a "European Class M Holder"), acting with approval thereof by the affirmative vote of at least a majority of the votes cast thereon, voting for such purpose as a separate class, shall approve any such assumption of authority and termination. In the event of a dispute, the Board shall have the sole and absolute discretion to determine whether a holder of Class M Common Stock constitutes a European Class M Holder. In addition, the Board, acting by the affirmative vote of at least 75% of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may permanently assume from the European Board any specific authority granted to the European Board pursuant to Section 6.7(A). In addition, the Board, acting by the affirmative vote of at least $66\frac{2}{3}\%$ of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may override any decision or otherwise temporarily assume any authority granted to the European Board pursuant to Section 6.7(A). In addition, the Board, acting by the affirmative vote of a majority of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to

that action, may override any decision or otherwise temporarily assume any authority of the European Board if, in the Board's sole judgment and discretion, any action or failure to take action by the European Board (1) could subject the Corporation or any of its subsidiaries to risk of legal or regulatory liability, (2) would be contrary to the Corporation's global strategy, (3) would be reasonably likely to have an effect outside Europe or on U.S. commerce or (4) relates to any matter outside of the authority granted to the European Board pursuant to Section 6.7(A). Whether any matter falls within the authority of the European Board granted pursuant to Section 6.7(A) shall be determined in the sole discretion of the Board.

(C) The European Board shall consist of such number of persons, not less than twelve nor more than 25, as shall from time to time be fixed exclusively by resolution adopted by affirmative vote of the majority of the European Board. The members of the Corporation's Europe regional board of directors at the Filing Time who qualify for service as a member of the European Board shall constitute the initial members of the European Board. Commencing with the First Annual Meeting, members of the European Board shall (except as hereinafter provided for the filling of vacancies and newly created memberships) be elected by the European Class M Holders, voting for such purpose as a separate class. Notwithstanding the preceding three sentences of this Section 6.7(C), any Class M Director that is allocated to the Corporation's Europe region pursuant to Article VI, Section 6.4(A) shall automatically, without any vote, become a member of the European Board, and the number of members of the European Board shall automatically be adjusted to include any such Class M Director if the number of members of the European Board would otherwise exceed the number fixed by the European Board.

(D) Commencing with the election of members of the European Board at the First Annual Meeting, each of the members of the European Board shall be elected for a term expiring at the second succeeding annual meeting of stockholders. At every second annual meeting of stockholders thereafter, members of the European Board shall be elected for a term expiring at the second succeeding annual meeting of stockholders. The Board shall have the authority to nominate persons for election as members of the European Board. If the number of members of the European Board is changed, any additional member of the European Board elected to fill a newly created membership resulting from an increase in the number of members shall hold office for a term that shall coincide with the remaining term of each of the other members of the European Board, but in no case shall a decrease in the number of members of the European Board remove or shorten the term of any incumbent member.

(E) Each member of the European Board shall hold office until his or her successor shall be elected and qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

(F) Members of the European Board need not be elected by written ballot unless the by-laws shall so provide.

(G) Subject to the final sentence of Article VI, Section 6.7(C), newly created memberships in the European Board that result from an increase in the number of members and any vacancy occurring in the European Board may be filled only by the European Board with prior consultation with the Board.

(H) Members of the European Board may be removed, with or without cause, by the affirmative vote of at least a majority in voting power of all the then outstanding shares of Class M Common Stock held by European Class M Holders, voting for such purpose as a separate class.

(I) In order to qualify for election and continued service as a member of the European Board, each member of the European Board shall not (1) be a director, regional board director, officer, employee or agent of, or represent, a Competitor of the Corporation or (2) be a director, regional board director, officer, employee or agent of an institution that is represented on any board of directors of a Competitor of the Corporation, in each case as determined by the Board in its sole discretion. If at any time the Board shall determine that an individual fails to satisfy these qualifications, such individual shall automatically, without further action of the member, cease to be a member of the European Board.

ARTICLE VII

Section 7.1. Meetings of Stockholders. Any action required or permitted to be taken by the holders of the Common Stock of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders; *provided, however*, that any action required or permitted to be taken by the holders of Class B Common Stock, voting separately as a class, or by the holders of Class M Common Stock, voting separately as a class, or, to the extent expressly permitted by the certificate of designation relating to one or more series of Preferred Stock, by the holders of such series of Preferred Stock, voting separately as a series or separately as a class with one or more other such series, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares of the relevant class or series having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or to an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Except as otherwise required by law and subject to the rights of the holders of any series of Preferred Stock, special meetings of the stockholders of the Corporation may be called only by or at the direction of the Board, the Chairman of the Board or the Chief Executive Officer of the Corporation.

ARTICLE VIII

Section 8.1. Limited Liability of Directors. No director of the Corporation or member of the European Board will have any personal liability to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director or member of the European Board, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or hereafter may be amended. Neither the amendment nor the repeal of this Article VIII shall eliminate or reduce the effect thereof in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article VIII would accrue or arise, prior to such amendment or repeal.

ARTICLE IX

Section 9.1. Indemnification. To the fullest extent permitted by the law of the State of Delaware as it presently exists or may hereafter be amended, the Corporation shall indemnify any person (and such person's heirs, executors or administrators) who was or is made or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding (brought in the right of the Corporation or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person, or a person for whom such person was the legal representative, is or was a director or officer of the Corporation, Non-Voting Advisor or member of the European Board or, while a director or officer of the Corporation, Non-Voting Advisor or member of the European Board, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, limited liability company, nonprofit entity or other enterprise, for and against all loss and liability suffered and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement reasonably incurred by such person or such heirs, executors or administrators in connection with such action, suit or proceeding, including appeals. Notwithstanding the preceding sentence, except as otherwise provided in Section 9.3, the Corporation shall be required to indemnify a person described in such sentence in connection with any action, suit or proceeding (or part thereof) commenced by such person only if the commencement of such action, suit or proceeding (or part thereof) by such person was authorized by the Board.

