

MASTERCARD INC

FORM 10-Q (Quarterly Report)

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

Form 10-Q

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

For the quarterly period ended June 30, 2012
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)

13-4172551
(IRS Employer
Identification Number)

2000 Purchase Street
Purchase, NY
(Address of principal executive offices)

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 in Rule 12b-2 of the Act). Yes ☐ No ☒

As of July 26, 2012 , there were 119,684,195 shares outstanding of the registrant's Class A common stock, par value \$0.0001 per share and 5,114,123 shares outstanding of the registrant's Class B common stock, par value \$0.0001 per share.

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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. All statements other than statements of historical facts may be forward-looking statements. When used in this Report, the words “believe”, “expect”, “could”, “may”, “would”, “will”, “trend” 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, statements relating to:

- the Company's focus on personal consumption expenditures, the trend towards electronic forms of payment and growing MasterCard's share in electronic payments, including with innovative solutions and new technology;
- the Company’s focus on growing its credit, debit, prepaid, commercial and payment transaction processing offerings;
- the Company’s focus on diversifying its business (including seeking new areas of growth, expanding acceptance points and maintaining unsurpassed acceptance and successfully working with new business partners);
- the Company’s focus on building new businesses through technology and strategic efforts and alliances with respect to electronic commerce, mobile and other initiatives;
- the stability of economies around the globe;
- the Company’s advertising and marketing strategy and investment;
- the Memorandum of Understanding to settle the current U.S. merchant class litigation and the agreement-in-principle to settle all claims brought by the individual merchant plaintiffs, which are subject to execution of settlement agreements for both the merchant class litigation (including the completion of certain appendices to the settlement agreement) and the individual merchant plaintiff class, as well as final court approval of the class settlement and any necessary approvals for the parties;
- the Company's belief that its existing cash balances, its cash flow generating capabilities, its borrowing capacity and its access to capital resources are sufficient to satisfy its future operating cash needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with its operations and potential litigation obligations; and
- the manner and amount of purchases by the Company pursuant to its share repurchase program, dependent upon price and market conditions.

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. Such risk factors include: litigation decisions, regulation and legislation related to interchange fees and related practices; regulation established by the Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States; regulation or other legislative or regulatory activity in one jurisdiction or of one product resulting in regulation in other jurisdictions or of other products; competitive issues caused by government actions; regulation of the payments industry, consumer privacy, data use and/or security; potential or incurred liability, limitations on business and other penalties resulting from litigation; potential changes in tax laws; competition in the payments industry; competitive pressure on pricing; banking industry consolidation; loss of significant business from significant customers; merchant activity; our relationship and the relationship of our competitors with our customers; brand perceptions and reputation; ability to grow our debit business, particularly in the United States; global economic events and the overall business environment; decline in cross-border travel; the effect of general economic and global political conditions on consumer spending trends; exposure to loss or illiquidity due to guarantees of settlement and certain other third-party obligations; disruptions to our transaction processing systems and other services; account data breaches; reputation damage from increases in fraudulent activity; the inability to keep pace with technological developments in the industry; the effect of adverse currency fluctuation; the inability to adequately manage change and effectively deliver our products and solutions; acquisition and other integration issues; and issues relating to our Class A common stock and corporate governance structure. Please see a complete discussion of these risk factors in Item 1A (Risk Factors) in Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2011 and Part II, Item 1A, (Risk Factors) of this report. We caution you that the important factors referenced above may not contain all of the factors that are important to you. Our forward-looking statements speak only as of the date of this report or as of the date they are made, and we undertake no obligation to update our forward-looking statements.

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 operating subsidiary, MasterCard International Incorporated (d/b/a MasterCard Worldwide).

PART I — FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

MASTERCARD INCORPORATED CONSOLIDATED BALANCE SHEET (UNAUDITED)

	June 30, 2012	December 31, 2011
	(in millions, except share data)	
ASSETS		
Cash and cash equivalents	\$ 3,153	\$ 3,734
Investment securities available-for-sale	1,803	1,215
Accounts receivable	844	808
Settlement due from customers	807	601
Restricted security deposits held for customers	726	636
Prepaid expenses and other current assets	592	404
Deferred income taxes	358	343
Total Current Assets	8,283	7,741
Property, plant and equipment, net	458	449
Deferred income taxes	116	88
Goodwill	1,009	1,014
Other intangible assets, net of accumulated amortization of \$620 and \$557, respectively	656	665
Other assets	718	736
Total Assets	\$ 11,240	\$ 10,693
LIABILITIES AND EQUITY		
Accounts payable	\$ 330	\$ 360
Settlement due to customers	803	699
Restricted security deposits held for customers	726	636
Accrued litigation	790	770
Accrued expenses	1,475	1,610
Other current liabilities	183	142
Total Current Liabilities	4,307	4,217
Deferred income taxes	105	113
Other liabilities	552	486
Total Liabilities	4,964	4,816
Commitments and Contingencies		
Stockholders' Equity		
Class A common stock, \$0.0001 par value; authorized 3,000,000,000 shares, 133,196,600 and 132,771,392 shares issued and 119,783,424 and 121,618,059 outstanding, respectively	—	—
Class B common stock, \$0.0001 par value; authorized 1,200,000,000 shares, 5,114,123 and 5,245,676 issued and outstanding, respectively	—	—
Additional paid-in-capital	3,571	3,519
Class A treasury stock, at cost, 13,413,176 and 11,153,333 shares, respectively	(3,311)	(2,394)
Retained earnings	6,052	4,745
Accumulated other comprehensive loss	(47)	(2)
Total Stockholders' Equity	6,265	5,868
Non-controlling interests	11	9
Total Equity	6,276	5,877
Total Liabilities and Equity	\$ 11,240	\$ 10,693

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in millions, except per share data)			
Revenues, net	\$ 1,820	\$ 1,667	\$ 3,578	\$ 3,168
Operating Expenses				
General and administrative	591	540	1,170	1,034
Advertising and marketing	179	193	304	322
Depreciation and amortization	56	49	110	91
Provision for litigation settlement	20	—	20	—
Total operating expenses	846	782	1,604	1,447
Operating income	974	885	1,974	1,721
Other Income (Expense)				
Investment income	9	11	18	23
Interest expense	(3)	(2)	(9)	(12)
Other income (expense), net	(7)	(2)	(11)	(4)
Total other income (expense)	(1)	7	(2)	7
Income before income taxes	973	892	1,972	1,728
Income tax expense	273	284	591	558
Net income	700	608	1,381	1,170
Loss attributable to non-controlling interests	—	—	1	—
Net Income Attributable to MasterCard	\$ 700	\$ 608	\$ 1,382	\$ 1,170
Basic Earnings per Share	\$ 5.56	\$ 4.77	\$ 10.95	\$ 9.08
Basic Weighted Average Shares Outstanding	126	127	126	129
Diluted Earnings per Share	\$ 5.55	\$ 4.76	\$ 10.91	\$ 9.05
Diluted Weighted Average Shares Outstanding	126	128	127	129

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in millions)			
Net Income	\$ 700	\$ 608	\$ 1,381	\$ 1,170
Other comprehensive income:				
Foreign currency translation adjustments	(127)	43	(50)	148
Defined benefit pension and other postretirement plans	—	—	2	—
Income tax effect	—	—	(1)	—
Defined benefit pension and other postretirement plans, net of income tax effect	—	—	1	—
Investment securities available-for-sale	3	5	6	6
Income tax effect	(1)	(2)	(2)	(2)
Investment securities available-for-sale, net of income tax effect	2	3	4	4
Other comprehensive (loss) income, net of tax	(125)	46	(45)	152
Comprehensive Income	575	654	1,336	1,322
Loss attributable to non-controlling interests	—	—	1	—
Comprehensive Income Attributable to MasterCard	<u>\$ 575</u>	<u>\$ 654</u>	<u>\$ 1,337</u>	<u>\$ 1,322</u>

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)

	Total	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Common Stock		Additional Paid-In Capital	Class A Treasury Stock	Non-Controlling Interests
				Class A	Class B			
	(in millions, except per share data)							
Balance at December 31, 2011	\$ 5,877	\$ 4,745	\$ (2)	\$ —	\$ —	\$ 3,519	\$ (2,394)	\$ 9
Net income (loss)	1,381	1,382	—	—	—	—	—	(1)
Contribution by non-controlling interest	3	—	—	—	—	—	—	3
Other comprehensive loss, net of tax	(45)	—	(45)	—	—	—	—	—
Cash dividends declared on Class A and Class B common stock, \$0.60 per share	(75)	(75)	—	—	—	—	—	—
Purchases of treasury stock	(919)	—	—	—	—	—	(919)	—
Issuance of treasury stock for share-based compensation	—	—	—	—	—	(2)	2	—
Share-based payments	41	—	—	—	—	41	—	—
Stock units withheld for taxes	(38)	—	—	—	—	(38)	—	—
Tax benefit for share-based compensation	33	—	—	—	—	33	—	—
Exercise of stock options	18	—	—	—	—	18	—	—
Balance at June 30, 2012	<u>\$ 6,276</u>	<u>\$ 6,052</u>	<u>\$ (47)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,571</u>	<u>\$ (3,311)</u>	<u>\$ 11</u>

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2012	2011
	(in millions)	
Operating Activities		
Net income	\$ 1,381	\$ 1,170
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	110	91
Share-based payments	41	36
Stock units withheld for taxes	(38)	(32)
Tax benefit for share-based compensation	(33)	(10)
Deferred income taxes	(55)	94
Other	24	13
Changes in operating assets and liabilities:		
Accounts receivable	(51)	(22)
Income taxes receivable	(31)	—
Settlement due from customers	(213)	42
Prepaid expenses	(140)	(73)
Obligations under litigation settlements	20	(300)
Accounts payable	(27)	34
Settlement due to customers	112	(127)
Accrued expenses	(50)	(84)
Net change in other assets and liabilities	18	61
Net cash provided by operating activities	<u>1,068</u>	<u>893</u>
Investing Activities		
Acquisition of business, net of cash acquired	—	(460)
Purchases of investment securities available-for-sale	(1,054)	(39)
Purchases of property, plant and equipment	(40)	(35)
Capitalized software	(67)	(37)
Proceeds from sales of investment securities available-for-sale	104	30
Proceeds from maturities of investment securities available-for-sale	386	28
Proceeds from maturities of investment securities held-to-maturity	—	301
Investment in nonmarketable equity investments	(19)	(2)
Net cash used in investing activities	<u>(690)</u>	<u>(214)</u>
Financing Activities		
Purchases of treasury stock	(919)	(1,041)
Dividends paid	(57)	(39)
Payment of debt	—	(21)
Tax benefit for share-based compensation	33	10
Cash proceeds from exercise of stock options	18	8
Contribution by non-controlling interest	3	—
Net cash used in financing activities	<u>(922)</u>	<u>(1,083)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(37)</u>	<u>101</u>
Net decrease in cash and cash equivalents	(581)	(303)
Cash and cash equivalents - beginning of period	3,734	3,067
Cash and cash equivalents - end of period	<u>\$ 3,153</u>	<u>\$ 2,764</u>

Non-Cash Investing and Financing Activities

Fair value of assets acquired, net of cash acquired	\$ —	\$ 549
Fair value of liabilities assumed related to an acquisition	\$ —	\$ 89

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

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Summary of Significant Accounting Policies

Organization

MasterCard Incorporated and its consolidated subsidiaries, including MasterCard International Incorporated (“MasterCard International” and together with MasterCard Incorporated, “MasterCard” or the “Company”), is a global payments and technology company that connects consumers, financial institutions, merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks. MasterCard primarily (1) offers a wide range of payment solutions, which enable its customers (which include financial institutions and other entities that act as “issuers” and “acquirers”) to develop and implement credit, debit, prepaid and related payment programs for their customers (which include individual consumers, businesses and government entities); (2) manages a family of well-known, widely-accepted payment brands, including MasterCard®, Maestro® and Cirrus®, which it licenses to its customers for use in their payment programs; (3) processes payment transactions over the MasterCard Worldwide Network; and (4) provides support services to its customers and, depending upon the service, merchants and other clients.

Consolidation and basis of presentation

The consolidated financial statements include the accounts of MasterCard and its majority-owned and controlled entities, including any variable interest entities for which the Company is the primary beneficiary. Intercompany transactions and balances have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the 2012 presentation. The Company follows accounting principles generally accepted in the United States of America (“GAAP”).

On April 15, 2011, MasterCard acquired the prepaid card program management operations of Travelex Holdings Ltd., since renamed Access Prepaid Worldwide (“Access”), for 295 million U.K pound sterling, or \$481 million, including adjustments for working capital, and contingent consideration. The consolidated financial statements include the results of Access since the date of its acquisition on April 15, 2011. See Note 2 (Acquisitions) in Part II, Item 8 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2011 for further discussion.

The balance sheet as of December 31, 2011 was derived from the audited consolidated financial statements as of December 31, 2011. The consolidated financial statements for the three and six months ended June 30, 2012 and 2011 and as of June 30, 2012 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, 2012 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, 2011 for additional disclosures, including a summary of the Company’s significant accounting policies.

Recent accounting pronouncements

Fair value measurement and disclosure - The Company measures certain assets and liabilities at fair value on a recurring basis by estimating the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies these recurring fair value measurements into a three-level hierarchy (“Valuation Hierarchy”) and discloses the significant assumptions utilized in measuring assets and liabilities at fair value.

In May 2011, the fair value accounting guidance was amended to change fair value measurement principles and disclosure requirements. The key changes in measurement principles include limiting the concepts of highest and best use and valuation premise to nonfinancial assets, providing a framework for considering whether a premium or discount can be applied in a fair value measurement, and aligning the fair value measurement of instruments classified within an entity’s shareholders’ equity with the guidance for liabilities. Disclosures are required for all transfers between Levels 1 and 2 within the Valuation Hierarchy, the use of a nonfinancial asset measured at fair value if its use differs from its highest and best use, the level in the Valuation Hierarchy of assets and liabilities not recorded at fair value but for which fair value is required to be disclosed, and for Level 3 measurements, quantitative information about unobservable inputs used, a description of the valuation processes used, and qualitative discussion about the sensitivity of the measurements. The Company adopted the revised accounting standard effective January 1, 2012 via

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

prospective adoption, as required. The adoption had no impact on the Company's financial position or results of operations.

Comprehensive income - In June 2011, a new accounting standard was issued that amends existing guidance by allowing only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous statement of comprehensive income or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. Also, items that are reclassified from other comprehensive income to net income must be presented on the face of the financial statements. In December 2011, a new accounting standard was issued that indefinitely deferred the effective date for the requirement to present the reclassification of items from comprehensive income to net income on the face of the financial statements. Both standards require retrospective application, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The Company adopted the revised accounting standards effective January 1, 2012. The adoption had no impact on the Company's financial position or results of operations.

Note 2. Earnings Per Share

The components of basic and diluted earnings per share ("EPS") for common shares were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in millions, except per share data)			
Numerator:				
Net income attributable to MasterCard	\$ 700	\$ 608	\$ 1,382	\$ 1,170
Denominator:				
Basic EPS weighted average shares outstanding	126	127	126	129
Dilutive stock options and stock units	—	—	—	—
Diluted EPS weighted average shares outstanding *	126	128	127	129
Earnings per Share				
Total Basic	\$ 5.56	\$ 4.77	\$ 10.95	\$ 9.08
Total Diluted	\$ 5.55	\$ 4.76	\$ 10.91	\$ 9.05

Note that table may not sum due to rounding.

* For the periods presented, the calculation of diluted EPS excluded a minimal amount of antidilutive share-based payment awards.

Note 3. Fair Value and Investment Securities
Financial Instruments

In accordance with accounting requirements for financial instruments, the Company is disclosing the estimated fair values as of June 30, 2012 and December 31, 2011 of the financial instruments that are within the scope of the accounting guidance, as well as the methods and significant assumptions used to estimate the fair value of those financial instruments. Furthermore, the Company classifies its fair value measurements in the Valuation Hierarchy. No transfers were made among the three levels in the Valuation Hierarchy during the three and six months ended June 30, 2012 .

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

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

June 30, 2012				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
	(in millions)			
Municipal securities ¹	\$ —	\$ 422	\$ —	\$ 422
U.S. Government and Agency securities	—	248	—	248
Taxable short-term bond funds	206	—	—	206
Corporate securities	—	711	—	711
Asset-backed securities	—	188	—	188
Auction rate securities	—	—	41	41
Other	—	43	—	43
Total recurring fair value measurements	\$ 206	\$ 1,612	\$ 41	\$ 1,859

December 31, 2011				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
	(in millions)			
Municipal securities ¹	\$ —	\$ 393	\$ —	\$ 393
U.S. Government and Agency securities	—	205	—	205
Taxable short-term bond funds	203	—	—	203
Corporate securities	—	325	—	325
Asset-backed securities	—	69	—	69
Auction rate securities	—	—	70	70
Other	—	22	—	22
Total recurring fair value measurements	\$ 203	\$ 1,014	\$ 70	\$ 1,287

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

The fair value of the Company's short-term bond funds are based on quoted prices for identical investments in active markets and are therefore included in Level 1 of the Valuation Hierarchy.

The fair value of the Company's available-for-sale municipal securities, U.S. Government and Agency securities, corporate securities, asset-backed securities and other fixed income securities are based on quoted prices for similar assets in active markets and are therefore included in Level 2 of the Valuation Hierarchy. The Company's foreign currency derivative contracts have also been classified within Level 2 in the other category of the Valuation Hierarchy, as the fair value is based on broker quotes for the same or similar derivative instruments. See Note 13 (Foreign Exchange Risk Management) for further details.

The Company's 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. 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 used 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, to estimate the fair value of its ARS portfolio. The Company estimated the fair value of its ARS portfolio to be a 10% discount to the par value as of June 30, 2012 and December 31, 2011. The decrease in the value of ARS outstanding from December 31, 2011 to June 30, 2012 is due to issuer calls of the securities at par value. The Company did not realize any material losses on its ARS portfolio during the three and six

months ended June 30, 2012 and 2011. 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) – (Continued)*****Financial Instruments - Non-Recurring Measurements***

Certain financial instruments are carried on the consolidated balance sheet 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.

Settlement and Other Guarantee Liabilities

The Company estimates the fair value of its settlement and other guarantees using the market pricing approach which applies 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. At June 30, 2012 and December 31, 2011, the carrying value and fair value of settlement and other guarantee liabilities were not material. Settlement and other guarantee liabilities are classified as Level 3 of the fair value hierarchy as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market. For additional information regarding the Company's settlement and other guarantee liabilities, see Note 12 (Settlement 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. 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.

Non-Financial Instruments

Certain assets and liabilities are measured at fair value on a nonrecurring basis for purposes of initial recognition and impairment testing. The Company's non-financial 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 comparable company multiples, discount rates, growth projections and other assumptions of future business conditions. The Company uses a weighted income and market approach for estimating the fair value of its reporting unit, when necessary. As the assumptions employed to measure these assets 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.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)
Amortized Costs and Fair Values – Available-for-Sale Investment Securities:

The major classes 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 on the consolidated statement of comprehensive income, and their respective amortized cost basis and fair values as of June 30, 2012 and December 31, 2011 were as follows:

June 30, 2012				
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss ¹	Fair Value
(in millions)				
Municipal securities	\$ 411	\$ 11	\$ —	\$ 422
U.S. Government and Agency securities	248	—	—	248
Taxable short-term bond funds	207	—	(1)	206
Corporate securities	710	1	—	711
Asset-backed securities	188	—	—	188
Auction rate securities ²	46	—	(5)	41
Other	28	—	—	28
Total	\$ 1,838	\$ 12	\$ (6)	\$ 1,844

December 31, 2011				
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss ¹	Fair Value
(in millions)				
Municipal securities	\$ 382	\$ 11	\$ —	\$ 393
U.S. Government and Agency securities	205	—	—	205
Taxable short-term bond funds	206	—	(3)	203
Corporate securities	325	—	—	325
Asset-backed securities	69	—	—	69
Auction rate securities ²	78	—	(8)	70
Other	20	—	—	20
Total	\$ 1,285	\$ 11	\$ (11)	\$ 1,285

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

² Included in other assets on the consolidated balance sheet. See Note 4 (Prepaid Expenses and Other Assets).

The municipal securities are primarily comprised of tax-exempt bonds and are diversified across states and sectors. The U.S. Government and Agency securities are primarily invested in U.S. Government Treasury bills and bonds and U.S. government sponsored Agency bonds and discount notes. Short-term bond funds are invested in corporate bonds, mortgage-backed securities and asset-backed securities. Corporate securities are comprised of commercial paper and corporate bonds. The asset-backed securities are investments in bonds which are collateralized primarily by automobile loan receivables. The ARS are exempt from U.S. federal income tax and 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.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)
Investment Maturities:

The maturity distribution based on the contractual terms of the Company's investment securities at June 30, 2012 was as follows:

	Available-For-Sale	
	Amortized Cost	Fair Value
	(in millions)	
Due within 1 year	\$ 754	\$ 754
Due after 1 year through 5 years	770	780
Due after 5 years through 10 years	58	59
Due after 10 years	49	45
No contractual maturity	207	206
Total	\$ 1,838	\$ 1,844

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

Investment Income:

Investment income was \$9 million and \$11 million for the three months ended June 30, 2012 and 2011, respectively. Investment income was \$18 million and \$23 million for the six months ended June 30, 2012 and 2011, respectively. Investment income primarily consisted of interest income generated from cash, cash equivalents, investment securities available-for-sale and investment securities held-to-maturity. Dividend income and gross realized gains and losses were not significant.

Note 4. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets consisted of the following:

	June 30, 2012	December 31, 2011
	(in millions)	
Customer and merchant incentives	\$ 235	\$ 190
Investment securities held-to-maturity	36	—
Prepaid income taxes	90	35
Income taxes receivable	50	35
Other	181	144
Total prepaid expenses and other current assets	\$ 592	\$ 404

Other assets consisted of the following:

	June 30, 2012	December 31, 2011
	(in millions)	
Customer and merchant incentives	\$ 422	\$ 409
Nonmarketable equity investments	165	160
Auction rate securities available-for-sale, at fair value	41	70
Investment securities held-to-maturity	—	36
Income taxes receivable	31	15
Other	59	46
Total other assets	\$ 718	\$ 736

Certain customer and merchant business agreements provide incentives upon entering into the agreement. Customer and merchant incentives represent payments made or amounts to be paid to customers and merchants under business agreements. Amounts to be paid for these incentives and the related liability were included in accrued expenses and other liabilities. Once the payment is made, the liability is relieved.

Costs directly related to entering into such an agreement are deferred and amortized over the life of the agreement.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Investments for which the equity method or historical cost method of accounting are used are recorded in other assets on the consolidated balance sheet. The Company accounts for investments in common stock or in-substance common stock under the equity method of accounting when it has the ability to exercise significant influence over the investee, generally when it holds 20% or more of the common stock in the entity. MasterCard's share of net earnings or losses of entities accounted for under the equity method of accounting is included in other income (expense) on the consolidated statement of operations. The Company accounts for investments under the historical cost method of accounting when it does not exercise significant influence, generally when it holds less than 20% ownership in the common stock of the entity.

Note 5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	June 30, 2012	December 31, 2011
	(in millions)	
Property, plant and equipment	\$ 843	\$ 819
Less accumulated depreciation and amortization	(385)	(370)
Property, plant and equipment, net	<u>\$ 458</u>	<u>\$ 449</u>

Note 6. Accrued Expenses

Accrued expenses consisted of the following:

	June 30, 2012	December 31, 2011
	(in millions)	
Customer and merchant incentives	\$ 908	\$ 889
Personnel costs	223	345
Advertising	86	144
Income and other taxes	135	82
Other	123	150
Total accrued expenses	<u>\$ 1,475</u>	<u>\$ 1,610</u>

As of June 30, 2012 and December 31, 2011, the Company had an accrued liability of \$790 million and \$770 million, respectively, related to the U.S. merchant litigations. MasterCard and the other defendants had been participating in separate court-recommended mediation sessions with the individual merchant plaintiffs and the class plaintiffs. MasterCard recorded a \$770 million pre-tax charge in the fourth quarter of 2011. This charge represented MasterCard's estimate for the financial portion of a settlement in these cases. On July 13, 2012, MasterCard entered into a memorandum of understanding to settle the merchant class litigation, and separately agreed in principle to settle all claims brought by the individual merchant plaintiffs. MasterCard's financial portion of the settlements is estimated to total \$790 million on a pre-tax basis, with the additional \$20 million pre-tax charge having been recorded in the second quarter of 2012. This amount is not included in the accrued expense table above and is separately reported as accrued litigation on the consolidated balance sheet. See Note 11 (Legal and Regulatory Proceedings) for further discussion.

Note 7. Stockholders' Equity

In June 2012, the Company's Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to \$1.5 billion of its Class A common stock (the "New Program"). The New Program became effective in June 2012 at the completion of the Company's previously announced \$2 billion Class A share repurchase program (the "Prior Program"). The Company's Board of Directors approved \$1 billion of the Prior Program in September 2010 and the additional \$1 billion in April 2011. The cumulative repurchases by the Company under the Prior Program totaled approximately 6.5 million shares of Class A common stock, for an aggregate cost of approximately \$2 billion and at an average price of \$305.60 per share of Class A common stock. See Note 15 (Stockholders' Equity) in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for further discussion of the Prior Program.

During the three months ended June 30, 2012 and 2011, the Company repurchased a total of approximately 1.6 million shares and 1.5 million shares of its Class A common stock for approximately \$671 million and \$387 million, respectively, under these

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

share repurchase programs. During the six months ended June 30, 2012 and 2011, the Company repurchased a total of approximately 2.3 million shares and 4.1 million shares of its Class A common stock for approximately \$0.9 billion and \$1.0 billion, respectively. Under the New Program, the Company had repurchased a total of approximately 0.2 million shares of its Class A common stock in June 2012 for approximately \$66 million. As of July 26, 2012, the cumulative repurchases by the Company under the New Program totaled approximately 0.3 million shares of its Class A common stock for an aggregate cost of approximately \$123 million at an average price of \$423.66 per share of Class A common stock.

Note 8. Accumulated Other Comprehensive Income

The changes in the balances of each component of accumulated comprehensive income for the six months ended June 30, 2012 were as follows:

	Foreign Currency Translation Adjustments	Defined Benefit Pension and Other Postretirement Plans, Net of Tax	Investment Securities Available- for-Sale, Net of Tax	Accumulated Other Comprehensive Loss
	(in millions)			
Balance at December 31, 2011	\$ 30	\$ (32)	\$ —	\$ (2)
Current period other comprehensive (loss) income	(50)	1	4	(45)
Balance at June 30, 2012	<u>\$ (20)</u>	<u>\$ (31)</u>	<u>\$ 4</u>	<u>\$ (47)</u>

Note 9. Share-Based Payment and Other Benefits

During the six months ended June 30, 2012, the Company granted approximately 152 thousand restricted stock units, 133 thousand stock options and 21 thousand performance stock units under the MasterCard Incorporated 2006 Long Term Incentive Plan, as amended and restated (“LTIP”). The weighted average fair value of the restricted stock units and performance stock units, based on the closing price of the Class A common stock, par value \$0.0001 per share, on the New York Stock Exchange on the dates of the grants was \$420.44. The weighted average fair value of the stock options estimated on the dates of the grants using a Black-Scholes option pricing model was \$148.45. Vesting of the shares underlying the restricted stock units and performance stock units will generally occur three years after the date of the grant. The stock options vest in four equal annual installments beginning one year after the date of the grant, and have a term of ten years. 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.

Note 10. Income Taxes

The effective income tax rates were 28.0% and 31.8% for the three months ended June 30, 2012 and 2011, respectively, and 30.0% and 32.3% for the six months ended June 30, 2012 and 2011, respectively. The tax rates for each of the three and six months ended June 30, 2012 were lower than the tax rates in each of the three and six months ended June 30, 2011 due primarily to discrete benefits relating to additional export incentives and the conclusion of tax examinations in certain jurisdictions. A more favorable geographic mix of earnings also contributed to the lower tax rates in each period.

The Company conducts operations in multiple countries and, as a result, is subjected to tax examinations in various jurisdictions, including the United States. Uncertain tax positions are reviewed on an ongoing basis and are adjusted after considering facts and circumstances, including progress of tax audits, developments in case law and closing of statute of limitations. The Company has effectively settled its U.S. federal income tax obligations through 2008. With limited exception, the Company is no longer subject to state and local or non-U.S. audits by taxing authorities for years through 2002. It is possible that the amount of unrecognized benefit with respect to the Company's uncertain tax positions may change within the next twelve months. An estimate of the range of the possible change cannot be made until the issues are further developed, the examinations close, or the statutes expire.

