

MASTERCARD INC

FORM 10-Q (Quarterly Report)

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Address	2000 PURCHASE STREET PURCHASE, NY 10577
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Industry	Consumer Financial Services
Sector	Financial
Fiscal Year	12/31

**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, 2009

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of July 24, 2009, there were 109,683,568 shares outstanding of the registrant's Class A common stock, par value \$.0001 per share, 19,977,657 shares outstanding of the registrant's Class B common stock, par value \$.0001 per share, and 1,803 shares outstanding of the registrant's Class M common stock, par value \$.0001 per share.

MASTERCARD INCORPORATED

FORM 10-Q

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MASTERCARD INCORPORATED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2009	December 31, 2008
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 2,048,194	\$ 1,505,160
Investment securities, at fair value:		
Available-for-sale	605,403	588,095
Municipal bonds held-to-maturity	—	154,000
Accounts receivable	545,255	639,482
Income taxes receivable	—	198,308
Settlement due from customers	625,572	513,191
Restricted security deposits held for customers	243,330	183,245
Prepaid expenses	284,647	213,612
Deferred income taxes	262,764	283,795
Other current assets	75,037	32,619
Total Current Assets	4,690,202	4,311,507
Property, plant and equipment, at cost (less accumulated depreciation of \$307,935 and \$278,269)	456,750	306,798
Deferred income taxes	502,161	567,567
Goodwill	300,364	297,993
Other intangible assets (less accumulated amortization of \$393,398 and \$377,570)	397,345	394,282
Auction rate securities available-for-sale, at fair value	187,000	191,760
Municipal bonds held-to-maturity	36,910	37,450
Prepaid expenses	306,757	302,095
Other assets	106,444	66,397
Total Assets	\$ 6,983,933	\$ 6,475,849
LIABILITIES AND EQUITY		
Accounts payable	\$ 259,484	\$ 253,276
Settlement due to customers	610,028	541,303
Restricted security deposits held for customers	243,330	183,245
Obligations under litigation settlements (Note 16)	709,835	713,035
Accrued expenses	955,278	1,032,061
Short-term debt	—	149,380
Other current liabilities	203,657	118,151
Total Current Liabilities	2,981,612	2,990,451
Deferred income taxes	73,668	74,518
Obligations under litigation settlements (Note 16)	772,755	1,023,263
Long-term debt	20,564	19,387
Other liabilities	461,293	436,255
Total Liabilities	4,309,892	4,543,874
Commitments (Note 15)		
Stockholders' Equity		
Class A common stock, \$.0001 par value; authorized 3,000,000,000 shares, 116,404,083 and 105,126,588 shares issued and 109,663,493 and 98,385,998 outstanding, respectively	11	10
Class B common stock, \$.0001 par value; authorized 1,200,000,000 shares, 19,977,657 and 30,848,778 issued and outstanding, respectively	3	4
Class M common stock, \$.0001 par value; authorized 1,000,000 shares, 1,772 and 1,728 shares issued and outstanding, respectively	—	—
Additional paid-in-capital	3,346,557	3,304,604
Class A treasury stock, at cost, 6,740,590 shares, respectively	(1,250,000)	(1,250,000)
Retained earnings (accumulated deficit)	440,901	(236,100)
Accumulated other comprehensive income:		
Cumulative foreign currency translation adjustments	186,915	175,040
Defined benefit pension and other postretirement plans, net of tax	(41,320)	(43,207)
Investment securities available-for-sale, net of tax	(16,798)	(22,996)
Total accumulated other comprehensive income	128,797	108,837
Total Stockholders' Equity	2,666,269	1,927,355
Non-controlling interests	7,772	4,620
Total Equity	2,674,041	1,931,975

Total Liabilities and Equity	\$ 6,983,933	\$ 6,475,849
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The accompanying notes are an integral part of these consolidated financial statements.

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	<u>Three Months Ended June 30,</u> <u>2009</u>	<u>2008</u>	<u>Six Months Ended June 30,</u> <u>2009</u>	<u>2008</u>
	(In thousands, except per share data)			
Revenues, net	\$1,279,889	\$ 1,246,504	\$2,435,991	\$2,428,588
Operating Expenses				
General and administrative	506,004	521,357	953,857	982,982
Advertising and marketing	180,478	281,056	296,447	460,644
Litigation settlements	500	1,649,345	500	1,649,345
Depreciation and amortization	35,721	27,950	66,708	53,214
Total operating expenses	<u>722,703</u>	<u>2,479,708</u>	<u>1,317,512</u>	<u>3,146,185</u>
Operating income (loss)	557,186	(1,233,204)	1,118,479	(717,597)
Other Income (Expense)				
Investment income, net	13,630	25,685	31,031	140,455
Interest expense	(31,771)	(15,438)	(67,569)	(30,756)
Other income (expense), net	(2,599)	(225)	4,383	73,297
Total other income (expense)	<u>(20,740)</u>	<u>10,022</u>	<u>(32,155)</u>	<u>182,996</u>
Income (loss) before income taxes	536,446	(1,223,182)	1,086,324	(534,601)
Income tax expense (benefit)	<u>187,567</u>	<u>(476,529)</u>	<u>370,235</u>	<u>(234,826)</u>
Net income (loss)	348,879	(746,653)	716,089	(299,775)
Loss attributable to non-controlling interests	195	—	243	—
Net Income (Loss) Attributable to MasterCard	<u>\$ 349,074</u>	<u>\$ (746,653)</u>	<u>\$ 716,332</u>	<u>\$ (299,775)</u>
Basic Earnings (Loss) per Share (Note 2)	<u>\$ 2.67</u>	<u>\$ (5.70)</u>	<u>\$ 5.49</u>	<u>\$ (2.28)</u>
Basic Weighted Average Shares Outstanding (Note 2)	<u>129,743</u>	<u>130,073</u>	<u>129,689</u>	<u>130,750</u>
Diluted Earnings (Loss) per Share (Note 2)	<u>\$ 2.67</u>	<u>\$ (5.70)</u>	<u>\$ 5.47</u>	<u>\$ (2.28)</u>
Diluted Weighted Average Shares Outstanding (Note 2)	<u>130,118</u>	<u>130,073</u>	<u>130,048</u>	<u>130,750</u>

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
	(In thousands)	
Operating Activities		
Net income (loss)	\$ 716,089	\$ (299,775)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	66,708	53,214
Gain on sale of Redecard S.A. available-for-sale securities	—	(85,903)
Share based payments (Note 13)	40,614	28,989
Stock units settled in cash for taxes	(26,506)	(66,090)
Tax benefit for share based compensation	(25,547)	(43,829)
Impairment of assets	15,266	8,900
Accretion of imputed interest on litigation settlements	49,977	16,124
Deferred income taxes	84,204	(573,927)
Other	(760)	5,208
Changes in operating assets and liabilities:		
Trading securities	—	2,561
Accounts receivable	110,383	(15,809)
Income taxes receivable	190,000	—
Settlement due from customers	(108,826)	(8,172)
Prepaid expenses	(69,897)	(75,658)
Other current assets	(56,685)	(1,723)
Obligations under litigation settlements	(303,685)	1,648,859
Accounts payable	5,230	(272)
Settlement due to customers	67,796	21,577
Accrued expenses	(58,548)	(155,076)
Net change in other assets and liabilities	82,270	83,601
Net cash provided by operating activities	<u>778,083</u>	<u>542,799</u>
Investing Activities		
Purchases of property, plant and equipment	(25,028)	(28,961)
Capitalized software	(37,586)	(38,784)
Purchases of investment securities available-for-sale	(64,425)	(422,739)
Proceeds from sales and maturities of investment securities, available-for-sale	59,009	737,616
Investment in affiliates	(18,084)	—
Acquisition of business, net of cash acquired	(2,913)	—
Other investing activities	1,307	709
Net cash provided by (used in) investing activities	<u>(87,720)</u>	<u>247,841</u>
Financing Activities		
Dividends paid	(39,359)	(39,878)
Cash proceeds from exercise of stock options	2,269	4,656
Tax benefit for share based compensation	25,547	43,829
Purchase of treasury stock	—	(649,468)
Payment of debt	(149,380)	(80,000)
Redemption of non-controlling interest	(4,620)	—
Net cash used in financing activities	<u>(165,543)</u>	<u>(720,861)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>18,214</u>	<u>40,137</u>
Net increase in cash and cash equivalents	543,034	109,916
Cash and cash equivalents - beginning of period	<u>1,505,160</u>	<u>1,659,295</u>
Cash and cash equivalents - end of period	<u><u>\$2,048,194</u></u>	<u><u>\$1,769,211</u></u>

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

	<u>Total</u>	<u>Common Shares</u>		<u>Additional Paid-In Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income, net of tax</u>	<u>Non- Controlling Interests</u>
		<u>Class A</u>	<u>Class B</u>					
(In thousands, except per share data)								
Balance at December 31, 2008	\$1,931,975	\$ 10	\$ 4	\$3,304,604	\$(1,250,000)	\$ (236,100)	\$ 108,837	\$ 4,620
Redemption of non-controlling interest	(4,620)	—	—	—	—	—	—	(4,620)
Investment in majority owned entity	8,015	—	—	—	—	—	—	8,015
Net income (loss)	716,089	—	—	—	—	716,332	—	(243)
Other comprehensive income, net of tax	19,960	—	—	—	—	—	19,960	—
Cash dividends declared on Class A and Class B common stock, \$0.30 per share	(39,302)	—	—	29	—	(39,331)	—	—
Share based payments	40,614	—	—	40,614	—	—	—	—
Stock units settled in cash for taxes	(26,506)	—	—	(26,506)	—	—	—	—
Tax benefit for share based compensation	25,547	—	—	25,547	—	—	—	—
Conversion of Class B to Class A common stock	—	1	(1)	—	—	—	—	—
Cash proceeds from exercise of stock options	2,269	—	—	2,269	—	—	—	—
Balance at June 30, 2009	<u>\$2,674,041</u>	<u>\$ 11</u>	<u>\$ 3</u>	<u>\$3,346,557</u>	<u>\$(1,250,000)</u>	<u>\$ 440,901</u>	<u>\$ 128,797</u>	<u>\$ 7,772</u>

MASTERCARD INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
(In thousands)				
Net Income (Loss)	\$ 348,879	\$ (746,653)	\$ 716,089	\$ (299,775)
Other comprehensive income (loss):				
Foreign currency translation adjustments	87,253	216	11,875	76,850
Defined benefit pension and postretirement plans, net of tax	846	141	1,887	282
Unrealized gain (loss) and reclassification adjustment for realized (gain) loss on investment securities available-for-sale, net of tax	1,179	(12,325)	6,198	(78,865)
Other comprehensive income (loss)	89,278	(11,968)	19,960	(1,733)
Comprehensive Income (Loss)	438,157	(758,621)	736,049	(301,508)
Loss attributable to non-controlling interests	195	—	243	—
Comprehensive Income (Loss) Attributable to MasterCard	<u>\$ 438,352</u>	<u>\$ (758,621)</u>	<u>\$ 736,292</u>	<u>\$ (301,508)</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, including MasterCard International Incorporated (“MasterCard International”) and MasterCard Europe sprl (“MasterCard Europe”) (together, “MasterCard” or the “Company”), provide payment solutions, including transaction processing and related services to customers principally in support of their credit, deposit access (debit), electronic cash and Automated Teller Machine (“ATM”) payment card programs, and travelers cheque programs. Our financial institution customers are generally either principal members (“principal members”) of MasterCard International, which participate directly in MasterCard International’s business, or affiliate members of MasterCard International, which participate indirectly in MasterCard International’s business through a principal member.

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 was not an operating entity and had no employees. In March 2009, the Company discontinued its use of the variable interest entity. See Note 12 (Consolidation of Variable Interest Entity) for further discussion. Intercompany transactions during the periods ended June 30, 2009 and 2008 have been eliminated in consolidation. The Company follows accounting principles generally accepted in the United States of America (“GAAP”).

The balance sheet as of December 31, 2008 was derived from the audited consolidated financial statements as of December 31, 2008. The consolidated financial statements for the three and six months ended June 30, 2009 and 2008 and as of June 30, 2009 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, 2009 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 GAAP. Reference should be made to the MasterCard Incorporated Annual Report on Form 10-K for the year ended December 31, 2008 for additional disclosures, including a summary of the Company’s significant accounting policies.

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 165, “Subsequent Events” (“SFAS 165”), issued in May 2009 by the Financial Accounting Standards Board (“FASB”), the Company has evaluated all subsequent events through July 30, 2009 which is the date that the consolidated financial statements were issued.

Reclassification of prior period amounts and recent accounting pronouncements — Certain prior period amounts have been reclassified to conform to the 2009 presentation. The amounts reclassified primarily relate to the adoption of certain accounting standards and the reclassification of certain cardholder-related enhancement expenses, which were previously classified as advertising and marketing expenses, to general and administrative expenses. These cardholder benefit program expenses, such as insurance and card replacements, were previously deemed promotional features of the cards and over time have become standard product offerings in certain card categories. Approximately \$22,000 and \$42,000 of these expenses have been reclassified for the three and six months ended June 30, 2008, respectively, to conform to the 2009 presentation.

With respect to adoption of accounting standards, the provisions of FASB Staff Position (“FSP”) EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP EITF 03-6-1”) became effective for the Company on January 1, 2009, resulting in the retrospective adjustment of earnings per share (“EPS”) for prior periods. See Note 2 (Earnings (Loss) Per Share) for further detail.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51” (“SFAS 160”). SFAS 160 amends Accounting Research Bulletin (“ARB”) No. 51, “Consolidated Financial Statements” and establishes accounting and reporting standards that require non-controlling interests, previously referred to as minority interests, to be reported as a component of

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

equity. In addition, changes in a parent's ownership interest while the parent retains its controlling interest are accounted for as equity transactions, and upon a gain or loss of control, retained ownership interests are remeasured at fair value, with any gain or loss recognized in earnings. Effective January 1, 2009, the Company applied the provisions of SFAS 160 retrospectively in the consolidated financial statements. The adoption of SFAS 160 did not have a material impact on the Company's financial position or results of operations for any periods presented.

The provisions of FASB No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" ("SFAS 161") became effective for the Company on January 1, 2009. SFAS 161 applies to all entities and requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk related contingent features in derivative agreements. The Company applied the requirements of SFAS 161 on a prospective basis. Accordingly, disclosures related to interim periods prior to the date of adoption have not been presented. Since SFAS 161 relates to disclosures only, it had no impact on the Company's financial position or results of operations. See Note 20 (Foreign Exchange Risk Management) for further detail.

Effective January 1, 2009, the Company adopted SFAS No. 141(R), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; how the acquirer recognizes and measures the goodwill acquired in a business combination; and how the acquirer determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The adoption of SFAS 141(R) did not have a material impact on the Company's financial position or results of operations as of or for the three and six months ended June 30, 2009.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1 and APB 28-1"), which requires public entities to disclose in their interim financial statements the fair value of all financial instruments within the scope of FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107"), as well as the method(s) and significant assumptions used to estimate the fair value of those financial instruments. The Company has adopted the provisions of FSP FAS 107-1 and APB 28-1 by including the required additional financial statement disclosures as of June 30, 2009 in Note 4 (Fair Value). The adoption of FSP FAS 107-1 and APB 28-1 had no impact on the Company's financial position or results of operations.

Also in April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP FAS 115-2 and FAS 124-2"), to change the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of an impairment charge to be recorded in earnings. FSP FAS 115-2 and FAS 124-2 also requires enhanced disclosures, including the Company's methodology and key inputs used for determining the amount of credit losses recorded in earnings. The Company adopted FSP FAS 115-2 and FAS 124-2 during the second quarter of 2009 and the adoption had no impact on the Company's financial position or results of operations. See Note 5 (Investment Securities) for further detail.

Additionally, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP FAS 157-4"), during April 2009. FSP FAS 157-4 provides additional guidance to highlight and expand on the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset. FSP FAS 157-4 also requires new disclosures relating to fair value measurement inputs and valuation techniques (including changes in inputs and valuation techniques). The Company adopted FSP FAS 157-4 during the second quarter of 2009. The adoption of FSP FAS 157-4 had no impact on the Company's financial position or results of operations. See Note 4 (Fair Value) for further detail.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140" ("SFAS 166"), to revise SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS 166 eliminates the qualifying special purpose entity concept, establishes a new unit of account definition that must be met for the transfer of portions of financial assets to be eligible for sale accounting, clarifies and changes the derecognition criteria for a transfer to be accounted for as a sale, changes the amount of gain or loss on a transfer of financial assets accounted for as a sale when beneficial

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

interests are received by the transferor, and requires additional new disclosures. The Company will adopt SFAS 166 upon its effective date of January 1, 2010 and the impact of SFAS 166 will depend upon the nature and significance of future transfers of financial assets, if any.