Section 9.2. Advance of Expenses. To the fullest extent permitted by the laws of the State of Delaware, the Corporation shall promptly pay expenses (including attorneys' fees) incurred by any person described in Section 9.1 in appearing at, participating in or defending any action, suit or proceeding in advance of the final disposition of such action, suit or proceeding, including appeals, upon presentation of an undertaking on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified under this Article IX or otherwise. Notwithstanding the preceding sentence, except as otherwise provided in Section 9.3, the Corporation shall be required to pay expenses of a person described in such sentence in connection with any action, suit or proceeding (or part thereof) commenced by such person only if the commencement of such action, suit or proceeding (or part thereof) by such person was authorized by the Board.

Section 9.3. Unpaid Claims. If a claim for indemnification (following the final disposition of such action, suit or proceeding) or advancement of expenses under this Article IX is not paid in full within thirty days after a written claim therefor by any person described in Section 9.1 has been received by the Corporation, such person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that such person is not entitled to the requested indemnification or advancement of expenses under applicable law.

Section 9.4. Insurance. To the fullest extent permitted by the laws of the State of Delaware, the Corporation may purchase and maintain insurance on behalf of any person described in Section 9.1 against any liability asserted against such person, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article IX or otherwise.

Section 9.5. Non-Exclusivity of Rights. The provisions of this Article IX shall be applicable to all actions, claims, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after its adoption. The provisions of this Article IX shall be deemed to be a contract between the Corporation and each director, Non-Voting Advisor, officer or member of the European Board (or legal representative thereof) who serves in such capacity at any time while this Article IX and the relevant provisions of the laws of the State of Delaware and other applicable law, if any, are in effect, and any alteration, amendment, or repeal hereof shall not affect any rights or obligations then existing with respect to any state of facts or any action, suit or proceeding then or theretofore existing, or any action, suit or proceeding thereafter brought or threatened based in whole or in part on any such state of facts. If any provision of this Article IX shall be found to be invalid or limited in application by reason of any law or regulation, it shall not affect the validity of the remaining provisions hereof. The rights of indemnification provided in this Article IX shall neither be exclusive of, nor be deemed in limitation of, any rights to which any person may otherwise be or become entitled or permitted by contract, this Amended and Restated Certificate of Incorporation, the by-laws of the Corporation, vote of stockholders or directors or otherwise, or as a matter of law, both as to actions in such person's official capacity and actions in any other capacity, it being the policy of the Corporation that indemnification of any person whom the Corporation is obligated to indemnify pursuant to Section 9.1 shall be made to the fullest extent permitted by law.

Section 9.6. For purposes of this Article IX, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries.

Section 9.7. This Article IX shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to, and purchase and maintain insurance on behalf of, persons other than persons described in Section 9.1.

ARTICLE X

Section 10.1. Amendment. Notwithstanding anything to the contrary contained in this Amended and Restated Certificate of Incorporation, and in addition to any other vote required by the DGCL or this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least 80% in voting power of all the outstanding shares of the Corporation then entitled to vote at an election of directors (which, for the avoidance of doubt, shall not include shares of Class M Common Stock), voting together as a single class, shall be required to alter, amend or repeal Article V, Article VI, Article VII or this Article X or to adopt any provision inconsistent therewith.

ARTICLE XI

Section 11.1. Severability . If any provision or provisions of this Amended and Restated Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each portion of any paragraph of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each such portion of any paragraph of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, members of the European Board, officers, employees and agents from personal liability in respect of their good faith service to or for the benefit of the Corporation to the fullest extent permitted by law.

* * *

IN WITNESS WHEREOF, the undersigned has caused this Amended and Restated Certificate of Incorporation to be signed by Noah J. Hanft, General Counsel and Secretary of the Corporation on June 8, 2007.

MasterCard Incorporated

/s/ Noah J. Hanft

Name: Noah J. Hanft

Title: General Counsel and Corporate Secretary

MASTERCARD INCORPORATED

DEFERRAL PLAN

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D ECEMBER 31, 2004

FOREWORD

Effective as of September 30, 1998, MasterCard International Incorporated (the “Company”) adopted the MasterCard International Incorporated Deferral Plan (the “Plan”) for the benefit of non-employee members of its Board of Directors, and a select group of management or highly compensated employees. The Plan was amended and restated effective as of January 1, 2000, as of August 1, 2000, as of July 25, 2001, and as of January 1, 2003. Amendments to comply with Code section 409A, and to reflect transitional relief permitted to Participants, were made in June 2007 by means of an amended and restated Plan effective for balances established after December 31, 2004. The Plan was operated in good faith compliance with section 409A before the Plan document was amended to conform with section 409A, consistent with the election and distribution rules set forth in the amended and restated Plan. The Plan is intended to be an unfunded plan of deferred compensation. The purpose of the Plan is to permit the Directors and a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended, to defer, pursuant to the provisions of the Plan, a portion of certain items of income otherwise payable to them.

ARTICLE 1

DEFINITIONS

1.1 “Administrative Committee” means the committee that is responsible for administering the Plan. Unless the composition of the Administrative Committee is otherwise changed by the Committee, the Administrative Committee shall consist of the following three officers of the Company, or their functional successors: the Chief Administrative Officer, the General Counsel, and the Head of Executive Compensation.

1.2 “Additional Deferral Election” means the election by a Participant under Section 3.4(b) to further defer distribution from his or her Deferred Account.

1.3 “Affiliated Employer” means all persons with whom the Company would be considered a single employer under Section 414(b) or Section 414(c) of the Code.

1.4 “Board” means the Board of Directors of the Company.