MASTERCARD INCORPORATED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)****Note 11. 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. In some instances, the probability of loss and an estimation of damages are not possible to be determined at present. While these proceedings are generally resolved over long periods of time, the probability of loss or an estimation of damages can change due to a number of developments. Accordingly, except as discussed below, MasterCard has not established reserves for any of these proceedings.

Except as described below, MasterCard does not believe that any existing legal or regulatory proceedings to which it is a party would have a material adverse effect on its results of operations, financial position, or cash flows. Moreover, MasterCard believes that it has strong defenses for the pending legal and regulatory proceedings described below. Notwithstanding MasterCard's belief, however, in the event it were found liable in a large class-action lawsuit or on the basis of a claim in the United States 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. In addition, 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. Furthermore, MasterCard could in the future incur judgments and/or fines, enter into settlements of claims or be required to change its business practices, and any of these events could have a material adverse effect on MasterCard's results of operations, financial position or cash flows (or, in the event of liability in a large class-action lawsuit, could even cause MasterCard to become insolvent).

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. The DOJ challenged (1) "dual governance", 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, and (2) both 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). In October 2001, the judge issued an opinion upholding the legality and pro-competitive nature of dual governance. However, the judge also held that MasterCard's CPP and the Visa bylaw constituted unlawful restraints of trade under the federal antitrust laws. The judge subsequently issued a final judgment that ordered MasterCard to repeal the CPP 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.

In April 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 "Attridge action"). 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. 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. The parties have proceeded with discovery. In September 2009, MasterCard executed a settlement agreement that is subject to court approval in the separate California consumer litigations (see "-U.S. Merchant and Consumer Litigations"). The agreement includes a release that the parties believe encompasses the claims asserted in the Attridge action. In August 2010, the Court in the California consumer actions granted final approval to the settlement. The plaintiff from the Attridge action and three other objectors filed appeals of the settlement approval. In January 2012, the Appellate Court reversed the trial court's settlement approval and remanded the matter to the trial court for further proceedings. At this time, it is not possible to determine the outcome of, or estimate the liability related to, the Attridge action and no incremental provision for losses has been provided in connection with it.

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. 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. In June 2003, MasterCard International signed a settlement agreement to settle the claims brought by the plaintiffs in this matter, which the Court approved in December 2003. Pursuant to the settlement, MasterCard agreed, among other things, to create two separate "Honor All Cards" rules in the United States - one for debit cards and one for credit cards.

MASTERCARD INCORPORATED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

In addition, individual or multiple complaints have been brought in 19 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 interchange fees, have passed these overhead charges to consumers in the form of higher prices on goods and services sold. MasterCard has successfully resolved the cases in 18 of the jurisdictions. However, there are outstanding cases in New Mexico and California. MasterCard's motion to dismiss the complaint in the New Mexico action was granted by the trial court and this dismissal was affirmed by the appellate court in April 2012. With respect to the California state actions, and as discussed above under "Department of Justice Antitrust Litigation and Related Private Litigations," in September 2009, the parties to the California state court actions executed a settlement agreement which required a payment by MasterCard of \$6 million, subject to approval by the California state court. In August 2010, the court granted final approval of the settlement, subsequent to which MasterCard made the payment required by the settlement agreement. The plaintiff from the Attridge action described above under "Department of Justice Antitrust Litigation and Related Private Litigations" and three other objectors filed appeals of the settlement approval order. In January 2012, the Appellate Court reversed the trial court's settlement approval and remanded the matter to the trial court for further proceedings. In July 2012, the trial court instructed the parties to submit a motion seeking approval of the settlement by August 20, 2012.

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

ATM Non-Discrimination Rule Surcharge Complaints

In October 2011, a trade association of independent Automated Teller Machine ("ATM") operators and 13 independent ATM operators filed a complaint styled as a class action lawsuit in the U.S. District Court for the District of Columbia against both MasterCard and Visa (the "ATM Operators Complaint"). Plaintiffs seek to represent a class of non-bank operators of ATM terminals that operate ATM terminals in the United States with the discretion to determine the price of the ATM access fee for the terminals they operate. Plaintiffs allege that MasterCard and Visa have violated Section 1 of the Sherman Act by imposing rules that require ATM operators to charge non-discriminatory ATM surcharges for transactions processed over MasterCard's and Visa's respective networks that are not greater than the surcharge charged for transactions over other networks accepted at the same ATM. Plaintiffs seek both injunctive and monetary relief equal to treble the damages they claim to have sustained as a result of the alleged violations and their costs of suit, including attorneys' fees. Plaintiffs have not quantified their damages although they allege that they expect damages to be in the tens of millions of dollars.

Subsequently, multiple related complaints were filed in the U.S. District Court for the District of Columbia alleging both federal antitrust and multiple state unfair competition, consumer protection and common law claims against MasterCard and Visa on behalf of putative classes of users of ATM services (the "ATM Consumer Complaints"). The claims in these actions largely mirror the allegations made in the ATM Operators Complaint described above, although these complaints seek damages on behalf of consumers of ATM services who pay allegedly inflated ATM fees at both bank and non-bank ATM operators as a result of the defendants' ATM rules. Plaintiffs seek both injunctive and monetary relief equal to treble the damages they claim to have sustained as a result of the alleged violations and their costs of suit, including attorneys' fees. Plaintiffs have not quantified their damages although they allege that they expect damages to be in the tens of millions of dollars.

In January 2012, the plaintiffs in the ATM Operators Complaint and the ATM Consumer Complaints filed amended class action complaints that largely mirror their prior complaints. MasterCard has moved to dismiss the complaints for failure to state a claim. Oral argument on the motion is scheduled for September 2012.

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

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 purchase 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

MASTERCARD INCORPORATED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

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. MasterCard's interchange fees and related practices are subject to regulatory and/or legal review and/or challenges in a number of jurisdictions, including the proceedings described below. At this time, it is not possible to determine the ultimate resolution of, or estimate the liability related to, any of these interchange proceedings (except as otherwise indicated below), as the proceedings involve complex claims and/or substantial uncertainties and, in some cases, could include unascertainable damages or fines. Except as described below, no provision for losses has been provided in connection with them. Some of the proceedings described below could have a significant impact on our customers in the applicable country and on MasterCard's level of business in those countries. The proceedings reflect the significant and increasingly intense legal, regulatory and legislative scrutiny worldwide that interchange fees and related practices have been receiving. When taken as a whole, the resulting decisions, regulations and legislation with respect to interchange fees and related practices may have a material adverse effect on the Company's revenues, its prospects for future growth and its overall business, financial condition and revenue.

United States. In June 2005, the first of a series of complaints were filed on behalf of merchants (the majority of the complaints are styled as class actions, although a few complaints are filed on behalf of individual merchant plaintiffs) against MasterCard International Incorporated, Visa U.S.A., Inc., Visa International Service Association and a number of customer financial institutions. Taken together, the claims in the complaints 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, and some of these complaints contain unfair competition law claims under state law. The complaints allege, among other things, that MasterCard, Visa, and certain of their customer financial institutions conspired to set the price of interchange fees, enacted point of sale acceptance rules (including the no surcharge rule) in violation of antitrust laws and engaged in unlawful tying and bundling of certain products and services. The cases have been consolidated for pre-trial proceedings in the U.S. District Court for the Eastern District of New York in MDL No. 1720. The plaintiffs have filed a consolidated class action complaint that seeks treble damages, as well as attorneys' fees and injunctive relief. The district court has dismissed the plaintiffs' pre-2004 damage claims. The plaintiffs have filed a motion for class certification. The court heard oral argument on the motion in November 2009 and the parties are awaiting a decision on the motion.

In July 2006, the group of purported merchant 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 customer financial institutions in connection with the IPO: (1) violate U.S. antitrust laws and (2) constitute a fraudulent conveyance because the customer financial institutions are allegedly attempting to release, without adequate consideration, MasterCard's right to assess them for MasterCard's litigation liabilities. In November 2008, the district court granted MasterCard's motion to dismiss the plaintiffs' supplemental complaint in its entirety with leave to file an amended complaint. The class plaintiffs replied their complaint. The causes of action and claims for relief 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 the IPO. MasterCard has moved to dismiss this complaint. The court heard oral argument on the motion in November 2009 and the parties are awaiting a decision on the motion.

In July 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 served their expert reports in December 2009 rebutting the plaintiffs' assertions both with respect to liability and damages. In February 2011, both the defendants and the plaintiffs served a number of dispositive motions seeking summary judgment on all or portions of the claims in the complaints. The parties are awaiting decision on the motions.

In February 2011, MasterCard and MasterCard International Incorporated entered into each of: (1) an omnibus judgment sharing and settlement sharing agreement with Visa Inc., Visa U.S.A. Inc. and Visa International Service Association and a number of customer financial institutions; and (2) a MasterCard settlement and judgment sharing agreement with a number of customer financial institutions. The agreements provide for the apportionment of certain costs and liabilities which MasterCard, the Visa parties and the customer financial institutions may incur, jointly and/or severally, in the event of an adverse judgment or settlement of one or all of the cases in the interchange merchant litigations. Among a number of scenarios addressed by the agreements, in the event of a global settlement involving the Visa parties, the customer financial institutions and MasterCard, MasterCard would pay 12% of the monetary portion of the settlement. In the event of a settlement involving only MasterCard and the customer financial institutions with respect to their issuance of MasterCard cards, MasterCard would pay 36% of the monetary portion of such settlement.

MASTERCARD INCORPORATED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

MasterCard and the other defendants had been participating in separate court-recommended mediation sessions with the individual merchant plaintiffs and the class plaintiffs. Based on progress in the mediation, MasterCard recorded a \$770 million pre-tax charge, or \$495 million on an after-tax basis, in the fourth quarter of 2011. This charge represented MasterCard's estimate for the financial portion of a settlement in these cases. The charge did not represent an estimate of a loss if the parties to the matter were to litigate, in which case MasterCard would not have been able to estimate any potential liability. MasterCard's estimate involved significant judgment and was subject to change depending on progress in settlement negotiations, or if the case was not settled, if the matter was to be litigated.

On July 13, 2012, MasterCard entered into a Memorandum of Understanding ("MOU") to settle the merchant class litigation, and separately agreed in principle to settle all claims brought by the individual merchant plaintiffs. The MOU sets out a binding obligation to enter into a settlement agreement, and is subject to: (1) the successful completion of certain appendices, (2) the successful negotiation of a settlement agreement with the individual merchant plaintiffs, (3) final court approval of the class settlement, and (4) any necessary internal approvals for the parties. MasterCard's financial portion of the settlements is estimated to total \$790 million on a pre-tax basis, with an additional \$20 million pre-tax charge recorded in the second quarter of 2012. In addition to the financial portion of the settlement, U.S. merchant class members would also receive a 10 basis point reduction in default credit interchange fees for a period of eight months, funded by a corresponding reduction in the default credit interchange fees paid by acquirers to issuers. MasterCard would also be required to modify its No Surcharge Rule to permit U.S. merchants to surcharge MasterCard credit cards, subject to certain limitations set forth in the class settlement agreement. The court has set October 19, 2012 as the date for filing a motion of preliminary approval of the settlement. All business and rule practice changes will occur after preliminary approval, most likely early 2013. In the event conditions to the MOU are not ultimately met and the litigations are not settled, a negative outcome in the litigation could materially and adversely affect MasterCard's results of operations, cash flow and financial condition.

Canada . In December 2010, the Canadian Competition Bureau (the "CCB") filed an application with the Canadian Competition Tribunal to strike down certain MasterCard rules related to point-of-sale acceptance, including the "honor all cards" and "no surcharge" rules. The hearing on the matter was held before the Canadian Competition Tribunal and was completed in June 2012. The parties are awaiting a decision from the Canadian Competition Tribunal. In December 2010, a complaint styled as a class action lawsuit was commenced against MasterCard in Quebec on behalf of Canadian merchants. That suit essentially repeated the allegations and arguments of the CCB application to the Canadian Competition Tribunal and sought compensatory and punitive damages in unspecified amounts, as well as injunctive relief. In March 2011, a second purported class action lawsuit was commenced in British Columbia against MasterCard, Visa and a number of large Canadian financial institutions, and in May 2011 a third purported class action lawsuit was commenced in Ontario against the same defendants. These suits allege that MasterCard, Visa and the financial institutions have engaged in a conspiracy to increase or maintain the fees paid by merchants on credit card transactions and establish rules which force merchants to accept all MasterCard and Visa credit cards and prevent merchants from charging more for payments with MasterCard and Visa premium cards. The British Columbia suit seeks compensatory damages in unspecified amounts, and the Ontario suit seeks compensatory damages of \$5 billion . The British Columbia and Ontario suits also seek punitive damages in unspecified amounts, as well as injunctive relief, interest and legal costs. In April 2012, the Quebec suit was amended to include the same defendants and similar claims as in the British Columbia and Ontario suits. With respect to status of the proceedings: (1) the Quebec suit was stayed in June 2012 until June 2013, subject to an ongoing obligation to report to the case management judge, (2) the Ontario suit is being temporarily suspended while the British Columbia suit proceeds, and (3) the British Columbia court has scheduled a class certification hearing for April 2013. In July 2012, an additional complaint styled as a class action was filed in Saskatchewan. The claims in the complaint largely mirror the claims in the British Columbia and Ontario suits. If the CCB's challenges and/or the class action law suits are ultimately successful, negative decisions could have a significant adverse impact on the revenues of MasterCard's Canadian customers and on MasterCard's overall business in Canada and, in the case of the private lawsuits, could result in substantial damage awards.

European Union. In September 2003, the European Commission issued a Statement of Objections challenging MasterCard Europe's cross-border default interchange fees and, in June 2006, it issued a supplemental Statement of Objections covering credit, debit and commercial card fees. In December 2007, the European Commission announced a decision that 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 required MasterCard to stop applying the MasterCard MIF, to refrain from repeating the conduct, and not apply its then recently adopted (but never implemented) Maestro SEPA and Intra-Eurozone default interchange fees to debit card payment transactions within the Eurozone. The decision did 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 \$0.6 million U.S. per day) in the event that MasterCard fails to comply. To date, MasterCard has not been assessed

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any such penalty. In March 2008, MasterCard filed an application for annulment of the European Commission's decision with the General Court of the European Union.

Following discussions with the European Commission, 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. In October 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. In March 2009, MasterCard gave certain undertakings to the European Commission and, in response, in April 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 December 2007 decision or for infringing the antitrust laws in relation to the October 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 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 card 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 were effective until a final decision by the General Court of the European Union regarding MasterCard's application for annulment of the European Commission's December 2007 decision.

In May 2012, the General Court of the European Union issued a judgment dismissing the Company's appeal and upholding the European Commission's decision. The Company intends to appeal the judgment to the European Union Court of Justice prior to the August 6, 2012 deadline. Subject to ongoing discussion with the European Commission, MasterCard intends to continue to comply with the terms of the interim agreement with the European Commission, even though that agreement, by its terms, formally ended on the day of the judgment.

Although MasterCard believes that any other business practices it would implement in response to the decision would be in compliance with the December 2007 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 December 2007 decision could also significantly impact MasterCard International's European customers' and MasterCard Europe's business. The European Commission decision could also lead to additional competition authorities in European Union member states commencing investigations or proceedings regarding domestic interchange fees or initiating regulation. The possibility of such actions has increased due to the judgment of the General Court. The judgment also increases the possibility of an adverse outcome for the Company in related and pending matters (such as the interchange proceedings in Hungary, Italy and Poland, as further described below). In addition, the European Commission's decision could, and in the case of the United Kingdom has, 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 General Court decision, could result in MasterCard owing substantial damages.

Additional Litigations in Europe - United Kingdom . In May 2012, the Company learned that five retailers have filed claims for unspecified damages in the High Court of Justice, Queen's Bench Commercial Court, with respect to MasterCard's U.K. interchange fees.

Interchange Proceedings. Regulatory authorities and central banks in a number of other jurisdictions around the world have commenced proceedings or inquiries into interchange fees and related practices. These matters include:

- *Hungary.* In December 2009, the Hungarian Competition Authority ("HCA") issued a formal decision that MasterCard's (and Visa's) historic domestic interchange fees violated Hungarian competition law and fined each of MasterCard Europe and Visa Europe approximately \$3 million, which was paid during the fourth quarter of 2009. MasterCard appealed the decision to the Hungarian courts. In October 2010, the Hungarian appeals court stayed the proceeding until MasterCard's appeal to the General Court of the European Union of the European Commission's December 2007 cross-border interchange fee decision is finally decided. If the HCA's decision is not reversed on appeal, it could have a significant adverse impact on the revenues of MasterCard's Hungarian customers and on MasterCard's overall business in Hungary. In June 2012, MasterCard was informed that the HCA has commenced a separate investigation of MasterCard's alleged abuse of dominant position in what it refers to as the domestic bankcard market during the period beginning in December 2010.

MASTERCARD INCORPORATED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

- *Italy.* In November 2010, the Italian Competition Authority (“ICA”) adopted a decision in which it determined that MasterCard Europe's domestic interchange fees violate European Union competition law, fined MasterCard 2.7 million euro (approximately \$4 million) and ordered MasterCard to refrain in the future from maintaining interchange fees that are not based on economic justifications linked to efficiency criteria and to eliminate any anticompetitive clauses from its licensing agreements. MasterCard appealed the ICA's infringement decision to the Administrative Court, and the decision was annulled by the Administrative Court in July 2011. The ICA has appealed the Administrative Court's judgment to the Council of State. If the ICA's infringement decision ultimately stands, it could have a significant adverse impact on the revenues of MasterCard's Italian customers and on MasterCard's overall business in Italy.
- *Poland.* In January 2007, the Polish Office for Protection of Competition and Consumers (the “PCA”) issued a decision that MasterCard's (and Visa Europe's) domestic credit and debit default interchange fees are unlawful under Polish competition law, and imposed fines on MasterCard's (and Visa Europe's) licensed financial institutions the entities responsible for setting the fees. As part of this decision, the PCA decided that MasterCard (and Visa Europe) had not violated the law because they were not responsible for setting the fees. The decision is currently being appealed. 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.
- *United Kingdom .* In February 2007, the Office for Fair Trading of the United Kingdom (the “OFT”) commenced an investigation of MasterCard's current U.K. default credit card interchange fees and so-called “immediate debit” cards to determine whether such fees contravene U.K. and European Union competition law. The OFT had informed MasterCard that it did not intend to issue a Statement of Objections or otherwise commence formal proceedings with respect to the investigation prior to the judgment of the General Court of the European Union with respect to MasterCard's appeal of the December 2007 cross-border interchange fee decision of the European Commission. 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.

Interchange Regulatory Activity .

- Central banks and regulators in several jurisdictions have initiated efforts to affect MasterCard and/or Visa's respective interchange rates outside of commencing regulatory proceedings. These efforts include (1) activity in 2012 by the Polish Central Bank to effectively compel MasterCard and Visa to lower their respective interchange rates (or be faced with the possibility of interchange fee legislation) and (2) an information request sent to MasterCard by the French Competition Authority (the “FCA”) in 2009 concerning its domestic interchange rates (which the FCA subsequently suspended and, as MasterCard understands, was intending to wait until the judgment of the General Court of the European Union with respect to MasterCard's appeal of the December 2007 cross-border interchange fee decision of the European Commission before deciding whether to re-engage as to these rates.)
- In September 2010, the South African Reserve Bank informed MasterCard that it intends to appoint an independent consultant to make a recommendation on a simplified interchange structure for all payment systems in South Africa, including MasterCard's. Such an interchange structure, if adopted, could have a significant adverse impact on the revenues of MasterCard's South African customers and on MasterCard's overall business in South Africa.
- MasterCard is aware that regulatory authorities and/or central banks in certain other jurisdictions including Austria, Brazil, Chile, Colombia, Germany, Israel, Latvia, Lithuania and Russia are reviewing MasterCard's and/or its customers' 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.

Other Regulatory Proceedings

In addition to challenges to interchange fees, MasterCard's standards and operations are also subject to regulatory and/or legal review and/or challenges in a number of jurisdictions from time to time. At this time, it is not possible to determine the ultimate resolution of, or estimate the liability related to, any of the proceedings described below, as the proceedings involve

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substantial uncertainties. No provision for losses has been provided in connection with them. The proceedings reflect the increasing global regulatory focus to which the payments industry is subject and, when taken as a whole with other regulatory and legislative action, such actions could result in the imposition of costly new compliance burdens on MasterCard and its customers and may lead to increased costs and decreased transaction volumes and revenues.

- *Switzerland* . In July 2010, MasterCard received a notice from the Swiss Competition Authority (the “WEKO”) that based upon complaints, the WEKO had opened a pre-investigation of certain of MasterCard's domestic debit acquirer fees to determine whether to open a formal investigation with respect to these fees. In September 2010, the WEKO denied immediate action and interim relief based on the complaints, and in July 2012, MasterCard was informed that the WEKO had closed its pre-investigation and has decided not to open a formal investigation of the fees.

Note 12. Settlement and Other Risk Management

MasterCard's rules guarantee the payment of certain MasterCard, Cirrus and Maestro branded transactions between its customers (“settlement risk”). Settlement exposure is the outstanding settlement risk to customers under MasterCard's rules due to the difference in timing between the payment transaction date and subsequent settlement. While the term and amount of the guarantee are unlimited, the duration of settlement exposure is short term and typically limited to a few days. Settlement exposure is primarily estimated using the average daily card volume 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. Customer-reported transaction data and the transaction clearing data underlying the settlement exposure calculation may be revised in subsequent reporting periods.

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

The Company's global risk management policies and procedures are aimed at managing the settlement exposure. These risk management procedures include interaction with the bank regulators of countries in which we operate, requiring customers to make adjustments to settlement processes, and requiring collateral from customers. MasterCard requires certain customers 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 cash, letters of credit, or guarantees. This requirement is based on management's review of the individual risk circumstances for each customer that is out of compliance. In addition to these amounts, MasterCard holds collateral to cover variability and future growth in customer programs. The Company may also hold collateral to pay merchants in the event of merchant bank/acquirer failure. Although we are not contractually obligated under our rules to effect such payments to merchants, we 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 exposure are revised as necessary.

The Company's estimated settlement exposure from MasterCard, Cirrus and Maestro branded transactions was as follows:

	June 30, 2012	December 31, 2011
	(in millions)	
Gross settlement exposure	\$ 40,171	\$ 39,102
Collateral held for settlement exposure ¹	(4,087)	(3,482)
Net uncollateralized settlement exposure	<u>\$ 36,084</u>	<u>\$ 35,620</u>

¹ Represents collateral held against MasterCard-branded exposure.

MasterCard-branded travelers cheques are no longer being issued. For previously issued travelers cheques, MasterCard guarantees the payment of MasterCard-branded travelers cheques in the event of issuer default. The term of the guarantee is unlimited, while the exposure is limited to the cheques issued but not yet cashed. The notional amount of cheques issued, but not yet cashed was \$548 million and \$564 million at June 30, 2012 and December 31, 2011 , respectively, of which \$441 million and \$455 million at June 30, 2012 and December 31, 2011 , respectively, is mitigated by collateral arrangements.

Beginning in 2008, 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. General economic conditions

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and political conditions in countries in which MasterCard operates also affect the Company's settlement risk. For example, the European sovereign debt crisis introduces a heightened level of risk to the Company. The Company's aggregate gross settlement exposures to Italy, Greece, Portugal and Spain, four of the countries significantly impacted by the eurozone crisis, are less than 5% of MasterCard's total gross settlement exposure as of June 30, 2012 and are being managed through various planning and mitigation practices. 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.

MasterCard also provides guarantees to customers and certain other companies indemnifying them from losses stemming from failures of third parties to perform duties. In addition, 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. Certain indemnifications do not provide a stated maximum exposure. 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. Historically, payments made by the Company under these types of contractual arrangements have not been material.

Note 13. 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. The notional value of commitments to sell foreign currency increased to \$1.1 billion at June 30, 2012 compared to \$279 million at December 31, 2011 due to the hedging of an increase in foreign currency denominated assets and an expanded hedging program to offset the Company's foreign currency exposures arising from anticipated receipts and disbursements.

The Company does not designate foreign currency derivatives as hedging instruments pursuant to the accounting standards for derivative instruments and hedging activities. The Company records the change in the estimated fair value of the outstanding derivatives at the end of the reporting period to its consolidated balance sheet and consolidated statement of operations.

As of June 30, 2012, all contracts to purchase and sell foreign currency had been entered into with customers of MasterCard. MasterCard's derivative contracts are summarized below:

	June 30, 2012		December 31, 2011	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
	(in millions)			
Commitments to purchase foreign currency	\$ 51	\$ 1	\$ 21	\$ —
Commitments to sell foreign currency	1,135	14	279	2
Balance Sheet Location: ¹				
Accounts Receivable		\$ 17		\$ 4
Other Current Liabilities		(2)		(2)

¹ Amounts are presented on a net basis on the balance sheet. The gross fair value of foreign currency derivative assets and liabilities are \$20 million and \$5 million, respectively, at June 30, 2012. The gross fair value of foreign currency derivative assets and liabilities were \$4 million and \$2 million, respectively, at December 31, 2011.

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The amount of gain (loss) recognized in income for the contracts to purchase and sell foreign currency are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in millions)			
Foreign currency derivative contracts ¹				
General and administrative	\$ (4)	\$ (1)	\$ (10)	\$ (12)
Revenues	1	(2)	(3)	(4)
Total	<u>\$ (3)</u>	<u>\$ (3)</u>	<u>\$ (13)</u>	<u>\$ (16)</u>

¹ Derivatives are not designated as hedging instruments pursuant to the accounting standards for derivative instruments and hedging activities.

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 related to foreign exchange in accumulated other comprehensive income as of June 30, 2012 and December 31, 2011 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 risk of loss due to the potential change in an instrument's value caused by fluctuations in interest rates and other variables related to currency exchange rates. The effect of a hypothetical 10% adverse change in foreign currency rates could result in a fair value loss of approximately \$129 million on the Company's foreign currency derivative contracts outstanding at June 30, 2012 . Credit risk related to derivative instruments was not material at June 30, 2012 and December 31, 2011 . Generally, the Company does not obtain collateral related to derivatives because of the high credit ratings of the counterparties.

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") (together, "MasterCard" or the "Company"), included elsewhere in this Report. Percentage changes provided throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations" were calculated on amounts rounded to the nearest thousand.

Overview

MasterCard is a global payments and technology company that connects billions of consumers, thousands of financial institutions, millions of merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks. We envision an environment where electronic payment is the predominant means of payment. We use our technology and expertise to make payments more convenient, secure and efficient to enable consumers to meet their needs and to provide value to all stakeholders in the payments system.

We offer a wide range of payment solutions that enable our customers and partners to develop and implement credit, debit, prepaid and related payment programs and solutions to deliver value to consumers. Our customers and partners include financial institutions and other entities that act as "issuers" and "acquirers", merchants, government entities, telecommunications companies and other businesses. We manage a family of well-known, widely-accepted payment brands, including MasterCard, Maestro and Cirrus, which we license to our customers for use in their payment programs and solutions. We process payment transactions over the MasterCard Worldwide Network and provide support services to our customers and other partners. As part of managing our brands, we establish and enforce a common set of standards for adherence by our customers for the efficient and secure use of our payments 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 and other devices that carry our brands. As cardholder and merchant relationships are managed principally by our customers, 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 and other devices that carry our brands.

We analyze our ability to grow based on three drivers:

- we track trends in personal consumption expenditures;
- we focus on the trend within the global payments industry from paper-based forms of payment, such as cash and checks, toward electronic forms of payment (such as payment card transactions); and
- we seek to grow our share in electronic payments, including with innovative solutions and new technology.

We support our focus on these drivers by continuing to:

- grow our core businesses globally, including credit, debit, prepaid, commercial and processing payment transactions over the MasterCard Worldwide Network,
- diversify our business by seeking new areas of growth in markets around the world, expanding points of acceptance for our brands throughout the world, seeking to maintain unsurpassed acceptance, and working with new partners such as merchants, government agencies and telecommunications companies, and
- build new businesses through technology and continued strategic efforts and alliances with respect to innovative payment methods, such as electronic commerce (e-Commerce) and mobile capabilities.

See "-Business Environment" for a discussion of considerations related to our long-term strategic objectives.

We recorded net income of \$700 million , or \$5.55 per diluted share, and \$1.4 billion , or \$10.91 per diluted share, for the three and six months ended June 30, 2012 , respectively, versus net income of \$608 million , or \$4.76 per diluted share, and net income of \$1.2 billion , or \$9.05 per diluted share for the three and six months ended June 30, 2011, respectively. In addition, for the six months ended June 30, 2012, we generated cash flows from operations of \$1.1 billion .