The FASB also issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"), during June 2009 as a revision to FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities," to eliminate the exemption for qualifying special purpose entities, require a new qualitative approach for determining whether a reporting entity should consolidate a variable-interest entity, and change the requirement of when to reassess whether a reporting entity should consolidate a variable-interest entity. Pursuant to the provisions of SFAS 167, the Company will assess whether it should consolidate or deconsolidate any variable-interest entities for which it holds variable interests on January 1, 2010 and the impact to the Company will be dependent upon the facts and circumstances related to those variable interests at the effective date.

Finally, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification" and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162" ("SFAS 168"), during June 2009. SFAS 168 establishes the "The FASB Accounting Standards Codification" as the sole source of authoritative GAAP. Pursuant to the provisions of SFAS 168, the Company will update its references to GAAP in its consolidated financial statements issued for the periods ended September 30, 2009 and thereafter. The adoption of SFAS 168 will have no impact on the Company's financial position or results of operations.

Note 2. Earnings (Loss) Per Share

FSP EITF 03-6-1 became effective January 1, 2009 with retrospective application. Under FSP EITF 03-6-1, unvested share-based payment awards which receive non-forfeitable dividend rights, or dividend equivalents, are considered participating securities and are required to be included in computing EPS under the two-class method. The Company declared non-forfeitable dividends on unvested restricted stock units and contingently issuable performance stock units ("Unvested Units") which were granted prior to 2009. The Company has therefore calculated EPS under the two-class method pursuant to FSP EITF 03-6-1.

The components of basic and diluted EPS for common shares under the two-class method for the three months and six months ended June 30 are as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Numerator:				
Net income (loss) attributable to MasterCard	\$ 349,074	\$ (746,653)	\$ 716,332	\$ (299,775)
Less: Net income (loss) allocated to Unvested Units	2,273	(5,863)	4,960	(2,162)
Net income (loss) attributable to MasterCard allocated to common shares	<u>\$ 346,801</u>	<u>\$ (740,790)</u>	<u>\$ 711,372</u>	<u>\$ (297,613)</u>
Denominator:				
Basic EPS weighted average shares outstanding	129,743	130,073	129,689	130,750
Dilutive stock options and stock units	375	—	359	—
Diluted EPS weighted average shares outstanding	<u>130,118</u>	<u>130,073</u>	<u>130,048</u>	<u>130,750</u>
Earnings (Loss) per Share				
Total Basic	\$ 2.67	\$ (5.70)	\$ 5.49	\$ (2.28)
Total Diluted	\$ 2.67	\$ (5.70)	\$ 5.47	\$ (2.28)

The calculation of diluted EPS for each of the three and six month periods ended June 30, 2009 excluded approximately 288 stock options because the effect would be antidilutive. The calculation of diluted EPS for the six months ended June 30, 2009 excluded approximately 1 restricted stock unit because the effect would be antidilutive. The calculation of diluted loss per share for each of the three and six month periods ended June 30, 2008 excluded approximately 1,080 restricted stock units and 835 stock options because the effect would be antidilutive.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) cont'd
(In thousands, except per share and percent data)

The following table compares EPS as originally reported and EPS under the two-class method, pursuant to FSP EITF 03-6-1, to quantify the impact of the new standard on EPS for the three and six months ended June 30, 2008.

	Periods ended June 30, 2008	
	Three months	Six months
Basic - as originally reported	\$ (5.74)	\$ (2.29)
Basic - pursuant to FSP EITF 03-6-1	(5.70)	(2.28)
Impact of FSP EITF 03-6-1 on basic EPS	<u>\$ 0.04</u>	<u>\$ 0.01</u>
Diluted - as originally reported	\$ (5.74)	\$ (2.29)
Diluted - pursuant to FSP EITF 03-6-1	(5.70)	(2.28)
Impact of FSP EITF 03-6-1 on diluted EPS	<u>\$ 0.04</u>	<u>\$ 0.01</u>

Note 3. Non-Cash Investing and Financing Activities

The following table includes non-cash investing and financing information for the six month periods ended June 30:

	2009	2008
Dividends declared but not yet paid	\$ 19,671	\$19,684
Liabilities assumed related to investments in affiliates	8,750 ⁴	20,432 ³
Municipal bonds cancelled	154,000 ¹	—
Revenue bonds received	(154,000) ²	—
Building and land assets recorded pursuant to capital lease	(154,000) ²	—
Capital lease obligation	154,000 ²	—

¹ See Note 12 (Consolidation of Variable Interest Entity) for further details.

² See Note 8 (Property, Plant, and Equipment) for further details.

³ Amount due in 2011.

⁴ Amounts to be extinguished in 2013 and 2016.

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

Note 4. Fair Value

Financial Instruments – Recurring Measurements

Pursuant to the provisions of FSP FAS 107-1 and APB 28-1, the Company is disclosing the estimated fair values as of June 30, 2009 of the financial instruments that are within the scope of SFAS 107, as well as the method(s) and significant assumptions used to estimate the fair value of those financial instruments. Furthermore, pursuant to the provisions of SFAS No. 157, “Fair Value Measurements” (“SFAS 157”), the Company classifies its fair value measurements in a three-level hierarchy (the “Valuation Hierarchy”).

The distribution of the Company’s financial instruments which are measured at fair value on a recurring basis within the Valuation Hierarchy, is as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at June 30, 2009
Municipal bonds ¹	\$ —	\$497,736	\$ —	\$ 497,736
Taxable short-term bond funds	107,620	—	—	107,620
Auction rate securities	—	—	187,000	187,000
Foreign currency forward contracts	—	(15,982)	—	(15,982)
Other	47	—	—	47
Total	<u>\$107,667</u>	<u>\$481,754</u>	<u>\$ 187,000</u>	<u>\$ 776,421</u>

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2008
Municipal bonds ¹	\$ —	\$485,490	\$ —	\$ 485,490
Taxable short-term bond funds	102,588	—	—	102,588
Auction rate securities	—	—	191,760	191,760
Foreign currency forward contracts	—	33,731	—	33,731
Other	17	—	—	17
Total	<u>\$102,605</u>	<u>\$519,221</u>	<u>\$ 191,760</u>	<u>\$ 813,586</u>

¹ Available-for-sale municipal bonds are carried at fair value and are included in the above tables. However, held-to-maturity municipal bonds are carried at amortized cost and excluded from the above tables.

The fair value of the Company’s available-for-sale municipal bonds are based on quoted prices for similar assets in active markets and are therefore included in level 2 of the Valuation Hierarchy.

The fair value of the Company’s short-term bond funds are based on quoted prices and are therefore included in Level 1 of the Valuation Hierarchy.

The auction rate securities (“ARS”) investments have been classified within level 3 of the Valuation Hierarchy as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market due to the lack of trading in the securities. This valuation may be revised in future periods as market conditions evolve. Pursuant to the provisions of FSP FAS 157-4, the Company has considered the lack of liquidity in the ARS market and the lack of comparable, orderly transactions when estimating the fair value of its ARS portfolio. Therefore, the Company continued to utilize the income approach, which included a discounted cash flow analysis of the estimated future cash flows adjusted by a risk premium for the ARS portfolio as of June 30, 2009, to estimate the fair value of its ARS portfolio. When a determination is made to classify a financial instrument within level 3, the determination is based upon the significance of the unobservable parameters to the overall fair value measurement. However, the fair value determination for level 3 financial instruments may include observable components.

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

The Company's foreign currency forward contracts have been classified within Level 2 of the valuation hierarchy, as the fair value is based on broker quotes for the same or similar derivative instruments. See Note 20 (Foreign Exchange Risk Management) for further details.

Financial Instruments – Non-Recurring Measurements

Certain financial instruments are carried on the consolidated balance sheets at cost, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, accounts receivable, settlement due from customers, restricted security deposits held for customers, prepaid expenses, accounts payable, settlement due to customers and accrued expenses.

Municipal Bonds Held-to-Maturity

The Company utilizes quoted prices for similar securities from active markets to estimate the fair value of its held-to-maturity securities. See Note 5 (Investment Securities) for fair value disclosure.

Short-term and Long-term Debt

The Company estimates the fair value of its debt by applying a current period discount rate to the remaining cash flows under the terms of the debt. At June 30, 2009, the carrying value on the consolidated balance sheets totaled \$20,564 and the fair value totaled \$20,635 for the Company's debt.

Obligations Under Litigation Settlements

The Company estimates the fair value of its obligations under litigation settlements by applying a current period discount rate to the remaining cash flows under the terms of the litigation settlement. At June 30, 2009, the carrying values on the consolidated balance sheets totaled \$1,482,590 and the fair values totaled \$1,511,016 for these obligations. For additional information regarding the Company's obligations under litigation settlements, see Note 16 (Obligations Under Litigation Settlements).

Settlement Guarantee Liabilities

The Company estimates the fair value of its settlement guarantees by applying market assumptions for relevant though not directly comparable undertakings, as the latter are not observable in the market given the proprietary nature of such guarantees. Additionally, loss probability and severity profiles against the Company's gross and net settlement exposures are considered. The carrying value and estimated fair value of settlement guarantee liabilities were de minimis as of June 30, 2009. For additional information regarding the Company's settlement guarantee liabilities, see Note 19 (Settlement, Travelers Cheque and Other Risk Management).

Refunding Revenue Bonds

The Company holds refunding revenue bonds with the same payment terms and which contain the right of set-off with a capital lease obligation related to the Company's global technology and operations center located in O'Fallon, Missouri, called Winghaven. The Company has netted the refunding revenue bonds and the corresponding capital lease obligation in the consolidated balance sheet and estimates that the carrying value approximates the fair value for these bonds. See Note 8 (Property, Plant and Equipment) for further details.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) cont'd
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Non-Financial Instruments

Certain assets and liabilities are measured at fair value on a nonrecurring basis. The Company's assets and liabilities measured at fair value on a nonrecurring basis include property, plant and equipment, goodwill and other intangible assets. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

The valuation methods for goodwill and other intangible assets involve assumptions concerning interest and discount rates, growth projections and other assumptions of future business conditions. As all of the assumptions employed to measure these assets and liabilities on a nonrecurring basis are based on management's judgment using internal and external data, these fair value determinations are classified in Level 3 of the Valuation Hierarchy.

Note 5. Investment Securities

Amortized Costs and Fair Values – Available-for-Sale Investment Securities:

The major categories of the Company's available-for-sale investment securities, for which unrealized gains and losses are recorded as a separate component of other comprehensive income (loss) on the consolidated statements of comprehensive income (loss), and their respective cost basis and fair values are as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss ¹	Fair Value at June 30, 2009
Municipal bonds	\$480,549	\$ 17,826	\$ (639)	\$ 497,736
Taxable short-term bond funds	104,367	3,253	—	107,620
Auction rate securities	233,750	—	(46,750)	187,000
Other	90	—	(43)	47
Total	\$818,756	\$ 21,079	\$(47,432)	\$ 792,403

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss ¹	Fair Value at December 31, 2008
Municipal bonds	\$473,746	\$ 12,771	\$ (1,027)	\$ 485,490
Taxable short-term bond funds	102,588	—	—	102,588
Auction rate securities	239,700	—	(47,940)	191,760
Other	127	—	(110)	17
Total	\$816,161	\$ 12,771	\$(49,077)	\$ 779,855

¹ The majority of the unrealized losses relate to ARS, which have been in an unrealized loss position longer than 12 months, but have not been deemed other-than-temporarily impaired.

The municipal bond portfolio is comprised of tax exempt bonds and is diversified across states and sectors. The portfolio has an average credit quality of double-A. Municipal bonds in a gross unrealized loss position are not considered other-than temporarily impaired due to their high credit quality.

The short-term bond funds invest in fixed income securities, including corporate bonds, mortgage-backed, and asset-backed securities.

The Company holds investments in ARS. Interest on these securities is exempt from U.S. federal income tax and the interest rate on the securities typically resets every 35 days. The securities are fully collateralized by student loans with guarantees, ranging from approximately 95% to 98% of principal and interest, by the U.S. government via the Department of Education.

Beginning on February 11, 2008, the auction mechanism that normally provided liquidity to the ARS investments began to fail. Since mid-February 2008, all 44 investment positions in the Company's ARS investment

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) cont'd
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portfolio have experienced failed auctions. The securities for which auctions have failed have continued to pay interest in accordance with the contractual terms of such instruments and will continue to accrue interest and be auctioned at each respective reset date until the auction succeeds, the issuer redeems the securities or they mature. As of June 30, 2009, the ARS market remained illiquid but issuer call and redemption activity in the ARS student loan sector has occurred periodically since the auctions began to fail. During the three months ending June 30, 2009, the Company did not sell any ARS in the auction market but there were some partial calls of ARS.

The table below includes a roll-forward of the Company's ARS investments from January 1, 2009 to June 30, 2009.

	Significant Unobservable
	Inputs (Level 3)
Fair value, January 1, 2009	\$ 191,760
Calls, at par	(5,950)
Recovery of unrealized losses due to issuer calls	1,190
Fair value, June 30, 2009	<u>\$ 187,000</u>

Pursuant to the provisions of FSP FAS 115-2 and FAS 124-2, the Company evaluated the estimated impairment of its ARS portfolio to determine if it was other-than-temporary. The Company considered several factors including, but not limited to, the following: (1) the reasons for the decline in value (changes in interest rates, credit event, or market fluctuations); (2) MasterCard's belief that it is more likely than not that it will hold and not be required to sell the investments for a sufficient period of time to allow for recovery of the cost basis; (3) whether the decline is substantial; and (4) the historical and anticipated duration of the events causing the decline in value. The evaluation for other-than-temporary impairments is a quantitative and qualitative process, which is subject to various risks and uncertainties. The risks and uncertainties include changes in credit quality, market liquidity, timing and amounts of issuer calls, and interest rates. As of June 30, 2009, the unrealized losses on the ARS were not related to credit quality but rather due to the lack of liquidity in the market. The Company believes that it is more likely than not that the Company will hold and not be required to sell its ARS investments until recovery of their cost basis which may be at maturity or earlier if called. Therefore MasterCard does not consider the unrealized losses to be other-than-temporary. The Company has estimated a 20% discount to the par value of the ARS portfolio. The temporary impairment included in accumulated other comprehensive income related to the Company's ARS was \$46,750 and \$47,940 as of June 30, 2009 and December 31, 2008, respectively. A hypothetical increase of 100 basis points in the discount rate used in the discounted cash flow analysis would have increased the temporary impairment by \$24,000 at each period end.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) cont'd
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Carrying and Fair Values – Held-to-Maturity Investment Securities:

The Company also owns certain held-to-maturity investment securities, which primarily consist of two municipal bonds yielding interest at approximately 5.0% per annum. These bonds primarily relate to the Company's back-up processing center in Kansas City, Missouri. The Company cancelled \$154,000 of short-term municipal bonds related to its global technology and operations center located in O'Fallon, Missouri, called Winghaven on March 1, 2009, as further discussed in Note 12 (Consolidation of Variable Interest Entity). The carrying value, gross unrecorded gains and fair value of these held-to-maturity investment securities are as follows:

	June 30, 2009	December 31, 2008
Carrying value	\$36,910	\$ 191,450
Gross unrecorded gains	1,179	1,913
Fair value	<u>\$38,089</u>	<u>\$ 193,363</u>

Investment Maturities:

The maturity distribution based on the contractual terms of the Company's investment securities at June 30, 2009 was as follows:

	Available-For-Sale		Held-To-Maturity	
	Amortized Cost	Fair Value	Carrying Value	Fair Value
Due within 1 year	\$ 26,460	\$ 27,014	\$ 528	\$ 530
Due after 1 year through 5 years	350,340	364,953	36,382	37,559
Due after 5 years through 10 years	106,621	107,866	—	—
Due after 10 years	230,878	184,903	—	—
No contractual maturity	104,457	107,667	—	—
Total	<u>\$818,756</u>	<u>\$792,403</u>	<u>\$36,910</u>	<u>\$ 38,089</u>

The majority of securities due after ten years are ARS. Taxable short-term bond funds and foreign equity securities have been included in the table above in the no contractual maturity category, as these investments do not have a stated maturity date.

The table below summarizes the maturity ranges of the ARS portfolio, based on relative par value, as of June 30, 2009:

	Par Amount	% of Total
Due within 10 years	\$ 4,000	2%
Due year 11 through year 20	40,400	17%
Due year 21 through year 30	151,250	65%
Due after year 30	38,100	16%
Total	<u>\$233,750</u>	<u>100%</u>

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Investment Income:

Components of net investment income were as follows for the three and six months ended June 30:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Interest income	\$ 13,338	\$ 27,957	\$ 30,613	\$ 62,640
Dividend income	4	—	4	1,221
Investment securities available-for-sale:				
Gross realized gains	380	127	516	86,473
Gross realized losses	(92)	(2,399)	(102)	(9,879)
Total investment income, net	<u>\$ 13,630</u>	<u>\$ 25,685</u>	<u>\$ 31,031</u>	<u>\$ 140,455</u>

Interest income is generated from cash, cash equivalents, available-for-sale investment securities and municipal bonds held-to-maturity. Dividend income primarily consists of dividends received on the Company's cost method investments.