1.5 “Change in Control” means any of the following events, but shall not include a public offering:

(a) The acquisition by any individual entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of equity securities of the Company representing more than 30 percent of the voting power of the then outstanding equity securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”), provided, however, that for purposes of this subsection (a) the following acquisitions shall not constitute a Change of Control: (i) any acquisition by the Company, (ii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, and (iii) an acquisition pursuant to a transaction which complies with clauses (i), (ii), and (iii) of subsection (c); or

(b) A change in the composition of the Board as of any date (the “Incumbent Board”) that causes less than a majority of the directors of the Company then in office to be members of the Incumbent Board, provided, however, that any individual becoming a director subsequent to a date, whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

(c) Consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the purchase of assets or stock of another entity (“A Business Combination”), in each case, unless immediately following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination will beneficially own, directly or indirectly, more than 50 percent of the then outstanding combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all of substantially all of the Company’s assets directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, (ii) no person (excluding any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) will beneficially own, directly or indirectly, more than a majority of the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership of the Company existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination will have been members of the Incumbent Board at the time of the initial agreement, or action of the Board, providing for such Business Combination; or

(d) a majority of the voting directors of MasterCard Incorporated proposed on a slate for election by stockholders of MasterCard Incorporated are rejected by a vote of such stockholders.

1.6 “Change-of-Form Election” means the election by a Participant under Section 3.4(a) to change the Form of Distribution with respect to the portion of his or her Deferred Account with the same Deferral Period.

1.7 “Change-of-Investment Return Election” means the election by a Participant under Section 3.5(b) to change the Investment Return to be earned on the balance in his or her Deferred Account.

1.8 “Code” means the Internal Revenue Code of 1986, as amended, or any successor statute.

1.9 “Committee” means the Human Resources and Compensation Committee of the Board.

1.10 “Company” means MasterCard Incorporated.

1.11 “Deferrable Savings Plan Salary” means the portion of an Executive’s Salary from which such Executive could elect to defer an amount to the MasterCard Shared Profit & Savings Plan, or any successor plan, that would entitle the Executive to receive the maximum matching contribution under that plan. An

Executive's Deferrable Savings Plan Salary shall be determined without regard to such Executive's actual deferral elections made or to be made under the MasterCard Shared Profit & Savings Plan.

1.12 "Deferral Election" means that separate notice, provided in a form prescribed by the Administrative Committee, that indicates a Participant's Deferred Salary Election, Deferred Variable Compensation Election, and/or Deferred Director Compensation Election.

1.13 "Deferral Period" means the period of time over which a Participant elects, or is mandated by the Plan or an amendment thereto, to defer receipt of Salary, Variable Compensation, or Director Compensation pursuant to Section 3.1(e) and 3.2(e).

1.14 "Deferral Period Election" means the election by a Participant under Section 3.1(e) or 3.2(e) of the Deferral Period to apply to the Participant's Deferral Election.

1.15 "Deferred Account" means the bookkeeping entry established on behalf of a Participant with respect to Deferral Elections under this Plan, together with any adjustments for earnings and losses and any payments. For purposes herein, Deferred Accounts shall also include any separate subaccounts that may be established under a Participant's Deferred Account to the extent necessary for the administration of the Plan.

1.16 "Deferred Director Compensation Election" means the election by a Director under Section 3.1 to defer until a later year receipt of some or all of his or her Director Compensation.

1.17 "Deferred Salary Election" means the election by an Executive under Section 3.2 to defer until a later year receipt of some of his or her Salary.

1.18 "Deferred Variable Compensation Election" means the election by an Executive under Section 3.2 to defer until a later year receipt of some or all of his or her Variable Compensation.

1.19 "Director" means a non-employee member of the Board.

1.20 "Director Compensation" means the amount of a Director's compensation for being a member of the Board or a member of a committee thereof, or for being the chairman of the Board or any committee thereof that the Administrative Committee determines is eligible for deferral under this Plan.

1.21 "Effective Date" means the effective date of the Plan set forth in Section 6.4.

1.22 "Employer" means the Company or any Affiliated Employer that adopts the Plan with the approval of the Administrative Committee.

1.23 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

1.24 “Executive” means an employee of an Employer who meets the criteria for eligibility to participate in the Plan that are set by the Administrative Committee for a particular period.

1.25 “Form of Distribution” means the term and frequency over which distributions from a Participant’s Deferred Account will be paid pursuant to Section 3.6.

1.26 “Form of Distribution Election” means the election by a Participant under Section 3.1(f) or 3.2(f) of the Form of Distribution to apply to a Participant’s Deferral Election.

1.27 “Investment Return” means the amounts that are credited to (or charged against, as the case may be) a Participant’s Deferred Account from time to time pursuant to Section 3.5.

1.28 “Investment Return Options” means the investment funds, indices or crediting rates selected by the Administrative Committee that serve as a means to measure increases or decreases in value with respect to a Participant’s Deferred Account pursuant to Section 3.5.

1.29 “Investment Return Option Election” means the election by a Participant under Section 3.1(g) or 3.2(g) of the Investment Return Option(s) to apply to the Participant’s Deferral Election.

1.30 “Non-Elective Deferral” means an amount awarded by the Company under Section 3.3.

1.31 “Participant” means a Director or an Executive who is both eligible to participate and who has elected to participate in the Plan as evidenced by submission and acceptance of a Deferral Election under Section 3.1 or 3.2, respectively.

1.32 “Performance-Based Compensation” means compensation the amount of which or entitlement to which is contingent on the satisfaction of preestablished organizational or individual performance criteria relating to a performance period of at least twelve consecutive months.

1.33 “Plan” means the MasterCard Incorporated Deferral Plan, as from time to time amended.