Our net revenues increased 9% and 13% for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011, primarily due to the increased dollar volume of activity on cards carrying our brands and increased transactions, partially offset by the impact of foreign currency translation. The net effects of pricing actions contributed approximately 2 and 3

percentage points to our net revenue growth for the three and six months ended June 30, 2012, respectively. The net impact of foreign currency relating to the translation of revenues from our functional currencies to U.S. dollars reduced net revenues by approximately 4 and 3 percentage points for the three and six months ended June 30, 2012, respectively. Rebates and incentives as a percentage of gross revenues were 27% and 26% for the three and six months ended June 30, 2012, respectively, versus 24% for the comparable periods in 2011.

Our revenues depend heavily upon the overall level of consumer, business and government spending. Changes in cardholder spending behavior, influenced by economic conditions, impact our ability to grow our revenues. Our revenues are primarily impacted by the dollar volume of activity on cards and other devices that carry our brands, and the number of transactions. For the three and six months ended June 30, 2012, volume-based revenues (domestic assessments and cross-border volume fees) and transaction-based revenues (transaction processing fees) increased from the comparable periods in 2011. For each of the three and six months ended June 30, 2012, our processed transactions increased 29% and our volumes increased 15% and 17% respectively, on a local currency basis compared to the three and six months ended June 30, 2011. This compares to increased processed transactions of 17% and 14% and increased volumes of 17% and 15% on a local currency basis for the three and six months ended June 30, 2011, respectively, compared to the three and six months ended June 30, 2010.

Our operating expenses increased 8% and 11% for the three and six months ended June 30, 2012, respectively, versus the comparable periods in 2011, primarily due to greater general and administrative expenses and an increase in provision for litigation settlement. The net impact of foreign currency relating to the translation of expenses from our functional currencies to U.S. dollars reduced operating expenses by approximately 3 and 2 percentage points for the three and six months ended June 30, 2012, respectively.

Our ratios of operating income as a percentage of net revenues, or operating margins, were 53.5% and 55.2% for the three and six months ended June 30, 2012, respectively, versus operating margins of 53.1% and 54.3% in the comparable periods of 2011. The effective income tax rates were 28.0% and 30.0% for the three and six months ended June 30, 2012, respectively, versus effective income tax rates of 31.8% and 32.3% for the comparable periods of 2011.

Business Environment

We process transactions from more than 210 countries and territories and in more than 150 currencies. Net revenue generated in the United States was approximately 40% of total revenue for each of the three and six months ended June 30, 2012 and 2011. No individual country, other than the United States, generated more than 10% of total revenues in either period, but differences in market growth, economic health, 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 which began during 2008 continue to impact the financial markets around the world, including continued distress in the credit environment, continued equity market volatility and additional government intervention. The economies of the United States and numerous countries around the world have been significantly impacted by this economic turmoil. Countries have experienced credit ratings actions by ratings agencies, including several in Europe as well as the United States. In addition, some existing customers have been placed in receivership or administration or have a significant amount of their stock owned by their governments. Many financial institutions are facing increased regulatory and governmental influence, including potential further 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 adversely impacted by actions taken by individual financial institutions or by governmental or regulatory bodies. The condition of the economic environments may accelerate the timing of or increase the impact of risks to our financial performance. As a result, our revenue may be impacted, or the Company may be impacted in several ways. For a full discussion see "Risk Factors - Business Risks - Unprecedented global economic events in financial markets around the world have directly and adversely affected, and may continue to affect, many of our customers, merchants that accept our brands and cardholders who use our brands, which could result in a material and adverse impact on our prospects, growth, profitability, revenue and overall business" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2011 and Part II, Item 1A, (Risk Factors) of this report for further discussion.

In addition, our business and our customers' businesses are 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. See Note 11 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion.

MasterCard continues to monitor the extent and pace of economic recovery around the world to identify opportunities for the continued growth of our business and to evaluate the evolution of the global payments industry. Despite mixed economic indicators, we continue to see growth in all of our regions. Notwithstanding recent trends, the extent and pace of economic recovery in various regions remains uncertain and the overall business environment may present challenges for MasterCard to grow its business.

Financial Results

Our operating results for the three and six months ended June 30, 2012 and 2011 were as follows:

	Three Months Ended June 30,		Percent Increase (Decrease)	Six Months Ended June 30,		Percent Increase (Decrease)
	2012	2011		2012	2011	
	(in millions, except per share data, percentages and GDV amounts)					
Revenues, net	\$ 1,820	\$ 1,667	9%	\$ 3,578	\$ 3,168	13%
Total operating expenses	846	782	8%	1,604	1,447	11%
Operating income	974	885	10%	1,974	1,721	15%
Total other income (expense)	(1)	7	*	(2)	7	*
Income before income taxes	973	892	9%	1,972	1,728	14%
Income tax expense	273	284	(4)%	591	558	6%
Net income	700	608	15%	1,381	1,170	18%
Loss attributable to non-controlling interests	—	—	*	1	—	*
Net Income Attributable to MasterCard	<u>\$ 700</u>	<u>\$ 608</u>	15%	<u>\$ 1,382</u>	<u>\$ 1,170</u>	18%
Basic Earnings per Share	\$ 5.56	\$ 4.77	17%	\$ 10.95	\$ 9.08	21%
Basic Weighted Average Shares Outstanding	126	127	(1)%	126	129	(2)%
Diluted Earnings per Share	\$ 5.55	\$ 4.76	17%	\$ 10.91	\$ 9.05	21%
Diluted Weighted Average Shares Outstanding	126	128	(1)%	127	129	(2)%
Effective Income Tax Rate	28.0%	31.8%	*	30.0%	32.3%	*
Gross Dollar Volume (“GDV”) on a U.S. dollar Converted Basis (in billions) ¹	\$ 890	\$ 813	9%	\$ 1,739	\$ 1,542	13%
Processed transactions ²	8,537	6,601	29%	16,254	12,572	29%

* Not Meaningful

¹ The data for GDV is provided by MasterCard customers and includes information with respect to MasterCard-branded transactions that are not processed by MasterCard and for which MasterCard in some instances does not earn significant revenues. GDV may be revised by MasterCard’s customers after its original submission and these revisions may be material. GDV generated by Maestro and Cirrus cards is not included.

² Represents total number of transactions processed by MasterCard and growth from the comparable periods.

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. For the three and six months ended June 30, 2012, as compared to the same periods in 2011, the U.S. dollar strengthened against both the euro and the Brazilian real. Accordingly, the net foreign currency impact of changes in the U.S. dollar average exchange rates against the euro and Brazilian real reduced net revenues by approximately 4 and 3 percentage points and operating expenses by approximately 3 and 2 percentage points for the three and six months ended June 30, 2012, respectively.

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 and euro. The strengthening or weakening of the U.S. dollar is evident when GDV growth on a U.S. dollar converted basis is compared to GDV growth on a local currency basis. For the three and six months ended June 30, 2012, as compared to the same periods in 2011, GDV on a U.S. dollar converted basis increased 9% and 13%, respectively, versus GDV growth on a local currency basis of 15% and 17%.

During 2011 and the first half of 2012, approximately 60% of our revenue was generated from activities outside the United States. Some of the revenue we generate outside the United States is subject to unpredictable currency fluctuations (including devaluations of currencies). Our hedging activities attempt to protect against adverse changes in the value of only a limited number of currencies and are based on estimates of exposures to these currencies. Furthermore, we may become subject to exchange control regulations that might restrict or prohibit the conversion of currencies into U.S. dollars. The occurrence of any of these factors could impact the value of revenues we receive from our international operations and could have a material adverse impact on our business. We manage these foreign currency risks by entering into foreign currency derivative contracts. To manage our anticipated cash flow exposures for certain currencies, we utilize a rolling hedge program to reduce the anticipated foreign exchange risk. Our foreign currency risk management program reduces, but does not entirely eliminate, the impact of foreign currency exchange rate movements over time. Changes in foreign exchange rates affect the fair value of foreign currency derivatives entered into pursuant to our hedging activities. Since the Company does not designate foreign currency derivatives as hedging instruments pursuant to the accounting standards for derivative instruments and hedging activity, any changes in the fair value of the foreign currency derivatives could result in gains or losses as the Company records these derivatives at fair value on a current basis. Foreign exchange gains and losses are included within our net income. See Note 13 (Foreign Exchange Risk Management) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion.

Revenues

Revenue Descriptions

MasterCard's business model involves four participants in addition to us: cardholders, merchants, issuers (the cardholders' financial institutions) and acquirers (the merchants' financial institutions). Our gross revenues are typically based on the volume of activity on cards and other devices 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 150 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 a select number of other smaller countries.

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 debit) or PIN-based (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
- Processed or not processed by MasterCard

In general, cross-border transactions generate higher revenue than domestic transactions since cross-border fees are higher than domestic fees, and in most cases also include fees for currency conversion.

We review our pricing and implement pricing changes on an ongoing basis. In addition, standard pricing varies among our regional businesses, and such pricing can be modified for our customers through incentive and rebate agreements.

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

1. **Domestic assessments:** Domestic assessments are fees charged to issuers and acquirers based primarily on the volume of activity on cards that carry our brands where the acquirer country and the issuer country are the same. A portion of these assessments is estimated based on aggregate transaction information collected from our systems and

projected customer performance and is 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 items such as 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. Market development fees are charged primarily to issuers and acquirers based on components of volume, and support our focus on building brand awareness and card activation, increasing purchase volumes, cross-border card usage, and other general marketing purposes.

2. **Cross-border volume fees:** Cross-border volume fees are charged to issuers and acquirers based on the volume of activity on cards that carry our brands where the merchant country and the issuer 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.
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:
 - *Transaction Switching – Authorization, Clearing and Settlement.*
 - a. *Authorization* refers to the process by which a transaction is routed to the issuer for approval and then a decision whether or not to approve the transaction is made by the issuer or, in certain circumstances such as when the issuer's systems are unavailable or cannot be contacted, by MasterCard or others on behalf of the issuer in accordance with either the issuer's instructions or applicable rules (also known as "stand-in"). Our standards, which may vary across regions, establish the circumstances under which merchants and acquirers must seek authorization of transactions. Fees for authorization are primarily paid by issuers.
 - b. *Clearing* refers to the exchange of financial transaction information between issuers and acquirers after a transaction has been successfully conducted at the point of interaction. MasterCard clears transactions among customers through our central and regional processing systems. MasterCard clearing solutions can be managed with minimal system development, which has enabled us to accelerate our customers' ability to develop customized programs and services. Fees for clearing are primarily paid by issuers.
 - c. *Settlement.* Once transactions have been authorized and cleared, MasterCard helps to settle the transactions by facilitating the exchange of funds between parties. Once clearing is completed, a daily reconciliation is provided to each customer involved in settlement, detailing the net amounts by clearing cycle and a final settlement position. Fees for settlement 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.
 - *Cardholder services fees* are for benefits provided with MasterCard-branded cards, such as insurance, telecommunications assistance for lost cards and locating automated teller machines.
 - *Consulting and research fees* are primarily generated by MasterCard Advisors, the Company's professional advisory services group.
 - *Program management services* provided to prepaid card issuers. This primarily includes foreign exchange margin, commissions, load fees, and ATM withdrawal fees charged to cardholders on the sale and encashment

of prepaid cards.

- The Company also charges for a variety of other payment-related services, including rules compliance, account and transaction enhancement services, holograms and publications.

5. **Rebates and incentives (contra-revenue):** Rebates and incentives are provided to certain MasterCard customers and are recorded as contra-revenue in the same period that performance occurs. Performance periods vary depending on the type of rebate or incentive, including commitments to the agreement term, hurdles for volumes, transactions or issuance of new cards, launch of new programs, or the execution of marketing programs. Rebates and incentives are calculated based on estimated performance, the timing of new and renewed agreements and the terms of the related business agreements.

Revenue Analysis

Gross revenues increased \$280 million and \$649 million , or 13% and 16% , for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011, primarily due to increased dollar volume of activity on cards carrying our brands and increased transactions. Rebates and incentives increased \$127 million and \$239 million , or 24% for each of the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011. Our net revenues increased 9% and 13% for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011.

Our revenues are primarily based on transactions and volumes, which are impacted by the number of transactions and the dollar volume of activity on cards and other devices carrying our brands. For each of the three and six months ended June 30, 2012 , our processed transactions increased 29% and our volumes increased 15% and 17% on a local currency basis, respectively, versus the comparable periods in 2011.

The effects of various pricing actions implemented in 2012 and 2011 contributed approximately 2 and 3 percentage points to our net revenue growth for the three and six months ended June 30, 2012 , respectively. The net impact of foreign currency relating to the translation of revenues from our functional currencies to U.S. dollars reduced net revenues by approximately 4 and 3 percentage points for the three and six months ended June 30, 2012 , respectively.

The significant components of our net revenues for the three and six months ended June 30, 2012 and 2011 were as follows:

	Three Months Ended June 30,		Percent Increase (Decrease)	Six Months Ended June 30,		Percent Increase (Decrease)
	2012	2011		2012	2011	
	(in millions, except percentages)					
Domestic assessments	\$ 893	\$ 809	10%	\$ 1,733	\$ 1,532	13%
Cross-border volume fees	566	511	11%	1,097	973	13%
Transaction processing fees	753	630	19%	1,467	1,220	20%
Other revenues	269	251	7%	531	454	17%
Gross revenues	2,481	2,201	13%	4,828	4,179	16%
Rebates and incentives (contra-revenues)	(661)	(534)	24%	(1,250)	(1,011)	24%
Net revenues	\$ 1,820	\$ 1,667	9%	\$ 3,578	\$ 3,168	13%

Domestic assessments – There was an increase in domestic assessments of 10% and 13% for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011, primarily due to:

- GDV increased 15% and 17% during the three and six months ended June 30, 2012 , respectively, when measured in local currency terms, and increased 9% and 13% , respectively, when measured on a U.S. dollar-converted basis versus the comparable periods in 2011.
- Pricing changes implemented in 2012 and 2011 increased domestic assessments by approximately 1 and 2 percentage points for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011.
- The net impact of foreign currency relating to the translation of domestic assessments from our functional currencies to U.S. dollars reduced domestic assessments revenue growth by approximately 4 and 3 percentage points for the three and six months ended June 30, 2012 , respectively.

Cross-border volume fees – There was an increase in cross-border volume fees of 11% and 13% for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011, primarily due to:

- Cross-border volumes increased 17% and 18% during the three and six months ended June 30, 2012 , respectively, when measured in local currency terms, and increased 9% and 12% , respectively, when measured on a U.S. dollar-converted basis versus the comparable periods in 2011.
- The net impact of foreign currency relating to the translation of cross-border volume fees from our functional currencies to U.S. dollars reduced cross-border volume fees revenue growth by approximately 4 and 2 percentage points for the three and six months ended June 30, 2012 , respectively.

Transaction processing fees – There was an increase in transaction processing fees of 19% and 20% for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011, primarily due to:

- Processed transactions increased 29% for each of the three and six months ended June 30, 2012 , versus the comparable periods in 2011. The growth included the effects of new processing deals entered into over the past year and the impact of debit regulation in the United States. As a result, the mix of processed transactions has shifted to more PIN debit transactions which typically have a lower revenue yield than our historic average.
- Various pricing changes implemented in 2012 and 2011 increased transaction processing fees revenue by approximately 3 and 4 percentage points for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011.
- The effects of connectivity fees and other non-switching transactions also contributed to the growth in transaction processing fees for the three and six months ended June 30, 2012 .
- The net impact of foreign currency relating to the translation of transaction processing fees from our functional currencies to U.S. dollars reduced transaction processing fees revenue growth by approximately 5 and 3 percentage points for the three and six months ended June 30, 2012 , respectively.

Other revenues – Other revenues increased 7% and 17% for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011, primarily due to:

- Increases in other payment-related services for the three and six months ended June 30, 2012 and revenues from the April 2011 acquisition of Access Prepaid Worldwide (“Access”), without comparable revenues in the first quarter of 2011.
- Pricing changes implemented in 2012 and 2011 increased other revenues by approximately 2 and 3 percentage points for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011.
- The net impact of foreign currency relating to the translation of other revenues from our functional currencies to U.S. dollars reduced other revenues growth by approximately 3 percentage points for each of the three and six months ended June 30, 2012 .

Rebates and incentives – Rebates and incentives increased 24% for each of the three and six months ended June 30, 2012 , versus the comparable periods in 2011. Rebates and incentives as a percentage of gross revenues were 27% and 26% for the three and six months ended June 30, 2012 , respectively. Rebates and incentives as a percentage of gross revenue were 24% for both the three and six months ended June 30, 2011. The amount of rebates and incentives increased primarily due to the following:

- New and renewed agreements and increased volumes.
- The net impact of foreign currency relating to the translation of rebates and incentives from our functional currencies to U.S. dollars reduced rebates and incentives growth by approximately 6 and 4 percentage points for the three and six months ended June 30, 2012 , respectively.

Operating Expenses

Operating expenses increased \$64 million , or 8% , and \$157 million , or 11% , for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011, primarily due to higher general and administrative expenses and an increase in provision for litigation settlement. Our operating expenses are comprised of general and administrative, advertising and marketing, depreciation and amortization and for the three and six months ended June 30, 2012, a provision for litigation settlement. The components of operating expenses for the three and six months ended June 30, 2012 were as follows:

	Three Months Ended June 30,		Percent Increase (Decrease)	Six Months Ended June 30,		Percent Increase (Decrease)
	2012	2011		2012	2011	
	(in millions, except percentages)					
General and administrative	\$ 591	\$ 540	10%	\$ 1,170	\$ 1,034	13%
Advertising and marketing	179	193	(7)%	304	322	(5)%
Depreciation and amortization	56	49	13%	110	91	21%
Provision for litigation settlement	20	—	*	20	—	*
Total operating expenses	<u>\$ 846</u>	<u>\$ 782</u>	8%	<u>\$ 1,604</u>	<u>\$ 1,447</u>	11%
Total operating expenses as a percentage of net revenues	<u>47%</u>	<u>47%</u>		<u>45%</u>	<u>46%</u>	

* Not Meaningful

General and Administrative

General and administrative expenses increased \$51 million , or 10% , and \$136 million , or 13% , for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011, primarily due to an increase in personnel and other expenses. The net impact of foreign currency relating to the translation of general and administrative expenses from our functional currencies to U.S. dollars reduced general and administrative expenses by approximately 2 percentage points for each of the three and six months ended June 30, 2012 .

The major components of general and administrative expenses for the three and six months ended June 30, 2012 were as follows:

	Three Months Ended June 30,		Percent Increase (Decrease)	Six Months Ended June 30,		Percent Increase (Decrease)
	2012	2011		2012	2011	
	(in millions, except percentages)					
Personnel	\$ 388	\$ 347	12%	\$ 765	\$ 680	12%
Professional fees	60	62	(4)%	108	114	(5)%
Data processing and telecommunications	49	42	15%	96	82	17%
Foreign exchange activity	(8)	(6)	27%	5	(4)	*
Other	102	95	9%	196	162	22%
General and administrative expenses	<u>\$ 591</u>	<u>\$ 540</u>	10%	<u>\$ 1,170</u>	<u>\$ 1,034</u>	13%

* Not Meaningful

- Personnel expense increased 12% for each of the three and six months ended June 30, 2012 , versus the comparable periods in 2011. The increase was primarily due to higher salary and benefits costs, including increased compensation related to an increase in the number of employees to support the Company's strategic initiatives.
- Foreign exchange activity includes gains and losses on foreign exchange derivative contracts and the impact of remeasurement of assets and liabilities denominated in foreign currencies. See Note 13 (Foreign Exchange Risk Management) to the consolidated financial statements included in Part I, Item 1 of this Report. Since the Company does not designate foreign currency derivatives as hedging instruments pursuant to the accounting standards for derivative instruments and hedging activities, it records gains and losses on foreign exchange derivatives on a current basis in general and administrative expenses, with the associated offset being recognized as the exposures materialize.

- Other expenses include travel and entertainment expenses, rental expense for our facilities, cardholder services expenses, certain operational expenses associated with the operations of Access, and other miscellaneous operating expenses. Other expenses increased for the three and six months ended June 30, 2012 versus the comparable periods in 2011 primarily due to the increased expenses associated with the Access operations, for which the Company did not have comparable expenses in the first quarter of 2011, and other increased operating expenses associated with expanding business operations.

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 integrated advertising, sponsorship, promotional, interactive media and public relations programs on a global scale. We will 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 \$14 million , or 7% , and \$18 million , or 5% , for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011 mainly due to the impact of foreign currency and the timing of promotional initiatives. The net impact of foreign currency relating to the translation of advertising and marketing expenses from our functional currencies to U.S. dollars reduced advertising and marketing expenses by approximately 5 and 3 percentage points for the three and six months ended June 30, 2012 , respectively.

Depreciation and Amortization

Depreciation and amortization expenses increased \$7 million , or 13% , and \$19 million , or 21% , for the three and six months ended June 30, 2012 , respectively, versus the comparable periods in 2011. The increases in depreciation and amortization expenses reflected increased capitalized software associated with strategic projects and the amortization of intangible assets from the 2011 acquisition of Access.

Provision for Litigation Settlement

On July 13, 2012, the Company announced that it had agreed to a memorandum of understanding to settle the U.S. merchant litigations. During the three and six months ended June 30, 2012 , the Company accrued an additional \$20 million pre-tax charge related to the U.S. merchant litigations. MasterCard previously recorded a \$770 million pre-tax charge in the fourth quarter of 2011 related to the U.S. merchant litigations. The total accrued liability of \$790 million represents an estimate of the Company's financial liability to settle the U.S. merchant litigations. There were no comparable charges in the first half of 2011. See Note 11 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion.

Other Income (Expense)

Other income (expense) is comprised primarily of investment income, interest expense, our share of income (losses) from equity method investments and other gains and losses. The decrease of \$8 million for the three months ended June 30, 2012 in other net expenses versus the comparable period in 2011 was primarily due to incremental expenses from equity method investments, a decrease in interest income and an increase in interest expense from changes in uncertain tax positions, partially offset by a decrease in the interest expense resulting from non-recurring interest accretion on litigation settlements.

The decrease of \$9 million for the six months ended June 30, 2012 in other net expenses versus the comparable period in 2011 was primarily due to incremental expenses from equity method investments and a decrease in interest income, partially offset by a decrease in the interest expense resulting from non-recurring interest accretion on litigation settlements.

Income Taxes

The effective income tax rates were 28.0% and 31.8% for the three months ended June 30, 2012 and 2011 , respectively, and 30.0% and 32.3% for the six months ended June 30, 2012 and 2011 , respectively. The tax rates for each of the three and six months ended June 30, 2012 were lower than the tax rates in each of the three and six months ended June 30, 2011 due primarily to discrete benefits relating to additional export incentives and the conclusion of tax examinations in certain jurisdictions. A more favorable geographic mix of earnings also contributed to the lower tax rates in each period.

In 2010, in connection with the expansion of the Company's operations in the Asia Pacific, Middle East and Africa region, the Company's subsidiary in Singapore, MasterCard Asia Pacific Pte. Ltd. ("MAPPL"), received an incentive grant from the Singapore Ministry of Finance at the recommendation of the Singapore Economic Development Board. The incentive had provided MAPPL with, among other benefits, a reduced income tax rate for the 10-year period commencing January 1, 2010 on taxable income in excess of a base amount. The Company continued to explore business opportunities in this region, resulting in an expansion of the incentives being granted by the Ministry of Finance, including a further reduction to the income tax rate on taxable income in excess of a revised fixed base amount commencing July 1, 2011 and continuing through December 31, 2025. Without the incentive grant, MAPPL would be subject to the statutory income tax rate on its earnings.

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, to make continued investments in our business and to service our potential litigation obligations. At June 30, 2012 and December 31, 2011, we had \$5.0 billion and \$4.9 billion, respectively, of cash and cash equivalents and current available-for-sale securities to use for our operations.

In June 2012, the Company's Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to \$1.5 billion of its Class A common stock (the "New Program"). The New Program became effective in June 2012 at the completion of the Company's previously announced \$2 billion Class A share repurchase program. During the six months ended June 30, 2012, MasterCard repurchased a total of approximately 2.3 million shares for \$919 million at an average price of \$404.65 per share of Class A common stock. These repurchased shares are considered treasury stock. The timing and actual number of additional shares repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. See Note 7 (Stockholders' Equity) to the consolidated financial statements included in Part I, Item 1 of this Report and Note 15 (Stockholders' Equity) in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for further discussion.

The Company believes that its existing cash balances, its cash flow generating capabilities, its borrowing capacity and its access to capital resources are sufficient to satisfy its future operating cash needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with its existing operations and potential litigation obligations. Cash and cash equivalents and current available-for-sale investment securities held by our foreign subsidiaries (i.e., any entities where earnings would be subject to U.S. tax upon repatriation) was \$2.2 billion and \$1.8 billion at June 30, 2012 and December 31, 2011, respectively, or 45% and 37% of our total cash and cash equivalents and current available-for-sale investment securities as of such dates. It is our present intention to permanently reinvest the undistributed earnings associated with our foreign subsidiaries as of December 31, 2011 outside of the United States (as disclosed in Note 19 (Income Taxes) to the consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2011), and our current plans do not require repatriation of these earnings. If these earnings are needed for U.S. operations or can no longer be permanently reinvested outside of the United States, the Company would be subject to U.S. tax upon repatriation.

Our liquidity and access to capital could be negatively impacted by global credit market conditions and the outcome of any of the legal or regulatory proceedings to which we are a party. See Item 1A (Risk Factors) in Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2011 and Part II, Item 1A, (Risk Factors) of this report. See also Note 11 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 of this Report; and "-Business Environment" for additional discussion of these and other risks facing our business. Additionally, our liquidity could be affected by the failure of customers to meet their settlement obligations. See Note 12 (Settlement and Other Risk Management) to the consolidated financial statements included in Part I, Item 1 of this Report and "-Business Environment" for further discussion.

Cash Flow

The table below shows a summary of the cash flows from operating, investing and financing activities for the six months ended June 30 :

	Six Months Ended June 30,	
	2012	2011
	(in millions)	
Cash Flow Data:		
Net cash provided by operating activities	\$ 1,068	\$ 893
Net cash used in investing activities	(690)	(214)
Net cash used in financing activities	(922)	(1,083)

The table below shows a summary of the balance sheet data at June 30, 2012 and December 31, 2011 :

	June 30, 2012	December 31, 2011
	(in millions)	
Balance Sheet Data:		
Current assets	\$ 8,283	\$ 7,741
Current liabilities	4,307	4,217
Long-term liabilities	657	599
Equity	6,276	5,877

Net cash provided by operating activities for the six months ended June 30, 2012 was \$1.1 billion versus \$893 million for the comparable period in 2011. Net cash provided by operating activities for the six months ended June 30, 2012 was primarily due to net income, partially offset by the net change in customer settlements and an increase in prepaid expenses. Net cash provided by operating activities for the six months ended June 30, 2011 was primarily due to net income, partially offset by litigation settlement payments.

Net cash used in investing activities for the six months ended June 30, 2012 primarily related to the purchases of investment securities, partially offset by net proceeds from sales and maturities of investment securities. Net cash used in investing activities for the six months ended June 30, 2011 primarily related to the acquisition of Access, partially offset by proceeds from maturities of investment securities.

Net cash used in financing activities for the six months ended June 30, 2012 and 2011 primarily related to the repurchase of the Company's Class A common stock and dividend payments to our stockholders.

Dividends

On June 5, 2012, our Board of Directors declared a quarterly cash dividend of \$0.30 per share payable on August 9, 2012 to holders of record on July 9, 2012 of our Class A common stock and Class B common stock. The aggregate amount of this dividend is estimated to be \$37 million. On February 7, 2012, our Board of Directors declared a quarterly cash dividend of \$0.30 per share payable on May 9, 2012 to holders of record on April 9, 2012 of our Class A common stock and Class B common stock. The aggregate amount of this dividend was \$38 million. This represents an increase in our historical quarterly cash dividend of \$0.15 per share, with aggregate payments for quarterly dividends having totaled \$38 million and \$19 million for the three months ended June 30, 2012 and 2011, respectively. Aggregate payments for quarterly dividends totaled \$57 million and \$39 million for the six months ended June 30, 2012 and 2011, respectively.

Subject to legally available funds, we intend to continue to pay a quarterly cash dividend on our outstanding Class A common stock and Class B common stock. However, the declaration and payment of future dividends is at the sole discretion of our Board of Directors after taking into account various factors, including our financial condition, operating results, available cash and current and anticipated cash needs.

