MASTERCARD INC

FORM 10-Q
(Quarterly Report)

Filed 08/02/06 for the Period Ending 06/30/06

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

MASTERCARD INC

FORM 10-Q
(Quarterly Report)

Filed 8/2/2006 For Period Ending 6/30/2006

Address	2000 PURCHASE STREET
	PURCHASE, New York 10577
Telephone	914-249-2000
CIK	0001141391
Industry	Consumer Financial Services
Sector	Financial
Fiscal Year	12/31

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

Form 10-Q

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

For the quarterly period ended June 30, 2006

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	**13-4172551**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification Number)*
2000 Purchase Street Purchase, NY	**10577**
(Address of principal executive offices)	*(Zip Code)*

(914) 249-2000
(Registrant's telephone number, including area code)

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

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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

As of August 1, 2006, there were 79,631,922 shares outstanding of the registrant's Class A common stock, par value $.0001 per share, 55,337,407 shares outstanding of the registrant's Class B common stock, par value $.0001 per share, and 1,572 shares outstanding of the registrant's Class M common stock, par value $.0001 per share.

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MASTERCARD INCORPORATED

FORM 10-Q

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MASTERCARD INCORPORATED
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2006	December 31, 2005
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 1,209,856	$ 545,273
Investment securities, at fair value:		
Trading	17,824	22,472
Available-for-sale	853,592	714,147
Accounts receivable	410,321	347,754
Settlement due from members	241,230	211,775
Restricted security deposits held for members	111,168	97,942
Prepaid expenses	185,577	167,209
Other current assets	132,200	121,326
Total Current Assets	3,161,768	2,227,898
Property, plant and equipment, at cost (less accumulated depreciation of $392,322 and $373,319)	227,900	230,614
Deferred income taxes	229,085	225,034
Goodwill	208,131	196,701
Other intangible assets (less accumulated amortization of $309,034 and $272,913)	272,310	273,854
Municipal bonds held-to-maturity	193,940	194,403
Prepaid expenses	198,331	201,132
Other assets	150,474	150,908
Total Assets	$ 4,641,939	$ 3,700,544
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 202,816	$ 185,021
Settlement due to members	205,688	175,021
Restricted security deposits held for members	111,168	97,942
Obligations under U.S. merchant lawsuit and other litigation settlements—current (Notes 13 and 15)	212,630	189,380
Accrued expenses	754,768	850,657
Other current liabilities	76,353	58,682
Total Current Liabilities	1,563,423	1,556,703
Deferred income taxes	64,408	61,188
Obligations under U.S. merchant lawsuit and other litigation settlements (Notes 13 and 15)	436,484	415,620
Long-term debt	229,580	229,489
Other liabilities	226,418	263,776
Total Liabilities	2,520,313	2,526,776
Commitments and Contingencies (Notes 12 and 15)		
Minority interest	4,620	4,620
Stockholders' Equity		
Class A common stock, $.0001 par value; authorized 3,000,000,000 shares, 79,631,922 and no shares issued and outstanding, respectively	8	—
Class B common stock, $.0001 par value; authorized 1,200,000,000 shares, 55,337,407 and 134,969,329 shares issued and outstanding, respectively	6	14
Class M common stock, $.0001 par value, authorized 1,000,000 shares, 1,572 and no shares issued and outstanding, respectively	—	—
Additional paid-in capital	3,302,298	974,605
Retained earnings (accumulated deficit)	(1,263,102)	145,515
Accumulated other comprehensive income, net of tax:		
Cumulative foreign currency translation adjustments	87,290	50,818
Net unrealized loss on investment securities available-for-sale	(6,835)	(2,543)
Net unrealized gain (loss) on derivatives accounted for as hedges	(2,659)	739
Total accumulated other comprehensive income, net of tax	77,796	49,014
Total Stockholders' Equity	2,117,006	1,169,148
Total Liabilities and Stockholders' Equity	$ 4,641,939	$ 3,700,544

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

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MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(In thousands, except per share data)			
Revenues, net	$ 846,489	$771,867	$1,584,942	$1,430,105
Operating Expenses				
General and administrative	365,161	319,187	712,998	625,803
Advertising and market development	307,066	231,578	489,749	403,257
Litigation settlements	23,250	—	23,250	—
Charitable contributions to the MasterCard Foundation	400,285	—	400,285	—
Depreciation and amortization	24,693	28,666	49,913	57,096
Total operating expenses	1,120,455	579,431	1,676,195	1,086,156
Operating income (loss)	(273,966)	192,436	(91,253)	343,949
Other Income (Expense)				
Investment income, net	28,999	13,479	49,691	23,528
Interest expense	(16,068)	(17,477)	(26,708)	(34,333)
Other income (expense), net	443	(1,044)	595	(1,555)
Total other income (expense)	13,374	(5,042)	23,578	(12,360)
Income (loss) before income taxes	(260,592)	187,394	(67,675)	331,589
Income tax expense	49,868	67,146	116,041	118,047
Net Income (Loss)	$ (310,460)	$120,248	$ (183,716)	$ 213,542
Basic Net Income (Loss) per Share (Note 3)	$ (2.30)	$ .89	$ (1.36)	$ 1.58
Basic Weighted average shares outstanding (Note 3)	135,252	134,969	135,127	134,969
Diluted Net Income (Loss) per Share (Note 3)	$ (2.30)	$ .89	$ (1.36)	$ 1.58
Diluted Weighted average shares outstanding (Note 3)	135,252	134,969	135,127	134,969

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

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MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
	2006	2005
	(In thousands)	
Operating Activities		
Net income (loss)	$ (183,716)	$ 213,542
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	49,913	57,096
Charitable contribution of common stock to the MasterCard Foundation	394,785	—
Stock-based compensation expense	6,825	—
Impairment of assets	428	1,348
Deferred income taxes	(7,370)	(12,156)
Other	4,537	4,437
Changes in operating assets and liabilities:		
Trading securities	4,648	4,012
Accounts receivable	(57,398)	(39,854)
Settlement due from members	(16,842)	(4,648)
Prepaid expenses	(14,295)	14,587
Other current assets	(5,082)	(1,091)
Prepaid expenses, non-current	3,998	(2,520)
Accounts payable	15,818	(3,538)
Settlement due to members	20,014	1,086
Litigation settlement accruals, including accretion of imputed interest	44,114	8,187
Accrued expenses	(85,614)	(37,643)
Net change in other assets and liabilities	8,818	(5,566)
Net cash provided by operating activities	183,581	197,279
Investing Activities		
Purchases of property, plant and equipment	(15,670)	(18,925)
Capitalized software	(15,886)	(22,024)
Purchases of investment securities available-for-sale	(1,506,806)	(1,265,993)
Proceeds from sales and maturities of investment securities available-for-sale	1,356,768	1,320,205
Other investing activities	(1,403)	(265)
Net cash provided by (used in) investing activities	(182,997)	12,998
Financing Activities		
Cash received from sale of common stock, net of issuance costs	2,449,910	—
Cash payment for redemption of common stock	(1,799,937)	—
Net cash provided by financing activities	649,973	—
Effect of exchange rate changes on cash and cash equivalents	14,026	(19,192)
Net increase in cash and cash equivalents	664,583	191,085
Cash and cash equivalents—beginning of period	545,273	328,996
Cash and cash equivalents—end of period	$ 1,209,856	$ 520,081

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

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

	Total	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income, Net of Tax	Common Shares Class A	Common Shares Class B	Additional Paid-in Capital
			(In thousands)			
Balance at January 1, 2006	$ 1,169,148	$ 145,515	$ 49,014	$ —	$ 14	$ 974,605
Net loss	(183,716)	(183,716)	—	—	—	—
Other comprehensive income, net of tax	28,782	—	28,782	—	—	—
Proceeds from issuance of common stock (net of offering expenses of $129,354)	2,449,910	—	—	7	—	2,449,903
Redemption of stock Class B shares	(1,799,937)	(1,224,901)	—	—	(8)	(575,028)
Charitable stock contribution to the MasterCard Foundation	394,785	—	—	1	—	394,784
Reclassification of cash-based performance awards to stock-based compensation	51,209	—	—	—	—	51,209
Stock-based compensation	6,825	—	—	—	—	6,825
Balance at June 30, 2006	$ 2,117,006	$(1,263,102)	$ 77,796	$ 8	$ 6	$3,302,298

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(In thousands)			
Net Income (Loss)	$(310,460)	$120,248	$(183,716)	$213,542
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	19,548	(35,524)	36,472	(62,700)
Net unrealized gain (loss) and reclassification adjustment for realized gain (loss) on investment securities available-for-sale	(1,638)	2,720	(4,292)	(2,590)
Net unrealized gain (loss) and reclassification adjustment for realized gain (loss) on derivatives accounted for as hedges	(943)	2,957	(3,398)	5,324
Other comprehensive income (loss), net of tax	16,967	(29,847)	28,782	(59,966)
Comprehensive Income (Loss)	$(293,493)	$ 90,401	$(154,934)	$153,576

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

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

Note 1. Summary of Significant Accounting Policies

Organization —MasterCard Incorporated and its consolidated subsidiaries, including MasterCard International Incorporated ("MasterCard International") and MasterCard Europe sprl ("MasterCard Europe") (together, "MasterCard" or the "Company"), provide transaction processing and related services to customers principally in support of their credit, deposit access (debit), electronic cash and Automated Teller Machine ("ATM") payment card programs, and travelers cheque programs.

As more fully described in Note 2, on May 31, 2006 MasterCard transitioned to a new ownership and governance structure, which involved an initial public offering (the "IPO") of a new class of the Company's common stock.

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

Certain prior period amounts have been reclassified to conform to 2006 classifications. Prior to the IPO, the Company reclassified all of its approximately 100,000 outstanding shares of existing Class A redeemable common stock so that the Company's existing stockholders received 1.35 shares of the Company's new Class B common stock for each share of Class A redeemable common stock that they held and a single share of new Class M common stock. Shares and per share data have been retroactively restated in the financial statements subsequent to the common stock reclassification to reflect the reclassification as if it was effective at the start of the first period being presented in the financial statements.