1.34 “Qualified Retirement” means Termination from Service by an Executive occurring on or after the earliest of: (i) attaining age 65 while in service and completing two years of service, (ii) attaining age 60 while in service and completing five years of service, and (iii) attaining age 55 while in service and completing ten years of service.

1.35 “Salary” means the amount of an Executive’s regular annual base salary.

1.36 “Termination from Service” means a reduction in the level of services performed by an Executive to a level equal to 20 percent or less of the average level of services performed by the Executive during the immediately preceding 36 months (or such shorter period as the Executive shall have performed services for the Company), other than due to a bona fide leave of absence not exceeding six months.

1.37 “Variable Compensation” means the amount of an Executive’s annual bonus under the Company’s Annual Incentive Compensation Plan, the amount of an annual or long-term bonus under any other plan the Administrative Committee determines is eligible for deferral under this Plan, or any other form of non-Salary compensation the Administrative Committee determines is eligible for deferral under this Plan.

ARTICLE 2
PARTICIPATION

2.1 Participation

(a) Participation in the Plan shall be limited to an individual who, as of the Effective Date of the Plan and/or any subsequent first day of any month, is:

- (i) a Director, as defined in Section 1.19, or
- (ii) an Executive, as defined in Section 1.24.

(b) The Administrative Committee may designate the Directors and Executives who are eligible to participate and the category or categories of income that eligible Participants may defer.

(c) In no event will the Administrative Committee expand the eligible employees beyond a select group of management or highly-compensated employees within the meaning of Title I of ERISA.

ARTICLE 3

DEFERRAL ELECTIONS, ACCOUNTS, AND DISTRIBUTIONS

3.1 Directors' Deferral Elections.

(a) An individual who is eligible to participate in this Plan in accordance with Section 2.1(a)(i) is entitled to make an election, pursuant to this Section 3.1, to defer all or part of his or her Director Compensation; provided, however, that if the individual has been designated as eligible to participate in the Plan only with respect to a limited category or categories of compensation, that individual is entitled to make an election only with respect to that limited category or categories of compensation.

(b) A Director's Deferral Election shall be made in a written or electronic form prescribed by the Administrative Committee and furnished by the Administrative Committee or its delegate. Any such Deferral Election shall apply only to the Director Compensation to be earned in the particular calendar year specified in the election. A Participant may elect to defer portions of his or her Director Compensation (in 1% increments), the minimum and maximum limits of which will be prescribed by the Administrative Committee from time to time.

(c) A Director's Deferral Election with respect to Director Compensation earned for a particular calendar year must be made during such period prescribed by the Administrative Committee, which period shall end no later than the December 31 preceding such calendar year or, in the case of a newly-elected or newly-eligible Director, thirty (30) days following the date on which he or she becomes eligible to participate in the Plan pursuant to Section 2.1. In the case of a newly-elected or newly-eligible Director, a Deferral Election shall apply only to amounts that are both paid after the date the election is made and earned for services performed after the date the election is made. A Deferral Election under this Section 3.1 cannot be changed or revoked after the last date of the period prescribed by the Administrative Committee for making such Deferral Election.

(d) Director Compensation deferred pursuant to this Section 3.1 shall be credited to the Participant's Deferred Account (or, if none, to a new such account established in the Participant's name) as of the date on which the Director Compensation would otherwise have been paid.

(e) Deferral Period. A Director who makes a Deferral Election with respect to Director Compensation shall, at the time of such election, submit a Deferral Period Election that indicates when payment of such deferred Director Compensation and any Investment Return credited thereon pursuant to Section 3.5 shall commence. Such Deferral Period Election shall be (i) January 15 of any year three to fifteen years following the year in which the Director Compensation would have been paid, absent the Deferral Election, or such other period prescribed by the Administrative Committee, or (ii) within 90 days following the date the Participant ceases to serve as a Director. If no Deferral Period Election is made, the Deferral Period Election shall be

deemed to be within 90 days following the date the Participant ceases to serve as a Director. Except as otherwise provided in Section 3.4 (b), such Deferral Period Election shall not be changed or revoked.

(f) Form of Distribution. A Director who makes a Deferral Election with respect to Director Compensation shall, at the time of such election, submit a Form of Distribution Election that indicates the manner in which balances will be distributed. Such Form of Distribution Election shall be (i) a lump sum payment, or (ii) from two to fifteen approximately equal annual installments. A separate Form of Distribution Election may be made with respect to each Deferral Period Election as provided under Section 3.1(e), provided, however, that if no Form of Distribution Election is made, such election shall be deemed to be a lump sum. Except as otherwise provided in Section 3.4(a), such Form of Distribution Election shall not be changed or revoked.

(g) Investment Return. A Director who makes a Deferral Election with respect to Director Compensation shall, at the time of such election, submit Investment Return Option Elections indicating the Investment Return Options to be used to determine the Investment Return to be credited to his or her Deferred Account as provided under Section 3.5. Separate Investment Return Option Elections may be made with respect to each Deferral Period Election as provided under Section 3.1(e), provided that each Investment Return Option allocated in such election must be in increments of 1%. If no Investment Return Election is made, the Investment Return credited will be based on the return earned by the money market or equivalent fund within the Investment Return Options selected by the Administrative Committee. Except as provided in Section 3.5(b), such Investment Return Option Elections shall not be changed or revoked.

3.2 Executives' Deferral Elections

(a) An individual who is eligible to participate in this Plan in accordance with Section 2.1(a)(ii) is entitled to make an election to defer his or her Salary and Variable Compensation, as provided in this Section 3.2; provided, however, that if the individual has been designated as eligible to participate only with respect to a limited category or categories of compensation, that individual is entitled to make an election only with respect to that limited category or categories of compensation.