Credit Availability

On November 22, 2011, the Company extended its committed unsecured revolving credit facility, dated as of November 22, 2010 (the "Credit Facility"), for an additional year. The expiration date of the Credit Facility is November 21, 2014. The available

funding under the Credit Facility will remain at \$2.75 billion through November 22, 2013 and then decrease to \$2.35 billion during the final year of the Credit Facility agreement. Other terms and conditions in the Credit Facility remain unchanged. The Company's option to request that each lender under the Credit Facility extend its commitment was provided pursuant to the original terms of the Credit Facility agreement. MasterCard had no borrowings under the Credit Facility at June 30, 2012 and December 31, 2011.

Borrowings under the Credit Facility are available to provide liquidity for general corporate purposes, including providing liquidity in the event of one or more settlement failures by the Company's customers. In addition, for business continuity planning and related purposes, we may borrow and repay amounts under the Credit Facility from time to time. The facility fee and borrowing cost under the Credit Facility are contingent upon the Company's credit rating. At June 30, 2012, the applicable facility fee was 20 basis points on the average daily commitment (whether or not utilized). In addition to the facility fee, interest on borrowings under the Credit Facility would be charged at the London Interbank Offered Rate (LIBOR) plus an applicable margin of 130 basis points or an alternate base rate plus 30 basis points.

The Credit Facility contains customary representations, warranties and affirmative and negative covenants, including a maximum level of consolidated debt to earnings before interest, taxes, depreciation and amortization (EBITDA) financial covenant and events of default. MasterCard was in compliance with the covenants of the Credit Facility at June 30, 2012 and December 31, 2011. The majority of Credit Facility lenders are customers or affiliates of customers of MasterCard.

On November 4, 2009, the Company filed a universal shelf registration statement to provide additional access to capital, if needed. Pursuant to the shelf registration statement, the Company may from time to time offer to sell debt securities, preferred stock or Class A common stock in one or more offerings.

Off-Balance Sheet Arrangements

Other than settlement guarantees issued in the normal course of business, it is not our business practice to enter into off-balance sheet arrangements, see Note 12 (Settlement and Other Risk Management) to the consolidated financial statements included in Part I, Item 1 of this Report. MasterCard has no off-balance sheet debt other than lease arrangements and other commitments as presented in the future obligations table in Item 7 (Liquidity and Capital Resources) in Part II of the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Recent Accounting Pronouncements

Fair value measurement and disclosure - The Company measures certain assets and liabilities at fair value on a recurring basis by estimating the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies these recurring fair value measurements into a three-level hierarchy ("Valuation Hierarchy") and discloses the significant assumptions utilized in measuring assets and liabilities at fair value.

In May 2011, the fair value accounting guidance was amended to change fair value measurement principles and disclosure requirements. The key changes in measurement principles include limiting the concepts of highest and best use and valuation premise to nonfinancial assets, providing a framework for considering whether a premium or discount can be applied in a fair value measurement, and aligning the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities. Disclosures are required for all transfers between Levels 1 and 2 within the Valuation Hierarchy, the use of a nonfinancial asset measured at fair value if its use differs from its highest and best use, the level in the Valuation Hierarchy of assets and liabilities not recorded at fair value but for which fair value is required to be disclosed, and for Level 3 measurements, quantitative information about unobservable inputs used, a description of the valuation processes used, and qualitative discussion about the sensitivity of the measurements. The Company adopted the revised accounting standard effective January 1, 2012 via prospective adoption, as required. The adoption had no impact on the Company's financial position or results of operations.

Comprehensive income - In June 2011, a new accounting standard was issued that amends existing guidance by allowing only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous statement of comprehensive income or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. Also, items that are reclassified from other comprehensive income to net income must be presented on the face of the financial statements. In December 2011, a new accounting standard was issued that indefinitely deferred the effective date for the requirement to present the reclassification of items from comprehensive income on the face of the financial statements. Both standards require retrospective application, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The Company adopted the revised accounting standards effective January 1, 2012. The adoption had 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. Our exposure to market risk from changes in interest rates, foreign exchange rates and equity price risk is limited. Management establishes and oversees the implementation of policies governing our funding, investments and use of derivative financial instruments. We monitor risk exposures on an ongoing basis. The effect of a hypothetical 10% adverse change in foreign currency rates could result in a fair value loss of approximately \$129 million on our foreign currency derivative contracts outstanding at June 30, 2012. There were no material changes in our market risk exposures related to interest rates and equity price risk at June 30, 2012 as compared to December 31, 2011. See Note 12 (Settlement and Other Risk Management) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion. The Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States includes provisions related to derivative financial instruments and the Company is determining what impact, if any, such provisions will have on the Company's financial position or results of operations.

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. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on that evaluation, the Company's President and Chief Executive Officer and Chief Financial Officer concluded that MasterCard Incorporated's disclosure controls and procedures were effective as of the end of the period covered by this Report at the reasonable assurance level to accomplish their objectives of (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 its 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 as of June 30, 2012 and for the three and six months ended June 30, 2012 and 2011, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report dated August 1, 2012 appearing below, states that they did not audit and they do not express an opinion on that unaudited financial information. 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

To the Board of Directors and Shareholders
of MasterCard Incorporated:

We have reviewed the accompanying consolidated balance sheet of MasterCard Incorporated and its subsidiaries (the “Company”) as of June 30, 2012 , and the related consolidated statements of operations and comprehensive income for the three and six -month periods ended June 30, 2012 and 2011 , and the consolidated statement of changes in equity for the six -month period ended June 30, 2012 , and the consolidated statement of cash flows for the six -month periods ended June 30, 2012 and 2011 . 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, 2011 , and the related consolidated statement of operations, of comprehensive income, of changes in equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 16, 2012, 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, 2011 , is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

New York, New York
August 1, 2012

PART II

Item 1. Legal Proceedings

Refer to Note 11 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1.

Item 1A. Risk Factors

The following risk factor supplements the risk factors set forth in Item 1A (Risk Factors) in Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2011 (the "Form 10-K"):

Our recent Memorandum of Understanding to settle the current U.S. merchant class litigation sets out a binding obligation to enter into a settlement agreement that would, among other things, require the Company and Visa to permit U.S. merchants, subject to certain conditions, to surcharge credit cards, which could impact the use of electronic payments and result in a decrease in the Company's overall transaction volumes and could in turn materially and adversely impact the Company's profitability.

MasterCard has historically implemented policies, referred to as no-surcharge rules, in certain regions, including the United States, that prohibit merchants from charging higher prices to consumers who pay using MasterCard products instead of other means. As part of the terms of the settlement of the U.S. merchant class litigation attached to a Memorandum of Understanding entered into by the Company in July 2012, the Company and Visa would be required to modify their no-surcharge or comparable rules to permit U.S. merchants to surcharge credit cards, subject to certain limitations (including ensuring that MasterCard or Visa cardholders are not unfairly subject to surcharging relative to cardholders of competing credit card networks such as American Express, Discover and PayPal, should those networks enforce rules that restrict surcharging). It is possible that over time, and following the settlement becoming final, U.S. merchants in some or all merchant categories may choose to surcharge as permitted by the rule change, which could make credit card programs less desirable to consumers in the United States. In the event that such merchants surcharge credit cards, this could result in consumers using alternative means of payment instead of electronic products, which could result in a decrease in the Company's overall transaction volumes, and which in turn could materially and adversely impact the Company's profitability.

For a discussion of the Company's additional risk factors, see Item 1A (Risk Factors) in Part I of the Form 10-K.

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

ISSUER PURCHASES OF EQUITY SECURITIES

During the second quarter of 2012, MasterCard repurchased a total of approximately 1.6 million shares for \$671 million at an average price of \$414.72 per share of Class A common stock. See Note 7 (Stockholders' Equity) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion with respect to the Company's share repurchase programs. The Company's repurchase activity during the second quarter of 2012 consisted of open market share repurchases and is summarized in the following table:

Period	Total Number of Shares Purchased	Average Price Paid per Share (including commission cost)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that may yet be Purchased under the Plans or Programs ¹
April 1 – 30	121,582	\$ 432.25	121,582	\$ 552,195,930
May 1 – 31	681,188	\$ 414.71	681,188	\$ 269,698,600
June 1 – 30	815,268	\$ 412.11	815,268	\$ 1,433,722,196
Total	1,618,038	\$ 414.72	1,618,038	

¹ Dollar value of shares that may yet be purchased under the Repurchase Programs is as of the end of the period.

Item 6. Exhibits

Refer to the Exhibit Index included herein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MASTERCARD INCORPORATED
(Registrant)

Date: August 1, 2012

By: /S/ AJAY BANGA
Ajay Banga
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 1, 2012

By: /S/ MARTINA HUND-MEJEAN
Martina Hund-Mejean
Chief Financial Officer
(Principal Financial Officer)

Date: August 1, 2012

By: /S/ ANDREA FORSTER
Andrea Forster
Corporate Controller
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description
10.1+	MasterCard Incorporated 2006 Long Term Plan, amended and restated effective June 5, 2012.
10.2+	2006 Non-Employee Director Equity Compensation Plan, amended and restated effective June 5, 2012.
10.3+	Schedule of Non-Employee Directors' Annual Compensation (effective as of June 5, 2012).
10.4+	Form of Restricted Stock Agreement for awards under 2006 Non-Employee Director Equity Compensation Plan, amended and restated effective June 5, 2012.
10.5+	Amended and Restated MasterCard International Incorporated Executive Severance Plan, amended and restated as of June 5, 2012.
10.6+	Amended and Restated MasterCard International Incorporated Change in Control Severance Plan, amended and restated as of June 5, 2012.
10.7	Memorandum of Understanding, dated July 13, 2012, by and among Counsel for MasterCard Incorporated and MasterCard International Incorporated; Counsel for Visa, Inc., Visa U.S.A. Inc. and Visa International Service Association; Co-Lead Counsel for Class Plaintiffs; and Attorneys for the Defendant Banks (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 16, 2012 (File No. 001-32877)).
12.1	Computation of Ratio of Earnings to Fixed Charges.
15	Awareness Letter from the Company's Independent Registered Public Accounting Firm.
31.1	Certification of Ajay Banga, 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 Ajay Banga, 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.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

+ Management contracts or compensatory plans or arrangements.

Any agreements or other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and should not be relied upon for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

MASTERCARD INCORPORATED

2006 LONG TERM INCENTIVE PLAN

Amended and Restated Effective June 5, 2012

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ARTICLE I
ESTABLISHMENT AND PURPOSE

1.1 Establishment .

The MasterCard Incorporated 2006 Long Term Incentive Plan (“Plan”) is hereby established by MasterCard Incorporated (the “Company”), effective as of the Effective Date. The Plan, as amended and restated to increase the number of shares that may be issued under the Plan and to extend the term of the Plan, and to make other clarifying changes, was approved by the Company’s Board on April 5, 2007, effective upon approval of the amended and restated plan by shareholders. The Plan, as amended and restated to extend the term of the Plan and make other clarifying changes, was approved by the Company’s Human Resources and Compensation Committee on April 2, 2012, effective upon approval of the amended and restated plan by shareholders.

1.2 Purposes .

The purpose of the Plan is to foster and promote the long-term financial success of the Company and materially increase shareholder value by motivating performance through incentive compensation. The Plan also is intended to encourage Participant ownership in the Company, attract and retain talent, and enable Participants to participate in the long-term growth and financial success of the Company. The Plan and the grant of Awards thereunder are expressly conditioned upon the Plan’s approval by the shareholders of the Company.

ARTICLE II
DEFINITIONS

For purposes of the Plan, the following terms are defined as set forth below:

“Affiliated Employer” means all persons with whom the Company would be considered a single employer under Section 414(b) or Section 414(c) of the Code, except that, for purposes of determining whether there is a controlled group or common control the language “at least 50 percent” is used instead of “at least 80 percent.”

“Agreement” means any agreement entered into pursuant to the Plan by which an Award is granted to a Participant.

“Award” means any Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Unit, or Other Stock-Based Award granted to a Participant under the Plan. Awards shall be subject to the terms and conditions of the Plan and shall be evidenced by an Agreement containing such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable.

“Beneficiary” means any person or other entity, which has been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the compensation, specified under the Plan to the extent permitted. If there is no designated beneficiary, then the term means any person or other entity entitled by will or the laws of descent and distribution to receive such compensation.

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

“Cause” means (i) the willful failure by the Participant to perform his duties or responsibilities (other than due to Disability), (ii) the Participant’s engaging in serious misconduct that is injurious to the Company or an Affiliated Employer including, but not limited to, damage to its reputation or standing in its industry; (iii) the Participant’s having been convicted of, or entered a plea of guilty or *nolo contendere* to, a crime that constitutes a felony, or a crime that constitutes a misdemeanor involving moral turpitude, (iv) the material breach by the Participant of any written covenant or agreement with the Company or an Affiliated Employer not to disclose any information pertaining to the Company and/or its Affiliated Employers, or (v) the breach by the Participant of the Company’s Code of Conduct, or any material provision of the following Company policies: non-discrimination, substance abuse, workplace violence, nepotism, travel and entertainment, corporation information security, antitrust/competition law, anti-corruption, enterprise risk management, accounting, contracts, purchasing, communications, investor relations, immigration, privacy, insider trading, and similar policies, whether currently in effect or later adopted.

“Change in Control” means the occurrence of any of the following events, but shall specifically exclude a Public Offering:

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

(ii) A change in the composition of the Board as of the Effective Date (the “Incumbent Board”) that causes less than a majority of the directors of the Company then in office to be members of the Incumbent Board, provided, however, that any individual becoming a director subsequent to the Effective Date, whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election

contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

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

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

In the case of an Award that is subject to Section 409A of the Code and is payable upon a Change in Control, or at a different time or in a different form upon Termination of Employment in connection with a Change in Control, then upon Termination of Employment not in connection with a Change in Control, or where a Section 409A definition of Change in Control is otherwise required, the above definition will include only events that qualify as a change in the ownership or effective control of the Company or as a change in the ownership of a substantial portion of the assets of the Company pursuant to Section 409A(a)(2)(v) of the Code.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and any successor, along with related rules, regulations and interpretations.

“Commission” means the Securities and Exchange Commission or any successor thereto.

“Committee” means the Human Resources and Compensation Committee of the Board of Directors of the Company, or such other committee, or subcommittee of the Committee designated by the Board to administer the Plan, provided that the Committee shall

be composed of not less than two directors each of whom is a Non-Employee Director, an independent director as required by the rules of the national securities exchange on which the Company's Common Shares are listed, and in the case of an Award subject to Section 15.6 an Outside Director.

"Common Shares" means shares of the Company's Class A or Class B Common Shares, \$0.0001 par value (as such par value may be amended from time to time), whether presently or hereafter issued, and any other stock or security resulting from adjustment thereof as described hereinafter, or the Common Shares of any successor to the Company which is designated for the purpose of the Plan.

"Company" means MasterCard Incorporated, and includes any successor or assignee corporation or corporations into which the Company may be merged, changed or consolidated; any corporation for whose securities the securities of the Company shall be exchanged; and any assignee of or successor to substantially all of the assets of the Company. Wherever the context of the Plan so admits or requires, "Company" also means "Affiliated Employer".

"Covered Employee" means a Participant the deductibility of whose compensation in the year of payment of an Award is subject to Section 162(m) of the Code.

"Disability" means disability in accordance with the Company's or an Affiliated Employer's long-term disability plan, as determined by the Committee.

"Effective Date" means when approved by shareholders. Amendments to the Plan generally are effective when approved by shareholders, if shareholder approval is required, or when approved by the Board, if shareholder approval is not required.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

"Exercise Price" means the price at which the Common Shares may be purchased under an Option or may be obtained under a Stock Appreciation Right. In no event may the Exercise Price per share of Common Shares covered by an Option, or the Exercise Price of a Stock Appreciation Right, be reduced through "repricing," as defined in Section 15.1.

"Fair Market Value" means, if the Common Shares are listed on a national securities exchange, as of any Grant Date, the closing price for the Common Shares on the principal exchange on which the shares are traded for that date, all as reported by such source as the Committee may select. If the Common Shares are not traded as of any Grant Date, the Fair Market Value means the closing price for the Common Shares on the principal exchange on which the shares are traded for the immediately preceding date on which shares were traded. If the Common Shares are not listed on a national securities exchange as of any Grant Date, Fair Market Value shall be determined by the Committee in its good faith discretion.

“Good Reason” shall mean the occurrence of one of the following events without the Participant’s prior written consent: (i) assignment to a position for which the Participant is not qualified or a lesser position than the position held by the Participant (although duties may differ without giving rise to a termination by the Participant for Good Reason), (ii) a material reduction in the Participant’s annual Base Salary, except, in the case of a Participant whose employment agreement so provides, a ten (10) percent reduction in the aggregate over the term of such employment agreement shall not be treated as a material reduction; (iii) the relocation of the Participant’s principal place of employment to a location more than fifty (50) miles from the Participant’s principal place of employment (unless such relocation does not increase the Participant’s commute by more than twenty (20) miles), except for required travel on the Company’s business to an extent substantially consistent with the Participant’s business travel obligations as of such day; or (iv) the failure by the Company to obtain an agreement from any successor to the Company to assume and agree to perform any employment agreement between Participant and the Company or any Affiliated Employer. The Participant is required to give notice to the Company of the occurrence of an event constituting Good Reason within sixty (60) days after such event occurs, failing which the Participant shall be deemed to have waived the Participant’s rights regarding such event. The Company shall be provided a period of ninety (90) days after its receipt of notice from the Participant during which it may remedy the grounds for Good Reason given in the notice.

“Grant Date” means the date as of which an Award is determined to be effective and designated in a resolution by the Committee and is granted pursuant to the Plan. The Grant Date shall not be earlier than the date of the resolution and action thereon by the Committee. In no event shall the Grant Date be earlier than the Effective Date.

“Incentive Stock Option” or “ISO” means any Option intended to be and designated as an “incentive stock option,” which qualifies as an “incentive stock option” within the meaning of Section 422 of the Code.

“Non-Employee Director” shall have the meaning provided for in Rule 16b-3(b)(3) under the Exchange Act, 17 CFR §240.16b-3(b)(3), as amended.

“Non-Qualified Stock Option” or “NQSO” means an Option to purchase Common Shares in the Company granted under the Plan, the taxation of which is pursuant to Section 83 of the Code.

“Option” means a right to purchase Common Shares granted to a Participant in accordance with Article VI. An Option may be either an ISO or NQSO.

“Option Period” means the period during which the Option shall be exercisable in accordance with an Agreement and Article VI.

“Other Stock-Based Award” means a right granted under Article XI.

“Outside Director” means a member of the Board who is not an employee of the Company or an Affiliated Employer and who qualifies as an outside director for purposes of Section 162(m)(4)(C)(i) of the Code.

“Participant” means a person who satisfies the eligibility conditions of Article V and to whom an Award has been granted by the Committee under the Plan.

“Performance Period” shall mean that period established by the Committee, which may be as short as a calendar quarter, during which any performance goals specified by the Committee with respect to such Awards are to be measured.

“Performance Unit” means a right granted under Article X.

“Plan” means the MasterCard Incorporated 2006 Long Term Incentive Plan, as herein set forth and as may be amended from time to time.

“Public Offering” means any public offering of any class or series of the Company’s equity securities pursuant to a registration statement filed by the Company under the Securities Act or Exchange Act.

“Restricted Stock” means Common Shares granted to a Participant subject to terms and conditions, including a risk of forfeiture, established by the Committee pursuant to Article VIII of this Plan and evidenced by an Award Agreement.

“Restricted Stock Unit” means a right granted under Article IX.

“Restriction Period” means the period of time during which restrictions established by the Committee shall apply to an Award.

“Retirement” means Termination of Employment by a Participant occurring on or after the earliest of: (i) attaining age 65 while in service and completing two (2) years of service, (ii) attaining age 60 while in service and completing five (5) years of service, and (iii) attaining age 55 while in service and completing ten (10) years of service.

“Rule 16b-3” means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Commission under Section 16 of the Exchange Act or any successor rule.

“Securities Act” means the Securities Act of 1933, as amended, and the regulations promulgated thereunder.

“Stock Appreciation Right” or “SAR” means a right granted under Article VII.

“Stock Option” means an Option.

“Termination of Employment” means a “separation from service” as defined in Code section 409A(a)(2)(A)(i), except that a reduction in the level of services performed by a Participant to a level equal to 21 percent or less of the average level of services performed by the Participant during the immediately preceding 36 months (or such shorter period as the Participant shall have performed services for the Company), shall be presumed to be a Termination of Employment.

In addition, certain other terms used herein have definitions given to them in the first place in which they are used.

ARTICLE III

ADMINISTRATION

3.1 Committee Structure.

The Plan shall be administered by the Committee. A majority of the Committee shall constitute a quorum at any meeting thereof (including telephone conference) and the acts of a majority of the members present, or acts approved in writing by the entire Committee without a meeting, shall be the acts of the Committee for purposes of this Plan. Any member of the Committee may resign upon notice to the Board. The Board shall have the authority to remove, replace or fill any vacancy of any member of the Committee in accordance with the terms of the Committee's Charter.

3.2 Committee Actions.

The Committee may authorize any one or more of its members or an officer of the Company to execute and deliver documents on behalf of the Committee. The Committee may allocate among one or more of its members, or may delegate to one or more of its agents, such duties and responsibilities as it determines.

3.3 Committee Authority.

Subject to applicable law, the Company's certificate of incorporation and by-laws, and the terms of the Plan, the Committee shall have the discretionary authority:

(1) to determine eligibility and to select those persons to whom Awards may be granted from time to time, including to limit eligibility to persons who execute a non-competition and/or non-solicitation agreement;

(2) to determine the nature and amount of each Award;

(3) to determine the terms and conditions of each Award granted hereunder, based on such factors as the Committee shall determine, including terms conditioning vesting, payment, or any other benefit under the Plan on execution and compliance with a non-competition and/or non-solicitation agreement; provided that the Exercise Price of any Option or Stock Appreciation Right shall not be less than the Fair Market Value per share as of the Grant Date;

(4) to determine whether, to what extent, and under what circumstances Awards may be settled in cash, Common Shares, or other property, either at the time of grant or thereafter,

(5) to modify, amend, or adjust the terms and conditions, at any time or from time to time, of any Award, subject to the limitations of Section 15.1;

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- (6) to cancel, with the consent of the Participant or as otherwise provided in the Plan or an Agreement, outstanding Awards;
 - (7) to provide for the forms of Agreement to be utilized in connection with this Plan;
 - (8) to determine the permissible methods of Award exercise and payment within the terms and conditions of the Plan and the particular Agreement;
 - (9) to determine what legal requirements are applicable to the Plan, Awards, and the issuance of Common Shares, and to require of a Participant that appropriate action be taken with respect to such requirements;
 - (10) to establish any “blackout” period that the Committee in its sole discretion deems necessary or advisable;
 - (11) to determine the restrictions or limitations on the transfer of Common Shares;
 - (12) to supply any omission, reconcile any inconsistency in the Plan or any Award, determine whether any Award is to be adjusted, modified or purchased, or is to become fully exercisable, under the Plan or the terms of an Agreement;
 - (13) to adopt, amend and rescind such administrative rules, guidelines, and practices as, in its opinion, may be advisable in the administration of this Plan;
 - (14) to appoint and compensate agents, counsel, auditors or other specialists to aid it in the discharge of its duties; and
 - (15) to interpret this Plan and any instrument or agreement under the Plan, and undertake such actions and make such determinations and decisions as it deems necessary and advisable to administer the Plan intent.

The Committee shall have discretionary authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any Agreement) and to otherwise supervise the administration of the Plan. The Committee’s policies and procedures may differ with respect to Awards granted at different times and may differ with respect to a Participant from time to time, or with respect to different Participants at the same or different times.

3.4 Committee Determinations and Decisions .

Any determination made by the Committee pursuant to the provisions of the Plan shall be made in its sole discretion, and in the case of any determination relating to an Award may be made at the time of the grant of the Award or, unless in contravention of any express term of the Plan or an Agreement, at any time thereafter. All decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on all persons,

including the Company and Participants. Any determination shall not be subject to de novo review if challenged in court.

ARTICLE IV

SHARES SUBJECT TO PLAN

4.1 Number of Shares .

Subject to the adjustment under Section 4.6, the total number of newly issued Common Shares reserved and available for distribution pursuant to Awards under the Plan shall be 11,550,000 Class A Common Shares. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares.

4.2 Release of Shares .

Subject to Section 4.1, the Committee shall have full authority to determine the number of Common Shares available for Awards. In its discretion the Committee may include (without limitation), as available for distribution, (a) Common Shares subject to any Award that have been previously forfeited; (b) Common Shares under an Award that otherwise terminates, expires, or lapses without issuance of Common Shares being made to a Participant; (c) Common Shares subject to any award that settles in cash, or (d) Common Shares that are received, retained, or not issued by the Company in connection with the settlement or exercise of an Award, including the satisfaction of any tax liability or tax withholding obligation. Any Common Shares that are available immediately prior to the termination of the Plan, or any Common Shares returned to the Company for any reason subsequent to the termination of the Plan, may be transferred to a successor plan.

4.3 Restrictions on Shares .

Common Shares issued upon exercise or settlement of an Award shall be subject to the terms and conditions specified herein and to such other terms, conditions and restrictions as the Committee in its discretion may determine or provide in the Award Agreement. The Company shall not be required to issue or deliver any certificates for Common Shares, cash or other property prior to (i) the completion of any registration or qualification of such shares under federal, state or other law, or any ruling or regulation of any government body which the Committee determines to be necessary or advisable; and (ii) the satisfaction of any applicable withholding obligation in order for the Company or an Affiliated Employer to obtain a deduction or discharge its legal obligation with respect to the Award. The Company may cause any certificate (or other representation of title) for any Common Shares to be delivered to be properly marked with a legend or other notation reflecting the limitations on transfer of such Common Shares as provided in this Plan or as the Committee may otherwise require. The Committee may require any person exercising or vesting in an Award to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Common Shares in compliance with applicable law or otherwise. Fractional shares shall not be delivered, but shall be rounded to the next lower whole number of shares.

4.4 ISO Restriction .

Solely for purposes of determining whether shares are available for the issuance of ISOs, and notwithstanding anything in this Section to the contrary, the maximum aggregate number of shares that may be issued through ISOs under this Plan shall be 500,000. The terms of Section 4.2 shall apply equally for purposes of the number of shares available under this Section 4.4 for issuance through ISOs, except that shares subject to ISOs that settle in cash shall not be available for distribution through issuance of ISOs.

4.5 Shareholder Rights .

Other than voting rights, no person shall have any rights of a shareholder as to Common Shares subject to an Award until, after proper transfer of the Common Shares subject to the Award or other action required, such shares shall have been recorded on the Company's official shareholder records as having been issued and transferred. Upon grant of Restricted Stock, or exercise of an Option or a SAR, or payment of any other Award or any portion thereof, the Company will have a reasonable period in which to issue and transfer the shares, and the Participant will not be treated as a shareholder for any purpose whatsoever prior to such issuance and transfer, except as provided in Section 8.4(3). No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date such shares are recorded as issued and transferred in the Company's official shareholder records, except as provided herein or in an Agreement.

4.6 Adjustment Provision .

(1) Adjustment . In the event of any Company share dividend, share split, combination or exchange of shares, recapitalization or other change in the capital structure of the Company, corporate separation or division of the Company (including, but not limited to, a split-up, spin-off, split-off or distribution to Company stockholders other than a normal cash dividend), reorganization, rights offering, a partial or complete liquidation, or any other corporate transaction, Company securities offering or event involving the Company and having an effect similar to any of the foregoing, then the Committee shall make appropriate adjustments or substitutions as described below in this Section. The adjustments or substitutions may relate to the number of Common Shares available for Awards under the Plan, the number of Common Shares covered by outstanding Awards, the exercise price per share of outstanding Awards, and any other characteristics or terms of the Awards as the Committee may deem necessary or appropriate to reflect equitably the effects of such changes to the Participants. Notwithstanding the foregoing, any fractional shares resulting from such adjustment shall be eliminated by rounding to the next lower whole number of shares with appropriate payment for such fractional share as shall reasonably be determined by the Committee.

(2) Section 409A. Any adjustments or substitutions made pursuant to Section 4.6(1) to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A. Any adjustments or substitutions made pursuant to Section 4.6(1) to Awards that are not

considered “deferred compensation” subject to Section 409A of the Code shall be made in such manner as to ensure that after such adjustment or substitution, the Awards either continue not to be subject to Section 409A of the Code or comply with the requirements of Section 409A of the Code.