The balance sheet as of December 31, 2005 was derived from the audited consolidated financial statements as of December 31, 2005. The consolidated financial statements for the three and six months ended June 30, 2006 and 2005 and as of June 30, 2006 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, 2006 are not necessarily indicative of the results to be expected for the full year.

The accompanying unaudited consolidated financial statements are presented in accordance with the U.S. Securities and Exchange Commission requirements of Quarterly Reports on Form 10-Q and, consequently, do not include all of the disclosures required by accounting principles generally accepted in the United States of America. Reference should be made to MasterCard Incorporated Annual Report on Form 10-K for the year ended December 31, 2005 for additional disclosures, including a summary of the Company's significant accounting policies.

Recent accounting pronouncements —In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement 109", ("FIN 48"). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 is effective for annual periods beginning after December 15, 2006. The Company is in the process of evaluating the impact of FIN 48 on our financial position and results of operations.

Note 2. Stockholders' Equity

Prior to the IPO, the Company's capital stock was privately held by certain of its customers that are principal members of MasterCard International. All stockholders held shares of Class A redeemable common stock.

In April 2006, MasterCard cancelled approximately 23 shares of Class A redeemable common stock primarily due to stockholders who had disclaimed ownership of these shares.

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

Initial Public Offering

Immediately prior to the closing of the IPO, MasterCard Incorporated filed an amended and restated certificate of incorporation (the "certificate of incorporation"). The certificate of incorporation authorized 4,501,000 shares, consisting of the following new classes of capital stock:

Class	Par Value	Authorized Shares (in millions)	Dividend and Voting Rights
A	$.0001 per share	3,000	• One vote per share • Dividend rights
B	$.0001 per share	1,200	• Non-voting • Dividend rights
M	$.0001 per share	1	• Generally non-voting, but can elect up to three, but not more than one-quarter, of the Company's directors and approve specified significant corporate actions (e.g., the sale of all of the assets of the Company) • No dividend rights
Preferred	$.0001 per share	300	• No shares issued or outstanding. Dividend and voting rights are to be determined by the Board of Directors of the Company upon issuance.

The certificate of incorporation also provided for the immediate reclassification of all of the Company's 99,978 outstanding shares of existing Class A common stock, causing each of its existing stockholders to receive 1.35 shares of the Company's newly issued Class B common stock for each share of common stock that they held prior to the reclassification as well as a single share of Class M common stock. The Company paid stockholders an aggregate of $27 in lieu of issuing fractional shares that resulted from the reclassification. This resulted in the issuance of 134,969 shares of Class B common stock and 2 shares of Class M common stock.

On May 31, 2006, the Company closed its IPO. The Company issued 66,135 newly authorized shares of Class A common stock in the IPO, including 4,614 shares sold to the underwriters pursuant to an option to purchase additional shares, at a price of $39 per share. The Company received net proceeds from the IPO of approximately $2,449,910.

The MasterCard Foundation

In connection and simultaneous with the IPO, the Company issued as a donation 13,497 newly authorized shares of Class A common stock to The MasterCard Foundation (the "Foundation"). The Foundation is a private charitable foundation incorporated in Canada controlled by directors who are independent of the Company and its principal members. In connection with the donation, the Company recorded an expense of $394,785 in the second quarter of 2006, which was determined based on the IPO price per share, less a marketability discount of 25%. Under the terms of the donation, the Foundation can only resell the donated shares beginning on the fourth anniversary of the IPO to the extent necessary to meet charitable disbursement requirements dictated by Canadian tax law. Under Canadian tax law, the Foundation is generally required to disburse at least 3.5% of its assets not used in administration each year for qualified charitable disbursements. However, the Company obtained permission from the Canadian tax authorities to defer the giving requirements for up to ten years. The Foundation, at its discretion, may decide to meet its disbursement obligations on an annual basis or to settle previously accumulated obligations during any given year. The Foundation will be permitted to sell all of its remaining shares beginning twenty years and eleven months after the consummation of the IPO. Additionally, the Company donated $5,500 in cash to the Foundation.

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

Redemption of Shares

On June 30, 2006, in accordance with the certificate of incorporation, the Company used all but $650,000 of the net proceeds from the IPO, or $1,799,910, to redeem 79,632 shares of Class B common stock from the Class B shareholders, the customers and principal members of MasterCard International. This number of shares equaled the aggregate number of shares of Class A common stock issued to investors in the IPO and donated to the Foundation. The redemption amount paid to Class B shareholders was allocated primarily between additional paid-in capital and retained earnings. Since 59% of the Class B shares were redeemed, 59% of the additional paid-in capital balance which existed prior to the IPO and was associated with Class B shares, or $575,001, was reduced against additional paid-in capital. The remaining $1,224,901 was charged to retained earnings since this amount was in excess of the original additional paid-in capital attributed to the Class B shares.

New Governance Structure

As of June 30, 2006, ownership of the Company was divided into the following:

	Equity Ownership	General Voting Power
Public Investors (Class A shareholders)	49%	83%
Principal or Affiliate Members (Class B shareholders)	41%	—
Foundation (Class A shareholder)	10%	17%

Commencing on the fourth anniversary of the IPO, each share of Class B common stock will be convertible, at the holder's option, into a share of Class A common stock on a one-for-one basis, subject to rights of first refusal by the other holders of Class B common stock. These rights of first refusal will be applicable for so long as outstanding shares of Class B common stock represent 15% or more of the aggregate outstanding shares of Class A and Class B common stock. Additionally, if at any time, the number of shares of Class B common stock outstanding is less than 41% of the aggregate number of shares of Class A common stock and Class B common stock outstanding, Class B stockholders will in certain circumstances be permitted to acquire shares of Class A common stock in the open market or otherwise, with acquired shares thereupon converting into an equal number of shares of Class B common stock.

Note 3. Earnings (Loss) Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Numerator:				
Net income (loss)	$(310,460)	$120,248	$(183,716)	$213,542
Denominator:				
Basic EPS weighted-average shares outstanding	135,252	134,969	135,127	134,969
Dilutive stock options and restricted stock units	—	—	—	—
Diluted EPS weighted-average shares outstanding	135,252	134,969	135,127	134,969
Earnings (loss) per Share:				
Basic	$ (2.30)	$ .89	$ (1.36)	$ 1.58
Diluted	$ (2.30)	$ .89	$ (1.36)	$ 1.58

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

The calculation of diluted earnings (loss) per share excluded 1,200 restricted stock units and 553 stock options for the three and six months ended June 30, 2006 because the effect would be antidilutive. No stock options or restricted stock units were outstanding during the three and six months ended June 30, 2005.

Note 4. Supplemental Cash Flows

The following table includes supplemental cash flow disclosures:

	Six Months Ended June 30,	
	2006	2005
Cash paid for income taxes	$128,414	$70,807
Cash paid for interest	8,429	8,477
Non-cash operating activities:		
Shares donated to the MasterCard Foundation	394,785	—
Conversion of cash-based to stock-based compensation (Note 11)	51,209	—

Note 5. Prepaid Expenses

Prepaid expenses consist of the following:

	June 30, 2006	December 31, 2005
Customer and merchant incentives	$ 232,901	$ 229,318
Advertising	68,483	69,756
Pension	28,817	35,280
Other	53,707	33,987
Total prepaid expenses	383,908	368,341
Prepaid expenses, current	(185,577)	(167,209)
Prepaid expenses, long-term	$ 198,331	$ 201,132

Prepaid customer and merchant incentives represent payments made to customers and merchants under business agreements for which payments have not yet been fully earned.

Note 6. Other Assets

Other assets consist of the following:

	June 30, 2006	December 31, 2005
Customer and merchant incentives	$ 125,268	$ 119,655
Deferred taxes	95,771	90,941
Investments in affiliates	27,471	25,425
Cash surrender value of keyman life insurance	24,618	22,673
Other	9,546	13,540
Total other assets	282,674	272,234
Other assets, current	(132,200)	(121,326)
Other assets, long-term	$ 150,474	$ 150,908

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

Certain customer and merchant business agreements include a bonus to be paid by MasterCard for entering into the agreements. As of June 30, 2006 and December 31, 2005, other assets include payments to be made for these bonuses; the related liability is included in accrued expenses. The bonus is amortized over the life of the agreement. Once the payment is made, the liability will be relieved and the other asset will be reclassified as a prepaid expense.

Note 7. Pension Plans

The Company maintains a noncontributory defined benefit pension plan with a cash balance feature covering substantially all of its U.S. employees. Additionally, the Company has an unfunded nonqualified supplemental executive retirement plan that provides certain key employees with supplemental retirement benefits in excess of limits imposed on qualified plans by U.S. tax laws. For both plans, net periodic pension cost is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Service cost	$ 4,650	$ 4,580	$ 9,300	$ 9,159
Interest cost	2,717	2,584	5,434	5,168
Expected return on plan assets	(3,830)	(3,192)	(7,660)	(6,384)
Amortization of prior service cost	(52)	(63)	(104)	(127)
Recognized actuarial loss	300	332	600	665
Net periodic pension cost	$ 3,785	$ 4,241	$ 7,570	$ 8,481

The funded status of the qualified plan exceeds minimum funding requirements. In 2005, the Company made voluntary contributions of $40,000 to its qualified pension plan. During 2006, the Company may make additional voluntary contributions to its qualified pension plan of up to $30,000. No contributions were made during the six months ended June 30, 2006 and the Company contributed $15,000 through June 30, 2005.