Note 6. Prepaid Expenses

Prepaid expenses consisted of the following:

	June 30, 2009	December 31, 2008
Customer and merchant incentives	\$ 415,743	\$ 397,563
Advertising	34,078	45,608
Income taxes	78,147	—
Data processing	36,166	24,455
Other	27,270	48,081
Total prepaid expenses	591,404	515,707
Prepaid expenses, current	(284,647)	(213,612)
Prepaid expenses, long-term	<u>\$ 306,757</u>	<u>\$ 302,095</u>

Prepaid customer and merchant incentives represent payments made to customers and merchants under business agreements.

Note 7. Other Assets

Other assets consisted of the following:

	June 30, 2009	December 31, 2008
Customer and merchant incentives	\$ 95,636	\$ 46,608
Cost and equity method investments	36,130	12,500
Cash surrender value of keyman life insurance	21,461	18,552
Other	28,254	21,356
Total other assets	181,481	99,016
Other assets, current	(75,037)	(32,619)
Other assets, long-term	<u>\$106,444</u>	<u>\$ 66,397</u>

Certain customer and merchant business agreements provided incentives upon entering into the agreement. As of June 30, 2009 and December 31, 2008, other assets included amounts to be paid for these incentives and the related liability was included in accrued expenses. Once the payment is made, the liability is relieved and the other asset is reclassified to a prepaid expense.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) cont'd
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Note 8. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	June 30, 2009	December 31, 2008
Building and land	\$ 388,163	\$ 216,670
Equipment	270,142	250,395
Furniture and fixtures	53,356	51,124
Leasehold improvements	53,024	66,878
	764,685	585,067
Less accumulated depreciation and amortization	(307,935)	(278,269)
	<u>\$ 456,750</u>	<u>\$ 306,798</u>

Effective March 1, 2009, MasterCard executed a new ten-year lease between MasterCard, as tenant, and the Missouri Development Finance Board ("MDFB"), as landlord, for MasterCard's global technology and operations center located in O'Fallon, Missouri, called Winghaven (see Note 12 (Consolidation of Variable Interest Entity)). The lease includes a bargain purchase option and is thus classified as a capital lease. The building and land assets and capital lease obligation have been recorded at \$154,000, which represents the lesser of the present value of the minimum lease payments and the fair value of the building and land assets. The Company received refunding revenue bonds issued by MDFB in the exact amount, \$154,000, and with the same payment terms as the capital lease and which contain the legal right of setoff with the capital lease. The Company has netted its investment in the MDFB refunding revenue bonds and the corresponding capital lease obligation in the consolidated balance sheet. The related leasehold improvements for Winghaven will continue to be amortized over the economic life of the improvements.

As of June 30, 2009 and December 31, 2008, other capital leases of \$33,609 and \$46,794, respectively, were included in equipment. Accumulated amortization of these capital leases was \$21,411 and \$36,180 as of June 30, 2009 and December 31, 2008, respectively.

Depreciation expense for the above property, plant and equipment, including amortization for capital leases was \$18,828 and \$35,404 for the three and six months ended June 30, 2009, respectively. Depreciation expense for the above property, plant and equipment, including amortization for capital leases was \$14,723 and \$28,608 for the three and six months ended June 30, 2008, respectively.

Note 9. Accrued Expenses

Accrued expenses consisted of the following:

	June 30, 2009	December 31, 2008
Customer and merchant incentives	\$482,578	\$ 526,722
Personnel costs	238,752	296,497
Taxes	80,929	20,685
Advertising	74,909	89,567
Other	78,110	98,590
Total accrued expenses	<u>\$955,278</u>	<u>\$1,032,061</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) cont'd
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Note 10. Pension Plans

The Company maintains a non-contributory, qualified, defined benefit pension plan (the “Qualified Plan”) with a cash balance feature covering substantially all of its U.S. employees hired before July 1, 2007. The Qualified Plan experienced a steep decline in the fair value of plan assets for the year ended December 31, 2008, which resulted in a significant increase in the actuarial loss component of accumulated other comprehensive income as of December 31, 2008. The increases in net periodic pension cost, shown below, for the three and six months ended June 30, 2009 versus the same periods in 2008 were primarily due to the amortization of actuarial loss into pension expense. Additionally, the Company has an unfunded non-qualified supplemental executive retirement plan (the “Non-qualified Plan”) that provides certain key employees with supplemental retirement benefits in excess of limits imposed on qualified plans by U.S. tax laws. The term “Pension Plans” includes both the Qualified Plan and the Non-qualified Plan. The net periodic pension cost for the Pension Plans was as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Service cost	\$ 4,392	\$ 4,995	\$ 8,784	\$ 9,990
Interest cost	3,381	3,410	6,762	6,819
Expected return on plan assets	(3,121)	(4,007)	(6,242)	(8,015)
Amortization:				
Actuarial loss	2,159	418	4,318	837
Prior service credit	(571)	(582)	(1,142)	(1,164)
Net periodic pension cost	<u>\$ 6,240</u>	<u>\$ 4,234</u>	<u>\$ 12,480</u>	<u>\$ 8,467</u>

The Company made voluntary contributions totaling \$17,000 and \$31,000 to the Qualified Plan during the three and six months ended June 30, 2009, respectively. The Company continues to evaluate the Qualified Plan’s funded status and whether additional contributions will be made during 2009. No contributions were made to the Qualified Plan during the three or six months ended June 30, 2008.

Note 11. Postemployment and Postretirement 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 hired before July 1, 2007. Net periodic postretirement benefit cost for the three and six months ended June 30 was as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Service cost	\$ 434	\$ 488	\$ 868	\$ 976
Interest cost	906	822	1,812	1,644
Amortization:				
Actuarial (gain)	—	(130)	—	(259)
Transition obligation	53	54	106	107
Net periodic postretirement benefit cost	<u>\$ 1,393</u>	<u>\$ 1,234</u>	<u>\$ 2,786</u>	<u>\$ 2,468</u>

The Company does not make any contributions to its Postretirement Plan other than funding benefits payments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) cont'd
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Note 12. Consolidation of Variable Interest Entity

As discussed in Note 8 (Property, Plant and Equipment), the Company executed a new lease agreement for Winghaven, effective March 1, 2009. In conjunction with entering into the new lease agreement, the Company terminated the original synthetic lease agreement for Winghaven, which included a ten-year term with MCI O'Fallon 1999 Trust (the "Trust") as the lessor. The Trust, which was a variable interest entity, was established for a single discrete purpose, was not an operating entity, had a limited life and had no employees. The Trust had financed Winghaven through a combination of a third party equity investment in the amount of \$4,620 and the issuance of 7.36 percent Series A Senior Secured Notes (the "Secured Notes") with an aggregate principal amount of \$149,380 and a maturity date of September 1, 2009. MasterCard International executed a guarantee of 85.15 percent of the aggregate principal amount of the Secured Notes outstanding, for a total of \$127,197. Additionally, upon the occurrence of specific events of default, MasterCard International guaranteed the repayment of the total outstanding principal and interest on the Secured Notes and agreed to take ownership of the facility. During 2004, MasterCard Incorporated became party to the guarantee and assumed certain covenant compliance obligations, including financial reporting and maintenance of a certain level of consolidated net worth. As the primary beneficiary of the Trust, the Company had consolidated the assets and liabilities of the Trust in its consolidated financial statements.

The original Winghaven lease agreement permitted MasterCard International to purchase the facility after August 31, 2006, upon 180 days notice, and extend the lease structure. On August 29, 2008, MasterCard International exercised its option to extend the lease agreement for one additional ten-year term and notified the equity investor and holders of the Secured Notes of its intent to repay the obligations issued through the Trust. The repayment of the aggregate outstanding principal and accrued interest on the Secured Notes and investor equity was effective March 1, 2009 and the guarantee obligations of MasterCard International and MasterCard Incorporated were terminated. The aggregate principal amount and interest plus a "make-whole" amount repaid to the holders of Secured Notes and the equity investor was \$164,572. The "make-whole" amount of \$4,874 included in the repayment represented the discounted value of the remaining principal and interest on the Secured Notes, less the outstanding principal balance and an equity investor premium. As a result of the transaction, the \$154,000 of short-term municipal bonds originally issued in 1999 were cancelled.

The Trust is no longer considered a variable interest entity and is no longer consolidated by the Company. During the period when the Trust was a consolidated entity within the three and six month periods ended June 30, 2009 and 2008, its operations had no impact on net income. However, interest income and interest expense were increased by \$6,773 in both the three and six month periods ended June 30, 2009 and \$2,852 and \$5,700 for the three and six month periods ended June 30, 2008, respectively.

MASTERCARD INCORPORATED
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Note 13. *Share Based Payment and Other Benefits*

On March 1, 2009, the Company granted approximately 239 restricted stock units, 155 stock options and 45 performance units under the MasterCard Incorporated 2006 Long-Term Incentive Plan ("LTIP"). The fair value of the restricted stock units and performance units, based on the closing price of the Class A common stock, par value \$.0001 per share, on the New York Stock Exchange on February 27, 2009, the last business day prior to the date of grant, was \$158.03. The fair value of the stock options estimated on the date of grant using a Black-Scholes option pricing model was \$69.09. The restricted stock units and performance units will primarily vest on or about February 29, 2012. 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 becomes eligible to retire under the LTIP. The Company uses the straight-line method of attribution over the requisite service period for expensing equity awards.

With regard to the performance units granted on March 1, 2009, whether or not the performance stock units will vest will be based upon MasterCard performance against a predetermined return on equity goal, with an average of return on equity over the three-year period commencing January 1, 2009 yielding threshold, target or maximum performance, with a potential adjustment determined at the discretion of the MasterCard Human Resources and Compensation Committee using subjective quantitative and qualitative goals expected to be established at the beginning of each year in the performance period from 2009-2011. These goals are expected to include MasterCard performance against internal management metrics and external relative metrics. These performance units have been classified as equity awards, will be settled by delivering stock to the employees and contain service and performance conditions. Given that the performance terms are subjective and not fixed on the date of grant, the performance units will be remeasured at the end of each reporting period, at fair value, until the time the performance conditions are fixed and the ultimate number of shares to be issued is determined. Estimates are adjusted as appropriate. Compensation expense is calculated using the number of performance stock units expected to vest; multiplied by the period ending price of a share of MasterCard's Class A common stock; on the New York Stock Exchange; less previously recorded compensation expense.

Note 14. *Stockholders' Equity*

In February 2009, the Company's Board of Directors authorized the conversion and sale or transfer of up to 11,000 shares of Class B common stock into Class A common stock. In May 2009, the Company implemented and completed a conversion program in which approximately 10,871 authorized shares of Class B common stock were converted into an equal number of Class A common stock and subsequently sold or transferred to public investors.

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Note 15. Commitments

At June 30, 2009, the Company had the following future minimum payments due under non-cancelable agreements:

			Operating	Sponsorship,
	Total	Capital Leases	Leases	Licensing & Other
Remainder of 2009	\$190,078	\$ 3,543	\$14,833	\$ 171,702
2010	195,167	4,945	21,952	168,270
2011	128,028	4,165	14,021	109,842
2012	95,118	3,096	11,066	80,956
2013	52,568	36,838	7,369	8,361
Thereafter	23,181	—	19,736	3,445
Total	<u>\$684,140</u>	<u>\$52,587</u>	<u>\$88,977</u>	<u>\$ 542,576</u>

Included in the table above are capital leases with imputed interest expense of \$7,981 and a net present value of minimum lease payments of \$44,606. In addition, at June 30, 2009, \$52,236 of the future minimum payments in the table above for operating leases, sponsorship, licensing and other agreements was accrued. Consolidated rental expense for the Company's office space, which is recognized on a straight line basis over the life of the lease, was approximately \$7,807 and \$21,532 for the three and six months ended June 30, 2009, respectively. Consolidated rental expense for the Company's office space, which is recognized on a straight line basis over the life of the lease, was approximately \$10,369 and \$20,335 for the three and six months ended June 30, 2008, respectively. Consolidated lease expense for automobiles, computer equipment and office equipment was \$2,311 and \$4,168 for the three and six months ended June 30, 2009, respectively. Consolidated lease expense for automobiles, computer equipment and office equipment was \$2,660 and \$5,148 for the three and six months ended June 30, 2008, respectively.

Note 16. Obligations Under Litigation Settlements

On June 24, 2008, MasterCard entered into a settlement agreement (the "American Express Settlement") with American Express Company ("American Express") relating to the U.S. federal antitrust litigation between MasterCard and American Express. The American Express Settlement ended all existing litigation between MasterCard and American Express. Under the terms of the American Express Settlement, MasterCard is obligated to make 12 quarterly payments of up to \$150,000 per quarter beginning in the third quarter of 2008. MasterCard's maximum nominal payments will total \$1,800,000. The amount of each quarterly payment is contingent on the performance of American Express's U.S. Global Network Services business. The quarterly payments will be in an amount equal to 15% of American Express's U.S. Global Network Services billings during the quarter, up to a maximum of \$150,000 per quarter. If, however, the payment for any quarter is less than \$150,000, the maximum payment for subsequent quarters will be increased by the difference between \$150,000 and the lesser amount that was paid in any quarter in which there was a shortfall. MasterCard has assumed American Express will achieve these financial hurdles. MasterCard recorded the present value of \$1,800,000, at a 5.75% discount rate, or \$1,649,345 for the year ended December 31, 2008 with respect to the American Express Settlement.

In 2003, MasterCard entered into a settlement agreement (the "U.S. Merchant Lawsuit Settlement") with various U.S. merchants. Under the terms of the U.S. Merchant Lawsuit Settlement, the Company was required 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 U.S. Merchant Lawsuit Settlement and all have been individually settled. On July 1, 2009, MasterCard entered into an agreement (the "Prepayment Agreement") with plaintiffs of the U.S. Merchant Lawsuit Settlement whereby MasterCard will make a prepayment of its remaining \$400,000 in payment obligations at a discounted amount of \$335,000 on September 30, 2009. The Company continues to classify the carrying value of its liability related to the U.S. Merchant Lawsuit Settlement as current and non-current liabilities according to the original payment terms, which were legally in effect as of June 30, 2009, pending court approval and finalization of the Prepayment Agreement.

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The Company recorded liabilities for certain litigation settlements in prior periods. Total liabilities for litigation settlements changed from December 31, 2008, as follows:

Balance as of December 31, 2008	\$1,736,298
Interest accretion on American Express Settlement	36,359
Interest accretion on U.S. Merchant Lawsuit Settlement	13,606
Payments on American Express Settlement	(300,000)
Other payments, accruals and accretion, net	(3,673)
Balance as of June 30, 2009	<u>\$1,482,590</u>

See Note 18 (Legal and Regulatory Proceedings) for additional discussion regarding the Company's legal proceedings.

Note 17. Income Taxes

The effective income tax rates were 35.0% and 39.0% for the three months ended June 30, 2009 and 2008, respectively, and 34.1% and 43.9% for the six months ended June 30, 2009 and 2008, respectively. The difference in the effective tax rates for the periods is due to the effect of the charge for the American Express Settlement recorded in the three and six month periods ended June 30, 2008, which resulted in a more favorable mix of pre-tax income (loss) for the three and six month periods ended June 30, 2008 as compared to the three and six month periods ended June 30, 2009.

During the three and six months ended June 30, 2009, the Company's unrecognized tax benefits related to tax positions taken in the current period increased by \$6,200 and \$17,500, respectively, all of which would affect the Company's effective tax rate, if recognized.

Note 18. 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 unascertainable damages. Therefore, the probability of loss and an estimation of damages are not possible to ascertain at present. Accordingly, except as discussed below, MasterCard has not established reserves for any of these proceedings. MasterCard has recorded liabilities for certain legal proceedings which have been settled through contractual agreements. Except as 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, enter into settlements of claims or be required to change its business practices in ways 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 were 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 were 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.

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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, District Court Judge Barbara Jones 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.

Shortly after the Supreme Court’s denial of certiorari, both American Express and Discover Financial Services, Inc. filed complaints against MasterCard and Visa in which they alleged that the implementation and enforcement of MasterCard’s CPP and Visa’s bylaw provision violated both Section 1 of the Sherman Act, which prohibits contracts, combinations and conspiracies that unreasonably restrain trade and Section 2 of the Sherman Act, which prohibits monopolization and attempts or conspiracy to monopolize a particular market. These actions were designated as related cases to the DOJ litigation. On June 24, 2008, MasterCard entered into a settlement agreement with American Express to resolve all current litigation between American Express and MasterCard. Under the terms of the settlement agreement, MasterCard is obligated to make twelve quarterly payments of up to \$150,000 per quarter with the first payment having been made in September 2008. See Note 16 (Obligations under Litigation Settlements) for additional discussion. On October 27, 2008, MasterCard and Visa entered into a settlement agreement with Discover, ending all litigation between the parties for a total of \$2,750,000. The MasterCard share of the settlement, paid to Discover in November 2008, was \$862,500. In addition, in connection with the Discover Settlement and pursuant to a separate agreement, Morgan Stanley, Discover’s former parent company, paid MasterCard \$35,000 in November 2008.