ARTICLE V

ELIGIBILITY

5.1 Eligibility .

Any employee of the Company or an Affiliated Employer, and any individual covered by Section 15.13, shall be eligible to be designated, in the discretion of the Committee, a Participant of this Plan, provided such eligibility would not jeopardize this Plan’s compliance with Rule 16b-3 under the Exchange Act or any successor rule. The Committee may require that, in order to be eligible to be designated a Participant, an employee must execute, in a form prescribed by the Company, a non-competition and/or non-solicitation agreement. Only an employee of the Company, or any parent corporation or subsidiary of the Company (as such terms are defined in Section 424 of the Code) on the Grant Date shall be eligible to be granted an Incentive Stock Option.

ARTICLE VI

STOCK OPTIONS

6.1 General .

The Committee shall have authority to grant Options under the Plan at any time or from time to time. An Option shall entitle the Participant to receive Common Shares upon exercise of such Option, subject to the Participant’s satisfaction in full of any conditions, restrictions or limitations imposed in accordance with the Plan or an Agreement (the terms and provisions of which may differ from other Agreements) including, without limitation, payment of the Option Price. The Committee may provide for grant or vesting of Options conditioned upon the performance of services, the achievement of performance goals pursuant to Section 15.6, or the execution of, and/or compliance with, a non-competition or non-solicitation agreement, or any combination of the above. Options may be granted alone or in addition to other Awards granted under the Plan.

6.2 Grant .

The grant of an Option shall occur as of the Grant Date determined by the Committee provided that the Grant Date shall not be earlier than the date of the resolution and action thereon by the Committee. An Award of Options shall be evidenced by, and subject to the terms of, an Agreement. To the extent that any Option is not designated as an Incentive Stock Option or is so designated, but does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option.

6.3 Required Terms and Conditions .

Options shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable:

(1) Exercise Price . The Exercise Price per share for an Award shall not be less than the Fair Market Value per share as of the Grant Date. If an Option which is intended to qualify as an Incentive Stock Option is granted to an individual (a “10% Owner”) who owns or who is deemed to own shares possessing more than ten percent (10%) of the combined voting power of all classes of shares of the Company, a corporation which is a parent corporation of the Company, or any subsidiary of the Company (each as defined in Section 424 of the Code), the Exercise Price per share shall not be less than one hundred ten percent (110%) of such Fair Market Value per share as of the Grant Date.

(2) Option Period . The Option Period fixed by the Committee for any Award shall be no longer than ten (10) years from the Option’s Grant Date. In the case of an Incentive Stock Option granted to a 10% Owner, the Option Period shall not exceed five (5) years. No Option which is intended to be an Incentive Stock Option shall be granted more than ten (10) years from the date the Plan is adopted by the Company or the date the Plan is approved by the shareholders of the Company, whichever is earlier.

(3) Exercisability . In no event shall an Option be exercisable earlier than six (6) months after the Grant Date (except in the case of the Participant’s death or in the case of an Option granted in lieu of or replacement of compensation that is subject to vesting restrictions, in which case the Option may be exercisable pursuant to the same vesting restrictions as was the compensation) or later than ten (10) years from the Grant Date. The Committee may provide in an Option Agreement or thereafter for an accelerated exercise of all or part of an Option upon such events or standards that it may determine, including one or more performance measures. If the Committee intends that an Option be able to qualify as an Incentive Stock Option, aggregate Fair Market Value (determined at the Option’s Grant Date) of the Common Shares as to which such Incentive Stock Option is exercisable for the first time during any calendar year shall not exceed \$100,000.

(4) Method of Exercise . Subject to the provisions of this Article VI and the Agreement, a Participant may exercise Options, in whole or in part, during the Option Period by giving notice of exercise on a form provided by the Committee to the Company specifying the number of whole shares of Common Shares subject to the Option to be purchased. Such notice shall be accompanied by payment in full of the purchase price. Payment of the purchase price shall be by (i) delivery of cash or certified check, (ii) delivery of Common Shares already owned by the Participant (for any minimum period required by the Committee) having a total value equal to the Exercise Price, (iii) by means of delivery of cash by a broker-dealer as a “cashless” exercise, (iv) any combination of the foregoing, or (v) any other method approved by the Committee.

(5) Form of Settlement . The Committee may provide, at the time of grant, that

the shares to be issued upon an Option's exercise shall be in the form of Restricted Stock or other similar securities.

(6) Conditions for Issuance of Shares. No Common Shares shall be issued until full payment therefore has been made. A Participant shall have all of the rights of a shareholder of the Company holding the class of shares that is subject to such Option (including, if applicable, the right to vote the shares and the right to receive dividends) when the Participant has given written notice of exercise, has paid in full for such shares, and such shares have been recorded on the Company's official shareholder records as having been issued and transferred.

(7) No Deferral Features. To the extent necessary to comply with Code Section 409A, no Option Agreement shall include any features allowing the Participant to defer recognition of income past the date on which taxation occurs under section 83 of the Code.

6.4 Standard Terms and Conditions.

Unless the Committee specifies otherwise in the Award Agreement, the terms set forth in this Section 6.4 shall apply to all Options granted under the Plan. Any Option Award Agreement that incorporates the terms of the Plan by reference shall be deemed to have incorporated the terms set forth in this Section 6.4.

(1) Exercise Price. The standard Exercise Price per share shall be the Fair Market Value per share as of the Grant Date.

(2) Option Period. The standard Option Period of each Option shall be ten (10) years from the Option's Grant Date.

(3) Exercisability. Subject to Section 13.1, the standard rate at which an Option shall be exercisable shall be twenty five (25) percent on each of the first four (4) anniversaries of the grant.

(4) Method of Exercise. The standard form of payment of the Exercise Price shall be by means of delivery of cash by a broker-dealer as a "cashless" exercise.

(5) Form of Settlement. The standard form of settlement shall be in unrestricted Common Shares.

(6) Non-transferability of Options. The standard terms of an Agreement shall provide that no Option shall be sold, assigned, margined, transferred, encumbered, conveyed, gifted, alienated, hypothecated, pledged, or otherwise disposed of, other than by will or by the laws of descent and distribution, and all Options shall be exercisable during the Participant's lifetime only by the Participant.

(7) No Deferral Features. The standard terms of an Agreement shall provide for no deferral of recognition of income past the date on which taxation occurs under Section 83 of the Code.

6.5 Termination.

Unless otherwise specifically provided in an Agreement, or determined by the Committee, and except as is otherwise provided in this Section 6.5 below, Options that are not otherwise exercisable on the date of Termination of Employment shall be forfeited upon a Participant's Termination of Employment. A Participant shall have the right to exercise Options that were otherwise exercisable on Termination of Employment only during a period not exceeding one hundred and twenty (120) days, or such other period specified in the Agreement, after the date of such Termination of Employment (but no later than the end of the Option Period).

(1) Termination by Death. Unless otherwise specifically provided in an Agreement or determined by the Committee, on a Participant's Termination of Employment due to death during the Option Period, Options held by the Participant shall become immediately exercisable and shall thereafter be fully exercisable throughout the original Option Period.

(2) Termination by Disability or Retirement. Unless otherwise specifically provided in an Agreement or determined by the Committee, and subject to Article XII below, on a Participant's Termination of Employment due to Disability or Retirement more than six (6) months after the Grant Date (unless circumstances exist at the time of termination that would constitute Cause under Section 2.6), any Option held by the Participant shall continue to be exercisable by the Participant as if there was no Termination of Employment.

(3) Termination for Cause. Unless otherwise specifically provided in an Agreement or determined by the Committee, on a Participant's Termination of Employment for Cause, the Participant shall forfeit all Options whether those Options are otherwise exercisable as of the date of Termination of Employment or otherwise would not be exercisable on the date of Termination of Employment.

6.6 Notice of Disposition of Common Shares Prior to the Expiration of Specified ISO Holding Periods.

The Company may require that a Participant exercising an ISO give a written representation to the Company, satisfactory in form and substance, upon which the Company may rely, that the Participant will report to the Company any disposition of shares acquired via an ISO exercise prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code.

ARTICLE VII

STOCK APPRECIATION RIGHTS

7.1 General.

The Committee shall have authority to grant Stock Appreciation Rights (SARs) under the Plan at any time or from time to time. A SAR shall entitle the Participant to receive Common Shares upon exercise of such SAR, subject to the Participant's satisfaction in full of any conditions, restrictions, or limitations imposed in accordance with the Plan or any Agreement. The Committee may provide for grant or vesting of SARs conditioned upon the performance of services, the achievement of performance goals pursuant to Section 15.6, or the execution of, and/or compliance with, a non-competition or non-solicitation agreement, or any combination of the above. SARs may be granted alone or in addition to other Awards granted under the Plan.

7.2 Grant.

The grant of a SAR shall occur as of the Grant Date determined by the Committee provided that the Grant Date shall not be earlier than the date of the resolution and action thereon by the Committee. A SAR entitles a Participant to receive Common Shares or cash as described in Section 7.3(5). An Award of SARs shall be evidenced by, and subject to the terms of an Agreement.

7.3 Required Terms and Conditions .

SARs shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable.

(3) Exercise Price . The Exercise Price of a SAR shall not be less than 100% of the Fair Market Value per share of Common Shares on the Grant Date.

(4) Term . The term of a SAR shall be no longer than ten (10) years from the Grant Date.

(5) Exercisability . In no event shall a SAR be exercisable earlier than six (6) months after the Grant Date (except in the case of the Participant's death or in the case of a SAR granted in lieu of or replacement of compensation subject to vesting restrictions, in which case the SAR may be exercisable pursuant to the same vesting restrictions as was the compensation) or later than ten (10) years from the Grant Date. The Committee may provide in a SAR Agreement or thereafter for an accelerated exercise of all or part of a SAR upon such events or standards that it may determine, including one or more performance measures.

(6) Method of Exercise . SARs shall be exercised by the Participant's giving notice of exercise on a form provided by the Committee to the Company specifying in whole shares the portion of the SAR to be exercised.

(7) Amount . Upon the exercise of a SAR, a Participant shall be entitled to receive an amount in Common Shares or cash equal in value to the excess of the value per share of Common Shares over the Exercise Price per share of Common Shares specified in the related Agreement, multiplied by the number of shares in respect of which the SAR is exercised, less any amount retained or not issued to cover tax withholdings, if necessary. The value per share of Common Shares shall be determined as of the date of exercise of such SAR.

(8) No Deferral Features . To the extent necessary to comply with Code Section 409A, the SAR Agreement shall not include any features allowing the Participant to defer recognition of income past the date of exercise.

7.4 Standard Terms and Conditions .

Unless the Committee specifies otherwise in the SAR Agreement, the terms set forth in this Section 7.4 shall apply to all SARs granted under the Plan. A SAR Agreement that incorporates the terms of the Plan by reference shall be deemed to have incorporated the terms set forth in this Section 7.4

(1) Exercise Price . The standard Exercise Price of a SAR shall be 100% of the Fair Market Value per share of Common Shares on the Grant Date.

(2) Term . The standard term of a SAR shall be ten (10) years from the Grant Date. The term of a SAR shall be no longer than ten (10) years from the Grant Date.

(3) Exercisability. Subject to Section 13.1, the standard rate at which a SAR shall be exercisable shall be twenty five (25) percent on each of the first four anniversaries of the Grant Date.

(4) Non-transferability of Stock Appreciation Rights. The standard SAR Agreement shall provide that no SAR shall be sold, assigned, margined, transferred, encumbered, conveyed, gifted, alienated, hypothecated, pledged or otherwise disposed of, other than by will or the laws of descent and distribution, and all SARs shall be exercisable during the Participant's life time only by the Participant.

(5) No Company or Affiliate Repurchase. The standard SAR Agreement shall stipulate that the Company and/or an Affiliate may not, under any circumstances, repurchase the Common Shares delivered in settlement of the exercise of the SAR or enter into an arrangement that has a similar effect.

(6) No Deferral Features. The standard SAR Agreement shall not include any features allowing the Participant to defer recognition of income past the date of exercise.

7.5 Termination.

A Stock Appreciation Right shall be forfeited or terminated under the same circumstances, as set forth in Section 6.5, as Options would be forfeited or terminated under the Plan, unless otherwise specifically provided in an Agreement.

ARTICLE VIII

RESTRICTED STOCK

8.1 General.

The Committee shall have authority to grant Restricted Stock under the Plan at any time or from time to time. The Committee shall determine the number of shares of Restricted Stock to be awarded to any Participant, the Restriction Period within which such Awards may be subject to forfeiture, and any other terms and conditions of the Awards including without limitation providing for either grant or vesting conditioned upon the achievement of performance goals pursuant to Section 15.6 or the execution of, and/or compliance with, a non-competition or non-solicitation agreement, or both. Each Award shall be confirmed by, and be subject to the terms of, an Agreement containing the applicable terms and conditions of the Award, including the Restriction Period. The Committee may provide in an Agreement for an accelerated lapse of the Restriction Period upon such events or standards that it may determine, including the achievement of one or more performance goals set forth in Section 15.6. Restricted Stock may be granted alone or in addition to other Awards granted under the Plan.

8.2 Grant, Awards and Certificates.

The grant of an Award of Restricted Stock shall occur as of the Grant Date determined by the Committee. Notwithstanding the limitations on issuance of Common Shares otherwise provided in the Plan, each Participant receiving an Award of Restricted Stock shall be issued a certificate (or other representation of title, such as book entry registration) in respect of such Restricted Stock. Such certificate shall be registered in the name of such Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award as determined by the Committee. The Committee may require that the certificates evidencing such shares be held in custody by the Company until the Restriction Period shall have lapsed and that, as a condition of any Award of Restricted Stock, the Participant shall have delivered a share power, endorsed in blank, relating to the Common Shares covered by such Award.

8.3 Required Terms and Conditions.

Restricted Stock shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable:

(1) Restriction Period. Restricted Stock shall be subject to restrictions for a period set forth in the Agreement, which Restriction Period generally shall be a minimum of three years from the Grant Date (except in the case of Restricted Stock granted in lieu of or replacement of compensation that is subject to vesting restrictions, in which case the Restricted Stock may be subject to the same vesting restrictions as was the compensation). No more than five (5) percent of the total Awards granted under Articles VIII, IX, and X of the Plan in any year shall be subject to restrictions for a period of less than three years from the Grant Date.

(2) Restrictions. The Committee may condition the grant or vesting of the Restricted Stock on the performance of services for the Company, the attainment of performance goals, the execution of and/or compliance with a non-competition and/or non-solicitation agreement, or any combination of the aforementioned items.

(3) Limitations on Transferability. Subject to the provisions of the Plan and the Agreement, during the Restriction Period set by the Committee, commencing with the Grant Date of such Award, the Participant shall not be permitted to sell, assign, margin, transfer, encumber, convey, gift, alienate, hypothecate, pledge or otherwise dispose of unvested Restricted Stock.

(4) Delivery. If a share certificate is issued in respect of Restricted Stock, the certificate shall be registered in the name of the Participant but shall be held by the Company for the account of the Participant until the end of the Restriction Period. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, unlegended certificates (or other representation of title) for such shares shall be delivered to the Participant.

8.4 Standard Terms and Conditions.

Unless the Committee specifies otherwise in the Restricted Stock Agreement, the terms set forth in this Section 8.4 shall apply to all Restricted Stock granted under the Plan. A Restricted Stock Agreement that incorporates the terms of the Plan by reference shall be deemed to have incorporated the terms set forth in this Section 8.4.

(1) Restriction Period. The standard Restriction Period shall be four (4) years from the Grant Date.

(2) Restrictions. The standard restrictions applicable to Restricted Stock are continued service of the Participant for the Company during the Restriction Period.

(3) Rights. The standard terms of a Restricted Stock Agreement shall provide that the Participant shall have, with respect to the Restricted Stock, all of the rights of a shareholder of the Company holding the class of Common Shares that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any cash dividends, subject to Section 8.3(3).

8.5 Termination.

Unless otherwise provided in an Agreement or determined by the Committee, and except as is otherwise provided in this Section 8.5 below, Restricted Stock shall be forfeited upon a Participant's Termination of Employment.

(1) Termination by Death. Unless otherwise provided in an Agreement or determined by the Committee, Restricted Stock shall vest upon a Participant's Termination of Employment by reason of death during the Restriction Period.

(2) Termination by Disability or Retirement. Unless otherwise provided in an Agreement or determined by the Committee, and subject to Article XII below, on a Participant's Termination of Employment due to Disability or Retirement more than six months following the Grant Date (unless circumstances exist at the time of termination that would constitute Cause under Section 2.6), any Restricted Stock held by the Participant shall continue to vest as if there was no Termination of Employment.

8.6 Price.

The Committee may require a Participant to pay a stipulated purchase price for each share of Restricted Stock.

8.7 Section 83(b) Election .

The Committee may prohibit a Participant from making an election under Section 83(b) of the Code. If the Committee has not prohibited such election, and if the Participant elects to include in such Participant's gross income in the year of transfer the amounts specified in Section 83(b) of the Code, the Participant shall notify the Company (or an Affiliated Employer) of such election within 10 days of filing notice of the election with the Internal Revenue Service, and will provide the required withholding pursuant to Section 15.8, in addition to any filing and notification required pursuant to regulations issued under the authority of Section 83(b) of the Code.

ARTICLE IX

RESTRICTED STOCK UNITS

9.1 General .

The Committee shall have authority to grant Restricted Stock Units under the Plan at any time or from time to time. A Restricted Stock Unit Award is denominated in Common Shares that will be settled either by delivery of Common Shares or the payment of cash based upon the value of a specified number of Common Shares. The Committee shall determine the number of Restricted Stock Units to be awarded to any Participant, the Restriction Period within which such Awards may be subject to forfeiture, and any other terms and conditions of the Awards including without limitation providing for either grant or vesting conditioned upon the achievement of performance goals pursuant to Section 15.6, or the execution of, and/or compliance with, a non-competition or non-solicitation agreement, or both. Each Award shall be confirmed by, and be subject to the terms of, an Agreement which contain the applicable terms and conditions of the Award, including the Restriction Period. The Committee may provide in an Agreement for an accelerated lapse of the Restriction Period upon such events or standards that it may determine, including the achievement of one or more performance goals set forth in Section 15.6. Restricted Stock Units may be granted alone or in addition to other Awards granted under the Plan.

9.2 Grant .

The grant of a Restricted Stock Unit shall occur as of the Grant Date determined by the Committee. An Award of Restricted Stock Units shall be evidenced by, and subject to the terms of an Agreement.

9.3 Required Terms and Conditions .

Restricted Stock Units shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable:

(1) Restriction Period . Restricted Stock Unit shall be subject to restrictions for a period set forth in the Agreement, which Restriction Period generally shall be a minimum of

three (3) years from the Grant Date (except in the case of a Restricted Stock Unit granted in lieu of other compensation that is subject to vesting restrictions, in which case the Restricted Stock Units may be subject to the same vesting restrictions as was the compensation). No more than five (5) percent of the total Awards granted under Article VIII, IX, and X of the Plan in any year shall be subject to restrictions for a period of less than three (3) years from the Grant Date.

(2) Restrictions. The Committee may condition the grant or vesting of the Restricted Stock Units on the performance of services for the Company, the attainment of performance goals, the execution of, and/or compliance with, a non-competition and/or non-solicitation agreement, or any combination of the aforementioned items.

(3) Limitations on Transferability. Subject to the provisions of the Plan and the Agreement, during the Restriction Period set by the Committee, commencing with the Grant Date of such Award, the Participant shall not be permitted to sell, assign, margin, transfer, encumber, convey, gift, alienate, hypothecate, pledge or otherwise dispose of the Restricted Stock Units.

(4) Rights. The Committee shall be entitled to specify in a Restricted Stock Unit Agreement the extent to which and on what terms and conditions the applicable Participant shall be entitled to receive current or deferred payments corresponding to the dividends payable on the Common Shares.

9.4 Standard Terms and Conditions.

Unless the Committee specifies otherwise in the Restricted Stock Unit Agreement, the terms set forth in this Section 9.4 shall apply to all Restricted Stock Units granted under the Plan. A Restricted Stock Unit Agreement that incorporates the terms of the Plan by reference shall be deemed to have incorporated the terms set forth in this Section 9.4:

(1) Restriction Period. The standard Restriction Period shall be four (4) years from the Grant Date.

(2) Restrictions. The standard restrictions applicable to a Restricted Stock Unit are continued service of the Participant for the Company during the Restriction Period.

(3) Rights. The standard terms of the Restricted Stock Units shall provide that the Participant is entitled to receive current payments corresponding to the dividends payable on the Common Shares.

9.5 Termination.

A Restricted Stock Unit shall be forfeited under the same circumstances, as set forth in Section 8.5, as Restricted Stock would be forfeited under the Plan, unless otherwise specifically provided in the Agreement.

ARTICLE X

PERFORMANCE UNITS

10.1 General.

The Committee shall have authority to grant Performance Units under the Plan at any time or from time to time. A Performance Unit consists of the right to receive Common Shares or cash, as provided in the particular Award Agreement, upon achievement of a performance goal or goals (as the case may be) under Section 15.6. The Committee may condition grant or vesting of Performance Units upon the performance of services, the execution of, and/or compliance with, a non-competition or non-solicitation agreement, or both. The Committee shall have complete discretion to determine the number of Performance Units granted to each Participant. Each Performance Unit Award shall be evidenced by, and be subject to the terms of, an Agreement. The Performance Unit Award shall be earned in accordance with the Agreement over a Performance Period. Performance Units may be granted alone or in addition to other Awards granted under the Plan.

10.2 Earning Performance Unit Awards.

Unless expressly waived in the Award Agreement, vesting of Performance Unit Awards must be contingent on the attainment of one or more performance goals set forth in Section 15.6 and in such case shall be subject to the terms and conditions set forth therein.

10.3 Performance Period and Vesting in Performance Unit Award.

Unless otherwise provided in the Award Agreement, the Performance Period shall be a three (3) year period and the Performance Unit Awards shall be subject to restrictions a minimum of three (3) years from the Grant Date. No more than five (5) percent of the total Awards granted under Article VIII, IX, and X of the Plan in any year shall be subject to restrictions for a period of less than three (3) years from the Grant Date.

10.4 Termination of Employment.

Unless otherwise provided in an Agreement or determined by the Committee, and except as is otherwise provided in this Section 10.4 below, unvested Performance Units shall be forfeited upon a Participant's Termination of Employment.

(1) Termination by Death. In the event of a Termination of Employment during a Performance Period due to Death, Performance Units for the Performance Period shall immediately vest and be paid out at a target level of performance.

(2) Termination by Disability or Retirement. Unless otherwise provided in an Agreement or determined by the Committee, and subject to Article XII below, in the event of a Termination of Employment due to Disability or Retirement during a Performance Period and more than six (6) months following the Grant Date (unless circumstances exist at the time of termination that would constitute Cause under Section 2.6), Performance Units shall continue to vest as if there had been no Termination of Employment and shall be payable based on achievement of performance goals. Distribution of earned Performance Units may be made at the same time payments are made to Participants who did not incur a Termination of Employment during the applicable Performance Period.

10.5 Nontransferability.

Unless otherwise specifically provided in an Agreement, Performance Units may not be sold, assigned, margined, transferred, encumbered, conveyed, gifted, alienated, hypothecated, pledged, or otherwise disposed of, other than by will or by the laws of descent and distribution.

ARTICLE XI

OTHER STOCK-BASED AWARDS

11.1 Other Stock-Based Awards.

Other Awards of Common Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based upon or settled in, Common Shares, may be granted under the Plan either alone or in addition to other Awards under the Plan. The Committee shall have authority to grant such Other Stock-Based Awards under terms and conditions determined by the Committee.

ARTICLE XII

NON-COMPETITION, NON-SOLICITATION, AND RECOUPMENT

12.1 Non-Competition and Non-Solicitation.

The Committee, in its discretion, may condition eligibility to be designated a Participant in the Plan and receipt of benefits specified in the Agreement, such as vesting, payment, and exercisability of Awards, on the Participant's execution of, compliance with, and/or certification of compliance with a non-competition and/or non-solicitation agreement in a form prescribed by the Company, which form of agreement may include provisions for the Participant repaying to the Company stock (or the value of stock) previously received pursuant to an Award in the event the Participant violates the non-competition and/or non-solicitation agreement.

12.2 Recoupment Provisions.

The Committee, in its discretion, may include in any Agreement recoupment provisions that provide for the Participant's repayment of stock (or the value of stock) received under an Award.

ARTICLE XIII

CHANGE IN CONTROL

13.1 Impact of Event .

Notwithstanding any other provision of the Plan to the contrary and unless otherwise specifically provided in an Agreement, in the event of a Participant's Termination of Employment by the Company without Cause or by the Participant with Good Reason (after having given written notice to the Company of the grounds for Termination of Employment for Good Reason, which grounds specified in the written notice have not been cured by the Company within 90 days of the written notice) within six months preceding or two years following a Change in Control:

- (1) any Stock Options and Stock Appreciation Rights outstanding as of the date of such Change in Control and not then exercisable shall become fully exercisable to the full extent of the original grant;
- (2) the restrictions applicable to any Restricted Stock Awards shall lapse, and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant;
- (3) the restrictions applicable to any Restricted Stock Unit Awards shall lapse, and such Restricted Stock Units shall be settled; and
- (4) any Performance Goal or other condition with respect to any Performance Units or any other Awards shall be deemed to have been satisfied in full at the target performance level, and such Award shall be fully distributable six months following Termination of Employment.

13.2 Additional Discretion .

The Committee shall have full discretion, notwithstanding anything herein or in an Agreement to the contrary, with respect to an outstanding Award upon a Change in Control to provide that the securities of another entity be substituted hereunder for the Common Shares and to make equitable adjustment with respect thereto.

ARTICLE XIV

PROVISIONS APPLICABLE TO SHARES ACQUIRED UNDER THIS PLAN

14.1 No Company Obligation .

Except to the extent required by applicable securities laws, none of the Company, an Affiliated Employer or the Committee shall have any duty or obligation to affirmatively disclose material information to a record or beneficial holder of Common Shares or an Award, and such holder shall have no right to be advised of any material information regarding the Company or an Affiliated Employer at any time prior to, upon, or in connection with receipt or the exercise or distribution of an Award. The Company makes no representation or warranty as to the future value of the Common Shares issued or acquired in accordance with the provisions of the Plan.

ARTICLE XV

MISCELLANEOUS

15.1 Amendments and Termination .

The Committee may amend, alter, or discontinue the Plan, or the terms of any Award Agreement under the Plan, at any time, but no amendment, alteration or discontinuation shall be made which would impair the rights of a Participant under an Award theretofore granted without the Participant's consent, unless such an amendment is made to comply with applicable law (including Code Section 409A), stock exchange rules, or accounting rules. Repricing of Options or Stock Appreciation Rights shall not be permitted. For this purpose, a "repricing" means any of the following (or any action that has the same effect as any of the following): (1) changing the terms of an Option or Stock Appreciation Right to lower its Exercise Price; (2) any other action that is treated as a "repricing" under generally accepted accounting principles; and (3) repurchasing for cash or cancelling an Option or Stock Appreciation Right at a time when its Exercise Price is greater than the fair market value of the underlying stock in exchange for another Award, unless the cancellation and exchange occurs in connection with an event set forth in Section 4.6. A cancellation and exchange described in this Section 15.1(1) shall be considered a "repricing" regardless of whether it is treated as a "repricing" under generally accepted accounting principles and regardless of whether it is voluntary on the part of the Participant. Notwithstanding the foregoing, any material amendments to the Plan shall require shareholder approval to the extent required by the rules of the New York Stock Exchange or other national securities exchange or market that regulates the securities of the Company.

15.2 Form of Awards .

All Awards shall be subject to the terms, conditions, restrictions and limitations of the Plan. The Committee may subject any Award to such other terms, conditions, restrictions and/or limitations (including without limitation the time and conditions of exercise, vesting or payment of an Award and restrictions on transferability of any Common Shares issued or

delivered pursuant to an Award), provided they are not inconsistent with the terms of the Plan. The Committee may subject an Award to such conditions as it determines are necessary or appropriate to ensure that an Award constitutes “qualified performance based compensation” within the meaning of Section 162(m) of the Code and the regulations thereunder. Awards under a particular Article of the Plan need not be uniform, and Awards under more than one Article of the Plan may be combined in a single Award Agreement. Any combination of Awards may be granted at one time and on more than one occasion to the same Participant. An Award Agreement for Restricted Stock Units or Performance Units may provide that a Participant may elect to defer receipt of income attributable to the Award. In the event no such election is provided or made, and the Award Agreement does not otherwise provide, the Restricted Stock Units and Performance Units shall be payable to the Participant within 2½ months of the end of the Company’s or the Participant’s year of vesting in the Award.