Note 8. Postretirement Health and Life Insurance Benefits

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Service cost	$ 792	$ 797	$1,584	$1,594
Interest cost	905	858	1,810	1,716
Amortization of prior service cost	17	17	34	34
Amortization of transition obligation	145	145	290	290
Recognized actuarial loss	53	65	106	130
Net periodic postretirement benefit cost	$1,912	$1,882	$3,824	$3,764

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

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

Note 9. Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2006	December 31, 2005
Customer and merchant incentives	$344,128	$ 303,899
Personnel costs	147,096	243,859
Advertising	123,465	162,661
Taxes	59,150	58,610
Other	80,929	81,628
	$754,768	$ 850,657

Note 10. Credit Facility

On April 28, 2006, the Company entered into a committed 3-year unsecured $2,500,000 revolving credit facility (the "Credit Facility") with certain financial institutions. The Credit Facility, which expires on April 28, 2009, replaced the Company's prior $2,250,000 credit facility which was to expire on June 16, 2006. Borrowings under the facility are available to provide liquidity in the event of one or more settlement failures by MasterCard International customers and, subject to a limit of $500,000, for general corporate purposes. MasterCard has agreed to pay a facility fee of 8 basis points on the total commitment, or $2,000 annually. Interest on borrowings under the Credit Facility would be charged at the London Interbank Offered Rate (LIBOR) plus an applicable margin of 37 basis points or an alternative base rate, and a utilization fee of 10 basis points would be charged if outstanding borrowings under the facility exceed 50% of commitments. The facility fee and borrowing cost are contingent upon our credit rating. MasterCard was in compliance with the covenants of the Credit Facility as of June 30, 2006. There were no borrowings under the Credit Facility at June 30, 2006 and December 31, 2005. The majority of Credit Facility lenders are customers or affiliates of customers of MasterCard International.

Note 11. Share Based Payment and Other Benefits

Prior to May 2006, the Company had never granted stock-based compensation awards to employees. In contemplation of the Company's IPO and to better align Company management with the new ownership and governance structure (see Note 2), the Company implemented the MasterCard Incorporated 2006 Long Term Incentive Plan (the "LTIP"). The LTIP is a shareholder-approved omnibus plan that permits the grant of various types of equity awards to employees. In May 2006, the Company granted restricted stock units ("RSUs") and non-qualified stock options ("options") under the LTIP. Upon the granting of the awards under the LTIP, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R requires the fair value of all share-based payments to employees be recognized in the financial statements.

Historically, the Company provided cash compensation to employees under the Executive Incentive Plan (the "EIP") and the Senior Executive Incentive Plan (the "SEIP") (together the "EIP Plans"). The EIP Plans are cash-based performance unit plans, in which participants receive grants of units with a value contingent on the achievement of the Company's long-term performance goals. The final value of the units under the EIP Plans is calculated based on the Company's performance over a three-year period. The performance goals are not, in whole or in part, based upon the Company's stock price as there was no trading of the Company's stock at the time the goals were set. Upon completion of the three-year performance period, participants receive a cash payment equal to 80 percent of the award earned. The remaining 20 percent of the award is paid upon completion of two additional years of service. The performance units vest over three and five year periods.

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During 2006, in connection with the IPO, the Company offered employees who had outstanding awards under the EIP Plans the choice of converting certain of these awards to RSUs. Certain other awards under the EIP Plans were mandatorily converted to RSUs. In each case, a 20 percent premium was applied in the conversion. Approximately three hundred participants converted their existing awards under the EIP Plans to RSUs in conjunction with the Company's IPO in May 2006. The RSUs resulting from this conversion retained the same vesting schedule as the original awards.

On May 25, 2006, the Company granted RSUs and options as long-term incentive awards. The RSUs will primarily vest on January 31, 2010. The options, which expire ten years from the date of grant, will vest ratably over four years from date of grant. Additionally, the Company made a one-time grant to all non-executive management employees upon the IPO for a total of approximately 440 RSUs (the "Founders' Grant"). The Founders' Grant RSUs will vest three years from the date of grant. The Company uses the straight-line method of attribution for expensing equity awards. Compensation expense is recorded net of estimated forfeitures. Estimates are adjusted as appropriate.

Upon termination of employment, excluding retirement, all of a participant's unvested awards shall be forfeited. However, when a participant terminates employment due to retirement, the participant will retain all of their awards without providing additional service to the Company. Eligible retirement is dependent upon age and years of service, as follows: age 55 with ten years of service, age 60 with 5 years of service and age 65 with 2 years of service. Compensation expense is recognized over the shorter of the vesting periods stated in the EIP Plans and the LTIP or the date the individual becomes eligible to retire.

There are 5,300 shares of Class A common stock reserved for equity awards under the LTIP. Although the LTIP permits the issuance of shares of Class B common stock, no shares have been reserved for issuance. Shares issued as a result of stock option exercises and the conversion of RSUs are expected to be funded with the issuance of new shares.

Stock Options

The fair value of each stock option is estimated on the date of grant using a Black-Scholes option pricing model. The following assumptions were used in arriving at the fair value of stock options granted during the three months ended June 30, 2006 (no stock options were granted prior to this period):

	Three Months Ended June 30, 2006
Risk-free rate of return	5.0%
Expected term	6.25 years
Expected volatility	32.1%
Expected dividend yield	1.0%

The risk-free rate of return is based on the U.S. Treasury yield curve in effect on the date of grant. The expected term of the option is based on the vesting terms and the contractual life of the option. As the Company did not have publicly traded stock historically, the expected volatility is based on the average of the historical and implied volatility of a group of companies that management believes is comparable to MasterCard. The expected dividends are based on the Company's expected annual dividend rate.

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The weighted average grant-date fair value per share of options granted in the three months ended June 30, 2006 was $14.64.

	Options (in thousands)	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2006	—	—		
Granted	553	$ 39		
Exercised	—	—		
Forfeited/expired	—	—		
Outstanding at June 30, 2006	553	$ 39	9.9	$ 4,977
Exercisable at June 30, 2006	—	—	—	—
Options vested at June 30, 2006 [1]	296	$ 39	9.9	$ 2,664

There were no options exercised in the three and six months ended June 30, 2006 and 2005. As of June 30, 2006, there was $3,296 of total unrecognized compensation cost related to nonvested options. The cost is expected to be recognized over a weighted average period of 3.6 years.

1 Includes options for participants that are eligible to retire and thus have fully earned their awards.

Restricted Stock Units

	Units (in thousands)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2006	—		
Granted	2,950		
Converted	—		
Forfeited/expired	(2)		
Outstanding at June 30, 2006	2,948	2.5	$ 141,504
RSUs vested at June 30, 2006 [1]	1,073	2.1	$ 51,504

1 Includes RSUs for participants that are eligible to retire and thus have fully earned their awards.

The fair value of each RSU is the market price of the Company's stock on the date of grant. In the case of RSUs granted upon the IPO, the fair value was the Company's $39 IPO price. Accordingly, the weighted-average grant-date fair value of RSUs granted during the three months ended June 30, 2006 was $39. There were no RSUs granted prior to this period. The portion of the RSU award related to the minimum statutory withholding taxes will be settled in cash upon vesting. The remaining RSUs will be settled in shares of the Company's Class A common stock after the vesting period. There were no RSUs converted to shares during the three and six months ended June 30, 2006. As of June 30, 2006, there was $60,902 of total unrecognized compensation cost related to nonvested RSUs. The cost is expected to be recognized over a weighted average period of 2.8 years.

For the six months ended June 30, 2006, the Company recorded compensation expense for the equity awards of $6,825, of which $4,109 was incremental compensation cost primarily related to adjustments for

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performance premiums upon the conversion of awards, partially offset by assumed forfeitures of equity awards. Additionally, upon conversion of the awards the Company reclassified $51,209 of liabilities related to awards issued under the EIP Plans to additional paid-in capital for the equity awards. The additional paid-in capital balance for the equity awards was $58,034 as of June 30, 2006. The tax benefit related to the equity awards was $20,552 as of June 30, 2006. The liability related to the EIP Plans was $32,164 and $101,677 as of June 30, 2006 and December 31, 2005, respectively.

On July 18, 2006, the Company's stockholders approved the MasterCard Incorporated 2006 Non-Employee Director Equity Compensation Plan (the "Director Plan"). The Director Plan provides for awards of Deferred Stock Units ("DSUs") to each director of the Company who is not a current employee of the Company. There are 100 shares of Class A common stock reserved for DSU awards under the Director Plan. On July 18, 2006, following the election of eight non-employee directors at an annual stockholders' meeting, the Company granted 21 DSUs under the Director Plan for a total award value of $901. The DSUs will vest immediately upon grant and will be settled in shares of the Company's Class A common stock on the fourth anniversary of the date of grant.

Note 12. Commitments and Contingent Liabilities

The future minimum payments under non-cancelable leases for office buildings and equipment, sponsorships, licensing and other agreements at June 30, 2006 were as follows:

	Total	Capital Leases	Operating Leases	Sponsorship, Licensing and Other
The remainder of 2006	$248,962	$ 4,379	$20,472	$ 224,111
2007	229,944	7,348	27,117	195,479
2008	164,468	5,680	21,889	136,899
2009	92,736	3,755	14,878	74,103
2010	58,561	1,819	3,586	53,156
Thereafter	167,444	40,475	7,868	119,101
Total	$962,115	$63,456	$95,810	$ 802,849

The table above excludes obligations from performance-based agreements with the Company's customers and merchants due to their contingent nature. Included in the table above are capital leases with imputed interest expense of $13,252 and a net present value of minimum lease payments of $50,204. At June 30, 2006, $64,189 of the future minimum payments in the table above for leases, sponsorship, licensing and other agreements was included in accounts payable or accrued expenses. Consolidated rental expense for the Company's office space was approximately $7,917 and $7,784 for the three months ended June 30, 2006 and 2005, respectively, and $15,883 and $15,589 for the six months ended June 30, 2006 and 2005, respectively. Consolidated lease expense for automobiles, computer equipment and office equipment was $1,991 and $4,043 for the three months ended June 30, 2006 and 2005, respectively, and $4,771 and $7,876 for the six months ended June 30, 2006 and 2005, respectively. In addition, the table above includes approximately $180,000 relating to a sponsorship agreement that the Company has sought to enforce through legal proceedings. Should the Company not succeed, it would not be obligated to make the payments.