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 discussed above with regard to the district court’s findings concerning MasterCard’s CPP and Visa’s related bylaw. MasterCard and Visa moved to dismiss the complaint and the court granted the defendants’ motion to dismiss the plaintiffs’ Cartwright Act 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. In November 2008, MasterCard and Visa moved for summary judgment on a number of different grounds seeking to dismiss plaintiffs remaining causes of action. On July 1, 2009, the court issued an order denying MasterCard’s and Visa’s motion for summary judgment with respect to one of the defendants’ arguments for dismissal but delayed ruling on the remaining grounds of defendants’ summary judgment motion pending a determination of whether additional discovery is needed before rendering a decision. At this time, it is not possible to determine the outcome of, or estimate the liability related to, this action and no provision for losses has been provided in connection with it.

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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 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 nine 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 were 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 believed that it was 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 paid \$72,480 to be used for defendants’ settlement fund to settle the MDL action and \$13,440 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 was held on March 31, 2008 and Judge Pauley reserved decision on final approval. 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.

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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, but such an agreement has not been executed with plaintiffs in the Missouri action. At this time, it is not possible to predict with certainty the ultimate resolution of these matters.

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. 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 thus making it final. On July 1, 2009, MasterCard International entered into an agreement with the plaintiffs to prepay MasterCard International's remaining payment obligations under the settlement agreement at a discount. See Note 16 (Obligations under Litigation Settlements) for additional discussion.

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 and California. The parties are awaiting a decision on MasterCard's motion to dismiss in New Mexico. In December 2008, MasterCard reached an agreement in principle to resolve the California state court actions described above for a payment by MasterCard of \$6,000. The parties are negotiating a settlement agreement that will be subject to court approval.

At this time, it is not possible to determine the outcome of, or, except as indicated above in the California 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.

Interchange Litigation and Regulatory 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 customer financial institutions establish default interchange fees in certain circumstances that apply 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's 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 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

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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, which prohibits contracts, combinations and conspiracies that unreasonably restrain trade. 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 in MDL No. 1720. 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 both Section 1 of the Sherman Act and Section 2 of the Sherman Act, which prohibits monopolization and attempts or conspiracies to monopolize a particular industry. 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 unfair competition law claims under state law based upon the same conduct described above. These interchange-related litigations also seek treble damages, as well as attorneys' fees and injunctive relief. 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. On January 8, 2008, the district court dismissed the plaintiffs' pre-2004 damage claims. On May 14, 2008, the court denied MasterCard's motion to dismiss the Section 2 monopolization claims. Fact discovery has been proceeding and was generally completed by November 21, 2008. Briefs have been submitted on plaintiffs' motion for class certification. The court has scheduled oral argument on the plaintiffs' class certification motion for August 20, 2009.

On January 29, 2009, the class plaintiffs filed a Second Consolidated Class Action Complaint. The allegations and claims in this complaint generally mirror those in the first amended class action complaint described above although plaintiffs have added additional claims brought under Sections 1 and 2 of the Sherman Act against MasterCard, Visa and a number of banks alleging, among other things, that the networks and banks have continued to fix interchange fees following each network's initial public offering. On March 31, 2009, MasterCard and the other defendants in the action filed a motion to dismiss the Second Consolidated Class Action Complaint in its entirety, or alternatively, to narrow the claims in the complaint. The parties have fully briefed the motion and the court has scheduled oral argument on the motion for August 18, 2009.

On July 5, 2006, the group of purported class plaintiffs filed a supplemental complaint alleging that MasterCard's initial public offering of its Class A Common Stock in May 2006 (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. On November 25, 2008, the district court granted MasterCard's motion to dismiss the plaintiffs' supplemental complaint in its entirety with leave to file an amended complaint. On January 29, 2009, the class plaintiffs replied their complaint directed at MasterCard's IPO by filing a First Amended Supplemental Class Action Complaint. The causes of action in the complaint generally mirror those in the plaintiffs' original IPO-related complaint although the plaintiffs have attempted to expand their factual allegations based upon discovery that has been garnered in the case. The class plaintiffs seek treble damages and injunctive relief including, but not limited to, an order reversing and unwinding

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the IPO. On March 31, 2009, MasterCard filed a motion to dismiss the First Amended Supplemental Class Action Complaint in its entirety. The parties have fully briefed the motion to dismiss and the court will hold oral argument on the motion on August 18, 2009. On July 2, 2009, the class plaintiffs and individual plaintiffs served confidential expert reports detailing the plaintiffs' theories of liability and alleging damages in the tens of billions of dollars. The defendants are scheduled to serve their expert reports on November 2, 2009. Briefing on dispositive motions, including summary judgment motions, is currently scheduled to be completed in June 2010. No trial date has been scheduled. The parties have also entered into court-recommended mediation.

On October 10, 2008, the Antitrust Division of the DOJ issued a CID to MasterCard and other payment industry participants seeking information regarding certain rules relating to merchant acceptance, particularly with respect to merchants' ability to steer customers to payment forms preferred by merchants. The CID seeks documents, data and narrative responses to several interrogatory and document requests which focus on reasons merchants may have decreased their acceptance of certain cards, information on penetration rates by merchant category, co-brand cards and transactions in various countries. MasterCard is cooperating with the DOJ in connection with the CID. In addition, on May 15, 2009, MasterCard received an Investigative Demand from the Office of the Attorney General for the state of Ohio requesting that MasterCard produce to the Ohio Attorney General's office all documents and correspondence it has provided to the DOJ in connection with the DOJ's CID. MasterCard is cooperating with the Ohio Attorney General's office in connection with the Investigative Demand.

European Union. In September 2000, the European Commission issued a "Statement of Objections" challenging Visa International's cross-border default interchange fees under European Community competition rules. On July 24, 2002, the European Commission announced its decision to exempt the Visa interchange fees 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 default 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 default 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 IPO 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.

The European Commission announced its decision on December 19, 2007. The decision applies to MasterCard's default cross-border interchange fees for MasterCard and Maestro branded consumer payment card transactions in the European Economic Area ("EEA") (the European Commission refers to these as "MasterCard's MIF"), but not to commercial card transactions (the European Commission stated publicly that it has not yet finished its investigation of commercial card interchange fees). The decision applies to MasterCard's MIF for cross-border consumer card payments and to any domestic consumer card transactions that default to MasterCard's MIF, of which currently there are none. The decision required MasterCard to cease applying the MasterCard MIF, to refrain from repeating the infringement, and not to apply its then recently adopted (but never implemented) Maestro SEPA and Intra-Eurozone default interchange fees to debit card payment transactions within the Eurozone. MasterCard understood that the decision gave MasterCard until June 21, 2008 to comply, with the possibility that the European Commission could have extended this time at its discretion. The decision also required MasterCard to issue certain specific notices to financial institutions and other entities that participate in its MasterCard and Maestro payment systems in the EEA and make certain specific public announcements, regarding the steps it has taken to comply. The decision does not impose a fine on MasterCard, but provides for a daily penalty of up to 3.5% of MasterCard's daily consolidated global turnover in the preceding business year (which MasterCard estimates to be approximately \$500 U.S. per day) in the event that MasterCard fails to comply. On March 1, 2008, MasterCard filed an application for annulment of the European Commission's decision with the EU Court of First Instance.

On March 26, 2008, the European Commission announced that it has opened formal antitrust proceedings against, and on April 6, 2009, the European Commission announced that it had issued a Statement of Objections to,

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Visa Europe Limited, under Article 81 of the EC Treaty. The proceedings are in relation to Visa's multilateral interchange fees for cross-border consumer payment card transactions within the EEA and Visa's 'honor all cards' rule as it applies to these transactions.

The December 19, 2007 decision against MasterCard permits MasterCard to establish other default cross-border interchange fees for MasterCard and Maestro branded consumer payment card transactions in the EEA if MasterCard can demonstrate by empirical proof to the European Commission's satisfaction that the new interchange fees create efficiencies that outweigh the restriction of competition alleged by the European Commission, that consumers get a fair share of the benefits of the new interchange fees, that there are no less restrictive means of achieving the efficiencies of MasterCard's payment systems, and that competition is not eliminated altogether. In March 2008, MasterCard entered into discussions with the European Commission about, among other things, the nature of the empirical proof it would require for MasterCard to establish other default cross-border interchange fees consistent with the decision and so as to understand more fully the European Commission's position as to how it may comply with the decision. MasterCard requested an extension of time to comply with the decision and, on April 26, 2008, the European Commission informed MasterCard that it had rejected such request. On June 12, 2008 MasterCard announced that, effective June 21, 2008, MasterCard would temporarily repeal its then current default intra-EEA cross-border consumer card interchange fees in conformity with the decision. Discussions continued between MasterCard and the European Commission concerning what interchange fee setting methodology MasterCard might employ and what level of interchange fees it might establish in compliance with the decision. On October 17, 2008, MasterCard received an information request from the European Commission in connection with the decision concerning certain pricing changes that MasterCard implemented as of October 1, 2008. MasterCard submitted its response on November 13, 2008.

On March 30, 2009, MasterCard gave certain undertakings to the European Commission and, in response, on April 1, 2009, the Commissioner for competition policy and DG Competition informed MasterCard that, subject to MasterCard's fulfilling its undertakings, they do not intend to pursue proceedings for non-compliance with or circumvention of the decision of December 19, 2007 or for infringing the antitrust laws in relation to the October 1, 2008 pricing changes, the introduction of new cross-border consumer default interchange fees or any of the other MasterCard undertakings. MasterCard's undertakings include: (1) repealing the October 1, 2008 pricing changes; (2) adopting a specific methodology for the setting of cross-border consumer default interchange fees; (3) establishing new default cross-border consumer interchange fees as of July 1, 2009 such that the weighted average interchange fee for credit card transactions does not exceed 30 basis points and for debit card transactions does not exceed 20 basis points; (4) introducing a new rule prohibiting its acquirers from requiring merchants to process all of their MasterCard and Maestro transactions with the acquirer; and (5) introducing a new rule requiring its acquirers to provide merchants with certain pricing information in connection with MasterCard and Maestro transactions. The undertakings will be effective until a final decision by the EU Court of First Instance regarding MasterCard's application for annulment of the European Commission's December 19, 2007 decision.

Although MasterCard believes that any other business practices it would implement in response to the decision would be in compliance with the decision, the European Commission may deem any such practice not in compliance with the decision, or in violation of European competition law, in which case MasterCard may be assessed fines for the period that it is not in compliance. Furthermore, because a balancing mechanism like default cross-border interchange fees constitutes an essential element of MasterCard Europe's operations, the decision could also significantly impact MasterCard International's European customers' and MasterCard Europe's business. The European Commission decision could also lead to competition authorities in one or more EU Member States commencing investigations or proceedings regarding domestic interchange fees or, in certain jurisdictions, regulation. In addition, the European Commission's decision could lead to the filing of private actions against MasterCard Europe by merchants and/or consumers which, if MasterCard is unsuccessful in its appeal of the decision, could result in MasterCard owing substantial damages.

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 default interchange fees 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 fees and MSF were established by MasterCard U.K. Members Forum Limited ("MMF") (formerly MasterCard Europay U.K. Ltd.) for domestic credit card transactions in the

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United Kingdom. The notice contained preliminary conclusions to the effect that the MasterCard U.K. default interchange fees and MSF infringed U.K. competition law and did 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 fees (but not the MSF) under the Competition Act. On November 10, 2004, the OFT issued a third notice (now called a Statement of Objections) claiming that the interchange fees infringed 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. 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. default interchange fees in place prior to November 18, 2004.

Shortly thereafter, the OFT commenced a new investigation of MasterCard's current U.K. default credit card interchange fees and announced on February 9, 2007 that the investigation would also cover so-called "immediate debit" cards. To date, the OFT has issued a number of requests for information to MasterCard Europe and financial institutions that participate in MasterCard's payment system in the United Kingdom. MasterCard understands that the OFT is considering whether to commence a formal proceeding through the issuance of a Statement of Objections. If the OFT ultimately 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 and could have a significant adverse impact on the revenues of MasterCard International's U.K. customers and MasterCard's overall business in the U.K.

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 default 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. PCA also decided that MasterCard (and Visa) had not violated the law. MasterCard and the financial institutions appealed the decision. On November 12, 2008, the appeals court reversed the decision of the PCA and also rejected MasterCard's appeal on the basis that MasterCard did not have a legal interest in the PCA's decision because its conduct was not found to be in breach of the relevant competition laws. MasterCard has appealed this part of the appeals court's decision because it has significant interest in the outcome of the case. The PCA has appealed other parts of the decision. If on appeal the PCA's decision is ultimately allowed to stand, it could have a significant adverse impact on the revenues of MasterCard's Polish customers and on MasterCard's overall business in Poland.

New Zealand. In November 2003, MasterCard assumed responsibility for setting domestic default interchange fees in New Zealand, which previously had been set by MasterCard's customer 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 cooperated with the NZCC in its investigation, made a number of submissions concerning its New Zealand domestic default 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 default interchange fees and certain other of MasterCard's practices including its "honor all cards" rule do not comply with New Zealand competition law, and seeking penalties. Several large merchants subsequently filed similar lawsuits seeking damages and injunctive relief. The litigations are currently in the written economic evidence phase and are scheduled to go to trial on October 5, 2009. A negative decision in these lawsuits could have a significant adverse impact on the revenues of MasterCard's New Zealand customers and on MasterCard's overall business in New Zealand.

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Australia. In 2002, the Reserve Bank of Australia (“RBA”) announced regulations under the Payments Systems (Regulation) Act of 1998 applicable to four-party credit card payment systems in Australia, including MasterCard’s. Those regulations, among other things, mandate the use of a formula for determining domestic interchange fees that effectively caps their weighted average at 50 basis points. Operators of three-party systems, such as American Express and Diners Club, were unaffected by the interchange fee regulation. In 2007, the RBA commenced a review of such regulations and, on September 26, 2008, the RBA released its final conclusions. These indicate that the RBA is willing to withdraw its regulations if MasterCard and Visa make certain undertakings regarding the future levels of their respective credit card interchange fees and other practices including their “honor all cards” rules. If the undertakings are not made, the RBA is considering imposing in 2009 additional regulations that could further reduce the domestic interchange fees of MasterCard and Visa in Australia. The effect of the undertakings or any such additional regulations could put MasterCard at an even greater competitive disadvantage relative to competitors in Australia that purportedly do not operate four-party systems, which could have a significant adverse impact on MasterCard’s business in Australia. MasterCard continues to have discussions with the RBA as to the nature of the undertakings that MasterCard may be willing to provide.

South Africa. On August 4, 2006, the South Africa Competition Commission (“SACC”) created a special body, the Jali Enquiry (the “Enquiry”), to examine competition in the payments industry in South Africa, including interchange fees. After nearly two years of investigation, including several rounds of public hearings in which MasterCard participated, on June 25, 2008, the Enquiry published an Executive Summary of its findings. The Enquiry’s full report was made public on December 12, 2008. The Enquiry recommends, among other things, that an independent authority be established to set payment card interchange fees in South Africa and that payment systems’ (including MasterCard’s) respective “honor all cards” rules be modified to give merchants greater freedom to choose which types of cards to accept. The Enquiry’s report is non-binding but is under active consideration by South African regulators. If adopted, the Enquiry’s recommendations could have a significant adverse impact on MasterCard’s business in South Africa.

On October 21, 2008, the South African National Assembly (the “National Assembly”) adopted amendments to that country’s competition laws concerning so-called “complex monopolies” and criminalizing violations of those laws (the “Bill”). On January 29, 2009, the President of South Africa referred the Bill back to the National Assembly for further consideration and, in early February, the National Assembly readopted the Bill. The President has stated that he may submit the Bill to that country’s Constitutional Court for review. If the Bill is ultimately determined to be constitutional and becomes law, it could have a significant adverse impact on MasterCard’s business in South Africa.

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 default 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.

In January 2008, the Hungarian Competition Authority notified MasterCard that it had commenced a formal investigation of MasterCard Europe’s domestic interchange fees. This followed an informal investigation that the Authority had been conducting since the middle of 2007. On July 12, 2009, the Authority issued to MasterCard a Preliminary Position that MasterCard Europe’s historic domestic interchange fees violate Hungarian competition law. MasterCard will have the opportunity to respond to the Preliminary Position both in writing and at a hearing and, if a negative decision is reached, to appeal the decision. A negative decision could result in MasterCard and/or its customers being fined, and could have a significant adverse impact on the revenues of MasterCard’s Hungarian customers and on MasterCard’s overall business in Hungary.