15.3 No Reload Rights.

Options shall not contain any provisions entitling the Participant to an automatic grant of additional Options in connection with any exercise of the original Option.

15.4 Loans.

The Committee may approve the extension of a loan by the Company to a Participant who is an Employee for the sole purpose of assisting the participant in paying the exercise price of an Option exercised by means of a cashless exercise program established by the Company, provided, however, that no loan shall be permitted if the extension of such loan would violate any provision of applicable law. Any loan will be made upon such terms and conditions that the Committee shall determine.

15.5 Unfunded Status of Plan.

It is intended that the Plan be an “unfunded” plan for incentive compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Shares or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the “unfunded” status of the Plan.

15.6 Provisions Relating to Code Section 162(m).

Where expressly provided in writing by the Committee, Awards granted to persons who are (or may become) Covered Employees within the meaning of Section 162(m) of the Code, shall constitute “qualified performance-based compensation” satisfying the relevant requirements of Section 162(m) of the Code. Accordingly, in the case of such Awards, the Plan shall be administered and the provisions of the Plan shall be interpreted in a manner consistent with Section 162(m) of the Code. If any provision of the Plan or any Agreement relating to such an Award does not comply or is inconsistent with the requirements of Section 162(m) of the Code, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements. In addition, the following provisions shall apply

to the Plan or an Award to the extent necessary to obtain a tax deduction for the Company or an Affiliated Employer:

- (1) Awards subject to this Section must vest (or may be granted or vest) contingent on the attainment of one or more objective performance goals unrelated to term of employment. Awards will also be subject to the general vesting provisions provided in the Award Agreement and this Plan.
- (2) Prior to completion of 25% of the Performance Period or such earlier date as required under Section 162 (m) of the Code , the Committee must establish performance goals (in accordance with (5) below) in writing (including but not limited to Committee minutes) for Covered Employees who will receive Awards that are intended as qualified performance-based compensation. The outcome of the goal must be substantially uncertain at the time the Committee actually established the goal.
- (3) The performance goal must state, in terms of an objective formula or standard, the method for computing the Award payable to the Participant if the performance goal is attained.
- (4) The terms of the objective formula or standard must prevent any discretion being exercised by the Committee to later increase the amount payable that otherwise would be due upon attainment of the goal, but may allow discretion to decrease the amount payable.
- (5) The material terms of the performance goal must be disclosed to and subsequently approved in a separate vote by the stockholders before the payout is executed, unless they conform to one or any combination of the following goals/targets each determined in accordance with generally accepted accounting principles or similar objective standards (and/or each as may appear in the annual report to stockholders, Form10-K, or Form10-Q):
 - a) revenue;
 - b) earnings (including earnings before interest, taxes, depreciation, and amortization, earnings before interest and taxes, and earnings before or after taxes);
 - c) operating income;
 - d) net income;
 - e) operating or profit margins;
 - f) earnings per share;
 - g) return on assets;

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- h) return on equity;
 - i) return on invested capital;
 - j) economic value-added;
 - k) stock price;
 - l) gross dollar volume;
 - m) total shareholder return;
 - n) market share;
 - o) book value;
 - p) expense management;
 - q) cash flow; and

r) customer satisfaction.

The foregoing criteria may relate to the Company, one or more of its Affiliated Employers or subsidiaries or one or more of its divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine.

- (6) A combination of the above performance goals may be used with a particular Award Agreement.
- (7) The Committee in its sole discretion in setting the goals/targets in the time prescribed in paragraph (2) of this Section 15.6 may provide for the making of equitable adjustments (singularly or in combination) to the goals/targets in recognition of unusual or non-recurring events for the following qualifying objective items:
 - a) asset impairments under Statement of Financial Accounting Standards No. 144, as amended or superceded;
 - b) acquisition-related charges;
 - c) accruals for restructuring and/or reorganization program charges;
 - d) merger integration costs;
 - e) any profit or loss attributable to the business operations of any

entity or entities acquired during the period of service to which the performance goal relates;

- f) tax settlements;
- g) any extraordinary, unusual in nature, infrequent in occurrence, or other non-recurring items (not otherwise listed) as described in Accounting Principles Board Opinion No. 30, or its successor;
- h) any extraordinary, unusual in nature, infrequent in occurrence, or other non-recurring items (not otherwise listed) in management's discussion and analysis of financial condition results of operations, selected financial data, financial statements and/or in the footnotes each as appearing in the annual report to stockholders, Form 10-K, or Form 10-Q;
- i) unrealized gains or losses on investments;
- j) charges related to derivative transactions contemplated by Statement of Financial Accounting Standards No. 133, as amended or superseded;
- k) compensation charges related to FASB Accounting Standards Codification Topic 718 – Stock Compensation, or its successor.

(8) The Committee must certify in writing prior to payout that the performance goals and any other material terms were in fact satisfied. In the manner required by Section 162(m) of the Code, the Committee shall, promptly after the date on which the necessary financial and other information for a particular Performance Period becomes available, certify the extent to which performance goals have been achieved with respect to any Award intended to qualify as “performance-based compensation” under Section 162 (m) of the Code. In addition, the Committee may, in its discretion, reduce or eliminate the amount of any Award payable to any Participant, based on such factors as the Committee may deem relevant.

(9) Limitation on Awards.

- a) If an Option is canceled, the canceled Option continues to be counted against the maximum number of shares for which Options may be granted to the Participant under the Plan, but not towards the total number of shares reserved and available under the Plan pursuant to Section 4.1.
- b) In no event shall the number of Restricted Stock shares awarded to any one participant for any fiscal year exceed

500,000 shares.

- c) During any fiscal year, the maximum number of Common Shares for which Options, Stock Appreciation Rights, Restricted Stock Units, Performance Units, and Other Stock-Based Compensation in the aggregate, may be granted to any Covered Employee shall not exceed 650,000 shares.
 - d) For cash Performance Unit Awards that are intended to be “performance-based compensation” (as that term is used in Code Section 162(m)), the maximum payment for all awards payable for any three-year performance period, at a target level of performance shall be \$10,000,000. In the case of higher levels of performance, the maximum payment for all awards for a three-year Performance Period shall be twice that amount. In the case of a longer or shorter Performance Period, correlative adjustments shall be made to the maximum payment. If, after amounts have been earned with respect to Performance Unit Awards, the payment of such amounts is deferred, any additional amounts attributable to earnings during the deferral period shall be disregarded for purposes of this limit. The limitations on Awards under this Section are subject to adjustment as provided in Section 4.6 to the extent consistent with tax deductibility under Section 162(m) of the Code.
- (10) In the case of an outstanding Award intended to qualify for the performance-based compensation exception under Section 162(m) of the Code, the Committee shall not, without approval of a majority of the shareholders of the Company, amend the Plan or the Award in a manner that would adversely affect the Award’s continued qualification for the performance-based exception.

15.7 Additional Compensation Arrangements .

Nothing contained in the Plan shall prevent the Company or an Affiliated Employer from adopting other or additional compensation or benefit arrangements for its employees.

15.8 Withholding .

No later than the date as of which an amount first becomes includible in the gross income of the Participant or Beneficiary for income tax purposes with respect to any Award, or becomes subject to employment taxes, the Participant shall pay to the Company (or other entity identified by the Committee), or make arrangements satisfactory to the Company or other entity identified by the Committee regarding the payment of, any federal, state, or local taxes of any kind (including any employment taxes) required by law to be withheld with respect to such income. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliated Employers shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant. Subject to approval by the Committee, a Participant may elect to have such tax withholding obligation satisfied, in whole or in part, by (i) the delivery of cash or a certified check, (ii) authorizing the Company to withhold from Common Shares to be issued pursuant to any Award a number of shares with an aggregate value that would satisfy the required statutory minimum (but no more than such required minimum) with respect to the Company's withholding obligation, (iii) authorizing the Company to effect a net issuance of Common Shares to satisfy the required statutory minimum withholding (but no more than the minimum), (iv) transferring to the Company Common Shares owned by the Participant with an aggregate value that would satisfy the required statutory minimum (but no more than such required minimum) with respect to the Company's withholding obligation, or (v) in the case of Options, by means of delivery of cash by a broker-dealer as a "cashless exercise."

15.9 Controlling Law .

The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of New York (other than its law respecting choice of law).

15.10 Offset .

Any amounts owed to the Company or an Affiliated Employer by the Participant of whatever nature may be offset by the Company from the value of any Award to be transferred to the Participant, and no Common Shares, cash or other thing of value under this Plan or an Agreement shall be transferred unless and until all disputes between the Company and the Participant have been fully and finally resolved and the Participant has waived all claims to such against the Company or an Affiliate. To the extent that any offset under this section of the Plan causes the Participant to become subject to taxes under Section 409A of the Code, the responsibility for payment of such taxes lies solely with the Participant.

15.11 Nontransferability; Beneficiaries.

No Award or Common Shares subject to an Award shall be assignable or transferable other than (i) by will, by the laws of descent and distribution, or pursuant to a beneficiary designation, (ii) pursuant to a qualified domestic relations order, or (iii) as expressly permitted by the Committee, pursuant to a transfer to the Participant's family member. Awards shall be exercisable during the Participant's lifetime only by the Participant, by the Participant's legal representatives in the event of the Participant's incapacity, or by a permitted transferee of the Award. Each Participant may designate a Beneficiary to exercise any Option or Stock Appreciation Right or receive any Award held by the Participant at the time of the Participant's death or to be assigned any other Award outstanding at the time of the Participant's death. No Award or Common Shares subject to an Award shall be subject to the debts of a Participant or Beneficiary or subject to attachment or execution or process in any court action or proceeding unless otherwise provided in this Plan. If a deceased Participant has named no Beneficiary, any Award held by the Participant at the time of death shall be transferred as provided in his or her will or by the laws of descent and distribution.

15.12 No Rights with Respect to Continuance of Employment.

The Plan shall not constitute a contract of employment, and adoption of the Plan shall not confer upon any employee any right to continued employment, nor shall it interfere in any way with the right of the Company or an Affiliated Employer to terminate the employment of any employee at any time.

15.13 Awards in Substitution for Awards Granted by Other Corporations.

Awards may be granted under the Plan from time to time in substitution for awards held by employees, directors or service providers of other corporations who are about to become officers or employees of the Company or an Affiliated Employer as the result of a merger or consolidation of the employing corporation with the Company or an Affiliated Employer, or the acquisition by the Company or an Affiliated Employer of the assets of the employing corporation, or the acquisition by the Company or Affiliated Employer of the shares of the employing corporation, as the result of which it becomes an Affiliated Employer under the Plan. The Grant Date of such an Award shall be no earlier than the date the employee, director, or service provider becomes an employee, director, or service provider of the Company or an Affiliated Employer. The terms and conditions of the Awards so granted may vary from the terms and conditions set forth in this Plan at the time of such grant as the majority of the members of the Committee may deem appropriate to conform, in whole or in part, to the provisions of the awards in substitution for which they are granted. Any substitutions or exchanges shall be accomplished in a manner that complies with the limitations on exchanges of such Awards imposed under Section 409A of the Code.

15.14 Delivery of Stock Certificate .

To the extent the Company uses certificates to represent Common Shares, certificates to be delivered to Participants under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the Participant, at the Participant's last known address on file with the Company. Any reference in this Section or elsewhere in the Plan or an Agreement to actual stock certificates and/or the delivery of actual stock certificates shall be deemed satisfied by the electronic record-keeping and electronic delivery of Common Shares or other mechanism then utilized by the Company and its agents for reflecting ownership of such shares.

15.15 Indemnification .

To the maximum extent permitted under the Company's Articles of Incorporation and by-laws, each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from (a) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under this Plan or any Award Agreement, and (b) from any and all amounts paid by him or her in settlement thereof, with the Company's prior written approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit or proceeding against him or her; provided, however, that he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or by-laws, by contract, as a matter of law or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

15.16 No Guarantee of Tax Consequences .

No person connected with the Plan in any capacity makes any representation, commitment or guarantee that any tax treatment, including without limitation federal, state and local income, excise, estate, and gift tax treatment, will be applicable with respect to any Awards or payments thereunder made to or for the benefit of a Participant under the Plan or that such tax treatment will apply to or be available to a Participant on account of participation in the Plan.

15.17 Foreign Employees and Foreign Law Consideration .

The Committee may grant Awards to Participants who are foreign nationals, who are located outside the United States or who are not compensated from a payroll managed in the United States, or who are otherwise subject to (or could cause the Company to be subject to) legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the

Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan, and in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, or subplans as may be necessary or advisable to comply with such legal or regulatory provisions.

15.18 Section 409A Savings Clause .

(1) It is the intention of the Company that no Award shall be “deferred compensation” subject to Section 409A of the Code, unless and to the extent that the Committee specifically determines otherwise as provided below, and the Plan and the terms and conditions of all Awards shall be interpreted accordingly.

(2) The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for elective or mandatory deferral of the delivery of cash or Common Shares pursuant thereto and any rules regarding treatment of such Awards in the event of a Change in Control, shall be set forth in the applicable Award Agreement, and shall comply in all respects with Section 409A of the Code, including the six-month delay required by Section 409A(a)(2)(B) in the case of specified employees.

(3) Following a Change in Control, no action shall be taken under the Plan that will cause any Award that the Committee has previously determined is subject to Section 409A of the Code to fail to comply in any respect with Section 409A of the Code without the written consent of the Participant.

15.19 No Fractional Shares .

No fractional shares shall be issued or delivered under the Plan or any Award granted hereunder, provided that the Committee in its sole discretion may round fractional shares down to the nearest whole share or settle fractional shares in cash.

15.20 Severability .

If any provision of this Plan shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not effect any other provision hereby, and this Plan shall be construed as if such invalid or unenforceable provision were omitted.

15.21 Successors and Assigns .

This Plan shall inure to the benefit of and be binding upon each successor and assign of the Company. All obligations imposed upon a Participant, and all rights granted to the Company hereunder, shall be binding upon the Participant’s heirs, legal representatives and successors.

15.22 Entire Agreement .

This Plan and the Agreement constitute the entire agreement with respect to the subject matter hereof and thereof, provided that in the event of any inconsistency between the Plan and the Agreement, the terms and conditions of this Plan shall control.

15.23 Term .

No Award shall be granted under the Plan after June 5, 2022.

15.24 Gender and Number .

Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

15.25 Headings .

The headings of the Articles and their subparts contained in this Plan are for the convenience of reading and reference purposes only and shall not affect the meaning, interpretation or be meant to be of substantive significance of this Plan.

MASTERCARD INCORPORATED

2006 NON-EMPLOYEE DIRECTOR EQUITY COMPENSATION PLAN

Amended and Restated Effective as of June 5, 2012

ARTICLE I

ESTABLISHMENT AND PURPOSE

1.1 Establishment.

The MasterCard Incorporated 2006 Non-Employee Director Equity Compensation Plan (“Plan”) is hereby established by MasterCard Incorporated (the “Company”), effective on adoption by the Company’s Board of Directors, subject to approval by the shareholders of the Company.

1.2 Purposes.

The purpose of the Plan is to enable the Company to attract and retain outstanding individuals to serve as non-employee directors of the Company and to further align the interests of non-employee directors with the interests of the Company’s shareholders.

ARTICLE II

DEFINITIONS

“Alternative Award” means an Award other than a Deferred Stock Unit Award.

“Award” means a Deferred Stock Unit Award or an Alternative Award pursuant to Article VI.

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

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and any successor, along with related rules, regulations and interpretations.

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

“Common Stock” means shares of the Company’s Class A or Class B Common Stock, \$0.0001 par value (as such par value may be amended from time to time), whether presently or hereafter issued, and any other stock or security resulting from adjustment thereof as described hereinafter, or the Common Stock of any successor to the Company which is designated for the purpose of the Plan.

“Company” means MasterCard Incorporated.

“Director” means a member of the Board of Directors of the Company.

“Participant” means a Director who has an outstanding Award under the Plan.

“Plan” means the MasterCard Incorporated 2006 Non-Employee Director Equity Compensation Plan.

“Termination from Service” means a separation from service in connection with this Plan pursuant to the definition of separation from service in Code section 409A(a)(2)(A)(i).

ARTICLE III

ADMINISTRATION

The Plan shall be administered by the Committee. A majority of the Committee shall constitute a quorum at any meeting. The Plan shall be construed, interpreted, and administered by the Committee, which shall have the authority to determine the nature, amount and other terms of Awards, subject to (i) ratification of the material terms of the Awards by the Board of Directors, and (ii) the other constraints set forth in this Plan. The Committee’s action, constructions, and interpretations thereunder, as ratified by the Board, where required, shall be binding and conclusive on all persons for all purposes. The Committee may delegate its responsibilities and duties under the Plan. Neither the members of the Committee nor any delegee shall be liable to any person for any action taken or any omission in connection with the interpretation and administration of this Plan except for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law.

ARTICLE IV

SHARES SUBJECT TO THE PLAN

4.1 Number of Shares .

The total number of newly issued shares of Common Stock reserved and available for distribution pursuant to Awards under the Plan shall be 100,000 shares of Class A Common Stock, subject to adjustment as provided in Section 4.2. Such shares may consist, in whole or part, of authorized and unissued shares or treasury shares. Shares subject to an Award that is forfeited, terminates, expires, or lapses without the issuance of shares, including by cash settlement, and shares that are received, retained, or not issued in connection with the settlement or exercise of an Award, including by reason of the satisfaction of any tax liability or tax withholding obligation, shall be available for distribution pursuant to further Awards.

4.2 Adjustment .

In the event of any Company share dividend, share split, combination or exchange of shares, recapitalization or other change in the capital structure of the Company, corporate separation or division of the Company (including, but not limited to, a split-up, spin-off, split-off or distribution to Company stockholders other than a normal cash

dividend), reorganization, rights offering, a partial or complete liquidation, or any other corporate transaction, Company securities offering or event involving the Company and having an effect similar to any of the foregoing, then the Committee shall make appropriate adjustments or substitutions as described below in this Section 4.2. The adjustments or substitutions may relate to the number of shares of Common Stock available for Awards under the Plan, the number of shares of Common Stock covered by outstanding Awards, and any other characteristics or terms of the Awards as the Committee may deem necessary or appropriate to reflect equitably the effects of such changes to the Participants. Notwithstanding the foregoing, any fractional shares resulting from such adjustment shall be eliminated by rounding to the next lower whole number of shares with appropriate payment for such fractional share.

Any adjustments or substitutions made pursuant to this Section 4.2 shall be made in compliance with the requirements of Section 409A, where applicable.

ARTICLE V

ELIGIBILITY

Each Director who is not a current employee of the Company or any of its subsidiaries shall be eligible to receive an Award in accordance with Article VI.

ARTICLE VI

AWARDS

6.1 Standard Deferred Stock Unit Award.

Unless the Committee chooses to grant an Alternative Award under Section 6.3, the Committee shall, on the date of the Company's Annual Meeting of Shareholders in each year for so long as the Plan remains in effect, award to each non-employee Director who is elected as a director at such meeting, or whose term of office shall continue after the date of such meeting, such number of Deferred Stock Units as it shall determine in its discretion; provided, however, that each non-employee Director other than the Chairman shall receive the same number of Deferred Stock Units at the Annual Meeting of Shareholders. The Committee may award to any non-employee Director who joins the Board at a time other than the Annual Meeting of shareholders a number of Deferred Stock Units to correspond to the portion of the period from Annual Meeting to Annual Meeting that the non-employee Director serves on the Board.

6.2 Terms and Settlement of Standard Deferred Stock Unit Award.

Unless otherwise determined by the Committee in the Award document, and absent an election by the Director under this Section 6.2, a Deferred Stock Unit Award shall be settled in Common Stock upon the fourth anniversary of the date of grant of the Deferred Stock Unit Award; provided, however, that, if a Director has a Termination from

Service before the fourth anniversary of the date of grant, the Deferred Stock Unit Award shall be settled within 60 days of the Director's Termination from Service.

A Director may elect, at a time and in a form prescribed by the Company, to defer settlement of the Deferred Stock Unit Award until a specified anniversary of the date of grant later than the fourth anniversary or until the Director's Termination from Service after the fourth anniversary of the date of grant. Notwithstanding any such election, in the event of the Director's Termination from Service, the Deferred Stock Unit Award shall be settled within 60 days of the Director's Termination from Service. In order to be effective, any such election to defer settlement until after Termination from Service must be made no later than December 31 of the year prior to the Annual Meeting of Shareholders on which the Award is made. Once the December 31 deadline for electing has passed, an election as to time of payment is irrevocable.

In the event a Director is a specified employee for purposes of Code section 409A(a)(2)(B)(i) at the time of his or her Termination from Service, any payment required to be made on Termination from Service shall be made on the first day of the seventh month following Termination from Service.

6.3 Alternative Award.

In lieu of all or part of the standard Deferred Stock Unit Award set forth in Sections 6.1 and 6.2, the Committee is authorized to grant an alternative form of Award, as long as such form of Award is provided for in the Company's 2006 Long Term Incentive Plan, or a successor plan that has been approved by the shareholders of the Company. The Committee is authorized to mandate the form of Award for a grant, or to make the choice as to form of Award in whole or part elective on the part of the Director, and is authorized to limit such elections in any manner it chooses. Any such elections shall be made in a manner compliant with Code section 409A(a)(4), where applicable.

6.4 Dividend Equivalents.

The Committee shall have the authority to specify in the Deferred Stock Unit Award or Alternative Award document whether or not the Directors shall be entitled to receive current or deferred payments corresponding to the dividends payable on the Common Stock underlying the Award.

6.5 Beneficiary.

The Participant's Beneficiary to receive any Award held by the Participant at the time of the Participant's death or to be assigned any Award outstanding at the time of the Participant's death shall be the person designated to receive benefits on account of the Participant's death on a form provided by the Committee. If a no Beneficiary has been named, any Award held by the Participant at the time of death shall be transferred as provided in his or her will or by the laws of descent and distribution.

ARTICLE VII

MISCELLANEOUS

7.1 Unfunded Status of Plan.

It is intended that the Plan be an “unfunded” plan. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock; provided that the existence of such trusts or other arrangements shall not cause the Plan to be funded.

7.2 Income Reporting and Tax Withholding.

Awards hereunder shall be subject to all applicable information reporting and tax withholding required by law.

7.3 Nontransferability.

No Award or Common Stock subject to an Award shall be assignable or transferable other than (i) by will, by the laws of descent and distribution, or pursuant to a beneficiary designation, (ii) pursuant to a qualified domestic relations order, or (iii) as expressly permitted by the Committee, pursuant to a transfer to the Participant’s family member.

7.4 Controlling Law.

The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of New York (without regard to its choice of law provisions).

7.5 Severability.

If any provision of this Plan shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not effect any other provision hereby, and this Plan shall be construed as if such invalid or unenforceable provision were omitted.

7.6 Successors and Assigns.

This Plan shall inure to the benefit of and be binding upon each successor and assign of the Company. All obligations imposed upon a Participant, and all rights granted to the Company hereunder, shall be binding upon the Participant’s heirs, legal representatives and successors.

7.7 Section 409A Savings Clause.

It is the intention of the Company that Awards under this Plan that are “deferred

compensation” subject to Section 409A of the Code shall comply with Section 409A of the Code, and the Plan and the terms and conditions of all Awards shall be interpreted accordingly.

7.8 Term.

No Award shall be granted under the Plan after June 5, 2022.

7.9 Gender and Number.

Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

7.10 Headings.

The headings of the Articles and their subparts contained in this Plan are for the convenience of reading and reference purposes only and shall not affect the meaning, interpretation or be meant to be of substantive significance of this Plan.

ARTICLE VIII

AMENDMENT OF THE PLAN

The Board of Directors may amend, alter, or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made which would impair an outstanding Award under the Plan. Notwithstanding the foregoing, shareholder approval of an amendment to the Plan shall be required to the extent required by law or by applicable listing or exchange requirements. Nothing in this Article VIII shall permit the Board to distribute Awards on discontinuance of the Plan if such a distribution would result in taxation under Code section 409A.

ARTICLE IX

SHAREHOLDER APPROVAL

The Plan is conditional upon shareholder approval of the Plan and the Plan shall be null and void if the Plan is not so approved by the Company’s shareholders.

MASTERCARD INCORPORATED
SCHEDULE OF NON-EMPLOYEE DIRECTORS' ANNUAL COMPENSATION
Effective as of June 5, 2012

ANNUAL RETAINER	AMOUNT	
Service as a Director	\$	90,000
Service as Chairman of the Board	\$	125,000
COMMITTEE SERVICE RETAINER	AMOUNT	
Audit Committee Member	\$	15,000
Human Resources and Compensation Committee Member	\$	10,000
Nominating and Corporate Governance Committee Member	\$	10,000
Audit Committee Chairperson	\$	25,000
Human Resources and Compensation Committee Chairperson	\$	20,000
Nominating and Corporate Governance Committee Chairperson	\$	20,000
EQUITY AWARDS(1)	AMOUNT	
Director	\$	130,000
Chairman of the Board	\$	180,000

- (1) Represents a grant of deferred stock units, restricted stock or other alternative awards under the MasterCard Incorporated 2006 Non-Employee Director Equity Compensation Plan (the "Plan"), as amended and restated as of June 5, 2012. The Plan was initially adopted by stockholders of MasterCard Incorporated (the "Company") at its annual meeting of stockholders on July 18, 2006. Stockholders approved the amended and restated Plan at the Company's annual meeting of stockholders on June 5, 2012. Pursuant to the terms of the Plan, as amended and restated, on the date of an annual meeting of stockholders in each year for so long as the Plan remains in effect, each non-employee director (with the exception of the Chairman of the Board) who is elected at such annual meeting or whose term of office will continue after the date of such annual meeting, will automatically be awarded an equivalent number of either deferred stock units, restricted stock or another alternative award.

FORM OF RESTRICTED STOCK AGREEMENT

THIS AGREEMENT, dated as of [], (“Grant Date”) is between MasterCard Incorporated, a Delaware Corporation (the “Company”), and you (the “Director”). Capitalized terms that are used but not defined in this Agreement have the meanings given to them in the 2006 Non-Employee Director Equity Compensation Plan (“Plan”) and, where applicable, in the 2006 Long Term Incentive Plan (the “Omnibus Plan”), both as amended and restated as of June 5, 2012.

WHEREAS, the Company has established the Plan, the terms of which Plan, and, to the extent applicable, the Omnibus Plan (but not the standard terms and conditions of Section 8.4 thereof) are made a part hereof;

WHEREAS, the Human Resources Compensation and Committee of the Board of Directors of the Company (the “Committee”) has approved, and the Board of Directors of the Company has ratified, this grant under the terms of the Plan;

NOW, THEREFORE, the parties hereby agree as follows:

1. Award.

Subject to the terms and conditions of this Agreement and of the Plan, the Company hereby grants to the Director [] number of shares of the Company’s \$.0.0001 par value Class A Common Stock (the “Common Shares”), which Common Shares will be subject to the terms and conditions set forth below (the “Restricted Stock”). Common Shares will be issued in the name of the Director, deposited in an account for the benefit of the Director, and subjected to appropriate transfer restrictions implemented to reflect the terms, conditions and restrictions applicable to the Restricted Stock as described herein.

2. Vesting.

The interest of the Director in the Restricted Stock is fully vested on grant, but is subject to transfer restrictions pursuant to Section 3 below.

3. Transfer Restrictions.

The Restricted Stock granted hereunder may not be sold, assigned, margined, transferred, encumbered, conveyed, gifted, hypothecated, pledged, or otherwise disposed of and may not be subject to lien, garnishment, attachment or other legal process before the fourth anniversary of the Grant Date. In the event the Director has a Termination from Service before the fourth anniversary of the Grant Date, the transfer restrictions shall lapse and be removed from the Common Shares within 60 days of the Director’s Termination from Service.

4. Section 83(b) Election.

The Director's rights under this Agreement are conditioned on the Director making a protective election under Section 83(b) of the Internal Revenue Code to include the value of the Common Shares in income at the Grant Date. The Director agrees to make such election using the form provided by the Company and to submit the election to the Internal Revenue Service ("IRS") within 30 calendar days of the Grant Date. The Director also agrees to provide the Company with an executed copy of the Section 83(b) election within 10 days of filing the election with the IRS.

5. Stockholder Rights.

Except as otherwise provided in this Agreement, the Director will have, with respect to the Restricted Stock, all of the rights of a shareholder of the Company holding the class of Common Shares that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any cash dividends.

6. Changes in Stock.

In the event of any change in the number and kind of outstanding stock by reason of any recapitalization, reorganization, merger, consolidation, stock split or any similar change affecting the Common Shares (other than a dividend payable in Common Shares) the Company shall make an appropriate adjustment in the number and terms of the Restricted Stock as provided in the Plan.