MasterCard provides certain technology and services to its customers that in some cases include software and intellectual property. Certain agreements contain guarantees under which the Company indemnifies licensees from any adverse judgments arising from claims of intellectual property infringement by third parties. The terms of the guarantees are equal to the terms of the license to which they relate. The amount of the guarantees are limited to damages, losses, costs, expenses or other liabilities incurred by the licensee as a result of any intellectual property rights claims. The Company does not generate significant revenues from software and intellectual property licensing. The fair value of the guarantees is estimated to be negligible.

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Note 13. U.S. Merchant Lawsuit and Other Litigation Settlements

In 2003, MasterCard settled the U.S. merchant lawsuit described under the caption "U.S. Merchant and Consumer Litigations" in Note 15 herein, and contract disputes with certain customers. On June 4, 2003, MasterCard International and plaintiffs in the U.S. merchant lawsuit signed a settlement agreement (the "Settlement Agreement") which required the Company to pay $125,000 in 2003 and $100,000 annually each December from 2004 through 2012. In addition, in 2003, several other lawsuits were initiated by merchants who opted not to participate in the plaintiff class in the U.S. merchant lawsuit. The "opt-out" merchant lawsuits were not covered by the terms of the Settlement Agreement, however, all have been individually settled. As more fully described in Note 15 herein, MasterCard is also a party to a number of currency conversion litigations. Based upon litigation developments and settlement negotiations in these currency conversion cases and pursuant to Statement of Financial Standards No. 5, "Accounting of Contingencies", MasterCard has recorded reserves of $89,270. MasterCard recorded additional reserves in the second quarter of 2006 of $23,250 in connection with the settlement of certain other litigations disclosed in Note 15. During the six months ended June 30, 2006, total liabilities for the U.S. merchant lawsuit and other litigation settlements changed as follows:

Balance as of December 31, 2005	$605,000
Interest accretion	20,974
Reserve for litigation settlements (Note 15)	23,250
Payments	(110)
Balance as of June 30, 2006	$649,114

Note 14. Income Taxes

MasterCard had income tax expense of $49,868 and $116,041 for the three and six months ended June 30, 2006, respectively, compared to $67,146 and $118,047 for the three and six months ended June 30, 2005, respectively. The Company's pretax loss was ($260,592) and ($67,675) in the three and six months ended June 30, 2006, respectively, compared to pretax income of $187,394 and $331,589 for the three and six months ended June 30, 2005, respectively. Applying the 35% U.S. Federal statutory rate to the pretax losses in 2006 would have resulted in an income tax benefit of ($91,207) and ($23,686) for the three and six months ended June 30, 2005, respectively. However, the Company's income tax expense differs significantly from these amounts primarily due to a $394,785 charitable contribution, in the second quarter 2006, of MasterCard Class A common shares to the MasterCard Foundation which is not deductible for tax purposes. In addition, other items consisting primarily of tax exempt interest, qualified domestic production activity income, nondeductible cash donations to the MasterCard Foundation and foreign activities have impacted the effective tax rate. The significant components of income tax expense and the effective tax rates for the six months ended June 30, 2006 and June 30, 2005, as compared to the U.S. Federal statutory tax rate of 35%, is as follows:

	Six months ended June 30,			
	2006		2005	
	Dollar Amount	Percent	Dollar Amount	Percent
Pretax Income (Loss)	$ (67,675)		$331,589	
Income tax (benefit) at 35% U.S. statutory rate	$ (23,686)	(35.0)%	116,056	35.0%
Nondeductible stock charitable contribution	143,490	212.0%	—	0.0%
Other	(3,763)	(5.5)%	1,991	0.6%
	$116,041	171.5%	$118,047	35.6%

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The income tax expense for the three months ending June 30, 2006 and 2005 is the difference between the income tax expense provided for the six months ended June 30, 2006 and 2005 and the income tax expense provided in the three months ended March 31, 2006 and 2005, respectively.

Note 15. Legal and Regulatory Proceedings

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

Department of Justice Antitrust Litigation and Related Private Litigation

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

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

On November 26, 2001, the judge issued a final judgment that ordered MasterCard to repeal the CPP insofar as it applies to issuers and enjoined MasterCard from enacting or enforcing any bylaw, rule, policy or practice that prohibits its issuers from issuing general purpose credit or debit cards in the United States on any other general purpose card network. The final judgment also provides that from the effective date of the final judgment (October 15, 2004) until October 15, 2006, MasterCard is required to permit any issuer with which it entered into such an agreement prior to the effective date of the final judgment to terminate that agreement without penalty,

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provided that the reason for the termination is to permit the issuer to enter into an agreement with American Express or Discover. The final judgment imposes parallel requirements on Visa.

MasterCard appealed the judge's ruling with respect to the CPP. On September 17, 2003, a three-judge panel of the Second Circuit issued its decision upholding the District Court's decision. On October 4, 2004, the Supreme Court denied MasterCard's petition for certiorari, thereby exhausting all avenues for further appeal in this case. Thereafter, the parties agreed that October 15, 2004 would serve as the effective date of the final judgment.

In addition, on September 18, 2003, MasterCard filed a motion before the District Court judge in this case seeking to enjoin Visa, pending completion of the appellate process, from enforcing a newly-enacted bylaw requiring Visa's 100 largest issuers of debit cards in the United States to pay a so-called "settlement service" fee if they reduce their Visa debit volume by more than 10%. This bylaw was later modified to clarify that the settlement service fee would only be imposed if an issuer shifted its portfolio of debit cards to MasterCard. Visa implemented this bylaw provision following the settlement of the U.S. merchant lawsuit described under the heading "U.S. Merchant Opt Out and Consumer Litigations" below. MasterCard believes that this bylaw is punitive and violates the final judgment in the DOJ litigation, which enjoins Visa and MasterCard from enacting, maintaining, or enforcing any bylaw or policy that prohibits issuers from issuing general purpose cards or debit cards in the United States on any other general purpose card network. On December 8, 2003, the District Court ruled that it lacked jurisdiction to issue an injunction while the appellate process in the DOJ litigation was pending. In light of the Supreme Court's denial of certiorari on October 4, 2004, jurisdiction was again vested with the District Court. On January 10, 2005, MasterCard renewed its challenge to the bylaw in the District Court, seeking to enjoin Visa from maintaining or enforcing the bylaw and requiring Visa to offer its top 100 offline issuers a right to rescind any debit card agreements entered into with Visa while the settlement service fee was in effect. On August 18, 2005, the Court issued an order appointing a special master to conduct an evidentiary hearing and then issue a report and recommendation as to whether the settlement service fee violates the Court's final judgment. On July 7, 2006, the special master issued a report and recommendation to the District Court finding that the continuation of Visa's settlement service fee after the effective date of the final judgment on October 15, 2004 violated the final judgment. On July 27, 2006, MasterCard filed a motion to adopt the special master's report. That same day, Visa filed objections to the special master's report. The parties are awaiting a decision by the district court. If MasterCard is unsuccessful and Visa is permitted to impose this settlement service fee on issuers of debit cards according to this bylaw, it could inhibit the growth of MasterCard's debit business. At this time, it is not possible to determine the ultimate resolution of this matter.

On October 4, 2004, Discover Financial Services, Inc. filed a complaint against MasterCard, Visa U.S.A. Inc. and Visa International Services Association. The complaint was filed in the U.S. District Court for the Southern District of New York and was designated as a related case to the DOJ litigation, and was assigned to the same judge who issued the DOJ decision described above. In an amended complaint filed on January 7, 2005, Discover alleged that the implementation and enforcement of MasterCard's CPP, Visa's bylaw provision and the Honor All Cards rule violated Sections 1 and 2 of the Sherman Act in an alleged market for general purpose card network services and an alleged market for debit card network services. Specifically, Discover claimed that MasterCard's CPP unreasonably restrained trade by prohibiting financial institutions who were members of MasterCard from issuing payment cards on the Discover network. Discover requested that the District Court apply collateral estoppel with respect to its final judgment in the DOJ litigation and enter an order that the CPP and Visa's bylaw provision have injured competition and caused injury to Discover. Discover seeks treble damages in an amount to be proved at trial along with attorneys' fees and costs. On February 7, 2005, MasterCard moved to dismiss Discover's amended complaint in its entirety for failure to state a claim. On April 14, 2005, the District Court denied, at this stage in the litigation, Discover's request to give collateral estoppel effect to the findings in the DOJ litigation. However, the District Court indicated that Discover may

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refile a motion for collateral estoppel after discovery. Under the doctrine of collateral estoppel, a court has the discretion to preclude one or more issues from being relitigated in a subsequent action but only if (1) those issues are identical to issues actually litigated and determined in the prior action, (2) proof of those issues were necessary to reach the prior judgment, and (3) the party to be estopped had a full and fair opportunity to litigate those issues in the prior action. Accordingly, if the District Court were to give effect to collateral estoppel on one or more issues in the future, then significant elements of plaintiff's claims would be established, thereby making it more likely that MasterCard would be found liable and making the possibility of an award of damages that much more likely. In the event all issues are subsequently decided against MasterCard in dispositive motions during the course of the litigation then there is the possibility that the sole issue remaining will be whether a damage award is appropriate and, if so, what the amount of damages should be. In addition, that same day and in subsequent rulings, with respect to the market for general purpose card network services, the District Court denied MasterCard's motion to dismiss Discover's Section 1 conspiracy to restrain trade and Section 2 conspiracy to monopolize or maintain a monopoly claims that were based upon the conduct described above. On October 24, 2005, the District Court granted MasterCard's motion to dismiss Discover's Section 2 monopolization and attempted monopolization claims against MasterCard. On November 9, 2005, the Court denied MasterCard's motion to dismiss Discover's claims based upon effects in an alleged debit market. On November 30, 2005, MasterCard filed an answer to the amended complaint. On May 24, 2006, the District Court modified its earlier case management order and extended the fact discovery deadline to March 30, 2007. A status conference has also been scheduled for January 4, 2007 to discuss, among other things, the timing of collateral estoppel motions. At this time, it is not possible to determine the ultimate resolution of, or estimate the liability related to, the Discover litigation. No provision for losses has been provided in connection with this matter.