(b) Deferral Elections with respect to Salary and Variable Compensation shall be made in a written or electronic form prescribed by the Administrative Committee and furnished by the Administrative Committee or its delegate. A Deferred Salary Election and/or Deferred Variable Compensation Election shall apply only to the Executive's Salary and Variable Compensation otherwise payable or earned in the particular calendar year specified in the election. A Participant may elect to defer a minimum of 10% or more each of his or her Deferrable Savings Plan Salary and Variable Compensation (in 1% increments), subject to limits on the maximum deferrable percentage established by the Administrative Committee from time to time.

(c) A Deferred Salary Election with respect to Salary earned for a particular calendar year must be made during such period prescribed by the Administrative Committee, which period shall end no later than the December 31 preceding the commencement of such calendar year (or, in the case of a new or newly-eligible Executive, thirty (30) days following the date on which the Executive becomes eligible to participate in the Plan pursuant to Section 2.1). In the case of a new or newly eligible Executive, the Deferred Salary Election will apply only to amounts that are both paid after the election is made and earned for services performed after the election is made. A Deferral Election under this Section 3.2 cannot be changed or revoked after the last date of the period prescribed by the Administrative Committee for making such Deferral Election. Salary deferred pursuant to this Section 3.2 shall be credited to the Executive's Deferred Account (or, if none, to a new such account established in the Executive's name) as of each payroll period of the calendar year to which it pertains. The amount of Salary that is deferred pursuant to this Deferred Salary Election will reduce the Executive's Salary proportionately throughout the year or, in the case of the first Plan year or a new or newly eligible Executive, throughout the portion of the year to which the Deferred Salary Election is applicable.

(d) A Deferred Variable Compensation Election with respect to Variable Compensation to be paid or earned in a particular calendar year must be made during such period prescribed by the Administrative Committee, which period shall end no later than December 31 of the year preceding the year in which the Variable Compensation begins to be earned or, in the case of Performance-Based Compensation, the date that is six months before the end of the pertinent performance period with respect to Performance-Based Compensation that is not ascertainable as of that date. In the case of a new or newly-eligible Executive, a Deferred Variable Compensation Election may be made no later than thirty (30) days after the Executive becomes eligible to participate in the Plan pursuant to Section 2.1 and will apply only to amounts that are both paid after the election is made and earned for services performed after the election is made. A Deferral Election under this Section 3.2 cannot be changed or revoked after the last date of the period prescribed by the Administrative Committee for making such Deferral Election. Variable Compensation deferred pursuant to this Section 3.2 shall be credited to the Executive's Deferred Account (or, if none, to a new such account established in the Executive's name) as of the date on which it otherwise would have been paid.

(e) Deferral Period. An Executive who makes a Deferral Election with respect to Salary and/or Variable Compensation shall, at the time of such election, submit a Deferral Period Election that indicates when payments of such deferred Salary and/or Variable Compensation and any Investment Return credited thereon pursuant to Section 3.5 shall commence. Such Deferral Period Election shall be: (i) January 15 of any year three to fifteen years following the year in which the Salary and/or Variable Compensation would have been paid, absent the Deferral Election, or such other period prescribed by the Administrative Committee, or (ii) six months following the Executive's Qualified Retirement. If no Deferral Period Election is made, the Deferral Period Election shall be deemed to be six months following Qualified Retirement. Except as otherwise provided in Section 3.4(b), such election shall not be changed or revoked.

(f) Form of Distribution. An Executive who makes a Deferral Election with respect to Salary and/or Variable Compensation shall, at the time of such election, submit a Form of Distribution Election that indicates the period and frequency of payments. Such Form of Distribution Election shall be (i) a lump sum payment, or (ii) from two to fifteen approximately equal annual installments. A separate Form of Distribution Election may be made with respect to each Deferral Period Election as provided under Section 3.2(e), provided, however, that if no Form of Distribution Election is made, such election shall be deemed to be lump sum. Except as otherwise provided in Section 3.4(a), such Form of Distribution Election shall not be changed or revoked.

(g) Investment Return Options. An Executive who makes a Deferral Election with respect to Salary and/or Variable Compensation shall, at the time of such election, submit Investment Return Option Elections indicating the Investment Return Options to be used to determine the Investment Return to be credited to his or her Deferred Account as provided under Section 3.5. Separate Investment Return Option Elections may be made with respect to each Deferral Period Election as provided under Section 3.2(e), provided that each Investment Return Option allocated in such election must be in increments of 1%. If no Investment Return Election is made, the Investment Return credited will be based on the return earned by the money market or equivalent fund within the Investment Return Options selected by the Administrative Committee. Except as provided in Section 3.5(b), such Investment Return Option Elections shall not be changed or revoked.

3.3 Non-Elective Deferral

The Company may, in its sole discretion award to a Participant Non-Elective Deferral Amounts. Except as otherwise provided in this Plan or a written agreement between the Company and the Participant any such award shall be subject to the terms and conditions as amounts credited to a Participant's Deferred Account pursuant to a Deferral Election.

3.4 Change-of-Form Elections and Additional Deferral Elections

(a) Any Participant who has made a Deferral Election may make an additional election to change the Form of Distribution under rules prescribed by the Administrative Committee. Any such Change-of-Form Election(s) is permitted with respect to the portion of the balance in a Deferred Account that shares the same Deferral Period and Form of Distribution Election. The Form of Distribution may be changed to any acceptable form of distribution under Section 3.1(f) or 3.2(f). No such Change-of-Form Election will be effective with respect to any such balance in any Participant's Deferred Account until twelve months following the date of the Change-of-Form Election. In the case of a Deferral Period under Section 3.1(e)(i) or Section 3.2(e)(i) (January 15 of a specified year), the Change-of-Form Elections must be made no less than twelve months prior to the date, as elected under Section 3.1(e) or Section 3.2(e), to which the portion of the Deferred Account is to be deferred or, in the case of installments, is to begin to be deferred. A Change-of-Form Election shall result in the deferral of distributions by an additional five years after the original Deferral Period.