7. Compliance with Law.

No Common Shares will be delivered to the Director under this Agreement unless counsel for the Company is satisfied that such delivery will be in compliance with all applicable laws.

8. Taxes.

The Director shall be liable for any and all U.S. and foreign income and social taxes, including any required withholding taxes, arising out of this Award. The Company is authorized to deduct from the total number of Common Shares the Director is to receive the total value equal to the amount necessary to satisfy any such withholding obligation at the minimum applicable withholding rate, or to obtain withholdings in any other method permitted by the Plan or the Omnibus Plan. In accordance with U.S. federal income tax withholding requirements, the Company shall withhold on amounts payable to Directors who are considered U.S. nonresident aliens under Code Section 7701(b).

9. Discretionary Nature of Restricted Stock Award.

Director acknowledges and agrees that the grant of Restricted Stock is a discretionary Alternative Award under Section 6.3 of the Plan. The grant of Restricted

Stock under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of Restricted Stock or other Alternative Award under the Plan in the future.

10. Data Authorization.

Director acknowledges and consents to the collection, use, processing and transfer of personal data as described in this paragraph. The Company and its affiliates hold certain personal information about Director, including Director's name, home address and telephone number, date of birth, social insurance number, remuneration, nationality, any shares of stock or directorships held in the Company, details of all Restricted Stock or any other entitlement to shares of stock awarded, canceled, purchased, vested, unvested or outstanding in Director's favor, for the purpose of managing and administering the Plan ("Data"). The Company and/or its affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of Director's participation in the Plan, and the Company and/or its affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere, such as the United States. Director authorizes such third party recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Director's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of stock on Director's behalf to a broker or other third party with whom Director may elect to deposit any shares of stock acquired pursuant to the Plan. This authorization is provided by Director solely in connection with and for the purposes of implementation, administration and management of the Plan. Director may, at any time, review Data, require any necessary amendments to it, inquire about the safety measures taken to protect the Data, or withdraw the consents herein in writing by contacting the Company; however, withdrawing consent may affect Director's ability to participate in the Plan.

11. Miscellaneous.

(a) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Agreement.

(b) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon delivery to the Director at the address then on file with the Company or upon delivery to the Company at 2000 Purchase Street, Purchase, New York 10577, Attn: Group Head, Global Rewards.

(c) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof.

By /s/_____

Amended and Restated MasterCard International Incorporated Executive Severance Plan

The Amended and Restated MasterCard International Incorporated Executive Severance Plan (the “Plan”) sets forth the guidelines for MasterCard International Incorporated (“MasterCard” or the “Company”) with respect to severance payments and/or benefits to certain of its employees who meet the eligibility requirements set forth in the Plan. At all times, payments under the Plan shall be made solely from the general assets of the Company.

Effective Date

The Plan was effective as of August 1, 2009, and is amended and restated as of June 5, 2012.

Eligibility

Members of the Executive Committee of MasterCard or a successor group, who are not subject to an employment agreement (or other similar agreement) which addresses their eligibility for severance and who are designated in writing by the Chief Executive Officer (“CEO”) of MasterCard shall be eligible to participate in the Plan (“Eligible Members”). Eligible Members shall not be eligible to participate in, and receive any severance benefits under, the Amended and Restated MasterCard International Incorporated Severance Plan.

Qualification

An Eligible Member will be entitled to receive “Severance Payments” (as defined below) if:

- a. the Eligible Member is terminated by the Company without “Cause” (as such term is defined in the “Definitions” section); or
- b. the Eligible Member terminates his or her employment with the Company for “Good Reason” (as such term is defined in the “Definitions” section);
 - the Eligible Member’s employment may be terminated at the option of the Eligible Member, effective ninety (90) days after the giving of written notice to the Company by such Eligible Member of the grounds for termination for Good Reason, which grounds, as specified by the Eligible Member, have not been cured by the Company during such ninety (90) day period; provided, however, that such Eligible Member gave notice to the Company of the event(s) constituting Good Reason within sixty (60) days after such event(s).
 - the Company may waive all or part of the ninety (90) day notice required to be given by the Eligible Member hereunder by giving written notice to such Eligible Member.

Disqualifying Events

Notwithstanding the foregoing, an Eligible Member shall not be entitled to receive Severance Payments if any of the following disqualifying events occur; provided, however, that such Eligible Member shall

nevertheless be eligible to receive certain accrued payments (as described below).

- a. the Eligible Member's employment is terminated due to death or, at the option of the Company, upon the "Disability" (as such term is defined in the "Definitions" section) of the Eligible Member;
- b. the Eligible Member elects to voluntarily terminate his or her employment with the Company or a successor for any reason other than for Good Reason ("Voluntary Resignation") or Mandatory Retirement;
- c. the Eligible Member's employment with the Company is terminated for Cause;
 - the Eligible Member's employment may be terminated for Cause by the Company, effective upon the giving of written notice by the Company to the Eligible Member of such termination for Cause, or effective upon such other date as specified therein ("Notice of Termination for Cause"). The Company's Notice of Termination For Cause shall state the date of termination and the basis for the Company's determination that the Eligible Member's actions establish Cause hereunder.
 - if within sixty (60) days subsequent to the termination of the Eligible Member's employment for death, Disability, Good Reason or Voluntary Resignation or otherwise, the Company determines that the Eligible Member could have been terminated for Cause, such voluntary termination shall be recharacterized as a termination for Cause, upon the giving of written notice to the Eligible Member and the Eligible Member is provided at least five (5) days to provide a written response to the Company. Thereafter, the Company may take appropriate legal action to seek recompense for any Severance Payments improperly paid to the Eligible Member, his estate or beneficiaries hereunder. Following a judicial determination, the prevailing party in any action under this paragraph, shall be entitled to be reimbursed by the non-prevailing party for reasonable legal fees and expenses incurred by the prevailing party in connection with the judicial proceeding seeking to enforce the provisions of this paragraph.
 - notwithstanding anything to the contrary herein, if the Company has reason to believe that there are circumstances which, if substantiated, would constitute Cause as defined herein, the Company may suspend the Eligible Member from employment immediately upon notice for such period of time as shall be reasonably necessary for the Company to ascertain whether such circumstances are substantiated. During such suspension, the Eligible Member shall continue to be paid the compensation and provided all benefits in accordance with the regular payroll and benefit practices of the Company; provided, however, that if the Eligible Member has been indicted or otherwise formally charged by governmental authorities with any felony, the Company may, in its sole discretion, and without limiting the Company's discretion to terminate the Eligible Member's employment for Cause (provided it has grounds to do so under the terms of this "Disqualifying Events" section, paragraph (c), suspend the Eligible Member without continuation of any compensation or benefits (except health benefits, which shall be continued during the period of suspension), pending final disposition of such criminal charge(s). Upon receiving notice of any such suspension, the Eligible Member shall promptly leave the premises of the Company and remain off such premises until further notice from the Company. In the event the Eligible Member is suspended as a result of such charges, but is later acquitted or otherwise exonerated from

such charges, the Company shall pay to the Eligible Member such compensation, with interest, calculated from the date such compensation was suspended at the prime lending rate in effect on the date the Company receives notice from the Eligible Member of such acquittal or exoneration, and provide benefits withheld from the Eligible Member during the period of the Eligible Member's suspension, if any, all of which shall be paid and provided within thirty (30) days of the date of the Eligible Member's acquittal or exoneration from criminal charges that resulted in his suspension shall be limited with respect to the period of up to two (2) years from the date of suspension;

- d. the failure by the Eligible Member to give a timely notice of termination for Good Reason (as described above); or
- e. the Eligible Member becomes employed by a Company Entity.

Amount and Duration of Severance

a. Accrued Payments

An Eligible Member shall be entitled to the following accrued payments following the Date of Termination (as such term is defined in the "Definitions" section) regardless of whether the Eligible Member has been rendered ineligible for receipt of the Severance Payments due to a disqualifying event (as described above):

Death, Disability or Mandatory Retirement

If the Eligible Member's employment is terminated on account of his or her death, due to Disability, or upon Mandatory Retirement, the Eligible Member or his or her estate and/or beneficiaries, as applicable, shall be entitled to receive the following lump sum payment (subject to any previously elected deferrals under the MasterCard Incorporated Deferral Plan), within thirty (30) days following the Date of Termination:

- "Base Salary" (as such term is defined in the "Definitions" section) earned but not paid prior to the Date of Termination;
- payment for all accrued but unused vacation time up to the Date of Termination;
- (x) in the event of the Eligible Member's death, the target annual incentive bonus payable for the year in which the Eligible Member's death occurs, (y) in the event of termination due to Disability, a pro rata portion (based upon completed calendar months worked prior to the date of Disability) of the target annual incentive bonus payable for the year in which the Eligible Member's Date of Termination occurs, or (z) in the event of Mandatory Retirement, a pro rata portion (based upon actually completed calendar months worked) of the annual incentive bonus payable for the year in which the Eligible Member's termination of employment occurs based upon the actual performance of the Company for the applicable performance period (and taking into account the terms of the annual incentive plan, including but not limited to the discretion of the Compensation Committee to reduce such bonus amount) as contemplated in accordance with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), with such amount payable when the annual incentive bonus is regularly paid to similarly employees for such year;

- to the extent not already paid, the annual incentive bonus for the year immediately preceding the year in which the Eligible Member's Date of Termination, with such amount payable when the annual incentive bonus is regularly paid to similarly employees for such year; and
- such additional benefits, if any, to which the Eligible Member is expressly eligible following the termination of the Eligible Member's employment on account of death, Disability or Mandatory Retirement, as applicable, payable or made available under such terms and conditions as may be provided by the then existing plans, programs and/or arrangements of the Company.

Cause or Voluntary Resignation

If the Company terminates the Eligible Member's employment for Cause or the Eligible Member terminates his or her employment by Voluntary Resignation, the Eligible Member shall be entitled to receive the following lump sum payment, as soon as practicable, but in no event later than thirty (30) days following the Date of Termination:

- Base Salary earned but not paid prior to the Date of Termination;
- payment for all accrued but unused vacation time up to the Date of Termination; and
- additional benefits, if any, to which the Eligible Member is expressly eligible following his termination for Cause or by Voluntary Resignation, as applicable, payable or made available under such terms and conditions as may be provided by the then existing plans, programs and/or arrangements of the Company.

Without Cause or For Good Reason

If the Company terminates the Eligible Member's employment without Cause or the Eligible Member terminates his or her employment for Good Reason, the Eligible Member shall be entitled to the following payments following the Date of Termination:

- a lump sum payment (subject to any previously elected deferrals under the MasterCard Incorporated Deferral Plan), within thirty (30) days following the Date of Termination of all Base Salary earned but not paid prior to the Date of Termination;
- a lump sum payment within thirty (30) days following the Date of Termination equal to all accrued but unused vacation time up to the Date of Termination;
- a pro rata portion (based upon actually completed calendar months worked) of the annual incentive bonus payable for the year in which the Eligible Member's Date of Termination occurs based on the actual performance of the Company for the applicable performance period as determined by the Compensation Committee and payable in accordance with the regular bonus pay practices of the Company, as contemplated in accordance with the requirements of Section 162 (m) of the Code; and
- to the extent not already paid, the annual incentive bonus for the year immediately preceding the year in which the Eligible Member's Date of Termination occurs, payable in the amount and at the time such bonus would have been paid had the Eligible Member remained employed.

b. Severance Payments

If the Eligible Member is entitled to receive severance payments and/or benefits as provided under the “Qualification” section, and has not been rendered ineligible for receipt of such severance payments and/or benefits due to a disqualifying event (as described above), the Eligible Member shall be entitled to the following payments (the “Severance Payments”):

1. Severance Pay

The Eligible Member shall be entitled to receive (i) Base Salary continuation for an eighteen (18) month period following the Eligible Member’s Date of Termination (the “Severance Pay Period”), and (ii) payment (subject to any previously elected deferrals under the MasterCard Incorporated Deferral Plan), of an amount equal to 1.5 times the annual incentive bonus paid to such Eligible Member for the year prior to the year in which the Eligible Member’s Date of Termination occurs (the “Bonus Payment”) payable ratably over the Severance Pay Period in accordance with the annual incentive bonus pay practices of the Company; (such Base Salary continuation and Bonus Payment being collectively referred to herein as “Severance Pay”)

2. Medical Benefits Continuation

The Eligible Member shall be entitled to payment by the Company on the Eligible Member’s behalf, for the monthly cost of the premiums for coverage under the Consolidated Omnibus Reconciliation Act of 1985, as amended (“COBRA”), for a period equivalent to the eighteen (18) month COBRA period (twenty-nine (29) month period, if the Eligible Member is disabled under the Social Security Act within the first sixty (60) days of the continuation period) or the Severance Pay Period, whichever is shorter (the “Medical Benefits”), provided, however, such coverage shall not be provided if during such period the Eligible Member is or becomes ineligible under the provisions of COBRA for continuing coverage; and provided, further, that if the Eligible Member is eligible for Retiree Health Coverage under the MasterCard Retiree Health Plan, the Company shall pay the full cost of such Retiree Health or COBRA coverage, as applicable, during the Severance Pay Period and thereafter, retiree contribution levels provided under the provisions of the Retiree Health Plan shall apply.

3. Outplacement Services

The Eligible Member shall be entitled to reasonable outplacement services, to be provided by a firm selected by the Company, at a level generally made available to executives of the Company for the shorter of the Severance Pay Period or the period he or she remains unemployed.

4. Additional Payments

The Company reserves the right, in its sole discretion, to increase severance payments for up to an additional six months for Eligible Members. Additional payments may be conditioned upon any additional criteria as the Company may determine in its sole discretion.

The Eligible Member shall be entitled to such other benefits, if any, to which such Eligible Member is expressly eligible following the termination of the Eligible Member’s employment by the Company without Cause, by the Eligible Member with Good Reason, payable or made available under such terms and conditions as may be provided by the then existing plans, programs and/or arrangements of the Company (other than any severance payments payable under the terms of any benefit plan, including, but

not limited to, the Amended and Restated MasterCard International Incorporated Severance Plan).

5. Separation Agreement and Release

The Company's obligations to make payments and provide benefits under this "Severance Payments" section, paragraphs (1)-(3), are conditioned upon the Eligible Member's execution (without revocation) of the Company's separation agreement and release of all claims related to the Eligible Member's employment or the termination thereof in a form satisfactory to MasterCard (the "Separation Agreement and Release"), which Separation Agreement and Release shall include a non-competition restriction and a non-solicitation restriction for a period no less than the Severance Pay Period (taking into account any additional payment periods pursuant to Section 4 above), as more fully described in such Separation Agreement and Release, provided that if the Eligible Member should fail to execute such Separation Agreement and Release within sixty (60) days following the Date of Termination, the Company shall not have any obligation to make the payments and provide the benefits contemplated under this "Severance Payments" section, paragraphs (1)-(3).

Rehired Eligible Members

If, following an Eligible Member's Date of Termination, an Eligible Member is rehired by the Company or any Company Entity or is retained by the Company or any Company Entity as a consultant, his or her Severance Pay, Medical Benefits, outplacement services, and any additional payments under this Plan will cease and be forfeited as of the date of reemployment or the effective date of the consultancy, and no further severance payments and/or benefits will be paid or provided by the Company to such Eligible Member.

Income Taxes

Accrued payments and Severance Payments are subject to all applicable foreign, federal, state, and local tax withholding and generally are taxable income to the Eligible Member.

Section 409A of the Code

Notwithstanding any other provision of the Plan, if any payment, compensation or other benefit provided to the Eligible Member in connection with his or her employment termination is determined, in whole or in part, to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the Eligible Member is a specified employee as defined in Section 409A(a)(2)(b)(i) of the Code, no part of such payments shall be paid before the day that is six (6) months plus one (1) day after the Date of Termination (such date, the "New Payment Date"). The aggregate of any payments that otherwise would have been paid to the Eligible Member during the period between the Date of Termination and the New Payment Date shall be paid to the Eligible Member in a lump sum on such New Payment Date. Thereafter, any payments that remain outstanding as of the day immediately following the New Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of the Plan. If the Eligible Member dies during the period between the Date of Termination and the New Payment Date, the amounts withheld on account of Section 409A of the Code shall be paid to the Eligible Member's beneficiary within thirty (30) days of the Eligible Member's death.

Notwithstanding the preceding paragraph, up to two (2) times the lesser of: (i) the Eligible Employee's Base Salary for the year preceding the year in which the Date of Termination occurs; and (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Date of Termination occurs, shall be paid in accordance with the

schedule set forth in the “Severance Payments” section, paragraph (1), without regard to such six (6) month delay.

The Plan is intended to comply with the requirements of Section 409A of the Code, and, specifically, with the separation pay exemption and short term deferral exemption of Section 409A of the Code, and shall in all respects be administered in accordance with Section 409A of the Code. Notwithstanding anything in the Plan to the contrary, distributions may only be made under the Plan upon an event and in a manner permitted by Section 409A of the Code or an applicable exemption. All payments to be made upon a termination of employment under the Plan may only be made upon a “separation from service” under Section 409A of the Code. For purposes of Section 409A of the Code, the right to a series of installment payments under the Plan shall be treated as a right to a series of separate payments. In no event may the Eligible Member, directly or indirectly, designate the calendar year of a payment. All reimbursements and in-kind benefits provided under the Plan shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement shall be for expenses incurred during the Eligible Member’s lifetime (or during a shorter period of time specified in the Plan), (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

Administration of Plan

The “Plan Administrator” (as such term is defined in the “Definitions” section) shall have the exclusive right, power, and authority, in its sole and absolute discretion, to administer, apply, and interpret the Plan and to decide all matters arising in connection with the operation or administration of the Plan to the extent not retained by MasterCard as set forth herein. Without limiting the generality of the foregoing, the Plan Administrator shall have the sole and absolute discretionary authority to:

- take all actions and make all decisions with respect to the eligibility for, and the amount of, severance and benefits payable under the Plan;
- formulate, interpret and apply rules, regulations, and policies necessary to administer the Plan in accordance with its terms;
- decide questions, including legal or factual questions, with regard to any matter related to the Plan;
- construe and interpret the terms and provisions of the Plan and all documents which relate to the Plan and decide any and all matters arising thereunder including the right to remedy possible ambiguities, inconsistencies or omissions;
- investigate and make such factual or other determinations as shall be necessary or advisable for the resolution of appeals of adverse determinations under the Plan; and
- process, and approve or deny, claims for severance and benefits under the Plan.

All determinations made by the Plan Administrator as to any question involving their respective responsibilities, powers and duties under the Plan shall be final and binding on all parties, to the

maximum extent permitted by law. All determinations by MasterCard referred to in the Plan shall be made by MasterCard in its capacity as an employer and settlor of the Plan.

Modification or Termination of Plan

MasterCard reserves the right in its sole and absolute discretion, to amend, modify, or terminate the Plan, in whole or in part, including any or all of the provisions of the Plan, for any reason, at any time, by action of the Plan Administrator. Any amendments to the Plan must be approved in writing by the Human Resource Compensation Committee of MasterCard.

Claims and Appeal Procedures

The Plan Administrator shall make a determination in connection with the termination of employment of any Eligible Member as to whether a benefit under the Plan is payable to such Eligible Member, taking into consideration any determination made by the Company as to the circumstances regarding the termination, the Company's decision as to whether or not to pay a benefit under the "Qualification" section, the "Disqualifying Events" section, or the potential applicability of a disqualifying event, and as to the amount of payment. The Plan Administrator shall advise any Eligible Member it determines is entitled to severance and benefits under the Plan and the amount of such severance and benefits. The Plan Administrator may delegate any or all of its responsibilities under this section.

Claim Procedures

Each Eligible Member or his or her authorized representative (each, the "Claimant") claiming severance and benefits under the Plan who has not been advised of such severance and benefits by the Plan Administrator or who is not satisfied with the amount of any severance and benefits awarded under the Plan is eligible to file a written claim with the Plan Administrator.

Within ninety (90) days after receiving the claim, the Plan Administrator will decide whether or not to approve the claim. The ninety (90)-day period may be extended by the Plan Administrator for an additional ninety (90)-day period if special circumstances require an extension of time to consider the claim. If the Plan Administrator extends the ninety (90)-day period, the Claimant will be notified in writing before the expiration of the initial 90-day period as to the length of the extension and the special circumstances that necessitate the extension.

If the claim is denied, the Plan Administrator shall set forth in writing or electronically the reasons for the denial; the relevant provisions of the Plan on which the decision is made; a description of the Plan's claim appeal procedures; and if additional material or information is necessary to perfect the claim, an explanation of why such material or information is necessary. The notice will also include a statement regarding the procedures for the Claimant to file a request for review of the claim denial as set forth in the "Appeal Procedures" section and the Claimant's right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") following a claim denial on appeal.

Appeal Procedures

If a claim has been denied by the Plan Administrator and the Claimant wishes further consideration and review of his or her claim, he or she must file an appeal of the denial of the claim to the Plan Administrator no later than sixty (60) days after the receipt of the written notification of the Plan Administrator's denial. In correlation with his or her appeal, the Claimant may request the opportunity to

review relevant documents prior to submission of a written statement, submit documents, records and comments in writing, and receive, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the Claimant's claim for severance and benefits under the Plan. The review of the appeal by the Plan Administrator will take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial review of the claim.

The Plan Administrator will notify the Claimant in writing or electronically of its decision with respect to its review of the appeal within sixty (60) days of the receipt of the request for a review of the claim. Due to special circumstances, the Plan Administrator may extend the time to reach a decision with respect to the appeal of the claim denial, in which case the Plan Administrator will notify the Claimant in writing before the expiration of the initial 60-day period as to the length of the extension and the special circumstances that necessitate such extension and render a decision as soon as possible, but not later than one hundred twenty (120) days following the receipt of the Claimant's request for appeal.

If the appeal is denied, the Plan Administrator will set forth in writing or electronically the specific reasons for the denial and references to the relevant Plan provisions on which the determination of the denial is based. The notice will also include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim, and a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

Exhaustion of Remedies under the Plan

A Claimant wishing to seek judicial review of an adverse benefit determination under the Plan, whether in whole or in part, must file any suit or legal action, including, without limitation, a civil action under Section 502(a) of ERISA, within one (1) year of the date the final decision on the adverse benefit determination on review is issued or should have been issued or lose any rights to bring such an action. If any such judicial proceeding is undertaken, the evidence presented shall be strictly limited to the evidence timely presented to the Plan Administrator. A Claimant may bring an action under ERISA only after he or she has exhausted the Plan's claims and appeal procedures.

Miscellaneous Provisions

- Neither the establishment of this Plan, nor any modification thereof, nor the payment of any severance and benefits hereunder, shall be construed as giving to any Eligible Member, or other person, any legal or equitable right against the Company or any current or former officer, director, or employee thereof, and in no event shall the terms and conditions of employment by the Company of any Eligible Member be modified or in any way affected by this Plan.
- The records of the Company with respect to employment history, compensation, absences, illnesses, and all other relevant matters shall be conclusive for all purposes of this Plan.
- The respective terms and provisions of the Plan shall be construed, whenever possible, to be in conformity with the requirements of ERISA, or any subsequent laws or amendments thereto. To the extent not to conflict with the preceding sentence, the construction and administration of the Plan shall be in accordance with the laws of the state of New York applicable to contracts made and to be performed within the state of New York (without reference to its conflicts of law provisions).

- Nothing contained in this Plan shall be held or construed to create any liability upon the Company to retain any employee in its service or to change the employee-at-will status of any employee. All employees shall remain subject to discharge or discipline to the same extent as if the Plan had not been put into effect. An employee's failure to qualify for or receive a severance and benefits hereunder shall not establish any right to (i) continuation or reinstatement, or (ii) any benefits in lieu of severance and benefits.

Definitions

Terms	Definitions
Base Salary	The Eligible Member's annual base salary as in effect from time to time.
Cause	• the willful failure by the Eligible Member to perform his or her duties or responsibilities (other than due to Disability); • the Eligible Member's engaging in serious misconduct that is injurious to the Company including, but not limited to, damage to its reputation or standing in its industry; • the Eligible Member's having been convicted of, or entered a plea of guilty or nolo contendere to, a crime that constitutes a felony, or a crime that constitutes a misdemeanor involving moral turpitude; • the material breach by the Eligible Member of any written covenant or agreement with the Company not to disclose any information pertaining to the Company; or • the breach by the Eligible Member of the Code of Conduct, the Supplemental Code of Conduct, any material provision of the Plan, or any material provision of the following the Company policies: non-discrimination, substance abuse, workplace violence, nepotism, travel and entertainment, corporation information security, antitrust/competition law, enterprise risk management, accounting, contracts, purchasing, communications, investor relations, immigration, privacy, insider trading, financial process and reporting procedures, financial approval authority, whistleblower, anti-corruption and other similar the Company policies, whether currently in effect or adopted after the Effective Date of the Plan.
Company	MasterCard International Incorporated.
Company Entity	Any entity (including any subsidiary, affiliate or joint venture) in which the Company has a direct or indirect ownership interest of not less than 20%.
Disability	Disability shall be defined as set forth under the MasterCard Long-Term Disability Benefits Plan, as it may be amended from time to time. Any dispute concerning whether the Eligible Member is deemed to have suffered a Disability for purposes of the Plan shall be resolved in accordance with the dispute resolution procedures set forth in the MasterCard Long-Term Disability Benefits Plan.

Good Reason	The occurrence of any of the following without the prior written consent of the Eligible Member: • the assignment to a position for which the Eligible Member is not qualified or a materially lesser position than the position held by the Eligible Member (although duties may differ without giving rise to a termination by the Eligible Member for Good Reason); • a material reduction in the Eligible Member’s annual Base Salary except that a 10 percent reduction, in the aggregate, over the period of the Eligible Member’s employment shall not be treated as a material reduction; • the relocation of the Eligible Member’s principal place of employment to a location more than fifty (50) miles from the Eligible Member’s principal place of employment (unless such relocation does not increase the Eligible Member’s commute by more than twenty (20) miles), except for required travel on the Company’s business to an extent substantially consistent with the Eligible Member’s business travel obligations as of the date of relocation.
Mandatory Retirement	The last day of the calendar year in which the Eligible Member attains the age of sixty-five (65).
MasterCard	MasterCard International Incorporated.
Plan Administrator	Group Head Global Rewards of MasterCard.
Date of Termination	The date on which the Eligible Member incurs a termination of employment as described in the “Qualification” section or such other date on which an Eligible Member incurs a “separation from service” determined using the default provisions set forth in Section 1.409A-1(h) of the Treasury Regulations. Pursuant to such default provisions, an Eligible Member will be treated as no longer performing services for the Company when the level of services he or she performs for the Company decreases to a level equal to 20% or less of the average level of services performed by such Eligible Member during the immediately preceding 36 months.

Your Rights Under ERISA

The Department of Labor has issued regulations that require the Company to provide you with a statement of your rights under ERISA with respect to this Plan. The following statement was designated by the Department of Labor to satisfy this requirement and is presented accordingly.

As a participant in the Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants are entitled to:

Receive Information About Your Plan and Benefits

1. Examine, without charge, all Plan documents and copies of all documents filed by the Company with the Department of Labor. This includes annual reports and Plan descriptions. All such documents are available for review in your Human Resources Department.
2. Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including copies of the latest annual report (Form 5500 Series) and an updated summary plan description. The Plan Administrator may charge you a reasonable fee for the copies.
3. Receive a summary of the Plan’s annual financial report. Once each year, the Plan Administrator will send you a Summary Annual Report of the Plan’s financial activities at no charge.

Prudent Action by Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called fiduciaries of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants.

No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension or welfare benefit or exercising your rights under ERISA.

Enforcing Your Rights

If your claim for severance and benefits is denied or ignored in whole or in part, you have a right to receive a written explanation of the reason for the denial, to obtain copies of documents related to the decision without charge, and to appeal any denial, all within certain time schedules. You have the right to have your claim reviewed and reconsidered. You also have the right to request a review of the denial of your claim as explained in the “Appeal Procedures” section. No one, including your employer or any other person, may discriminate against you in any way to prevent you from obtaining severance and benefits under the Plan or exercising your rights under ERISA.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within thirty (30) days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for severance and benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court after you have exhausted the Plan’s claims and appeal procedures as described in the section “Claims and Appeal Procedures” hereof. If it should happen that Plan fiduciaries misuse the Plan’s money, or if you are discriminated against for asserting your rights, you may seek assistance from the Department of Labor, or you may file suit in a federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator through your Human Resources Department. They will be glad to help you. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest Area Office of the Employee Benefits Security Administration, Department of Labor, listed in your telephone directory, or you may contact:

The Division of Technical Assistance and Inquiries
Employee Benefits Security Administration,
Department of Labor
200 Constitution Avenue, N.W., Room 5N625
Washington, DC 20210
1-866-444-EBSA (1-866-444-3272)
www.dol.gov/ebsa (for general information)
www.askebsa.dol.gov (for electronic inquiries)

You may also obtain certain publications about your rights and responsibilities under ERISA by calling

the publications hotline of the Employee Benefits Security Administration at 1-866-444-3272.