On November 15, 2004, American Express filed a complaint against MasterCard, Visa and eight member banks, including JPMorgan Chase & Co., Bank of America Corp., Capital One Financial Corp., U.S. Bancorp, Household International Inc., Wells Fargo & Co., Providian Financial Corp. and USAA Federal Savings Bank. Subsequently, USAA Federal Savings Bank, Bank of America Corp. and Household International Inc. announced settlements with American Express and have been dismissed from the case. The complaint, which was filed in the U.S. District Court for the Southern District of New York, was designated as a related case to the DOJ litigation and was assigned to the same judge. The complaint alleges that the implementation and enforcement of MasterCard's CPP and Visa's bylaw provision violated Sections 1 and 2 of the Sherman Act in an alleged market for general purpose card network services and a market for debit card network services. Specifically, American Express claimed that MasterCard's CPP unreasonably restrained trade by prohibiting financial institutions who were members of MasterCard from issuing payment cards on the American Express network. American Express seeks treble damages in an amount to be proved at trial, along with attorneys' fees and costs. On January 14, 2005, MasterCard filed a motion to dismiss the complaint for failure to state a claim. American Express also requested that the Court apply collateral estoppel with respect to its final judgment in the DOJ litigation. On April 14, 2005, the District Court denied, at this stage in the litigation, American Express' request to give collateral estoppel effect to the findings in the DOJ litigation. However, the Court indicated that American Express may refile a motion for collateral estoppel after discovery. As with the lawsuit brought by Discover that is described in the preceding paragraph, if the Court were to give effect to collateral estoppel on one or more issues in the future, then significant elements of plaintiff's claims would be established, thereby making it more likely that MasterCard would be found liable and making the possibility of an award of damages that much more likely. In the event all issues are subsequently decided against MasterCard in dispositive motions during the course of the litigation then there is the possibility that the sole issue remaining will be whether a damage award is appropriate and, if so, what the amount of damages should be. In addition, that same day and in subsequent rulings, the Court denied MasterCard's motion to dismiss American Express' Section 1 conspiracy to restrain trade claims and Section 2 conspiracy to monopolize claims that were based upon the conduct described above. On November 9, 2005, the Court denied MasterCard's motion to dismiss American Express' conspiracy to

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restrain trade claims in the alleged market for debit card network services. On November 30, 2005, MasterCard filed an answer to the complaint. On May 24, 2006, the District Court modified its earlier case management order and extended the fact discovery deadline to March 30, 2007. A status conference has also been scheduled for January 4, 2007 to discuss, among other things, the timing of collateral estoppel motions. At this time, it is not possible to determine the ultimate resolution of, or estimate the liability related to, this matter. No provision for losses has been provided in connection with the American Express litigation.

Currency Conversion Litigations

MasterCard International, together with Visa U.S.A., Inc. and Visa International Corp., are defendants in a state court lawsuit in California. The lawsuit alleges that MasterCard and Visa wrongfully imposed an asserted one percent currency conversion "fee" on every credit card transaction by U.S. MasterCard and Visa cardholders involving the purchase of goods or services in a foreign country, and that such alleged "fee" is unlawful. This action, titled *Schwartz v. Visa Int'l Corp., et al* ., was brought in the Superior Court of California in February 2000, purportedly on behalf of the general public. Trial of the Schwartz matter commenced on May 20, 2002 and concluded on November 27, 2002. The Schwartz action claims that the alleged "fee" grossly exceeds any costs the defendants might incur in connection with currency conversions relating to credit card purchase transactions made in foreign countries and is not properly disclosed to cardholders. MasterCard denies these allegations.

On April 8, 2003, the trial court judge issued a final decision in the Schwartz matter. In his decision, the trial judge found that MasterCard's currency conversion process does not violate the Truth in Lending Act or regulations, nor is it unconscionably priced under California law. However, the judge found that the practice is deceptive under California law, and ordered that MasterCard mandate that members disclose the currency conversion process to cardholders in cardholder agreements, applications, solicitations and monthly billing statements. As to MasterCard, the judge also ordered restitution to California cardholders. The judge issued a decision on restitution on September 19, 2003, which requires a traditional notice and claims process in which consumers have approximately six months to submit their claims. The court issued its final judgment on October 31, 2003. On December 29, 2003, MasterCard appealed the judgment. The final judgment and restitution process have been stayed pending MasterCard's appeal. On August 6, 2004, the court awarded plaintiff's attorneys' fees and costs in the amount of $28,224 to be paid equally by MasterCard and Visa. Accordingly, during the three months ended September 30, 2004, MasterCard accrued amounts totaling $14,112 which are included in U.S. Merchant Lawsuit and Other Legal Settlements in the Consolidated Statements of Operations (see Note 13). MasterCard subsequently filed a notice of appeal on the attorneys' fee award on October 1, 2004. With respect to restitution, MasterCard believes that it is likely to prevail on appeal. In February 2005, MasterCard filed an appeal regarding the applicability of Proposition 64, which amended sections 17203 and 17204 of the California Business and Professions Code, to this action. On September 28, 2005, the appellate court reversed the trial court, finding that the plaintiff lacked standing to pursue the action in light of Proposition 64. Plaintiff filed a petition for review with the California Supreme Court on November 7, 2005, which was granted on December 14, 2005. The California Supreme Court has deferred taking further action pending consideration and disposition of related issues with the court.

In addition, MasterCard has been served with complaints in state courts in New York, Arizona, Texas, Florida, Arkansas, Illinois, Tennessee, Michigan, Pennsylvania, Ohio, Minnesota and Missouri seeking to, in effect, extend the judge's decision in the Schwartz matter to MasterCard cardholders outside of California. Some of these cases have been transferred to the U.S. District Court for the Southern District of New York and combined with the federal complaints in MDL No. 1409 discussed below. In other state court cases, MasterCard has moved to dismiss the claims. On February 1, 2005, a Michigan action was dismissed with prejudice and on April 12, 2005 the plaintiff agreed to withdraw his appeal of that decision. On June 24, 2005, a Minnesota action

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was dismissed with prejudice; however, plaintiff filed an amended complaint on September 15, 2005. On August 31, 2005, an Illinois action was dismissed with prejudice; plaintiff filed an appeal on February 6, 2006. Briefing is not complete and no date for oral argument has been set. On September 7, 2005, a Texas state court granted MasterCard's motion to arbitrate, and plaintiff subsequently filed notice that he was withdrawing his lawsuit against MasterCard for all claims. MasterCard has also been served with complaints in state courts in California, Texas and New York alleging it wrongfully imposed an asserted one percent currency conversion "fee" in every debit card transaction by U.S. MasterCard cardholders involving the purchase of goods or services or withdrawal of cash in a foreign country and that such alleged "fee" is unlawful. Visa USA Inc. and Visa International Corp. have been named as co-defendants in the California cases. One such Texas case was dismissed voluntarily by plaintiffs. Stipulated temporary stay orders have been entered in actions in the following state courts: Arkansas, Arizona, California, Florida, Minnesota, New York, Ohio, Pennsylvania, Texas and Tennessee. Although a stay order was in place in Tennessee, on May 1, 2006, the Tennessee Supreme Court accepted review of MasterCard's application to appeal the lower court's decisions on class certification. On June 21, 2006, MasterCard filed a motion for enlargement of time to file an appeal brief, which the court granted.

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

On July 20, 2006, MasterCard and the other defendants in the MDL Complaint entered into agreements settling the MDL Complaint and related matters, as well as the Schwartz matter. Pursuant to the settlement agreements, MasterCard had agreed to pay $72,480 to be used for defendants' settlement fund to settle the MDL Complaint and $13,440, which is expected to be paid in 2007, to settle the Schwartz matter. The settlement agreements are subject to final approval by Judge Pauley, and resolution of all appeals.

Based upon litigation developments, certain of which were favorable to MasterCard and progress in ongoing settlement discussions in these currency conversion cases that occurred during the third and fourth quarters of 2005 and the first quarter of 2006, and pursuant to Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," MasterCard had previously established total legal reserves of $89,270 in 2005 in connection with these currency conversion cases. At this time, it is not possible to predict with certainty the ultimate resolutions of these matters.

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Merchant Chargeback-Related Litigations

On May 12, 2003, a complaint alleging violations of federal and state antitrust laws, breach of contract, fraud and other theories was filed in the U.S. District Court for the Central District of California (Los Angeles) against MasterCard by a merchant aggregator whose customers include businesses selling adult entertainment content over the Internet. The complaint's allegations focus on MasterCard's past and potential future assessments on the plaintiff's merchant bank (acquirer) for exceeding excessive chargeback standards in connection with the plaintiff's transaction activity as well as the effect of MasterCard's chargeback rules and other practices on "card-not-present" merchants. Chargebacks refer to a situation where a transaction is returned, or charged back, to a merchant's bank (the "acquirer") by the cardholder's bank (the "issuer") at the request of cardholders or for other reasons. Prior to MasterCard filing any motion or responsive pleading, the plaintiff filed a voluntary notice of dismissal without prejudice on December 5, 2003. On the same date, the plaintiff filed a complaint in the U.S. District Court for the Eastern District of New York making similar allegations to those made in its initial California complaint. MasterCard moved to dismiss all of the claims in the complaint for failure to state a cause of action. On March 30, 2005, the judge granted MasterCard's motion and dismissed all of the claims in the complaint. On April 11, 2005, the plaintiff filed a notice of appeal of the district court's order. The Second Circuit heard oral argument on the appeal on November 22, 2005. The parties are awaiting a decision.