On July 15, 2009, the Italian Competition Authority commenced a proceeding against MasterCard and a number of its customers concerning MasterCard Europe’s domestic interchange fees in Italy. If the Italian Competition Authority issues a Statement of Objections to MasterCard in connection with the matter, MasterCard would have the opportunity to respond both in writing and at a hearing and, if a negative decision were reached, to

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appeal the decision. A negative decision could result in MasterCard and/or its customers being fined, and could have a significant adverse impact on the revenues of MasterCard's Italian customers and on MasterCard's overall business in Italy.

MasterCard is aware that regulatory authorities and/or central banks in certain other jurisdictions including Belgium, Brazil, Canada, Colombia, Czech Republic, Estonia, France, Israel, Mexico, the Netherlands, Norway, Switzerland, Turkey and Venezuela are reviewing MasterCard's and/or its members' interchange fees and/or related practices (such as the "honor all cards" rule) and may seek to regulate the establishment of such fees and/or such practices.

Note 19. Settlement, Travelers Cheque and Other 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 guarantees 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 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:

	June 30, 2009	December 31, 2008
MasterCard-branded transactions:		
Gross Settlement Exposure	\$23,462,978	\$21,179,044
Collateral held for Settlement Exposure	(2,793,069)	(1,813,171)
Net uncollateralized Settlement Exposure	<u>\$20,669,909</u>	<u>\$19,365,873</u>
Uncollateralized Settlement Exposure attributable to non-compliant members	<u>\$ 166,838</u>	<u>\$ 56,795</u>
Cirrus and Maestro transactions:		
Gross Settlement Exposure	<u>\$ 3,193,465</u>	<u>\$ 3,236,175</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 United States accounted for approximately 45% and 49% at June 30, 2009 and December 31, 2008, respectively. The second

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largest country that accounted for this Settlement Exposure was the United Kingdom, at approximately 9% and 10% at June 30, 2009 and December 31, 2008, respectively. Of the total uncollateralized Settlement Exposure attributable to non-compliant members, five members represented approximately 84% and 48% at June 30, 2009 and December 31, 2008, respectively.

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 \$416,227 and \$446,679 at June 30, 2009 and December 31, 2008, respectively. The reduction in travelers cheques exposure is attributable to a decision by the Company's two largest issuers to stop selling MasterCard-branded travelers cheques.

A significant portion of the Company's travelers cheques risk is concentrated in one MasterCard travelers cheques issuer. MasterCard has obtained an unlimited guarantee estimated at \$325,043 and \$348,995 at June 30, 2009 and December 31, 2008, respectively, from a financial institution that is a member, to cover all of the exposure of outstanding travelers cheques with respect to such issuer. In addition, MasterCard has obtained a limited guarantee estimated at \$15,183 and \$15,949 at June 30, 2009 and December 31, 2008, respectively, from a financial institution that is a member 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 travelers cheques that are not anticipated to be presented for payment.

Beginning in 2008 and continuing in 2009, many of the Company's financial institution customers were directly and adversely impacted by the unprecedented events that occurred in the financial markets around the world. The ongoing economic turmoil presents increased risk that the Company may have to perform under its settlement and travelers cheque guarantees. The Company's global risk management policies and procedures, which are revised and enhanced from time to time, continue to be effective as evidenced by the historically low level of losses that the Company has experienced from customer financial institution failures, including no losses in the last several years.

The Company enters into business agreements in the ordinary course of business under which the Company agrees to indemnify third parties against damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with the Company. As the extent of the Company's obligations under these agreements depends entirely upon the occurrence of future events, the Company's potential future liability under these agreements is not determinable.

Note 20. Foreign Exchange Risk Management

The Company enters into foreign currency forward contracts to manage risk associated with anticipated receipts and disbursements which are either transacted in a non-functional currency or valued based on a currency other than its functional currencies. The Company also enters into foreign currency forward contracts to offset possible changes in value due to foreign exchange fluctuations of assets and liabilities denominated in foreign currencies. The objective of this activity is to reduce the Company's exposure to transaction gains and losses resulting from fluctuations of foreign currencies against its functional currencies. On January 1, 2009, the Company adopted SFAS 161. The adoption of SFAS 161 had no financial impact on the Company's consolidated financial statements; SFAS 161 required additional financial statement disclosures. The Company has applied the requirements of SFAS 161 on a prospective basis. Accordingly, disclosures related to interim periods prior to the date of adoption have not been presented.

The Company does not designate foreign currency forward contracts as hedging instruments pursuant to FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Company records the change in the estimated fair value of the outstanding forward contracts at the end of the reporting period to its consolidated balance sheet and consolidated statement of operations.

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At June 30, 2009, all contracts to purchase and sell foreign currency had been entered into with customers of MasterCard International. MasterCard's outstanding forward contracts are classified by functional currency as summarized below:

U.S. Dollar Functional Currency

	<u>June 30, 2009</u>		<u>December 31, 2008</u>	
	Estimated Fair		Estimated Fair	
	<u>Notional</u>	<u>Value ¹</u>	<u>Notional</u>	<u>Value ¹</u>
Commitments to purchase foreign currency	\$ 33,297	\$ 200	\$292,538	\$ 21,913 ¹
Commitments to sell foreign currency	246,826	(13,431)	154,187	12,227 ¹
<i>Balance Sheet Location:</i>				
<i>Accounts Receivable</i>		\$ 333		\$ 34,227
<i>Other Current Liabilities</i>		(13,564)		(87)

Euro Functional Currency

	<u>June 30, 2009</u>		<u>December 31, 2008</u>	
	Estimated Fair		Estimated Fair	
	<u>Notional</u>	<u>Value ¹</u>	<u>Notional</u>	<u>Value ¹</u>
Commitments to purchase foreign currency	\$ 88,753	\$ (2,378)	\$ —	\$ —
Commitments to sell foreign currency	65,916	(373)	66,405	(409) ¹
<i>Balance Sheet Location:</i>				
<i>Accounts Receivable</i>		\$ 389		\$ 290
<i>Other Current Liabilities</i>		(3,140)		(699)

		<u>Amount and Location of Gain (Loss) Recognized in Income</u>	
		<u>Three Months Ended June 30,</u>	<u>Six Months Ended June 30,</u>
Derivatives Not Designated As Hedging Instruments			
Foreign Currency Forward Contracts	General and administrative	\$ (17,759)	\$ (21,747)
	Revenues	(923)	3,289
	Total	<u>\$ (18,682)</u>	<u>\$ (18,458)</u>

¹ Amounts represent gross fair value amounts while actual balance sheet classification considers master netting arrangements.

The currencies underlying the foreign currency forward contracts consist primarily of the euro, U.K. pound sterling, Canadian dollar, Australian dollar, Norwegian krone, and Mexican peso. 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 instruments. The terms of the foreign currency forward contracts are generally less than 18 months. The Company had no deferred gains or losses in accumulated other comprehensive income as of June 30, 2009 and December 31, 2008 as there were no derivative contracts accounted for under hedge accounting.

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, 2009 and December 31, 2008, respectively.

Generally, the Company does not obtain collateral related to forward contracts because of the high credit ratings of the counterparties. 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.

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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, including MasterCard International Incorporated (“MasterCard International”) and MasterCard Europe sprl (“MasterCard Europe”) (together, “MasterCard” or the “Company”) included elsewhere in this Report.

Forward-Looking Statements

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 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 relationships with merchants, expanding points of acceptance for its brands, seeking to maintain unsurpassed acceptance and continuing to invest in its brands, pursuing incremental payment processing opportunities throughout the world and increasing volumes and transactions over time. 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 Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2008 and an update to the risk factors in Item 1A – Risk Factors of this Report for a complete discussion of these risk factors.

In this Report, 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 (d/b/a MasterCard Worldwide).

Non-GAAP Financial Information

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 S-K, portions of this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” include a reconciliation 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.

MasterCard has presented non-GAAP financial measures to enhance an investor’s evaluation of MasterCard’s ongoing operating results and to aid in forecasting future periods. MasterCard’s management uses these non-GAAP financial measures to, among other things, evaluate its ongoing operations in relation to historical results, for internal planning and forecasting purposes and in the calculation of performance-based compensation. More specifically, litigation settlements have been excluded since MasterCard monitors litigation settlements separately from ongoing operations and evaluates ongoing operating performance without these settlements. See “-Operating Expenses” for a table which provides a reconciliation of operating expenses, excluding litigation settlements, to the most directly comparable GAAP measure to allow for a more meaningful comparison of results between periods.

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Overview

MasterCard is a leading global payment solutions company that provides a variety of services in support of the credit, debit and related payment programs of over 24,000 financial institutions and other entities that are our customers. We develop and market payment solutions, process payment transactions, and provide support services to our customers and, depending upon the service, to merchants and other clients. 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 network. We generate revenues from the fees that we charge our customers for providing transaction processing and other payment-related services and by assessing our customers based primarily on the dollar volume of activity on the cards that carry our brands. 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.

Our net income was \$349 million, or \$2.67 per diluted share, and \$716 million, or \$5.47 per diluted share, for the three and six months ended June 30, 2009, respectively, versus net losses of \$747 million, or \$5.70 per diluted share, and \$300 million, or \$2.28 per diluted share, for the comparable periods in 2008. As of June 30, 2009, our liquidity and capital positions remained strong, with \$2.7 billion in cash and cash equivalents and current available-for-sale securities and \$2.7 billion in equity. In addition, during the six months ended June 30, 2009, we generated cash flows from operations of \$778 million.

Our net revenues increased 2.7% and 0.3% in the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008, primarily due to increased transactions and pricing partially offset by unfavorable foreign currency exchange impacts and declines in dollar volume of activity of cards carrying our brands. The U.S. dollar strengthened versus the euro and Brazilian real, which decreased revenue by 4.3 and 4.2 percentage points for the three and six months ended June 30, 2009, respectively.

Our operating expenses decreased 70.9% and 58.1% in the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008. Favorable foreign currency exchange impacts of the euro and the Brazilian real against the dollar contributed slightly to the decrease in operating expenses in each of the three and six months ended June 30, 2009. Excluding the impact of special items specifically identified in the reconciliation table included in “-Operating Expenses”, operating expenses declined 13.0% and 12.0% in the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008. Favorable foreign currency exchange impacts of the euro and the Brazilian real against the U.S. dollar excluding special items, contributed 3.2 percentage points to the decrease in operating expenses in each of the three and six months ended June 30, 2009.

In response to the current global economic outlook, we have been realigning our resources and implementing contingency plans. These actions resulted in an overall decrease to operating expenses in the three and six months ended June 30, 2009. General and administrative expenses declined 2.9% and 3.0% in the three and six months ended June 30, 2009, respectively, which included declines in personnel, travel and professional fees; however, these decreases were partially offset by severance costs incurred related to the realigning of our resources. Advertising and marketing expenses declined 35.8% and 35.6% in the three and six months ended June 30, 2009, respectively.

Our operating margins were 43.5% and 45.9% in the three and six months ended June 30, 2009 versus (98.9)% and (29.5)% in the comparable periods, respectively, in 2008. Excluding the impact of special items, our operating margins as a percentage of total revenues were 43.6% and 45.9% in the three and six months ended June 30, 2009, versus 33.4% and 38.4%, respectively, in the comparable periods in 2008.

We believe the trend within the global payments industry from paper-based forms of payment (cash and checks) toward electronic forms of payment (card payment transactions) creates significant opportunities for the growth of our business over the longer term. Historically, we experienced greater growth in net revenues than the revenue growth in the three and six months ended June 30, 2009. Lower revenue growth rates in the three and six months ended June 30, 2009 reflect the impact of the present global economic environment, which is negatively affecting our customers and their cardholders. See “-Business Environment” for a discussion of environmental considerations related to our long-term strategic objectives.

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Business Environment

We process transactions from approximately 210 countries and territories and in more than 160 currencies. The United States is our largest geographic market based on revenues. Revenue generated in the United States was approximately 49.0% and 48.7% of total revenues in the three and six months ended June 30, 2009, respectively, versus 47.5% and 48.9%, respectively, in the comparable periods in 2008. No individual country, other than the United States, generated more than 10% of total revenues in the three or six months ended June 30, 2009 or 2008, but differences in market maturity, economic health, price changes and foreign exchange fluctuations in certain countries have increased the proportion of revenues generated outside the United States over time. While the global nature of our business helps protect our operating results from adverse economic conditions in a single or a few countries, the significant concentration of our revenues generated in the United States makes our business particularly susceptible to adverse economic conditions in the United States.

The competitive and evolving nature of the global payments industry provides both challenges to and opportunities for the continued growth of our business. Unprecedented events evidenced in 2008 continued to impact the financial markets around the world in the three and six months ended June 30, 2009, with continued distress in the credit environment, continued equity market volatility and additional government intervention. In particular, the economies of the United States and the United Kingdom have continued to be significantly impacted by this economic turmoil and it has also continued or begun to impact other economies around the world. Some existing customers have been placed in receivership or administration or have a significant amount of their stock owned by the government. Many financial institutions are facing increased regulatory and governmental influence, including potential changes in laws and regulations. Many of our financial institution customers, merchants that accept our brands and cardholders who use our brands have been directly and adversely impacted. MasterCard's financial results may be negatively impacted by actions taken by individual financial institutions or by governmental or regulatory bodies in response to the economic crisis. The severity of the economic environment may accelerate the timing of or increase the impact of risks to our financial performance that have historically been present. As a result, our revenue growth has been or may be negatively impacted, or the Company may be impacted, in several ways, including but not limited to the following:

- Declining economies and foreign currency fluctuations can change consumer spending behaviors; for example, a significant portion of our revenues is dependent on cross-border travel patterns, which may continue to change.
- Constriction of consumer and business confidence such as in recessionary environments and those markets experiencing rising unemployment may continue to cause decreased spending by cardholders.
- Our customers may restrict credit lines to cardholders or limit the issuance of new cards to mitigate increasing cardholder defaults.
- Mergers of our customers may lead to lower pricing, due to the tiered pricing structure of most of our customer agreements, (which typically offer lower pricing as higher business volumes are achieved), or loss of business.
- Consolidation of our customers can increase their bargaining power during new and renewal contract negotiations.
- Uncertainty and volatility in the performance of our customers' businesses may make estimates of our revenues, rebates, incentives and realization of prepaid assets less predictable.
- Our customers may implement cost reduction initiatives that reduce or eliminate payment card marketing or increase requests for greater incentives.
- Our customers may decrease spending for optional or enhanced services.
- Government intervention and/or investments in our customers may have unanticipated effects on our business with those banking institutions or otherwise alter their strategic direction away from our products.
- Tightening of credit availability could impact the ability of participating financial institutions to lend to us under the terms of our credit facility.
- Our customers may default on their settlement obligations. See Note 19 (Settlement and Travelers Cheque Risk Management) to the consolidated financial statements included in Part I, Item 1 for further discussion of our settlement exposure.

The global payments industry depends heavily upon the overall level of consumer, business and government spending. Changes in cardholder spending behavior, influenced by numerous factors including those described above, have impacted and may continue to impact our ability to grow our revenues. Our revenues are primarily based on volumes and transactions. The Company's volumes are impacted by the number of transactions and the

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dollar amount of each transaction. We have observed recent trends in which the numbers of purchase transactions are generally increasing in relation to the comparable prior periods; however, the average amount per transaction is declining due to lower overall cardholder spending. Both of these factors have contributed to a net decrease in volume-based revenues (domestic assessments and cross-border volume fees) during the three and six months ended June 30, 2009 compared to the comparable periods in 2008. However, transaction-based revenues (transaction processing fees) increased.

In addition, our business is subject to regulation in many countries. Regulatory bodies may seek to impose rules and price controls on certain aspects of our business and the payments industry. For example, see Note 18 (Legal and Regulatory Proceedings) to the Consolidated Financial Statements included in Part I, Item 1 and an update to the risk factors in Item 1A – Risk Factors of this Report for a discussion of global interchange proceedings.

Our strategy is to continue to grow by further penetrating our existing customer base and by expanding our role in targeted geographies and higher-growth segments of the global payments industry (such as premium/affluent and contactless cards, commercial payments, debit, prepaid and issuer processor and terminal driving services), enhancing our merchant relationships, expanding points of acceptance for our brands, seeking to maintain unsurpassed acceptance and continuing to invest in our brands. We will continue to pursue incremental payment processing opportunities throughout the world. We are committed to providing our customers with coordinated services through integrated, dedicated account teams in a manner that allows us to capitalize on our expertise in payment programs, marketing, product development, technology, processing and consulting and information services for these customers. We intend to continue to invest in long-term customer relationships to increase volumes and transactions over time.