(b) Any Participant who has made a Deferral Election and has made a Deferral Period Election under Section 3.1(e)(i) or Section 3.2(e)(i) (January 15 of a specified year) may make an additional election to change the initial starting date for distributions of such balance in his or her Deferred Account under rules prescribed by the Administrative Committee. Separate Additional Deferral Elections may be made with respect to each portion of the balance in a Deferred Account that is attributable to Deferral Elections with the same elected Deferral Period and Form of Distribution. The Additional Deferral Election(s) may change the initial starting date for distributions to a later year, but not to an event set forth in Section 3.1(e)(ii) or 3.2(e)(ii). No such Additional Deferral Election will be effective with respect to any such balance in any Participant's Deferred Account until twelve months following the date of the Additional Deferral Election. The Additional Deferral Elections must be made no less than twelve months prior to the date, as elected under Section 3.1(e)(i) or Section 3.2(e)(i), to which the portion of the Deferred Account is to be deferred. The Additional Deferral Election must defer payment not less than five years after the original Deferral Period.

3.5 Investment Return on Deferred Accounts and Change-of-Investment Return Election

(a) The Administrative Committee or its delegate shall credit the entire balance in each Participant's Deferred Account during the year with an Investment Return, in accordance with the Participant's Investment Return Option Elections pursuant to Section 3.1(g) or 3.2(g) hereunder. Such balance shall include all Investment Returns credited to the Deferred Account in previous years.

(b) Participants will be entitled to change the Investment Return to be applied to his or her Deferral Account. Separate reallocations may be made with respect to balances attributable to Deferral Elections with the same Deferral Period and same Form of Distribution Election, provided, however, that no more than twelve (12) changes may be made to any balance in any calendar year. Such Change-of-Investment Return Elections shall be made on a written or electronic form to be prescribed and furnished by, or in a manner established by, the Administrative Committee or its delegate. Change-of-Investment Return Elections will be effective on a prospective basis only as soon as practicable after the Change-of-Investment Return Election is made.

(c) Within 60 days following the end of each calendar quarter, the Administrative Committee or its delegate shall furnish each Participant with a statement of account, either in writing or electronic form, which shall set forth the balance in the individual's Deferred Account as of the end of such calendar year, inclusive of cumulative Investment Return.

3.6 Distributions and Cessation of Deferrals

(a) Except as provided below, upon occurrence of an event specified in the Participant's Deferral Period Election, as modified by any applicable subsequent Additional Deferral Election under Section 3.4(b), or, in the event no Deferral Period Election is made, upon the date prescribed in Section 3.1(e) or 3.2(e), the amount of a Participant's Deferred Account shall be paid or begin to be paid in cash to the Participant or beneficiary, as applicable. Such payment(s) shall be from the general assets of the Company or, in the case of an employee of an Affiliated Employer, from the general assets of the Company or the Affiliated Employer.

(b) Except as provided below, deferred amounts shall be paid in the form elected by the Participant under Section 3.1(f) and 3.2(f) and modified by any applicable subsequent Change-of-Form Elections under Section 3.4(a), or in the event no Form of Distribution Election is made, in the form prescribed in Section 3.1(f) or Section 3.2(f).

(c) Notwithstanding Sections 3.6(a) and (b) above, in the event of an Executive or Director's death, the Participant's entire Deferred Account balance shall be valued and distributed in a lump sum within 90 days of death, notwithstanding the Participant's Deferral Period Elections and Form of Distribution Elections then in effect.

(d) Notwithstanding Sections 3.6(a) and (b) above, in the event of an Executive Participant's Termination from Service other than by Qualified Retirement, the Participant's entire Deferred Account balance shall be valued and distributed in a lump sum six months following Termination from Service, notwithstanding the Participant's Deferral Period Elections and Form of Distribution Elections then in effect.

(e) Annual installment payments shall be valued and distributed on January 15, the first annual installment of which shall postdate the effective date of the event that triggers the commencement of distribution, provided, however, that, in the case of annual installments payable by reason of an Executive Participant's Qualified Retirement, the payments shall begin on the January 15 that is at least six month after the Qualified Retirement. In the event that the present value of a Participant's remaining annual installments is less than \$10,000, the entire remaining balance shall be paid in the form of a lump sum.

(f) Notwithstanding Sections 3.6(a) and (b) above, in the event the Company reasonably anticipates that a distribution according to the Participant's Deferral Period Elections and Form of Distribution Election, as modified by any applicable subsequent Change-of-Form Elections or Additional Deferral Period Elections under Section 3.4, or in the event no Deferral Period Election or Form of Distribution Election is made, in the time and form prescribed in Sections 3.1(e) and (f) or Sections 3.2(e) and (f), would result in a deduction disallowance under Code section 162(m), the Administrative Committee shall have the discretion to delay the distribution to the extent necessary to avoid the application of section 162(m). Any distribution delayed under this Section 3.6(f) shall be made during the first year that the deduction will not be barred by Code section 162(m).

(g) In case of an unforeseeable emergency, a Participant may request the Administrative Committee, on a form to be provided by the Administrative Committee or its delegate, that payment be made earlier than the date to which it was deferred or that there be a cessation of deferrals under the Plan.

For purposes of this Section 3.6(g), an “unforeseeable emergency” shall mean a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in section 152(a) of the Code), spouse, or beneficiary of the Participant, loss of the Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an unforeseeable emergency will depend upon the facts of each case, but, in any case, payment may not be made and a cessation of deferral may not occur to the extent that such hardship is or may be relieved: (i) through reimbursement or compensation by available insurance or otherwise or (ii) by liquidation of the Participant’s assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. Distributions made under this Section 3.6(g) will be limited to the amount reasonably necessary to satisfy the emergency need, including to satisfy any tax obligations arising out of the distribution. Moreover, payment of a deferred amount may not be made ahead of the date to which the amount was deferred to the extent that such hardship is or may be relieved by cessation of deferrals under the Plan.