In addition, on June 6, 2003, an action titled *California Law Institute v. Visa U.S.A., et al* . was initiated against MasterCard and Visa U.S.A., Inc. in the Superior Court of California, purportedly on behalf of the general public. Plaintiff seeks disgorgement, restitution and injunctive relief for unlawful and unfair business practices in violation of California Unfair Trade Practices Act Section 17200, et. seq. Plaintiff purportedly alleges that MasterCard's (and Visa's) chargeback fees are unfair and punitive in nature. Plaintiff seeks injunctive relief preventing MasterCard from continuing to engage in its chargeback practices and requiring MasterCard to provide restitution and/or disgorgement for monies improperly obtained by virtue of them. On June 10, 2005, MasterCard filed a motion requesting that the court bifurcate and decide certain dispositive issues to be tried separately. On December 8, 2005, the court indicated that it would stay the motion and all proceedings indefinitely, pending an opinion from the California Supreme Court in an unrelated case regarding standing requirements under Section 17200 of the California Business and Professions Code that may be dispositive in the instant action.

On September 20, 2004, MasterCard was served with a complaint titled *PSW Inc. v. Visa U.S.A. Inc , MasterCard International Incorporated, et. al* ., No. 04-347, in the District Court of Rhode Island. The plaintiff, as alleged in the complaint, provided credit card billing services primarily for adult content web sites. The plaintiff alleges defendants' excessive chargeback standards, exclusionary rules, merchant registration programs, cross-border acquiring rules and interchange pricing to internet merchants violate federal and state antitrust laws as well as state contract and tort law. The plaintiff sought $60,000 in compensatory damages as well as $180,000 in punitive damages. On November 24, 2004, MasterCard moved to dismiss the complaint. Prior to the court ruling on MasterCard's motion to dismiss, plaintiff filed an amended complaint on April 6, 2005. This complaint generally mirrors the original complaint but includes additional causes of action based on the purported deprivation of plaintiff's rights under the First Amendment of the U.S. Constitution. On May 20, 2005, MasterCard moved to dismiss all of PSW's claims in the complaint for failure to state a claim and argument on the motion before a magistrate judge was held on November 2, 2005. On February 3, 2006, the magistrate issued a report and recommendation in which he recommended the dismissal of plaintiffs' antitrust claims, First Amendment claim, and state law claims for conversion, embezzlement, tortious interference with prospective economic advantage, and breach of the implied covenant of good faith and fair dealing. However, the magistrate's report also recommended that MasterCard's motion to dismiss plaintiff's claims for breach of

contract and tortious interference with contractual relations be denied. On February 28, 2006, the District Court adopted the magistrate's report and recommendation. On July 13, 2006, the parties entered into a settlement agreement resolving all claims between the parties, provided that the settlement agreement is approved by the Rhode Island state court in which PSW's receivership is pending. Based upon litigation developments and settlement negotiations, and pursuant to Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," MasterCard recorded legal reserves for the PSW litigation during the second quarter of 2006, included under "Litigation settlements" in the Consolidated Statement of Operations (Unaudited).

At this time, it is not possible to determine the outcome of, or, except as indicated above in the PSW litigation, estimate the liability related to, the merchant chargeback-related litigations. Except as indicated above for the PSW litigation, no provision for losses has been provided in connection with these litigations.

U.S. Merchant and Consumer Litigations

Commencing in October 1996, several class action suits were brought by a number of U.S. merchants against MasterCard International and Visa U.S.A., Inc. challenging certain aspects of the payment card industry under U.S. federal antitrust law. Those suits were later consolidated in the U.S. District Court for the Eastern District of New York. The plaintiffs claimed that MasterCard's "Honor All Cards" rule (and a similar Visa rule), which required merchants who accept MasterCard cards to accept for payment every validly presented MasterCard card, constituted an illegal tying arrangement in violation of Section 1 of the Sherman Act. Plaintiffs claimed that MasterCard and Visa unlawfully tied acceptance of debit cards to acceptance of credit cards. The plaintiffs also claimed that MasterCard and Visa conspired to monopolize what they characterized as the point-of-sale debit card market, thereby suppressing the growth of regional networks such as ATM payment systems. On June 4, 2003, MasterCard International signed a settlement agreement to settle the claims brought by the plaintiffs in this matter, which the Court approved on December 19, 2003. On January 24, 2005, the Second Circuit Court of Appeals issued an order affirming the District Court's approval of the settlement agreement. Accordingly, the settlement is now final. For a description of the financial terms of the settlement agreement, see Note 13.

In addition, individual or multiple complaints have been brought in 19 different states and the District of Columbia alleging state unfair competition, consumer protection and common law claims against MasterCard International (and Visa) on behalf of putative classes of consumers. The claims in these actions largely mirror the allegations made in the U.S. merchant lawsuit and assert that merchants, faced with excessive merchant discount fees, have passed these overcharges to consumers in the form of higher prices on goods and services sold. MasterCard has been successful in the majority of these cases as courts have granted MasterCard's motions to dismiss for failure to state a claim or plaintiffs have voluntarily dismissed their complaints. Specifically, courts in Arizona, Iowa, New York, Michigan, Minnesota, Nebraska, Maine, North Dakota, Kansas, North Carolina, South Dakota, Vermont, Wisconsin, Florida, Nevada and the District of Columbia have granted MasterCard's motions and dismissed the complaints with prejudice. Plaintiffs have outstanding appeals of these dismissals in Nebraska and Iowa. In addition, there are outstanding cases in the District of Columbia, New Mexico, Tennessee, California and West Virginia. The parties are awaiting decisions on MasterCard's motion to dismiss in New Mexico and the District of Columbia. The courts in Tennessee and California have granted MasterCard's motion to dismiss the respective state unfair competition claims but have denied MasterCard's motions with respect to unjust enrichment claims in Tennessee and Section 17200 claims for unlawful, unfair, and/or fraudulent business practices in California. Both parties have appealed the Tennessee decisions. On March 27, 2006, the Tennessee Court of Appeals affirmed the dismissal of the state unfair competition claims. In addition, it reversed the lower court's denial of MasterCard's motion to dismiss the unjust enrichment claims and remanded the case to the lower court for the dismissal of the entire case. Plaintiffs have filed in the Tennessee Supreme Court an application for permission to appeal the Tennessee Court of Appeals decision, and such application is currently

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pending. On February 14, 2006, MasterCard answered the West Virginia complaint after its motion for summary judgment was denied. The parties in West Virginia are currently negotiating a protective order before moving forward with discovery.

On March 14, 2005, MasterCard was served with a complaint that was filed in Ohio state court on behalf of a putative class of consumers under Ohio state unfair competition law. The claims in this action mirror those in the consumer actions described above but also name as co-defendants a purported class of merchants who were class members in the U.S. merchant lawsuit. Plaintiffs allege that Visa, MasterCard and the class members of the U.S. merchant lawsuit conspired to attempt to monopolize the debit card market by tying debit card acceptance to credit card acceptance. On October 7, 2005, plaintiffs filed a voluntary notice of dismissal of their complaint.

On April 29, 2005, a complaint was filed in California state court on behalf of a putative class of consumers under California unfair competition law (Section 17200) and the Cartwright Act. The claims in this action seek to piggyback on the portion of the DOJ antitrust litigation in which the United States District Court for the Southern District of New York found that MasterCard's CPP and Visa's bylaw constitute unlawful restraints of trade under the federal antitrust laws. See "—Department of Justice Antitrust Litigation and Related Private Litigation." On December 2, 2005, plaintiffs filed a third amended complaint containing similar allegations to those referenced above. On January 24, 2006, MasterCard and Visa jointly moved to dismiss the plaintiffs' claims for failure to state a claim. On March 10, 2006, plaintiffs filed an opposition to defendants' motion. The court granted the defendants' motion to dismiss the plaintiffs' Cartwright claims but denied defendants' motion to dismiss plaintiffs' Section 17200 unfair competition claims. MasterCard filed an answer to the complaint on June 19, 2006. The parties are awaiting a case management order from the court.

At this time, it is not possible to determine the outcome of, or estimate the liability related to, these 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.

Privasys Litigation

An action was filed against MasterCard International in the U.S. District Court for the Northern District of California on September 12, 2005 by Privasys, Inc. alleging misappropriation of purported trade secrets relating to aspects of the technology used for MasterCard's PayPass contactless cards. Privasys sought to add a Privasys employee as a co-inventor of a MasterCard patent and injunctive relief against MasterCard's alleged misappropriation of trade secrets.

On October 3, 2005, MasterCard filed suit against Privasys in the U.S. District Court for the Southern District of New York seeking a declaration that (1) there was no need to correct the inventorship of the MasterCard patent, (2) MasterCard has not misappropriated any trade secrets of Privasys, to the extent that any exist, and (3) a non-disclosure agreement between Privasys and MasterCard is void and unenforceable and that MasterCard had not breached the non-disclosure agreement or the terms of an exclusive marketing agreement between the parties. MasterCard also alleged breach of the marketing agreement by Privasys.

On October 14, 2005, MasterCard filed a motion to dismiss or transfer the California action on the grounds that the marketing agreement contained a forum selection clause specifying the New York courts as the exclusive venue for all disputes between the parties and that the marketing agreement superseded the non-disclosure agreement. On December 2, 2005, the U.S. District Court granted MasterCard's motion and dismissed the California action.

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On November 14, 2005, Privasys filed counterclaims against MasterCard in the New York action alleging breach of the marketing agreement, fraud and deceit, breach of fiduciary duty, misappropriation of trade secrets, unjust enrichment and monopolization and attempted monopolization under Section 2 of the Sherman Act. In its counterclaims, Privasys included the subject matter of additional patent applications filed by MasterCard allegedly relating to PayPass, and added allegations that MasterCard had fraudulently induced Privasys to enter into the marketing agreement and subsequently frustrated Privasys' performance under the marketing agreement.