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Financial Results

As part of a review of its presentation of certain of its financial information, during the six months ended June 30, 2009, the Company: (1) modified its presentation of details of the Company's major revenue categories included within the Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") section of filings with the U.S. Securities and Exchange Commission (the "SEC") and (2) reclassified certain cardholder-related enhancement expenses. In each case, the Company's intent was to better align such information with the way in which management views the underlying drivers of the business and analyzes the Company's results of operations. The modifications to the presentation within the MD&A of the detail of the Company's revenue categories did not result in any changes to the Company's historical financial statements and had no effect on the overall calculation of net revenue presented in the financial statements. The reclassification of certain cardholder-related enhancement expenses did not result in any impact to the Company's overall operating expenses. See "Operating Expenses" for more information.

Our operating results for the three and six months ended June 30, 2009 and 2008, are as follows:

	For the Three Months Ended June 30,		Percent Increase (Decrease)	For the Six Months Ended June 30,		Percent Increase (Decrease)
	2009	2008	2009 vs. 2008	2009	2008	2009 vs. 2008
	(In millions, except per share, percentages and GDV amounts *)					
Revenues, net	\$ 1,280	\$ 1,247	2.7	\$ 2,436	\$ 2,429	0.3%
General and administrative	506	521	(2.9)	954	983	(3.0)%
Advertising and marketing	180	281	(35.8)	296	461	(35.6)%
Litigation settlements	1	1,649	(100.0)	1	1,649	(100.0)%
Depreciation and amortization	36	28	27.8	67	53	25.4%
Total operating expenses	723	2,480	(70.9)	1,318	3,146	(58.1)%
Operating income (loss)	557	(1,233)	145.2	1,118	(718)	255.9%
Total other income (expense)	(21)	10	(306.9)	(32)	183	(117.6)%
Income (loss) before income taxes	536	(1,223)	143.9	1,086	(535)	303.2%
Income tax expense (benefit)	188	(477)	139.4	370	(235)	257.7%
Net income (loss)	349	(747)	146.7	716	(300)	338.9%
Loss attributable to non-controlling interests	—	—	**	—	—	**
Net Income (Loss) Attributable to MasterCard	\$ 349	\$ (747)	146.8	\$ 716	\$ (300)	339.0%
Basic Earnings (Loss) per Share ¹	\$ 2.67	\$ (5.70)	146.8%	\$ 5.49	\$ (2.28)	340.8%
Basic Weighted Average Shares Outstanding	130	130	(0.3)%	130	131	(0.8)%
Diluted Earnings (Loss) per Share ¹	\$ 2.67	\$ (5.70)	146.8%	\$ 5.47	\$ (2.28)	339.9%
Diluted Weighted Average Shares Outstanding	130	130	0.0%	130	131	(0.5)%
Effective income tax rate	35.0%	39.0%	**	34.1%	43.9%	**
Gross dollar volume ("GDV") on a U.S. dollar converted basis (in billions)	\$ 595	\$ 656	(9.3)%	\$ 1,145	\$ 1,265	(9.5)%
Processed transactions ²	5,631	5,220	7.9%	10,777	10,084	6.9%

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

** Not meaningful.

¹ As more fully described in Note 2 (Earnings Per Share) to the consolidated financial statements included in Item 1, the 2008 amounts have been revised in accordance with the adoption of Financial Accounting Standards Board ("FASB") Staff Position Emerging Issues Task Force 03-6-1 on January 1, 2009.

² The data set forth for processed transactions represents all transactions processed by MasterCard, including PIN-based online debit transactions.

In 2008, we updated our processed transactions numbers to apply reversals and include certain cash transactions. The June 30, 2008 numbers have been restated to be consistent with this revised methodology. Revenue was not impacted by these changes.

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Impact of Foreign Currency Rates

Our overall operating results are impacted by changes in foreign currency exchange rates, especially the strengthening or weakening of the U.S. dollar versus the euro and Brazilian real. The functional currency of MasterCard Europe, our principal European operating subsidiary, is the euro, and the functional currency of our Brazilian subsidiary is the Brazilian real. Accordingly, the strengthening or weakening of the U.S. dollar versus the euro and Brazilian real impacts the translation of our European and Brazilian subsidiaries' operating results into the U.S. dollar. During the three and six months ended June 30, 2009, the U.S. dollar strengthened against the euro and Brazilian real, resulting in lower revenues and expenses.

In addition, changes in foreign currency exchange rates directly impact the calculation of gross dollar volume ("GDV") and gross euro volume ("GEV"), which are used in the calculation of our domestic assessments, cross-border volume fees and volume related rebates and incentives. In most non-European regions, GDV is calculated based on local currency spending volume converted to U.S. dollars using average exchange rates for the period. In Europe, GEV is calculated based on local currency spending volume converted to euros using average exchange rates for the period. As a result, our domestic assessments, cross-border volume fees and volume related rebates and incentives are impacted by the strengthening or weakening of the U.S. dollar versus most non-European local currencies and the strengthening or weakening of the euro versus European local currencies. The strengthening of the U.S. dollar is evident when GDV on a U.S. dollar-converted basis is compared to GDV on a local currency basis. In the three and six months ended June 30, 2009, GDV declined 9.3% and 9.5%, respectively, when measured on a U.S. dollar converted basis and declined 0.6% and 0.2%, respectively, when measured on a local currency basis, versus the comparable periods in 2008.

Revenues

Revenue Descriptions

MasterCard's business model involves four participants in addition to us: cardholders, merchants, issuers (the cardholders' banks) and acquirers (the merchants' banks). Our gross revenues are typically based on the volume of activity on cards that carry our brands, the number of transactions we process for our customers or the nature of other payment-related services we provide to our customers. Our revenues are based upon transactional information accumulated by our systems or reported by our customers. Our primary revenue billing currencies are the U.S. dollar, euro and Brazilian real.

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 process most of the cross-border transactions using MasterCard, Maestro and Cirrus-branded cards and process the majority of MasterCard-branded domestic transactions in the United States, United Kingdom, Canada, Brazil and Australia.

Our pricing is complex and is dependent on the nature of the volumes, types of transactions and other products and services we offer to our customers. A combination of the following factors determines the pricing:

- Domestic or cross-border
- Signature-based (credit and offline debit) or PIN-based (on-line debit, including automated teller machine ("ATM") cash withdrawals and retail purchases)
- Tiered pricing, with rates decreasing as customers meet incremental volume/transaction hurdles
- Geographic region or country
- Retail purchase or cash withdrawal

Cross-border transactions generate greater revenue than domestic transactions since cross-border fees are higher than domestic fees. We review our pricing and implement pricing changes on an ongoing basis and expect pricing to continue to be a component of revenue growth in the future. In addition, standard pricing varies among our regional businesses, and such pricing can be customized further for our customers through incentive and rebate agreements.

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The Company classifies its net revenues into the following five categories:

1. **Domestic assessments:** Domestic assessments are fees charged to issuers and acquirers based on the volume of activity on MasterCard and Maestro-branded cards where the merchant country and the cardholder country are the same. A portion of these assessments are estimated based on aggregate transaction information collected from our systems and projected customer performance and are calculated by converting the aggregate volume of usage (purchases, cash disbursements, balance transfers and convenience checks) from local currency to the billing currency and then multiplying by the specific price. In addition, domestic assessments include card assessments, which are fees charged on the number of cards issued or assessments for specific purposes, such as acceptance development or market development programs. Acceptance development fees are charged primarily to U.S. issuers based on components of volume, and support our focus on developing merchant relationships and promoting acceptance at the point of sale.
2. **Cross-border volume fees:** Cross-border volume fees are charged to issuers and acquirers based on the volume of activity on MasterCard and Maestro-branded cards where the merchant country and cardholder country are different. Cross-border volume fees are calculated by converting the aggregate volume of usage (purchases and cash disbursements) from local currency to the billing currency and then multiplying by the specific price. Cross-border volume fees also include fees, charged to issuers, for performing currency conversion services. In addition, there is a fee charged only to U.S. acquirers, for accepting transactions from cardholders with non-U.S. issuers.
3. **Transaction processing fees:** Transaction processing fees are charged for both domestic and cross-border transactions and are primarily based on the number of transactions. These fees are calculated by multiplying the number and type of transactions by the specific price for each service. Transaction processing fees include charges for the following:
 - *Authorization* refers to a process in which a merchant requests approval for a cardholder's transaction. The Company charges a fee for routing the authorization for approval to and from the issuer or, in certain circumstances, such as when the issuer's systems are unavailable, for approval by MasterCard or others on behalf of the issuer in accordance with the issuer's instructions. MasterCard's 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.
 - *Clearing and settlement* refers to the process in which the Company determines the amount due between issuers and acquirers for payment transactions and associated fees. First, the transaction is cleared by transferring the financial transaction details among issuers, acquirers or their designated third-party processors. Then the Company settles or exchanges the related funds among the issuers and acquirers. The Company charges a fee for these clearing and settlement services. These fees are primarily paid by issuers.
 - *Switch fees* are charges primarily for the transmission of debit single-message (typically requiring a personal identification number, or PIN, for verification) financial information between acquirers and issuers. These fees are primarily paid by issuers.
 - *Connectivity fees* are charged to issuers and acquirers for network access, equipment and the transmission of authorization and settlement messages. These fees are based on the size of the data being transmitted through and the number of connections to the Company's network.
4. **Other revenues :** Other revenues for other payment-related services are primarily dependent on the nature of the products or services provided to our customers but are also impacted by other factors, such as contractual agreements. Examples of other revenues are fees associated with the following:
 - *Fraud products and services* used to prevent or detect fraudulent transactions. This includes warning bulletin fees which 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.

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- *Consulting and research fees* are primarily generated by MasterCard Advisors, the Company's professional advisory services group. The Company's business agreements with certain customers and merchants may include consulting services as an incentive. The contra-revenue associated with these incentives is included in rebates and incentives.
 - *Cardholder services fees* are for benefits provided with MasterCard-branded cards, such as insurance, telecommunications assistance for lost cards and locating automated teller machines.
 - The Company also charges for a variety of other payment-related services, including account and transaction enhancement services, compliance and penalty fees, holograms and publications.
5. **Rebates and incentives (contra-revenue):** Rebates and incentives are provided to certain MasterCard financial institution customers and merchants. These payments are based on contractual arrangements which may include performance hurdles for volumes, transactions, issuance of new cards, launch of new programs or the execution of marketing programs. Rebates and incentives are calculated based on estimated performance and the terms of the related business agreements. Rebates and incentives are recorded as a reduction of gross revenues in the same period that performance occurs.

Revenue Analysis

Gross revenues increased \$12 million and \$7 million, or 0.7% and 0.2%, in the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008, primarily due to increased pricing and transactions partially offset by unfavorable foreign currency exchange impacts and declines in dollar volume of activity on cards carrying our brands. Rebates and incentives as a percentage of gross revenues were 21.2% and 21.8% in the three and six months ended June 30, 2009, respectively, versus 22.6% and 21.9% for the comparable periods in 2008. Our net revenues increased 2.7% and 0.3% in the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008.

Pricing changes increased net revenues by approximately 8 and 6 percentage points for the three and six months ended June 30, 2009, respectively, primarily due to price changes implemented in April 2009 and October 2008. Approximately one-third and less than half of the impact from pricing in the three and six months ended June 30, 2009, respectively, were associated with the October 2008 price changes which were repealed at the end of June 2009 as part of our interim arrangement with the European Commission. See Note 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 for more information.

The significant components of our revenues were as follows for the three and six months ended June 30:

	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)
	2009	2008	2009 vs. 2008	2009 vs. 2008	2009	2008	2009 vs. 2008	2009 vs. 2008
	(In millions, except percentages)							
Domestic assessments	\$ 586	\$ 599	\$ (13)	(2.2)%	\$1,139	\$1,164	\$ (25)	(2.1)%
Cross-border volume fees	348	384	(36)	(9.4)%	669	746	(77)	(10.3)%
Transaction processing fees	503	439	64	14.6%	939	846	93	11.0%
Other revenues	187	190	(3)	(1.6)%	370	354	16	4.5%
Gross revenues	1,624	1,612	12	0.7%	3,117	3,110	7	0.2%
Rebates and incentives (contra-revenues)	(344)	(365)	21	(5.8)%	(681)	(681)	—	— %
Net revenues	<u>\$ 1,280</u>	<u>\$ 1,247</u>	<u>\$ 33</u>	2.7%	<u>\$2,436</u>	<u>\$2,429</u>	<u>\$ 7</u>	0.3%

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

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Domestic assessments – The decrease in domestic assessments of 2.2% and 2.1% in the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008 was due to:

- GDV declined slightly in each of the three and six months ended June 30, 2009 when measured in local currency terms, and declined 9.3% and 9.5%, respectively, when measured on a U.S. dollar-converted basis, versus the comparable periods in 2008.
- The impact of foreign currency relating to the translation of domestic assessments from our functional currencies to U.S. dollars contributed approximately 3 to 4 percentage points to the decrease in each of the three and six months ended June 30, 2009.

These decreases were partially offset by pricing changes implemented in October 2008 when we increased certain assessment fees and introduced a new assessment fee to acquirers in Europe. These price changes favorably impacted domestic assessments approximately 6 to 7 percentage points in each of the three and six months ended June 30, 2009. Approximately half of the pricing impact was associated with the October 2008 pricing changes which were repealed at the end of June 2009 as part of our interim arrangement with the European Commission. See Note 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 for more information.

Cross-border volume fees – The decrease in cross-border volume fees of 9.4% and 10.3% in the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008 was due to:

- Cross-border volumes declined 2.1% and 1.4% in the three and six months ended June 30, 2009, respectively, when measured in local currency terms, and 13.8% and 13.9%, respectively, when measured on a U.S. dollar-converted basis, versus the comparable periods in 2008.
- The impact of foreign currency relating to the translation of cross-border volume fees from our functional currencies to U.S. dollars contributed approximately 4 percentage points to the decrease in each of the three and six months ended June 30, 2009.

These decreases were partially offset by pricing changes on acquiring cross-border volumes during 2008, which represented approximately 6 percentage points favorable impact in cross-border volume fees in each of three and six months ended June 30, 2009. A substantial portion of these changes in pricing were implemented in October 2008 and repealed at the end of June 2009 as part of our interim arrangement with the European Commission. See Note 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 for more information.

Transaction processing fees – The increase in transaction processing fees of 14.6% and 11.0% during the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008 was due to:

- Pricing changes implemented in April 2009 which represented approximately 10 and 5 percentage points of the increase in the three and six months ended June 30, 2009, respectively.
- Processed transactions increased 7.9% and 6.9% during the three and six months ended June 30, 2009, respectively.

These increases were partially offset by the impact of foreign currency relating to the translation of transaction processing fees from our functional currencies to U.S. dollars by approximately 5 percentage points in each of the three and six months ended June 30, 2009.

Other revenues – The decrease of 1.6% and increase of 4.5% in the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008, was due to:

- Additional other payment-related services being provided, including higher compliance and penalty fees. These increases were partially offset by lower consulting and research fees.

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- The impact of foreign currency relating to the translation of other revenues from our functional currencies to U.S. dollars decreased other revenues by approximately 3 percentage points in each of the three and six months ended June 30, 2009.

Rebates and incentives – The decrease in rebates and incentives of 5.8% during the three months ended June 30, 2009 and rebates and incentives remaining flat during the six months ended June 30, 2009, versus the comparable periods in 2008, was due to:

- The impact of foreign currency relating to the translation of rebates and incentives from our functional currencies to U.S. dollars decreased rebates and incentives by approximately 3 percentage points in each of the three and six months ended June 30, 2009.
- A decline in customer and merchant performance in accordance with existing contractual agreements, partially offset by higher rebates and incentives for certain new and renewed agreements. In addition, the six months ended June 30, 2008 included a reduction of a customer performance estimate.

We intend to continue to enter into and maintain business agreements with certain customers and merchants that provide GDV and other performance-based support incentives.

Operating Expenses

Our operating expenses are comprised of general and administrative, advertising and marketing and depreciation and amortization expenses. During the three and six months ended June 30, 2009, the Company reclassified certain cardholder-related enhancement expenses, which were previously classified as advertising and marketing expenses, to general and administrative expenses. These cardholder benefit program expenses, such as insurance and card replacements, were previously deemed promotional features of the cards and over time have become standard product offerings in certain card categories. Approximately \$22 million and \$42 million of these expenses have been reclassified in the three and six months ended June 30, 2008, respectively, to conform to the 2009 presentation.

In each of the three and six month periods ended June 30, 2009, there was a decrease in operating expenses of approximately \$1.8 billion versus the comparable periods in 2008. This decrease is primarily due to the settlement of a lawsuit (the “American Express Settlement”) with American Express Company (“American Express”), during the three and six months ended June 30, 2008. The American Express Settlement settled the U.S. federal antitrust litigation between MasterCard and American Express. In addition, our cost containment initiatives resulted in an overall decrease to operating expenses, excluding litigation settlements, in the three and six months ended June 30, 2009. The following table compares and reconciles operating expenses, excluding litigation settlements (“Special Items”), which is a non-GAAP financial measure, to the operating expenses including litigation settlements, which is the most directly comparable GAAP measurement and allows for a more meaningful comparison between periods. Management believes this analysis may be helpful in evaluating ongoing operating expenses.