The Administrative Committee shall consider any requests for payment on the basis of an unforeseeable emergency under this Section 3.6(g) on a uniform and nondiscriminatory basis and in accordance with the standards of interpretation described in sections 409A and 457 of the Code and the regulations thereunder. In the event there is a payment or a cessation of deferrals under this Section 3.6 (g) on the basis of an unforeseeable emergency, the Participant shall be ineligible to make further Deferral Elections for one year from the date of the Administrative Committee action approving the payment or cessation of deferral.

(h) In the event a Participant becomes disabled and receives benefits under an Employer-provided long-term disability plan as a consequence of a medically determinable physical or mental impairment resulting in the Participant’s inability to perform duties of his or a substantially similar position, where such impairment can be expected to result in death or for a continuous period of not less than six months, previously elected deferrals will cease. The cessation of deferrals shall begin by the later of 2 ¹/₂ months after, or by the end of the year in which, the Participant incurs the disability and shall continue during the entire period the Participant receives benefits under the long-term disability plan. Distributions will be made as scheduled and as provided under this Section 3.6 unless an election is made under Section 3.4(a) to change the Form of Distribution or under Section 3.4(b) to change the Deferral Period, or a request is made under Section 3.6(g) to receive payment as a consequence of an unforeseeable emergency.

(i) The Company or Employer shall deduct from all payments under the Plan federal, state and local income and employment taxes, as required by applicable law. Amounts deferred will be taken into account for purposes of any tax or withholding obligation under the Federal Insurance Contributions Act and Federal Unemployment Tax Act, not in the year distributed, but at the later of the year the services are performed or the year in which the rights to the amounts are no longer subject to a substantial risk of forfeiture, as required by sections 3121(v)(2) and 3306(r)(2) of the Code and the regulations thereunder. Amounts required to be withheld pursuant to sections 3121(v)(2) and 3306(r)(2) generally shall be withheld out of other current wages paid by the Employer, but, alternatively, may be paid by the Participant's delivery of cash or a check satisfactory to the Administrative Committee.

3.7 Transition Relief Elections.

Pursuant to Internal Revenue Service Notice 2006-79, section 3.02, the Administrative Committee has discretion to permit some or all of the Participants to make Transitional Relief Elections in 2007 with respect to Deferred Account balances established after December 31, 2004, that are scheduled to be paid after 2007. A Transitional Relief Election under this Section 3.7 is allowed to change the Deferral Period and/or the Form of Distribution for such account balances so long as all distributions of the Deferred Account balance, after the Transitional Relief Election is taken into account, are scheduled to be made in 2007 or later. Transitional Relief Elections under this Section 3.7 shall only be effective for an Executive if the Executive does not have a Termination from Service in 2007 and shall only be effective for a Director if the Director does not cease being a Director in 2007.

3.8 General Provisions

(a) The Company shall make no provision for the funding of any Deferred Accounts payable hereunder that (i) would cause the Plan to be a funded plan for purposes of section 404(a)(5) of the Code or for purposes of Title I of ERISA, or (ii) would cause the Plan to be other than an "unfunded and unsecured promise to pay money or other property in the future" under Treasury Regulations § 1.83-3(e); and, except in the case of a Change in Control, as defined in Section 1.5 above, the Company shall have no obligation to make any arrangement for the accumulation of funds to pay any amounts under this Plan. Subject to the restrictions of this paragraph and in Section 3.8(c), the Company, in its sole discretion, may establish one or more grantor trusts described in Treasury Regulations § 1.677(a)-1(d) to accumulate funds to pay amounts under this Plan, provided that the assets of such trust(s) accumulated to pay amounts to Company employees shall be required to be used to satisfy the claims of the Company's general creditors in the event of the Company's bankruptcy or insolvency and the assets of such trusts(s) accumulated to pay amounts to employees of an Affiliated Employer shall be required to be used to satisfy the claims of the Company's and the Affiliated Employer's general creditors in the event of the Affiliated Employer's bankruptcy or insolvency. In the case of a Change in Control, the Company shall, subject to the restrictions in this paragraph and in Section 3.8(c), irrevocably set aside funds in one or more such grantor trusts in an amount that is sufficient to pay each Participant (or

beneficiary) the net present value as of the date on which the Change in Control occurred, of the benefits to which Participants (or their beneficiaries) who have Deferred Accounts under the Plan would be entitled pursuant to the terms of the Plan.

(b) In the event that the Company shall decide to establish an advance accrual reserve on its books against the future expense of payments from any Deferred Account, such reserve shall not under any circumstances be deemed to be an asset of this Plan but, at all times, shall remain a part of the general assets of the Company and/or the Affiliated Employer, subject to claims of the Company's and/or the Affiliated Employer's creditors.

(c) A person entitled to any amount under this Plan as an Employee of the Company shall be a general unsecured creditor of the Company with respect to such amount. A person entitled to any amount under this Plan as an Employee of an Affiliated Employer shall be a general unsecured creditor of the Company and the Affiliated Employer with respect to such amount. Furthermore, a person entitled to a payment or distribution with respect to a Deferred Account shall have a claim upon the Company and/or Affiliated Employer only to the extent of the balance in his or her Deferred Account.

(d) The Participant's beneficiary under this Plan with respect to the balance in his or her Deferred Account shall be the person designated to receive benefits on account of the Participant's death on a form provided by the Administrative Committee.

(e) All commissions, fees and expenses that may be incurred in operating the Plan and any related trust(s) established in accordance with Section 3.8(a) will be paid by the Company.