Administrative Facts

Topic	Description
Plan Name	Amended and Restated MasterCard International Incorporated Executive Severance Plan
Plan Sponsor	MasterCard International Incorporated 2000 Purchase Street Purchase, NY 10577 USA
Source of Contributions to Plan	Employer payments from corporate assets
Employer Identification Number	
Plan Number	_____
Plan Administrator	Group Head Global Rewards MasterCard International Incorporated 2000 Purchase Street Purchase, NY 10577 USA
Agent for Receiving Service of Legal Process	General Counsel, Chief Franchise Officer & Corporate Secretary MasterCard International Incorporated 2000 Purchase Street Purchase, NY 10577 USA

Contact Information

If you have questions about this Plan, please contact your department's HR Business Partner. If you do not know who your HR Business Partner is, call People Services and they will provide you with this information.

People Services

Phone:

Fax:

E-Mail:

Amended and Restated MasterCard International Incorporated Change in Control Severance Plan

The Amended and Restated MasterCard International Incorporated Change in Control Severance Plan (the “Plan”) sets forth the guidelines for MasterCard International Incorporated (the “MasterCard”) and certain of its Affiliates and subsidiaries that have elected to participate in the Plan (the “Participating Employers” and collectively with MasterCard, “the Company”) with respect to change in control severance payments and benefits to certain of their employees who meet the eligibility requirements set forth in the Plan. At all times, payments under the Plan shall be made solely from the general assets of the Company.

Effective Date

The Plan was effective as of August 1, 2009, and is amended and restated as of June 5, 2012.

Adoption

Affiliates and subsidiaries of MasterCard may adopt this Plan upon approval by the Severance Plan Committee. The list of the Participating Employers as of the Effective Date is attached to this Plan as Exhibit A.

Eligibility

The following employees of the Company are eligible to participate in the Plan (“Eligible Employees”):

- Employees who are not subject to an employment agreement (or other similar agreement) which addresses their eligibility for severance, and prior to a “Change in Control” (as such term is defined in the “Definitions” section), are nominated by the Chief Executive Officer (“CEO”) of MasterCard for participation in the plan and are selected in writing by the Human Resources and Compensation Committee as eligible to participate in the Plan, provided that the written selection by the Human Resources and Compensation Committee must be made at least six (6) months preceding a Change in Control. Such selection shall be made in the Human Resources and Compensation Committee’s sole and absolute discretion.

Qualification

- a. the Eligible Employee is terminated by the Company or by the Company’s successor without “Cause” (as such term is defined in the “Definitions” section), and such termination occurs within six (6) months preceding, or within two (2) years following, a Change in Control, or
 - b. the Eligible Employee terminates his or her employment with the Company or with the Company’s successor for “Good Reason” (as such term is defined in the “Definitions” section), and such termination occurs within six (6) months preceding, or within two (2) years following, a Change in Control.
- The Eligible Employee’s employment may be terminated at the option of the Eligible Employee, effective ninety (90) days after the giving of written notice to the Company by

such Eligible Employee of the grounds for termination for Good Reason, which grounds, as specified by the Eligible Employee, have not been cured by the Company during such ninety (90) day period; provided, however, that such Eligible Employee gave notice to the Company of the event(s) constituting Good Reason within sixty (60) days after such event(s) (or within sixty (60) days after a Change in Control, if the events giving rise to the Eligible Employee's termination for Good Reason occurred during the six (6) month period preceding a Change in Control).

- The Company may waive all or part of the ninety (90) day notice required to be given by the Eligible Employee hereunder by giving written notice to such Eligible Employee.

Circumstances of Ineligibility

Notwithstanding the foregoing, an Eligible Employee shall not be entitled to receive a Change in Control Pay (as defined below) if any of the following Circumstances of Ineligibility apply to such Eligible Employee.

- a. the Eligible Employee's employment is terminated due to death or, at the option of the Company, upon the "Disability" (as such term is defined in the "Definitions" section) of the Eligible Employee;
- b. the Eligible Employee elects to voluntarily terminate his or her employment with the Company or a successor for any reason other than for Good Reason;
- c. the Eligible Employee's employment with the Company or a successor is terminated for Cause, at any time preceding or following a Change in Control;
 - The Eligible Employee's employment may be terminated for "Cause" by the Company, upon the authority of MasterCard's CEO, effective upon the giving of written notice by the Company to the Eligible Employee of such termination for "Cause", or effective upon such other date as specified therein ("Notice of Termination for Cause"). The Company's Notice of Termination For Cause shall state the date of termination and the basis for the Company's determination that the Eligible Employee's actions establish Cause hereunder.
- d. the failure by the Eligible Employee to give notice of termination for Good Reason (as described above); or
- e. the Eligible Employee becomes employed by a Company Entity.

In no event shall a Change in Control of the Company alone, without a related termination of employment, give rise to any Change- in-Control Pay and benefits under the Plan.

Amount and Duration of Change in Control Severance Payments

If the Eligible Employee is entitled to receive a Change in Control Pay, and has not been rendered

ineligible for receipt of such Change in Control Pay due to a Circumstance of Ineligibility, the Eligible Employee shall be entitled to the following payments:

a. Accrued Payments

The Eligible Employee shall be entitled to the following payments following the Date of Termination (as such term is defined in the “Definitions” section):

- a lump sum payment (subject to any previously elected deferrals under the MasterCard Incorporated Deferral Plan), within thirty (30) days following the Date of Termination of all “Base Salary” (as such term is defined in the “Definitions” section) earned but not paid prior to the Date of Termination;
- a lump sum payment within thirty (30) days following the Date of Termination equal to all accrued but unused vacation time up to the Date of Termination;
- a pro rata portion (based upon actually completed calendar months worked) of the annual incentive bonus payable for the year in which the Eligible Employee’s termination of employment occurs based on the actual performance of the Company for the applicable performance period as determined by the Human Resources and Compensation Committee and payable in accordance with the regular bonus pay practices of the Company, as contemplated in accordance with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”); and
- to the extent not already paid, the annual incentive bonus for the year immediately preceding the year in which the Eligible Employee’s Date of Termination occurs, payable in the amount and at the time such bonus would have been paid had he or she remained employed.

b. Change in Control Pay

The Eligible Employee shall be entitled to receive (i) Base Salary continuation, and (ii) payment (subject to any previously elected deferrals under the MasterCard Incorporated Deferral Plan), of an amount equivalent to the average annual incentive bonus received by such Eligible Employee with respect to the prior two (2) years of the Eligible Employee’s employment by the Company (the “Average Bonus Payment”), payable on a schedule in accordance with the regular payroll practices (but in no event less frequently than monthly) and annual incentive bonus pay practices of the Company (such Base Salary continuation and Average Bonus Payment being collectively referred to herein as “Change in Control Pay”) for, and with respect to a twenty-four (24) month period following the Eligible Employee’s Date of Termination (the “Change in Control Pay Period”). Notwithstanding the foregoing, each payment of Change in Control Pay to which the Eligible Employee becomes entitled pursuant to this Plan shall be reduced, dollar for dollar, by each severance payment, if any, to which such Eligible Employee becomes entitled under the Amended and Restated MasterCard International Incorporated Executive Severance Plan or the Amended and Restated MasterCard International Incorporated Severance Plan.

c. Medical Benefits Continuation

The Eligible Employee shall be entitled to payment by the Company on the Eligible Employee’s behalf, for the monthly cost of the premiums for coverage under the Consolidated Omnibus Reconciliation Act of 1985, as amended (“COBRA”), for a period equivalent to the eighteen (18) month COBRA period (twenty-nine (29) month period, if the Eligible Employee is disabled under the Social Security Act within

the first sixty (60) days of the continuation period) or the Change in Control Pay Period, whichever is shorter (the “Medical Benefits”), provided, however, such coverage shall not be provided if during such period the Eligible Employee is or becomes ineligible under the provisions of COBRA for continuing coverage; and provided, further, that if the Eligible Employee is eligible for Retiree Health Coverage under the MasterCard Retiree Health Plan, the Company shall pay the full cost of such Retiree Health or COBRA coverage, as applicable, during the Change in Control Pay Period and thereafter, retiree contribution levels provided under the provisions of the Retiree Health Plan shall apply.

d. Outplacement Services

The Eligible Employee shall be entitled to reasonable outplacement services, to be provided by a firm selected by the Company, at a level generally made available to executives of the Company for the shorter of the Change in Control Pay Period or the period he or she remains unemployed.

e. Additional Payments

The Eligible Employee shall be entitled to such other benefits, if any, to which such Eligible Employee is expressly eligible following the termination of the Eligible Employee’s employment by the Company without Cause, by the Eligible Employee with Good Reason, payable or made available under such terms and conditions as may be provided by the then existing plans, programs and/or arrangements of the Company (other than any severance payments payable under the terms of any benefit plan, including, but not limited to, the Amended and Restated MasterCard International Incorporated Severance Plan).

f. Separation Agreement and Release

The Company’s obligations to make payments and provide benefits under this “Amount and Duration of Change in Control Severance Payments” section, paragraphs (b)-(d), are conditioned upon the Eligible Employee’s execution (without revocation) of the Company’s separation agreement and release of all claims related to the Eligible Employee’s employment or the termination thereof in a form satisfactory to MasterCard (the “Separation Agreement and Release”), which Separation Agreement and Release shall include a 2-year non-competition restriction and a 2-year non-solicitation restriction, as more fully described in such Separation Agreement and Release, provided that if the Eligible Employee should fail to execute such Separation Agreement and Release within sixty (60) days following the Date of Termination, the Company shall not have any obligation to make the payments and provide the benefits contemplated under this “Amount and Duration of Change in Control Severance Payments” section, paragraphs (b)-(d).

Rehired Eligible Employees

If, following an Eligible Employee’s Date of Termination, an Eligible Employee is rehired by the Company or any Company Entity or is retained by the Company or any Company Entity as a consultant, his or her Change in Control Pay, Medical Benefits and outplacement services under this Plan will cease and be forfeited as of the date of reemployment or the effective date of the consultancy, and no further severance payments and/or benefits will be paid or provided by the Company to such Eligible Employee.

Income Taxes

The change in control severance payments and benefits provided hereunder are subject to all applicable foreign, federal, state, and local tax withholding and generally are taxable income to the Eligible Employee.

Section 409A of the Code

Notwithstanding any other provision of the Plan, if any payment, compensation or other benefit provided to the Eligible Employee in connection with his or her employment termination is determined, in whole or in part, to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code and the Eligible Employee is a specified employee as defined in Section 409A(a)(2)(b)(i) of the Code, no part of such payments shall be paid before the day that is six (6) months plus one (1) day after the Date of Termination (such date, the “New Payment Date”). The aggregate of any payments that otherwise would have been paid to the Eligible Employee during the period between the Date of Termination and the New Payment Date shall be paid to the Eligible Employee in a lump sum on such New Payment Date. Thereafter, any payments that remain outstanding as of the day immediately following the New Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of the Plan. If the Eligible Employee dies during the period between the Date of Termination and the New Payment Date, the amounts withheld on account of Section 409A of the Code shall be paid to the Eligible Employee’s beneficiary within thirty (30) days of the Eligible Employee’s death.

Notwithstanding the preceding paragraph, Change in Control Pay in an amount up to two (2) times the lesser of: (i) the Eligible Employee’s Base Salary for the year preceding the year in which the Date of Termination occurs; and (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Date of Termination occurs, shall be paid in accordance with the schedule set forth in the “Amount and Duration of Change in Control Severance Payments” section, paragraph (b), without regard to such six (6) month delay.

The Plan is intended to comply with the requirements of Section 409A of the Code, and, specifically, with the separation pay exemption and short term deferral exemption of Section 409A of the Code, and shall in all respects be administered in accordance with Section 409A of the Code. Notwithstanding anything in the Plan to the contrary, distributions may only be made under the Plan upon an event and in a manner permitted by Section 409A of the Code or an applicable exemption. All payments to be made upon a termination of employment under the Plan may only be made upon a “separation from service” under Section 409A of the Code. For purposes of Section 409A of the Code, the right to a series of installment payments under the Plan shall be treated as a right to a series of separate payments. In no event may the Eligible Employee, directly or indirectly, designate the calendar year of a payment. All reimbursements and in-kind benefits provided under the Plan and the Separation Agreement and Release shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement shall be for expenses incurred during the Eligible Employee’s lifetime (or during a shorter period of time specified in the Plan or the Separation Agreement and Release, as applicable), (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

Administration of Plan

The “Plan Administrator” (as such term is defined in the “Definitions” section) shall have the exclusive right, power, and authority, in its sole and absolute discretion, to administer, apply, and interpret the Plan and to decide all matters arising in connection with the operation or administration of the Plan. Without limiting the generality of the foregoing, the Plan Administrator shall have the sole and absolute

discretionary authority to:

- take all actions and make all decisions with respect to the eligibility for, and the amount of, Change in Control Pay and benefits payable under the Plan;
- formulate, interpret and apply rules, regulations, and policies necessary to administer the Plan in accordance with its terms;
- decide questions, including legal or factual questions, with regard to any matter related to the Plan;
- to construe and interpret the terms and provisions of the Plan and all documents which relate to the Plan and to decide any and all matters arising thereunder including the right to remedy possible ambiguities, inconsistencies or omissions; and
- except as specifically provided to the contrary in the “Claims and Appeal Procedures” section, process, and approve or deny, claims for change in control severance payments and benefits under the Plan.

All determinations made by the Plan Administrator as to any question involving their respective responsibilities, powers and duties under the Plan shall be final and binding on all parties, to the maximum extent permitted by law. All determinations by MasterCard referred to in the Plan shall be made by MasterCard in its capacity as an employer and settlor of the Plan.

Modification or Termination of Plan

MasterCard reserves the right in its sole and absolute discretion, to amend, modify, or terminate the Plan, in whole or in part, including any or all of the provisions of the Plan, for any reason, at any time, by action of the Human Resources and Compensation Committee of MasterCard. Notwithstanding the foregoing, for a two year period following a Change in Control, no amendment, modification or termination of the Plan which may have a detrimental effect on the rights or benefits payable to any Eligible Employee may be made without such Eligible Employee’s written consent.

Claims and Appeal Procedures

The Plan Administrator shall make a determination in connection with the termination of employment of any Eligible Employee as to whether a benefit under the Plan is payable to such Eligible Employee, taking into consideration any determination made by the Company as to the circumstances regarding the termination, the Company’s decision as to whether or not to pay a benefit under the “Qualification” section, paragraph (c), or the potential applicability of any Circumstances of Ineligibility, and as to the amount of payment. The Plan Administrator shall advise any Eligible Employee it determines is entitled to change in control severance payments and benefits under the Plan and the amount of such Change in Control Pay and benefits. The Plan Administrator may delegate any or all of its responsibilities under this section.

Claim Procedures

Each Eligible Employee or his or her authorized representative (each, the “Claimant”) claiming change in control severance payments and benefits under the Plan who has not been advised of such change in control severance payments and benefits by the Plan Administrator or who is not satisfied with the

amount of any change in control severance payments and benefits awarded under the Plan is eligible to file a written claim with the Plan Administrator.

Within ninety (90) days after receiving the claim, the Plan Administrator will decide whether or not to approve the claim. The ninety (90)-day period may be extended by the Plan Administrator for an additional ninety (90)-day period if special circumstances require an extension of time to consider the claim. If the Plan Administrator extends the ninety (90)-day period, the Claimant will be notified in writing before the expiration of the initial 90-day period as to the length of the extension and the special circumstances that necessitate the extension.

If the claim is denied, the Plan Administrator shall set forth in writing or electronically the reasons for the denial; the relevant provisions of the Plan on which the decision is made; a description of the Plan's claim appeal procedures; and if additional material or information is necessary to perfect the claim, an explanation of why such material or information is necessary. The notice will also include a statement regarding the procedures for the Claimant to file a request for review of the claim denial as set forth in the "Appeal Procedures" section and the Claimant's right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") following a claim denial on appeal.

Appeal Procedures

If a claim has been denied by the Plan Administrator and the Claimant wishes further consideration and review of his or her claim, he or she must file an appeal of the denial of the claim to the Plan Administrator no later than sixty (60) days after the receipt of the written notification of the Plan Administrator's denial. In correlation with his or her appeal, the Claimant may request the opportunity to review relevant documents prior to submission of a written statement, submit documents, records and comments in writing, and receive, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the Claimant's claim for severance and benefits under the Plan. The review of the appeal by the Plan Administrator will take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial review of the claim.

The Plan Administrator will notify the Claimant in writing or electronically of its decision with respect to its review of the appeal within sixty (60) days of the receipt of the request for a review of the claim. Due to special circumstances, the Plan Administrator may extend the time to reach a decision with respect to the appeal of the claim denial, in which case the Plan Administrator will notify the Claimant in writing before the expiration of the initial 60-day period as to the length of the extension and the special circumstances that necessitate such extension and render a decision as soon as possible, but not later than one hundred twenty (120) days following the receipt of the Claimant's request for appeal.

If the appeal is denied, the Plan Administrator will set forth in writing or electronically the specific reasons for the denial and references to the relevant Plan provisions on which the determination of the denial is based. The notice will also include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim, and a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

Exhaustion of Remedies under the Plan

A Claimant wishing to seek judicial review of an adverse benefit determination under the Plan, whether in

whole or in part, must file any suit or legal action, including, without limitation, a civil action under Section 502(a) of ERISA, within one (1) year of the date the final decision on the adverse benefit determination on review is issued or should have been issued or lose any rights to bring such an action. If any such judicial proceeding is undertaken, the evidence presented shall be strictly limited to the evidence timely presented to the Plan Administrator. A Claimant may bring an action under ERISA only after he or she has exhausted the Plan’s claims and appeal procedures.

Miscellaneous Provisions

- Neither the establishment of this Plan, nor any modification thereof, nor the payment of any change in control severance payments and benefits hereunder, shall be construed as giving to any Eligible Employee, or other person, any legal or equitable right against the Company or any current or former officer, director, or employee thereof, and in no event shall the terms and conditions of employment by the Company of any Eligible Employee be modified or in any way affected by this Plan.
- The records of the Company with respect to employment history, compensation, absences, illnesses, and all other relevant matters shall be conclusive for all purposes of this Plan.
- The respective terms and provisions of the Plan shall be construed, whenever possible, to be in conformity with the requirements of ERISA, or any subsequent laws or amendments thereto. To the extent not to conflict with the preceding sentence, the construction and administration of the Plan shall be in accordance with the laws of the state of New York applicable to contracts made and to be performed within the state of New York (without reference to its conflicts of law provisions).
- Nothing contained in this Plan shall be held or construed to create any liability upon the Company to retain any employee in its service or to change the employee-at-will status of any employee. All employees shall remain subject to discharge or discipline to the same extent as if the Plan had not been put into effect. An employee’s failure to qualify for or receive a change in control severance payments and benefits hereunder shall not establish any right to (i) continuation or reinstatement, or (ii) any benefits in lieu of change in control severance payments and benefits.

Definitions

Terms	Definitions
Affiliates	Any corporation which is included in a controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes MasterCard and any trade or business (whether or not incorporated) which is under common control with MasterCard (within the meaning of Section 414(c) of the Code); provided that for purposes of this definition the ownership test percentage shall be 50% rather than 80%.
Base Salary	The Eligible Employee’s annual base salary in effect at the time of termination, except in the case of a termination of employment by the Eligible Employee for Good Reason based on a reduction of the Eligible Employee’s annual base salary, “Base Salary” shall mean the annual base salary in effect immediately prior to such reduction.
Change in Control	A change in control as set forth in the MasterCard Incorporated 2006 Long-Term Incentive Plan as it may be amended from time to time (“LTIP”).

Cause	- the willful failure by the Eligible Employee to perform his or her duties or responsibilities (other than due to Disability); - the Eligible Employee's engaging in serious misconduct that is injurious to the Company including, but not limited to, damage to its reputation or standing in its industry; - the Eligible Employee's having been convicted of, or entered a plea of guilty or nolo contendere to, a crime that constitutes a felony, or a crime that constitutes a misdemeanor involving moral turpitude; - the material breach by the Eligible Employee of any written covenant or agreement with the Company not to disclose any information pertaining to the Company; or - the breach by the Eligible Employee of the Code of Conduct, the Supplemental Code of Conduct, any material provision of the Plan, or any material provision of the following the Company policies: non-discrimination, substance abuse, workplace violence, nepotism, travel and entertainment, corporation information security, antitrust/competition law, enterprise risk management, accounting, contracts, purchasing, communications, investor relations, immigration, privacy, insider trading, financial process and reporting procedures, financial approval authority, whistleblower, anti-corruption and other similar the Company policies, whether currently in effect or adopted after the Effective Date of the Plan.
Company	MasterCard and its Affiliates and subsidiaries.
Company Entity	Any entity (including any subsidiary, affiliate or joint venture) in which the Company has a direct or indirect ownership interest of not less than 20%.
Disability	Disability shall be defined as set forth under the MasterCard Long-Term Disability Benefits Plan, as it may be amended from time to time. Any dispute concerning whether the Eligible Employee is deemed to have suffered a Disability for purposes of the Plan shall be resolved in accordance with the dispute resolution procedures set forth in the MasterCard Long-Term Disability Benefits Plan.
Good Reason	The occurrence of any of the following without the prior written consent of the Eligible Employee: - the assignment to a position for which the Eligible Employee is not qualified or a materially lesser position than the position held by the Eligible Employee (although duties may differ without giving rise to a termination by the Eligible Employee for Good Reason); - a material reduction in the Eligible Employee's annual Base Salary except that a 10 percent reduction, in the aggregate, over the period of the Eligible Employee's employment shall not be treated as a material reduction; or - the relocation of the Eligible Employee's principal place of employment to a location more than fifty (50) miles from the Eligible Employee's principal place of employment (unless such relocation does not increase the Eligible Employee's commute by more than twenty (20) miles), except for required travel on the Company's business to an extent substantially consistent with the Eligible Employee's business travel obligations as of the date of relocation.
MasterCard	MasterCard International Incorporated.
Participating Employers	The Affiliates and subsidiaries of MasterCard that have adopted the Plan upon approval by the Severance Plan Committee.
Plan Administrator	Group Head Global Rewards of Mastercard.
Severance Plan Committee	The Severance Plan Committee serves as an advisory committee to the Plan Committee and consists of at least one member of the law, finance and human resources departments of MasterCard.

Date of Termination	The date on which the Eligible Employee incurs a termination of employment as described in the “Qualification” section or such other date on which an Eligible Employee incurs a “separation from service” determined using the default provisions set forth in Section 1.409A-1(h) of the Treasury Regulations. Pursuant to such default provisions, an Eligible Employee will be treated as no longer performing services for the Company when the level of services he or she performs for the Company decreases to a level equal to 20% or less of the average level of services performed by such Eligible Employee during the immediately preceding 36 months.
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Your Rights Under ERISA

The Department of Labor has issued regulations that require the Company to provide you with a statement of your rights under ERISA with respect to this Plan. The following statement was designated by the Department of Labor to satisfy this requirement and is presented accordingly.

As a participant in the Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants are entitled to:

Receive Information About Your Plan and Benefits

1. Examine, without charge, all Plan documents and copies of all documents filed by the Company with the Department of Labor. This includes annual reports and Plan descriptions. All such documents are available for review in your Human Resources Department.
2. Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including copies of the latest annual report (Form 5500 Series) and an updated summary plan description. The Plan Administrator may charge you a reasonable fee for the copies.
3. Receive a summary of the Plan’s annual financial report. Once each year, the Plan Administrator will send you a Summary Annual Report of the Plan’s financial activities at no charge.

Prudent Action by Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called fiduciaries of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants.

No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension or welfare benefit or exercising your rights under ERISA.

Enforcing Your Rights

If your claim for change in control severance payments and benefits is denied or ignored in whole or in part, you have a right to receive a written explanation of the reason for the denial, to obtain copies of documents related to the decision without charge, and to appeal any denial, all within certain time schedules. You have the right to have your claim reviewed and reconsidered. You also have the right to request a review of the denial of your claim as explained in the “Appeal Procedures” section. No one, including your employer or any other person, may discriminate against you in any way to prevent you from obtaining change in control severance payments and benefits under the Plan or exercising your rights under ERISA.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request

materials from the Plan and do not receive them within thirty (30) days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for change in control severance payments and benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court after you have exhausted the Plan's claims and appeal procedures as described in the section "Claims and Appeal Procedures" hereof. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the Department of Labor, or you may file suit in a federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator through your Human Resources Department. They will be glad to help you. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest Area Office of the Employee Benefits Security Administration, Department of Labor, listed in your telephone directory, or you may contact:

The Division of Technical Assistance and Inquiries
Employee Benefits Security Administration,
Department of Labor
200 Constitution Avenue, N.W., Room 5N625
Washington, DC 20210
1-866-444-EBSA (1-866-444-3272)
www.dol.gov/ebsa (for general information)
www.askebsa.dol.gov (for electronic inquiries)

You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration at 1-866-444-3272.

Administrative Facts

Topic	Description
Plan Name	Amended and Restated MasterCard International Incorporated Change in Control Severance Plan
Plan Sponsor	MasterCard International Incorporated 2000 Purchase Street Purchase, NY 10577 USA
Source of Contributions to Plan	Employer payments from corporate assets
Employer Identification Number	
Plan Number	_____
Plan Administrator	Group Head Global Rewards MasterCard International Incorporated 2000 Purchase Street Purchase, NY 10577 USA
Agent for Receiving Service of Legal Process	General Counsel, Chief Franchise Officer & Corporate Secretary MasterCard International Incorporated 2000 Purchase Street Purchase, NY 10577 USA

Contact Information

If you have questions about this Plan, please contact your department's HR Business Partner. If you do not know who your HR Business Partner is, call People Services and they will provide you with this information.

People Services

Phone:

Fax:

E-Mail:

EXHIBIT A
PARTICIPATING EMPLOYERS

MasterCard Incorporated
MasterCard Technologies, LLC
MasterCard Advisors, LLC

MASTERCARD INCORPORATED
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Six Months Ended June 30, 2012	Years Ended December 31,				
		2011	2010	2009	2008	2007
		(in millions, except ratios)				
Pre-tax income (loss) before adjustment for non-controlling interests	\$ 1,972	\$ 2,746	\$ 2,757	\$ 2,218	\$ (383)	\$ 1,671
Loss attributable to non-controlling interests and equity investments	13	18	1	3	2	1
Add: Fixed charges	11	29	56	120	109	62
Earnings (loss)	\$ 1,996	\$ 2,793	\$ 2,814	\$ 2,341	\$ (272)	\$ 1,734
Fixed charges:						
Interest expense	\$ 9	\$ 25	\$ 52	\$ 115	\$ 104	\$ 57
Portion of rental expense under operating leases deemed to be the equivalent of interest ¹	2	4	4	5	5	5
Total fixed charges	\$ 11	\$ 29	\$ 56	\$ 120	\$ 109	\$ 62
Ratio of earnings to fixed charges	181.5	96.3	50.3	19.5	- ²	28.0

¹ Portion of rental expense under operating leases deemed to be the equivalent of interest at an appropriate interest factor.

² The ratio coverage was less than 1:1. MasterCard would have needed to generate additional earnings of \$381 million to achieve a coverage of 1:1 in 2008.

August 1, 2012

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

Commissioners:

We are aware that our report dated August 1, 2012 on our review of interim financial information of MasterCard Incorporated and its subsidiaries (the "Company") as of June 30, 2012 and for the three and six month periods ended June 30, 2012 and 2011 and included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2012 is incorporated by reference in its 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), and the Registration Statement on Form S-3 dated November 4, 2009 (No. 333-162869).

Very truly yours,

/s/ 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, Ajay Banga, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MasterCard Incorporated for the three months ended June 30, 2012 ;
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 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 control 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2012

By: /s/ Ajay Banga

Ajay Banga

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 for the three months ended June 30, 2012 ;
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 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 control 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2012

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 three month period ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ajay Banga, 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.

August 1, 2012

/s/ Ajay Banga

Ajay Banga

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 three month period ended June 30, 2012 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.

August 1, 2012

/s/ Martina Hund-Mejean

Martina Hund-Mejean
Chief Financial Officer