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	Three Months Ended June 30, 2009			Three Months Ended June 30, 2008			Percent Increase (Decrease)	Percent Increase (Decrease) As
	Special						Actual	Adjusted
	Actual	Items	Non-GAAP	Actual	Special Items	Non-GAAP	2009 vs. 2008	2009 vs. 2008
				(In millions, except percentages)				
General and administrative	\$ 506	\$ —	\$ 506	\$ 521	\$ —	\$ 521	(2.9)%	(2.9)%
Advertising and marketing	180	—	180	281	—	281	(35.8)%	(35.8)%
Litigation settlements	1	1	—	1,649	1,649	—	(100.0)%	—
Depreciation and amortization	36	—	36	28	—	28	27.8%	27.8%
Total operating expenses	<u>\$ 723</u>	<u>\$ 1</u>	<u>\$ 722</u>	<u>\$ 2,480</u>	<u>\$ 1,649</u>	<u>\$ 830</u>	<u>(70.9)%</u>	<u>(13.0)%</u>
Total operating expenses as a percentage of total net revenues	56.5%		56.4%	198.9%		66.6%		

	Six Months Ended June 30, 2009			Six Months Ended June 30, 2008			Percent Increase (Decrease)	Percent Increase (Decrease) As
	Special						Actual	Adjusted
	Actual	Items	Non-GAAP	Actual	Special Items	Non-GAAP	2009 vs. 2008	2009 vs. 2008
				(In millions, except percentages)				
General and administrative	\$ 954	\$ —	\$ 954	\$ 983	\$ —	\$ 983	(3.0)%	(3.0)%
Advertising and marketing	296	—	296	461	—	461	(35.6)%	(35.6)%
Litigation settlements	1	1	—	1,649	1,649	—	(100.0)%	—
Depreciation and amortization	67	—	67	53	—	53	25.4%	25.4%
Total operating expenses	<u>\$ 1,318</u>	<u>\$ 1</u>	<u>\$ 1,317</u>	<u>\$3,146</u>	<u>\$1,649</u>	<u>\$1,497</u>	<u>(58.1)%</u>	<u>(12.0)%</u>
Total operating expenses as a percentage of total net revenues	54.1%		54.1%	129.5%		61.6%		

General and Administrative

The major components of general and administrative expenses are as follows:

	Three Months Ended June 30,		Dollar Increase (Decrease) 2009 vs. 2008	Percent Increase (Decrease) 2009 vs. 2008	Six Months Ended June 30,		Dollar Increase (Decrease) 2009 vs. 2008	Percent Increase (Decrease) 2009 vs. 2008
	2009	2008			2009	2008		
	(In millions, except percentages)							
Personnel	\$ 369	\$ 341	\$ 28	8.2%	\$ 675	\$ 644	\$ 31	4.8%
Professional fees	37	56	(19)	(33.9)%	69	108	(39)	(36.1)%
Telecommunications	17	21	(4)	(19.0)%	35	40	(5)	(12.5)%
Data processing	22	18	4	22.2%	41	35	6	17.1%
Travel and entertainment	11	29	(18)	(62.1)%	20	54	(34)	(63.0)%
Other	50	56	(6)	(10.7)%	115	102	13	12.7%
General and administrative expenses	<u>\$ 506</u>	<u>\$ 521</u>	<u>\$ (15)</u>	<u>(2.9)%</u>	<u>\$ 954</u>	<u>\$ 983</u>	<u>\$ (29)</u>	<u>(3.0)%</u>

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

- Personnel expense increased in the three and six months ended June 30, 2009 versus the comparable periods in 2008. Personnel expense includes \$51 million and \$70 million for severance in the three and six months ended June 30, 2009, respectively compared to \$12 million and \$13 million, respectively, in the comparable 2008 periods. The increased severance costs are the result of cost containment initiatives and were partially offset by lower bonus accruals and contractor costs.
- Professional fees consist primarily of legal costs to defend our outstanding litigation and third-party consulting services related to strategic initiatives. Professional fees decreased in the three and six months ended June 30, 2009 versus the comparable periods in 2008, primarily due to decreased usage of third-party consulting services and lower legal fees associated with the settlement of two significant legal cases during 2008.
- Travel and entertainment expenses are incurred primarily for travel to customer and regional meetings. Travel and entertainment expense decreased in the three and six months ended June 30, 2009 versus the comparable periods in 2008, primarily due to cost containment initiatives.
- Other includes rental expense for our facilities; costs associated with offering cardholder benefits, such as insurance and travel assistance, for certain programs; foreign exchange gains and losses, charges for impairment of assets and other miscellaneous administrative

expenses. The increase in the six months ended June 30, 2009 versus the comparable period in 2008 was primarily driven by an impairment of certain intangible assets.

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Advertising and Marketing

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 globally. Our advertising and marketing strategy is to increase global MasterCard brand awareness, preference and usage through a mix of integrated advertising, sponsorship, promotions, interactive media and public relations programs on a global scale. We will also continue to invest in marketing programs at the regional and local levels and sponsor diverse events aimed at multiple target audiences.

Advertising and marketing expenses decreased \$101 million and \$164 million, or 35.8% and 35.6%, in the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008, primarily due to cost containment initiatives, in response to market realities and due to a favorable foreign currency impact of approximately 3 to 4 percentage points in each of the periods. We will continue to evaluate opportunities for cost containment related to advertising and marketing costs during the remainder of 2009.

Depreciation and Amortization

Depreciation and amortization expenses increased \$8 million and \$14 million in the three and six months ended June 30, 2009, respectively, versus the comparable periods in 2008, primarily due to increased investments in leasehold and building improvements, data center equipment and capitalized software. We expect that depreciation and amortization will continue to increase as we continue to invest in property, plant and equipment and capitalized software.

Other Income (Expense)

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

	Three Months Ended June 30,		Dollar Increase (Decrease) 2009 vs. 2008	Percent Increase (Decrease) 2009 vs. 2008	Six Months Ended June 30,		Dollar Increase (Decrease) 2009 vs. 2008	Percent Increase (Decrease) 2009 vs. 2008
	2009	2008			2009	2008		
(In millions, except percentages)								
Investment income	\$ 14	\$ 26	\$ (12)	(46.9)%	\$ 31	140	(109)	(77.9)%
Interest expense	(32)	(15)	(16)	105.8%	(68)	(31)	(37)	119.7%
Other income (expense)	(3)	—	(2)	1,055.1%	4	73	(69)	(94.0)%
Total other income (expense)	<u>\$ (21)</u>	<u>\$ 10</u>	<u>\$ (31)</u>	<u>(306.9)%</u>	<u>\$ (32)</u>	<u>\$ 183</u>	<u>\$ (215)</u>	<u>(117.6)%</u>

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

- Investment income decreased \$12 million and \$109 million in the three and six months ended June 30, 2009, respectively. The decrease for the three months ended June 30, 2009 is primarily due to lower interest income of \$15 million, primarily due to lower interest rates. The decrease in investment income for the six months ended June 30, 2009 is primarily due to \$86 million in gains recognized on the sale of our remaining shares of common stock in RedeCard S.A. in the first quarter of 2008 and lower interest income in the six months ended June 30, 2009.
- Interest expense increased \$16 million and \$37 million in the three and six months ended June 30, 2009, respectively, primarily due to an increase in interest accretion of \$17 million and \$36 million, respectively, associated with the American Express Settlement obligation.
- Other income (expense) decreased \$2 million and \$69 million for the three and six months ended June 30, 2008, respectively, primarily due to a \$75 million gain related to the termination of a customer business agreement recognized in the first quarter of 2008.

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Income Taxes

The effective income tax rates were 35.0% and 39.0% for the three months ended June 30, 2009 and 2008, respectively, and 34.1% and 43.9% for the six months ended June 30, 2009 and 2008, respectively. The difference in the effective tax rates for the periods was due to the effect of the charge for the American Express Settlement recorded in the three and six month periods ended June 30, 2008, which resulted in a more favorable mix of pre-tax income (loss) for the three and six month periods ended June 30, 2008 as compared to the three and six month periods ended June 30, 2009.

During the three and six months ended June 30, 2009, the Company's unrecognized tax benefits related to tax positions taken in the current period increased by \$6.2 million and \$17.5 million, respectively, all of which would affect the Company's effective tax rate, if recognized.

Liquidity and Capital Resources

We need liquidity and access to capital to fund our global operations; to provide for credit and settlement risk; to finance capital expenditures and any future acquisitions; and to service our obligations related to litigation settlements. At June 30, 2009 and December 31, 2008, we had \$2.7 billion and \$2.1 billion, respectively, of cash and cash equivalents and current available-for-sale securities to use for our operations. Our stockholders' equity was \$2.7 billion and \$1.9 billion as of June 30, 2009 and December 31, 2008, respectively. We believe that the cash generated from operations, our borrowing capacity and our access to capital resources are sufficient to meet our future operating capital needs and litigation settlement obligations. Our liquidity and access to capital could be negatively impacted by the adverse outcome of any of the legal or regulatory proceedings to which we are still a party. See Item 1A in Part 1 in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and an update to the risk factors in Item 1A of this Report for additional discussion of these and other risks facing our business. See also Notes 16 (Obligations Under Litigation Settlements) and 18 (Legal and Regulatory Proceedings) to the Consolidated Financial Statements included in Item 1 and "-Business Environment" for more information.

	Six Months Ended June 30,	
	2009	2008
	(in millions)	
Cash Flow Data:		
Net cash provided by operating activities	\$ 778	\$ 543
Net cash (used in) provided by investing activities	(88)	248
Net cash used in financing activities	(166)	(721)
	June 30,	December 31,
	2009	2008
	(in millions)	

Balance Sheet Data:

Current assets	4,690	4,312
Current liabilities	2,982	2,990
Long-term liabilities	1,328	1,553
Equity	2,674	1,932

Net cash provided by operating activities for the six months ended June 30, 2009 was \$778 million versus \$543 million for the comparable period in 2008. Cash from operations for the six months ended June 30, 2009 was primarily due to operating income plus the collection of accounts and income taxes receivable, partially offset by payments for litigation settlements. Net cash provided by operating activities for the six months ended June 30, 2008 was primarily due to net revenues exceeding general and administrative and advertising and marketing expenses, partially offset by higher tax payments and payments to customers under business agreements.

In 2003, MasterCard entered into the U.S. Merchant Lawsuit Settlement with various U.S. merchants. Under the terms of the U.S. Merchant Lawsuit Settlement, the Company was required to pay \$125 million in 2003 and \$100 million annually each December from 2004 through 2012. On July 1, 2009, MasterCard entered into an

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agreement (the “Prepayment Agreement”) with plaintiffs of the U.S. Merchant Lawsuit Settlement whereby MasterCard will make a prepayment of its remaining \$400 million in payment obligations at a discounted amount of \$335 million on September 30, 2009. The Prepayment Agreement is subject to court approval. In addition, in June 2008, MasterCard entered into the American Express Settlement which ended all existing litigation between American Express and MasterCard. Under the terms of the American Express settlement, MasterCard is required to pay up to \$150 million each quarter for 12 quarters, for a maximum amount of \$1.8 billion. During the six months ended June 30, 2009, MasterCard made \$300 million in litigation payments in accordance with the American Express Settlement.

Net cash used in investing activities for the six months ended June 30, 2009 primarily related to expenditures for our global network and investments in affiliates. Cash provided by investing activities for the six months ended June 30, 2008 primarily related to net sales of available-for-sale securities and expenditures for our global network.

Cash used in financing activities for the six months ended June 30, 2009 primarily related to the payment of \$149 million of debt (see Note 12 (Consolidation of Variable Interest Entity) to the consolidated financial statements in Part I, Item 1 for additional discussion) and approximately \$39 million in dividends to our stockholders. Cash used in financing activities for the six months ended June 30, 2008 related primarily to the repurchase of approximately 2.8 million shares of our Class A common stock through a share repurchase plan, the repayment of \$80 million related to the Company’s ten-year, unsecured, subordinated notes that matured in June 2008 and the payment of approximately \$40 million in dividends to our stockholders.

As of June 30, 2009, the Company held \$187 million of auction rate securities (“ARS”) classified as long-term available-for-sale securities. As of December 31, 2008, the Company held \$192 million of ARS classified as long-term available-for-sale securities. The stated maturity of the securities ranges from 10 to 33 years, and the securities are collateralized by student loans with guarantees, ranging from approximately 95% to 98% of principal and interest, by the U.S. government via the Department of Education. The Company determined that the fair value of the ARS does not approximate par value, assigned a 20% discount to the par value of the ARS portfolio and recorded a temporary impairment within other comprehensive income during 2008. The Company believes it is more likely than not that it will hold the ARS until recovery of fair value, which may be maturity or earlier if called or if liquidity is restored in the market. See Note 5 (Investment Securities) to the consolidated financial statements included in Part I, Item 1 for more information.

On June 9, 2009, our Board of Directors declared a quarterly cash dividend of \$0.15 per share payable on August 10, 2009 to holders of record on July 10, 2009 of our Class A common stock and Class B common stock. The aggregate amount of this dividend is \$20 million. The declaration and payment of 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 anticipated cash needs.

On January 22, 2009, Standard & Poor’s reaffirmed our BBB+ long-term and A-2 short-term counterparty credit ratings, with a stable outlook. Our access to capital and liquidity has been sufficient with these ratings. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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Future Obligations

The following table summarizes our obligations as of June 30, 2009 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 cash balances.

	Payments Due by Period				
	Total	2009	2010-2011 (In millions)	2012-2013	2014 and thereafter
Capital leases ¹	\$ 53	\$ 4	\$ 9	\$ 40	\$ —
Operating leases ²	89	15	36	18	20
Sponsorship, licensing and other ^{3,4}	557	186	278	89	3
Litigation settlements ⁵	1,609	409	1,100	100	—
Debt ⁶	21	—	21	—	—
Total	<u>\$2,329</u>	<u>\$ 614</u>	<u>\$ 1,444</u>	<u>\$ 247</u>	<u>\$ 23</u>

* Note that totals in above table may not sum due to rounding.

¹ Most capital leases relate to certain property, plant and equipment used in our business. Our capital lease for our global technology and operations center located in O'Fallon, Missouri has been excluded from this table; see Note 8 (Property, Plant and Equipment) to the consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further discussion. We also have a capital lease related to our Kansas City, Missouri co-processing data center.

² We enter into operating leases in the normal course of business. 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. In addition, these amounts include amounts due in accordance with merchant agreements for future marketing, computer hardware maintenance, 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 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 \$483 million as of June 30, 2009 related to customer and merchant agreements.

⁴ We have included our current liability of \$14 million relating to FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). Due to the high degree of uncertainty regarding the timing of the non-current FIN 48 liabilities, we are unable to make reasonable estimates of the period of cash settlements with the respective taxing authority.

⁵ Represents amounts due in accordance with the American Express Settlement, U.S. Merchant Lawsuit Settlement and other litigation settlements. The timing and amounts reflect the original terms of the U.S. Merchant Lawsuit Settlement, pending the legal effectiveness of the Prepayment Agreement discussed in Note 16 (Obligations Under Litigation Settlements) to the Consolidated Financial Statements included in Item 1.

⁶ Debt primarily represents amounts due for the acquisition of MasterCard France. We also have various credit facilities for which there were no outstanding balances at June 30, 2009 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.

Recent Accounting Pronouncements

The provisions of FASB Staff Position ("FSP") EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1") became effective for the Company on January 1, 2009, resulting in the retrospective adjustment of earnings per share ("EPS") for prior periods. See Note 2 (Earnings (Loss) Per Share) for further detail.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin ("ARB") No. 51, "Consolidated Financial Statements" and establishes accounting and reporting standards that require non-controlling interests, previously referred to as minority interests, to be reported as a component of equity. In addition, changes in a parent's ownership interest while the parent retains its controlling interest are accounted for as equity transactions, and upon a gain or loss of control, retained ownership interests are remeasured at fair value, with any gain or loss recognized in earnings. Effective January 1, 2009, the Company applied the provisions of SFAS 160 retrospectively in the consolidated financial statements. The adoption of SFAS 160 did not have a material impact on the Company's financial position or results of operations for any periods presented.

The provisions of FASB No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" ("SFAS 161") became effective for the Company on January 1, 2009. SFAS 161 applies to all entities and requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk related contingent features in derivative agreements. The Company applied the requirements of SFAS 161 on a prospective basis. Accordingly, disclosures related to interim periods prior to the

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date of adoption have not been presented. Since SFAS 161 relates to disclosures only, it had no impact on the Company's financial position or results of operations. See Note 20 (Foreign Exchange Risk Management) for further detail.