(f) Notwithstanding any other provision of this Plan, elections under this Plan may only be made by Participants while they serve as Directors of the Company or as Executives of an Employer.

3.9 Non-Assignability

Participants, their legal representatives and their beneficiaries shall have no right to anticipate, alienate, sell, assign, transfer, pledge or encumber their interests in the Plan, nor shall such interests be subject to attachment, garnishment, levy or execution by or on behalf of creditors of the Participants or of their beneficiaries.

ARTICLE 4

CLAIMS

4.1 Claims Procedure

If any Participant or his or her beneficiary has a claim for benefits which is not being paid, such claimant may file with the Administrative Committee a written claim setting forth the amount and nature of the claim, supporting facts, and the claimant's address. The Administrative Committee shall notify each claimant of its decision in writing by registered or certified mail within sixty (60) days after its receipt of a claim or, under special circumstances, within ninety (90) days after its receipt of a claim. If a claim is denied, the written notice of denial shall set forth the reasons for such denial, refer to pertinent Plan provisions on which the denial is based, describe any additional material or information necessary for the claimant to realize the claim, and explain the claims review procedure under the Plan.

4.2 Claims Review Procedure

A claimant whose claim has been denied, or such claimant's duly authorized representative, may file, within sixty (60) days after notice of such denial is received by the claimant, a written request for review of such claim by the Administrative Committee. If a request is so filed, the Administrative Committee shall review the claim and notify the claimant in writing of its decision within sixty (60) days after receipt of such request. In special circumstances, the Administrative Committee may extend for up to sixty (60) additional days the deadline for its decision. The notice of the final decision of the Administrative Committee shall include the reasons for its decision and specific references to the Plan provisions on which the decision is based. The decision of the Administrative Committee shall be final and binding on all parties.

ARTICLE 5

ADMINISTRATION

5.1 Plan Administrator

(a) Subject to the express provisions of the Plan, the Administrative Committee shall have the exclusive right to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations necessary or advisable for the administration of the Plan, including the determination under Section 2.1(b) herein. The decisions, actions and records of the Administrative Committee shall be conclusive and binding upon the Company, an Employer, and all persons having or claiming to have any right or interest in or under the Plan.

(b) The Administrative Committee may delegate to such officers, employees or departments of the Company such authority, duties, and responsibilities of the Administrative Committee as it, in its sole discretion, considers necessary or appropriate for the proper and efficient operation of the Plan, including, without limitation, (i) interpretation of the Plan, (ii) approval and payment of claims, and (iii) establishment of procedures for administration of the Plan.

(c) No member of the Administrative Committee shall be directly or indirectly responsible or otherwise liable for any action taken or any failure to take action as a member of the Administrative Committee, except for such action, default, exercise or failure to exercise resulting from such member's gross negligence or willful misconduct. No member of the Administrative Committee shall be liable in any way for the acts or defaults of any other member of the Administrative Committee, or any of its advisors, agents or representatives.

(d) The Company shall indemnify and hold harmless each member of the Administrative Committee against any and all expenses and liabilities arising out of his or her own activities relating to the Administrative Committee, except for expenses and liabilities arising out of a member's gross negligence or willful misconduct.

(e) The Company shall furnish to the Administrative Committee all information the Administrative Committee may deem appropriate for the exercise of its powers and duties in the administration of the Plan. The Administrative Committee shall be entitled to rely on any information provided by the Company without any investigation thereof.

(f) No member of the Administrative Committee may act, vote or otherwise influence a decision of such Administrative Committee relating to his or her benefits, if any, under the Plan.

ARTICLE 6

AMENDMENT, TERMINATION AND EFFECTIVE DATE

6.1 Amendment of the Plan

Subject to the provisions of Section 6.3, the Plan may be wholly or partially amended or otherwise modified at any time by written action of the Committee.

6.2 Termination of the Plan

Subject to the provisions of Section 6.3, the Plan may be terminated by written action of the Committee at any time and in its sole discretion. On termination of the Plan, the Committee may (but shall not be required to) immediately pay out all benefits under the Plan.

6.3 No Impairment of Benefits

Notwithstanding the provisions of Sections 6.1 and 6.2, no amendment to or termination of the Plan shall impair any rights to benefits which theretofore accrued hereunder. An immediate payout of all Plan benefits on termination of the Plan, pursuant to Section 6.2, shall not, however, constitute an impairment of any rights or benefits.

6.4 Effective Date

The Plan is effective as of September 30, 1998. Unless otherwise stated, amendments to the Plan are effective on approval by the Committee. The first amendments to the Plan are effective January 1, 2000. The second amended and restated plan is effective August 1, 2000. The amendments approved by the Committee in June 2003, shall be effective as of January 1, 2003. The amendments made to comply with section 409A, and approved by the Committee in June 2007 are effective for account balances established after December 31, 2004.

August 1, 2007

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We are aware that our report dated August 1, 2007 on our review of interim financial information of MasterCard Incorporated (the "Company") for the three and six months ended June 30, 2007 and 2006 and included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2007 is incorporated by reference in the Company's Registration Statements on Form S-8 dated June 30, 2006, August 9, 2006 and June 15, 2007.

Very truly yours,

PricewaterhouseCoopers LLP

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Robert W. Selander, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MasterCard Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2007

By: /s/ Robert W. Selander
Robert W. Selander
President and
Chief Executive Officer

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Chris A. McWilton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MasterCard Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2007

By: /s/ Chris A. McWilton
Chris A. McWilton
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of MasterCard Incorporated (the "Company") on Form 10-Q for the period ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert W. Selander, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert W. Selander

Robert W. Selander
President and Chief Executive Officer

August 1, 2007

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of MasterCard Incorporated (the "Company") on Form 10-Q for the period ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chris A. McWilton, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Chris A. McWilton

Chris A. McWilton
Chief Financial Officer

August 1, 2007