On December 21, 2005, MasterCard filed a motion to dismiss Privasys' antitrust, fraud and related counterclaims. On January 18, 2006, Privasys amended its counterclaims, omitting the antitrust claim and certain duplicative claims, but retaining other claims against MasterCard, including causes of action for fraud and deceit. MasterCard has replied, denying any wrongdoing. A pre-trial conference with the Court is scheduled to occur on November 17, 2006.

The parties are also engaged in a voluntary mediation in an attempt to resolve their dispute. Based upon the progress of settlement negotiations, and pursuant to Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," MasterCard has recorded reserves related to this litigation, included under "Litigation settlements" in the Consolidated Statement of Operations (Unaudited). At this time, it is not possible to predict with certainty the ultimate resolution of this matter.

Global Interchange Proceedings

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

United States. In July 2002, a purported class action lawsuit was filed by a group of merchants in the U.S. District Court for the Northern District of California against MasterCard International, Visa U.S.A., Inc., Visa International Corp. and several member banks in California alleging, among other things, that MasterCard's and Visa's interchange fees contravene the Sherman Act. The suit seeks treble damages in an unspecified amount, attorneys' fees and injunctive relief. On March 4, 2004, the court dismissed the lawsuit with prejudice in reliance upon the approval of the settlement agreement in the U.S. merchant lawsuit by the U.S. District Court for the Eastern District of New York, which held that the settlement and release in that case extinguished the claims brought by the merchant group in the present case. The plaintiffs have appealed the U.S. District Court for the Eastern District of New York's approval of the U.S. merchant lawsuit settlement and release to the Second Circuit Court of Appeals and have also appealed the U.S. District Court for the Northern District of California's dismissal of the present lawsuit to the Ninth Circuit Court of Appeals. On January 4, 2005, the Second Circuit Court of Appeals issued an order affirming the District Court's approval of the U.S. merchant lawsuit settlement agreement, including the District Court's finding that the settlement and release extinguished such claims.

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Plaintiffs did not seek certiorari of the Second Circuit's decision with the U.S. Supreme Court. On March 27, 2006 the Ninth Circuit Court of Appeals affirmed the U.S. District Court for the Northern District of California's dismissal of the case and plaintiffs did not seek certiorari with the Supreme Court.

On October 8, 2004, a purported class action lawsuit was filed by a group of merchants in the U.S. District Court for the Northern District of California against MasterCard International, Visa U.S.A., Inc., Visa International Corp. and several member banks in California alleging, among other things, that MasterCard's and Visa's interchange fees contravene the Sherman Act and the Clayton Act. The complaint contains similar allegations to those brought in the interchange case described in the preceding paragraph, and plaintiffs have designated it as a related case. The plaintiffs seek damages and an injunction against MasterCard (and Visa) setting interchange and engaging in "joint marketing activities," which plaintiffs allege include the purported negotiation of merchant discount rates with certain merchants. On November 19, 2004, MasterCard filed an answer to the complaint. The plaintiffs filed an amended complaint on April 25, 2005. MasterCard moved to dismiss the claims in the complaint for failure to state a claim and, in the alternative, also moved for summary judgment with respect to certain of the claims. On July 25, 2005, the court issued an order granting MasterCard's motion to dismiss and dismissed the complaint with prejudice. On August 10, 2005, the plaintiffs filed a notice of appeal. Plaintiffs' opening appeal brief was filed on November 28, 2005. MasterCard filed its opposition brief to plaintiffs' appeal on December 26, 2005 and is awaiting an oral argument date.

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

On June 9, 2006, MasterCard answered the First Amended Class Action Complaint and the individual merchant complaints. In addition to answering the complaints, MasterCard moved to dismiss or, alternatively, moved to strike the pre-2004 damages claims that were contained in the First Amended Class Action Complaint.

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Further, MasterCard moved to dismiss the Section 2 claims that were brought in the individual merchant complaints. Plaintiffs filed oppositions to MasterCard's motions to dismiss on July 21, 2006. The Court has ordered that new fact discovery may proceed and such fact discovery is scheduled to be completed by November 30, 2007, with briefing on case dispositive motions scheduled to be completed by November 24, 2008. On July 5, 2006, the group of purported class plaintiffs filed a supplemental complaint alleging that the IPO and certain purported agreements entered into between MasterCard and its member banks in connection with the IPO (1) violate Section 7 of the Clayton Act because their effect allegedly may be to substantially lessen competition, (2) violate Section 1 of the Sherman Act because they allegedly constitute an unlawful combination in restraint of trade and (3) constitute a fraudulent conveyance because the member banks are allegedly attempting to release without adequate consideration from the member banks MasterCard's right to assess the member banks for MasterCard's litigation liabilities in these interchange-related litigations and in other antitrust litigations pending against it. The plaintiffs seek unspecified damages and an order reversing and unwinding the IPO. MasterCard's time to respond to the supplemental complaint is currently running.

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

On September 25, 2003, the European Commission issued a Statement of Objections challenging MasterCard Europe's cross-border interchange fee. MasterCard Europe filed its response to this Statement of Objections on January 5, 2004. On June 23, 2006, the European Commission issued a supplemental Statement of Objections. MasterCard has until October 15, 2006 to respond to the supplemental Statement of Objections, after which MasterCard could request a hearing. Following this, the European Commission could issue a prohibition decision ordering MasterCard to change the manner in which it calculates its cross-border interchange fee. MasterCard Europe could appeal such a decision to the European Court of Justice. The European Commission has informed MasterCard that it does not intend to levy a fine against MasterCard even if it determines that MasterCard's cross-border interchange fee violates European Community competition rules. Because the cross-border interchange fee constitutes an essential element of MasterCard Europe's operations, changes to it could significantly impact MasterCard International's European members and MasterCard Europe's business. In addition, a negative decision by the European Commission could lead to the filing of private actions against MasterCard Europe by merchants and/or consumers seeking substantial damages.

On June 13, 2005, the European Commission announced a "sector inquiry" into the financial services industry, which includes an investigation of interchange fees. On April 12, 2006, the European Commission released its interim report on its sector inquiry into the payments card industry. In the report, the European Commission criticizes or expresses concern about a large number of industry practices, including interchange fees, of a multiplicity of industry participants, and warns of possible regulatory or legislative action. However, the report does not indicate against whom any such regulatory action might be taken or what legislative changes might be sought. The European Commission provided for a ten-week comment period on the report's findings, and indicated that its final report would be issued by the end of 2006. On June 23, 2006, MasterCard responded to the European Commission with comments. On July 17, 2006, the European Commission held a public hearing concerning the interim report at which MasterCard Europe expressed its views.

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

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

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

However, the OFT is still proceeding with its investigation of MasterCard's current U.K. interchange fees and, if it determines that they contravene U.K. and European Union competition law, it could issue a new decision or seek to fine MasterCard. 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.

Germany. On January 19, 2006, a German retailers association filed a complaint with the Federal Cartel Office in Germany concerning MasterCard's and Visa's domestic interchange fees. The complaint alleges that MasterCard's and Visa's MIFs are not transparent to cardholders and include extraneous costs. MasterCard understands that the Federal Cartel Office is reviewing the complaint.

Other Jurisdictions. In Spain, the Competition Tribunal issued a decision in April 2005 denying the interchange fee exemption applications of two of the three domestic credit and debit card processing systems and beginning the process to revoke the exemption it had previously granted to the third such system. The interchange fees set by these three processors apply to MasterCard transactions in Spain and consequently, MasterCard has appealed this decision. In addition, the Tribunal expressed views as to the appropriate manner for setting domestic interchange fees which, if implemented, would result in substantial reductions in credit and debit card interchange fees in Spain. In December 2005, the processors agreed to change the manner in which they set interchange fees, and the new fees are currently being assessed by the Spanish competition authorities to determine if they qualify for an exemption. This could have a material impact on MasterCard's business in Spain. MasterCard is aware that regulatory authorities and/or central banks in certain other jurisdictions, including

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Poland, Portugal, Norway, Sweden, New Zealand, Mexico, Colombia, Brazil and Hungary are reviewing MasterCard's and/or its members' interchange fees and/or related practices and may seek to regulate the establishment of such fees and/or such practices.

Plaintiff Communication

In October 2005, one of the plaintiffs in MasterCard's antitrust litigations asserted in a written communication that the damages it believes it is likely to recover in its lawsuit will exceed MasterCard's capital and ability to pay, and that MasterCard has failed to adequately disclose to public investors in its then proposed IPO described in Note 2 the possibility of substantial damages judgments against MasterCard in such lawsuit and the other pending litigations against MasterCard, which the plaintiff asserted are likely to be in the billions of dollars before trebling. The plaintiff also requested that MasterCard not relinquish its right to assess its member banks, which the plaintiff alleged would shift the liability to public investors, and increase MasterCard's litigation reserves to an appropriate (but unspecified) amount. MasterCard has responded to this plaintiff indicating that it disagrees with the plaintiff's characterization of both its lawsuit and MasterCard's financial position following the closing of the IPO. Contrary to the plaintiff's claims, MasterCard also believes that its litigation disclosure is materially accurate and complete and in accord with all applicable laws and regulations.

Note 16. Settlement and Travelers Cheque Risk Management

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

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

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

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

	June 30, 2006	December 31, 2005
MasterCard-branded transactions:		
Gross Settlement Exposure	$16,729,670	$ 15,568,485
Collateral held for Settlement Exposure	(1,680,175)	(1,515,361)
Net uncollateralized Settlement Exposure	$15,049,495	$ 14,053,124
Uncollateralized Settlement Exposure attributable to non-compliant members	$ 93,602	$ 102,165
Cirrus and Maestro transactions:		
Gross Settlement Exposure	$ 2,271,108	$ 2,043,885

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

Of the total estimated Settlement Exposure under the MasterCard brand, net of collateral, the U.S. accounted for approximately 50% and 49% at June 30, 2006 and December 31, 2005, respectively. The second largest country that accounted for this Settlement Exposure was the United Kingdom at approximately 9% and 10% at June 30, 2006 and December 31, 2005, respectively. Of the total uncollateralized Settlement Exposure attributable to non-compliant members, five members represented approximately 79% and 75% at June 30, 2006 and December 31, 2005, respectively.