Effective January 1, 2009, the Company adopted SFAS No. 141(R), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; how the acquirer recognizes and measures the goodwill acquired in a business combination; and how the acquirer determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The adoption of SFAS 141(R) did not have a material impact on the Company's financial position or results of operations as of or for the three and six months ended June 30, 2009.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1 and APB 28-1"), which requires public entities to disclose in their interim financial statements the fair value of all financial instruments within the scope of FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107"), as well as the method(s) and significant assumptions used to estimate the fair value of those financial instruments. The Company has adopted the provisions of FSP FAS 107-1 and APB 28-1 by including the required additional financial statement disclosures as of June 30, 2009 in Note 4 (Fair Value). The adoption of FSP FAS 107-1 and APB 28-1 had no impact on the Company's financial position or results of operations.

Also in April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP FAS 115-2 and FAS 124-2"), to change the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of an impairment charge to be recorded in earnings. FSP FAS 115-2 and FAS 124-2 also requires enhanced disclosures, including the Company's methodology and key inputs used for determining the amount of credit losses recorded in earnings. The Company adopted FSP FAS 115-2 and FAS 124-2 during the second quarter of 2009 and the adoption had no impact on the Company's financial position or results of operations. See Note 5 (Investment Securities) for further detail.

Additionally, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP FAS 157-4"), during April 2009. FSP FAS 157-4 provides additional guidance to highlight and expand on the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset. FSP FAS 157-4 also requires new disclosures relating to fair value measurement inputs and valuation techniques (including changes in inputs and valuation techniques). The Company adopted FSP FAS 157-4 during the second quarter of 2009. The adoption of FSP FAS 157-4 had no impact on the Company's financial position or results of operations. See Note 4 (Fair Value) for further detail.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS 165"), the Company has evaluated all subsequent events through July 30, 2009 which is the date that the consolidated financial statements were issued.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140" ("SFAS 166"), to revise SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS 166 eliminates the qualifying special purpose entity concept, establishes a new unit of account definition that must be met for the transfer of portions of financial assets to be eligible for sale accounting, clarifies and changes the derecognition criteria for a transfer to be accounted for as a sale, changes the amount of gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor, and requires additional new disclosures. The Company will adopt SFAS 166 upon its effective date of January 1, 2010 and the impact of SFAS 166 will be depend upon the nature and significance of future transfers of financial assets, if any.

The FASB also issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"), during June 2009 as a revision to FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities," to eliminate the exemption for qualifying special purpose entities, require a new qualitative approach for determining whether a reporting entity should consolidate a variable-interest entity, and changes the requirement of when to reassess whether a reporting entity should consolidate a variable-interest entity. Pursuant to the provisions of SFAS 167, the Company will assess whether it should consolidate or deconsolidate any variable-interest entities for which it holds variable interests on January 1, 2010 and the impact to the Company will be dependent upon the facts and circumstances related to those variable interests at the effective date.

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Finally, the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification” and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162” (“SFAS 168”), during June 2009. SFAS 168 establishes the FASB Accounting Standards Codification as the sole source of authoritative GAAP. Pursuant to the provisions of SFAS 168, the Company will update its references to GAAP in its consolidated financial statements issued for the periods ended September 30, 2009 and thereafter. The adoption of SFAS 168 will have no impact on the Company’s financial position or results of operations.

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

Market risk is the potential for economic losses to be incurred on market risk sensitive instruments arising from adverse changes in market factors such as interest rates, foreign currency exchange rates and equity price risk. We have limited exposure to market risk from changes in interest rates, foreign exchange rates and equity price risk. Management establishes and oversees the implementation of policies, which have been approved by the Board of Directors, governing our funding, investments and use of derivative financial instruments. We monitor risk exposures on an ongoing basis. There were no material changes in our market risk exposures at June 30, 2009 as compared to December 31, 2008.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

MasterCard Incorporated’s management, 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 13a-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 President and 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 information of MasterCard Incorporated and its subsidiaries for the three and six months ended June 30, 2009 and 2008, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report dated July 30, 2009 appearing below, states that they did not audit and they do not express an opinion on that unaudited financial information. PricewaterhouseCoopers LLP 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 LLP 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 information because that report is not a “report” or a “part” of a registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

Report of Independent Registered Public Accounting Firm

We have reviewed the accompanying consolidated balance sheet of MasterCard Incorporated and its subsidiaries (the “Company”) as of June 30, 2009, and 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, 2009 and 2008, and the consolidated statements of cash flows for each of the six month periods ended June 30, 2009 and 2008, and the consolidated statement of changes in stockholders’ equity for the six month period ended June 30, 2009. 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 information for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of operations, comprehensive income (loss), of changes in stockholders’ equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 19, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December, 31, 2008, 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
July 30, 2009

MASTERCARD INCORPORATED**FORM 10-Q****PART II — OTHER INFORMATION****Item 1. Legal Proceedings**

Refer to Note 18 to the Consolidated Financial Statements included herein.

Item 1A. Risk Factors

The following supplements the Company's risk factor set forth in its Annual Report on Form 10-K for the year ended December 31, 2008, entitled "Interchange fees are subject to increasingly intense legal and regulatory scrutiny worldwide, which may have a material adverse impact on our revenue, our prospects for future growth and our overall business, and thus our revenue." This supplemental information concerns certain U.S. legislation related to interchange fees, which have been the topic of increased congressional and regulatory interest. In June 2009, the "Credit Card Fair Fee Act" was introduced in the U.S. House of Representatives. This legislation seeks to regulate interchange by allowing merchants to collectively seek to lower their payment card acceptance costs. Such collective actions would be exempt from the U.S. antitrust laws under this legislation. The Credit Card Fair Fee Act would require the U.S. Department of Justice to observe collective merchant negotiations with the Company and its customer financial institutions (and separately with Visa and its customer financial institutions) and report results of those negotiations back to the U.S. Congress. Similar legislation was also introduced in the U.S. Senate in June 2009, although the Senate bill would go further than the Credit Card Fee Act by creating a government panel to establish the terms and conditions of payment card acceptance for those merchants who do not reach an agreement as a result of the antitrust exemption. A separate bill introduced in the House prior to the Credit Card Fair Fee Act would, among other things, prohibit the inclusion of certain provisions in payment card network rules (e.g., honor all cards) and direct the U.S. Federal Trade Commission to prescribe regulations to ensure, among other things, that such rules are not "unfair or deceptive" to consumers and merchants. There have not been hearings in this Congress on any of these bills. It is not clear whether Congress will act on one or more of these bills, and what form any such legislation may ultimately take. However, pursuant to the "Credit Card Act", which was signed into law in May 2009 concerning creditor practices, the General Accountability Office ("GAO") has been instructed to conduct a study on interchange within 180 days of enactment and submit the findings and conclusions of that study to Congress, together with recommendations for legislative or administrative actions that the GAO may deem appropriate. It is not clear what recommendations, if any, the GAO might make in its study, or whether any such recommendations would be similar to or different from existing legislative proposals.

As set forth in the risk factor entitled "Interchange fees are subject to increasingly intense legal and regulatory scrutiny worldwide, which may have a material adverse impact on our revenue, our prospects for future growth and our overall business, and thus our revenue," if issuers cannot collect interchange fees, or MasterCard is forced to reduce interchange fees, issuers may be unable to recoup a portion of the costs incurred for their services. This could reduce the number of financial institutions willing to participate in the MasterCard four-party payment card system, lower overall transaction volumes and profitability, and/or make proprietary end-to-end networks or other forms of payment more attractive. Issuers could also charge higher fees to consumers, thereby making MasterCard card programs less desirable to consumers and reducing the Company's transaction volumes and profitability, or attempt to decrease the expense of their card programs by seeking a reduction in the fees that MasterCard charges. The potential outcome of any legislative or regulatory action could have a different or more negative impact on MasterCard relative to its competitors. If the Company is ultimately unsuccessful in its defense of interchange fees, such legislation or regulatory action may have a material adverse impact on the Company's revenue, prospects for future growth and MasterCard's overall business. In addition, litigation and regulatory proceedings could result in MasterCard being fined and/or having to pay civil damages.

The following supplements the Company's risk factor set forth in its Annual Report on Form 10-K for the year ended December 31, 2008, entitled, "The payments industry is generally the subject of increasing global regulatory focus, which may impose costly new compliance burdens on us and our customers and lead to decreased transaction volumes through our systems." This supplemental information concerns certain proposed U.S. legislation related to the regulation of financial products or services offered to consumers, and certain payment systems. In June 2009, the Obama Administration released a white paper with a number of suggested regulatory reform proposals concerning the financial services sector. Shortly thereafter, the Administration released proposed legislative language to create a Consumer Financial Protection Agency ("Agency"), which could have significant authority to regulate consumer financial products, including consumer credit, deposit, payment, and similar products. In July 2009, the Chairman of the House Financial Services Committee, Barney Frank (D-MA), introduced legislation that is essentially identical in substance to the draft legislative language released by the Administration. Under the proposed legislation, the Agency's proposed grant of authority is broad and not yet clearly defined. It is therefore not clear whether the Agency would be authorized to regulate aspects of payment card network operations or to what extent it would have some jurisdiction over MasterCard. The legislation must

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first be passed by Congress to become law. Should the House pass the legislation, it is not yet clear how quickly the Senate would address this issue and what form any such legislation may ultimately take. In addition, in July 2009, the U.S. Department of the Treasury released a legislative proposal and proposed legislative language for the regulation of payment, clearing and settlement systems, determined by the Board of Governors of the Federal Reserve System to be “systemically important” systems (“Systemically Important Systems”), that could impose upon Systemically Important Systems additional regulatory, reporting, examination or other obligations that may differ from existing legal requirements. This proposal would first have to be passed by Congress to become law. It is unclear the extent to which Congress might act with respect to this proposal and, if so, whether the Company would be deemed a Systemically Important System. However, the imposition of any additional regulatory or other obligations on the Company could result in costly new compliance burdens that could negatively impact our business.

For a discussion of the Company’s additional risk factors, see the Company’s Annual Report on Form 10-K for the year ended December 31, 2008.

Item 4. *Submission of Matters to a Vote of Security Holders*

The 2009 annual meeting of stockholders (the “Annual Meeting”) of the Company was held on June 9, 2009. Stockholders approved each of the proposals on the agenda for the Annual Meeting, which included the following:

1. Election of the three nominees named in the proxy statement to serve on the Company’s Board of Directors as directors (Class III);
2. Election of the nominee named in the proxy statement to serve on the Company’s Board of Directors as a Class M Director (Class III);
3. Approval of the amendment of Sections 6.1(A) and 6.4(B) of the Company’s amended and restated certificate of incorporation (the “Charter”); and
4. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for 2009.

Each of these proposals is fully described in the Company’s proxy statement, dated April 23, 2009 and filed with the Securities and Exchange Commission.

Pursuant to the Charter and the Company’s bylaws: (1) only holders of the Company’s Class A common stock were entitled to vote on proposals 1 and 4 above; (2) only holders of the Company’s Class M common stock were entitled to vote on proposal 2 above; and (3) only holders of the Company’s Class A common stock and Class M common stock, each voting separately as a class, were entitled to vote on proposal 3 above.

Voting Items for Holders of Class A Common Stock

A total of 88,929,704 shares of Class A common stock were represented in person or by proxy and entitled to vote at the Annual Meeting.

Proposal 1—Election of Class A Directors

Each of the nominees listed below were elected to serve on the Board of Directors as a director (Class III) with a term expiring in 2012 (we refer to all directors who are not Class M directors (as defined below) as “Class A Directors”). The votes “for” and “withheld” with respect to each nominee are as follows:

<u>Class A Director</u>	<u>Votes FOR</u>	<u>Votes WITHHELD</u>
Richard Haythornthwaite	84,978,164	3,951,540
David R. Carlucci	84,731,095	4,198,609
Robert W. Selander	85,111,019	3,818,685

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There were no broker non-votes or abstentions with respect to this proposal.

In addition to the Class A Directors listed above who were elected at the Annual Meeting, the following persons continue to serve on the Board of Directors as Class A Directors following the Annual Meeting: Nancy J. Karch (Class I), José Octavio Reyes Lagunes (Class I), Edward Suning Tian (Class I), Bernard S. Y. Fung (Class II), Marc Olivié (Class II) and Mark Schwartz (Class II).

Proposal 4—Ratification of the Appointment of PricewaterhouseCoopers LLP as the Company’s Independent Registered Public Accounting Firm for 2009.

Proposal 4 received 88,427,776 votes “for,” 439,527 votes “against” and 62,400 abstentions. There were no broker non-votes with respect to this proposal.

Voting Item for Holders of Class M Common Stock

A total of 752 votes of Class M common stock were represented in person or by proxy and entitled to vote at the Annual Meeting.

Proposal 2—Election of Class M Directors

Steven J. Freiberg was elected to serve on the Board of Directors as a Class M Director (Class III) with a term expiring in 2012. A “Class M Director” is one of up to three directors (not more than one-quarter of all directors) as to whom holders of Class M Common Stock have the right to elect. The election of Mr. Freiberg received 741,487 votes “for” and 10,422 votes “withheld.” There were no broker non-votes or abstentions with respect to this proposal.

In addition to Mr. Freiberg, who was elected at the Annual Meeting, Silvio Barzi (Class I) and Jackson P. Tai (Class II) continue to serve on the Board of Directors as Class M Directors.

Voting Item for Holders of Class A Common Stock and Class M Common Stock

Proposal 3 – Approval of the Amendment of Sections 6.1(A) and 6.4(B) of the Company’s Amended and Restated Certificate of Incorporation

Proposal 3 received the following: (1) from holders of shares of Class A common stock – 81,237,475 votes “for,” 185,738 votes “against” and 278,157 abstentions and (2) from holders of Class M common stock – 728,603 votes “for,” 5,096 votes “against” and 18,231 abstentions. There were 7,288,334 broker non-votes from holders of Class A common stock with respect to this proposal.

Item 5. Other Information

On July 24, 2009, the Company, in the ordinary course of business, issued 54 shares of its Class M common stock to new principal members of MasterCard International, which was offset by the retirement of 23 shares of Class M common stock due to the terminations of principal members, pursuant to the Charter. In the aggregate, these issuances of new shares of Class M common stock were more than one percent of the total number of shares of Class M common stock 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 6. Exhibits

Refer to the Exhibit Index included herein.

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: July 30, 2009	<u>MASTERCARD INCORPORATED</u> <i>(Registrant)</i>
Date: July 30, 2009	By: <u>/s/ ROBERT W. SELANDER</u> Robert W. Selander <i>President and Chief Executive Officer</i> <i>(Principal Executive Officer)</i>
Date: July 30, 2009	By: <u>/s/ MARTINA HUND-MEJEAN</u> Martina Hund-Mejean <i>Chief Financial Officer</i> <i>(Principal Financial Officer)</i>
Date: July 30, 2009	By: <u>/s/ MELISSA J. BALLENGER</u> Melissa J. Ballenger <i>Corporate Controller</i> <i>(Principal Accounting Officer)</i>

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of MasterCard Incorporated.
15	Awareness 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 Martina Hund-Mejean, 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 Martina Hund-Mejean, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Scheme Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

**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. An Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on June 28, 2002, May 30, 2006 (which became effective on May 31, 2006) and June 8, 2007.

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 $1/4$ 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 Trustee, 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.

(9) *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 fifteen 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 or a director who is an officer of the Corporation, 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. At any time, no more than two persons who are at such time then actively serving as an officer or an employee of the Corporation or any of its subsidiaries shall qualify for service as a director of the Corporation. 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 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 10, 2009.

MasterCard Incorporated

/s/ Noah J. Hanft

Name: Noah J. Hanft

Title: General Counsel, Chief Payment System
Integrity & Compliance Officer and Corporate
Secretary

July 30, 2009

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

Commissioners:

We are aware that our report dated July 30, 2009 on our review of unaudited interim financial information of MasterCard Incorporated and its subsidiaries (the “Company”) for the three and six month periods ended June 30, 2009 and June 30, 2008 and included in the Company’s quarterly report on Form 10-Q for the quarter ended June 30, 2009 is incorporated by reference in the Company’s Registration Statements on Form S-8 dated June 30, 2006 (File No. 333-135572), August 9, 2006 (File No. 333-136460) and June 15, 2007 (File No. 333-143777).

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: July 30, 2009

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, Martina Hund-Mejean, 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: July 30, 2009

By: /s/ Martina Hund-Mejean
Martina Hund-Mejean
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, 2009 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.

July 30, 2009

/s/ Robert W. Selander

Robert W. Selander
President and Chief Executive 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, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Martina Hund-Mejean, 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.

July 30, 2009

/s/ Martina Hund-Mejean

Martina Hund-Mejean
Chief Financial Officer