MasterCard guarantees the payment of MasterCard-branded travelers cheques in the event of issuer default. The guarantee estimate is based on all outstanding MasterCard-branded travelers cheques, reduced by an actuarial determination of cheques that are not anticipated to be presented for payment. The term and amount of the guarantee are unlimited. MasterCard calculated its MasterCard-branded travelers cheques exposure under this guarantee as $784,210 and $934,124 at June 30, 2006 and December 31, 2005, respectively.

A significant portion of the Company's travelers cheque risk is concentrated in one MasterCard travelers cheque issuer. MasterCard has obtained an unlimited guarantee estimated at $632,730 and $762,579 at June 30, 2006 and December 31, 2005, respectively, from a financial institution that is a member, to cover all of the exposure of outstanding travelers cheques with respect to that issuer. In addition, MasterCard has obtained guarantees estimated at $23,767 and $26,457 at June 30, 2006 and December 31, 2005, respectively, from financial institutions that are members in order to cover the exposure of outstanding travelers cheques with respect to another issuer. These guarantee amounts have also been reduced by an actuarial determination of cheques that are not anticipated to be presented for payment.

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

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

As a result of the IPO and the associated changes in ownership structure and governance, as is described in Note 2, the Company reassessed whether it would be necessary to record an obligation for the fair value of some or all of its settlement and travelers cheque guarantees and has determined that an obligation should not be established.

Note 17. Foreign Exchange Risk Management

The Company enters into foreign currency forward contracts to minimize risk associated with anticipated receipts and disbursements denominated in foreign currencies and the possible changes in value due to foreign exchange fluctuations of assets and liabilities denominated in foreign currencies. MasterCard's forward contracts are classified by functional currency as summarized below:

U.S. Dollar Functional Currency

	June 30, 2006		December 31, 2005	
Forward Contracts	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Commitments to purchase foreign currency	$55,071	$ 248	$77,555	$ 194
Commitments to sell foreign currency	$15,987	$ (91)	33,351	245

Euro Functional Currency

	June 30, 2006		December 31, 2005	
Forward Contracts	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Commitments to purchase foreign currency	$162,358	$ (4,301)	$217,925	$ 922
Commitments to sell foreign currency	$ 24,823	$ (150)	$ 39,446	$ (535)

Brazilian Real Functional Currency

	June 30, 2006		December 31, 2005	
Forward Contracts	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Commitments to purchase foreign currency	$30,374	$ (1,466)	$ —	$ —

The currencies underlying the foreign currency forward contracts consist primarily of euro, U.K. pounds sterling, Brazilian real, Australian dollars and Japanese yen. The fair value of the foreign currency forward contracts generally reflects the estimated amounts that the Company would receive or (pay), on a pre-tax basis, to terminate the contracts at the reporting date based on broker quotes for the same or similar instruments. The terms of the foreign currency forward contracts are generally less than 18 months. The Company has deferred $2,659 of net losses and $739 of net gains, after tax, in accumulated other comprehensive income as of June 30, 2006 and December 31, 2005, respectively, all of which is expected to be reclassified to earnings as the contracts mature to provide an economic offset to the earnings impact of the anticipated cash flows hedged.

The Company's derivative financial instruments are subject to both credit and market risk. Credit risk is the risk of loss due to failure of the counterparty to perform its obligations in accordance with contractual terms. Market risk is the potential change in an investment's value caused by fluctuations in interest and currency exchange rates, credit spreads or other variables. Credit and market risk related to derivative instruments were not material at June 30, 2006 and December 31, 2005 because generally the Company does not obtain collateral related to forward contracts due to the high credit ratings of the counterparties that are members of MasterCard International, and because the amount of accounting loss the Company would incur if the counterparties failed to perform according to the terms of the contracts is not considered material.

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

The following discussion should be read in conjunction with the consolidated financial statements and notes of MasterCard Incorporated and its consolidated subsidiaries, including MasterCard International Incorporated ("MasterCard International") and MasterCard Europe sprl ("MasterCard Europe")(together, "MasterCard" or the "Company") included elsewhere in this report. References to "we", "our" and similar terms in the following discussion are references to the Company.

Forward-Looking Statements and Non-GAAP Financial Information

This Report on Form 10-Q contains forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. When used in this Report, the words "believe," "expect," "could," "may," "would", "will" and similar words are intended to identify forward-looking statements. These forward-looking statements relate to the Company's future prospects, developments and business strategies and include, without limitation, the Company's belief in its ability to drive growth by further penetrating its existing customer base and by expanding its role in targeted geographies and higher-growth segments of the global payments industry, enhancing its merchant relationships, and continuing to invest in its brands, as well as the Company's expectations in responding to pricing pressures and the related impact on results of operations. Many factors and uncertainties relating to our operations and business environment, all of which are difficult to predict and many of which are outside of our control, influence whether any forward-looking statements can or will be achieved. Any one of those factors could cause our actual results to differ materially from those expressed or implied in writing in any forward-looking statements made by MasterCard or on its behalf. We believe there are certain risk factors that are important to our business, and these could cause actual results to differ from our expectations. Reference should be made to the Company's 2005 Annual Report on Form 10-K for a complete discussion of these risk factors in Item 1A—Risk Factors.

Non-GAAP financial information is defined as a numerical measure of a company's performance that excludes or includes amounts so as to be different than the most comparable measure calculated and presented in accordance with U.S. generally accepted accounting principles ("GAAP"). Pursuant to the requirements of Regulation G, portions of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" include a comparison of certain non-GAAP financial measures to the most directly comparable GAAP financial measures. The presentation of non-GAAP financial measures should not be considered in isolation or as a substitute for the Company's related financial results prepared in accordance with GAAP. Specifically, we are presenting information regarding operating expenses for the three and six months ended June 30, 2006 that exclude both a non-cash charge associated with the donation of shares of Class A common stock to the MasterCard Foundation and a charge associated with litigation settlements because the Company's management believes that this information facilitates understanding of our results of operations and provides meaningful comparison of results between periods. Similarly, we present the effective tax rate with and without the impact of the stock donation to the MasterCard Foundation for the three and six months ended June 30, 2006 because the stock donation is a non-cash and non-recurring item that was completed in conjunction with our change in governance and ownership implemented in the three months ended June 30, 2006. The effective tax rate without the impact of the stock donation is more meaningful to investors in understanding our financial results, including comparability to the same periods in 2005.

Overview

We are a global payment solutions company that provides a variety of services in support of our customers' credit, debit and related payment programs. We manage a family of well-known, widely accepted payment card brands including MasterCard ®, MasterCard Electronic™, Maestro ® and Cirrus ®, which we license to our financial institution customers. As part of managing these brands, we also provide our customers with information and transaction processing services and establish and enforce rules and standards surrounding the use of our payment card system by customers and merchants. We generate revenues from the fees that we charge our

customers for providing these transaction processing and other payment-related services (operations fees) and by charging assessments to our customers based on the gross dollar volume ("GDV") of activity on the cards that carry our brands (assessments). Our pricing for transactions and services is complex. Each category of revenue has numerous fee components depending on the types of transactions or services provided. In addition, standard pricing varies among our regional businesses, and such pricing can be customized further for our customers through incentive and rebate agreements. Operations fees are typically transaction-based and include authorization, settlement and switch, connectivity, currency conversion and cross-border, warning bulletins, and other fees for a variety of additional services. Assessments are based on GDV for a specific time period and the rates vary depending on the nature of the transactions that generate GDV. GDV includes the aggregated dollar amount of usage (purchases, cash disbursements, balance transfers and convenience checks) on MasterCard-branded cards. Our revenues are based upon transactional information accumulated by our systems or reported by our customers. Our operating expenses are comprised primarily of general and administrative expenses such as personnel, professional fees, data processing, telecommunications, travel and advertising and marketing expenses to promote our brands, including promotions and sponsorships.

We evaluate and monitor our business based on our results of operations, including our percentage of revenue growth and operating expenses as a percentage of total revenue, and our financial position. In addition, we utilize growth in GDV and processed transactions to monitor the strength of our business.

We successfully completed our initial public offering ("IPO") and implemented a new governance structure during the second quarter of 2006 (see "Impact of the IPO" below). We donated $395 million in stock and $5.5 million in cash to an independent charitable foundation during the second quarter of 2006. Accordingly, we recorded a net loss of $(310) million and $(184) million, or $(2.30) and $(1.36) per basic and diluted share, for the three and six months ended June 30, 2006, respectively. We may record a net loss for the 2006 fiscal year.

We achieved revenue growth of 9.7% and 10.8% in the three and six months ended June 30, 2006, respectively, from the comparable periods in 2005. The increase in revenues was principally due to growth in transactions and volumes and restructuring of currency conversion pricing. We restructured our currency conversion pricing by initiating a charge to our issuers and acquirers for all cross-border transactions regardless of whether we perform the currency conversion or it is performed by a third party at the point of sale. We also generally decreased the price we charge our issuers for performing currency conversion. The volumes on which the cross-border revenues are charged were greater than estimated during the three months ended June 30, 2006. The restructuring of the currency conversion revenues and other less significant pricing modifications accounted for approximately 3.2% and 1.7% of our revenue growth for the three and six months ended June 30, 2006, respectively. Certain other pricing changes that went into effect on April 1, 2005 have also impacted our revenue growth in the six months ended June 30, 2006. Our revenue growth was moderated by a 70.6% and 54.7% increase in rebates and incentives in the three and six months ended June 30, 2006, respectively, from the comparable periods in 2005.

Operating expenses increased 93.4% and 54.3% in the three and six months ended June 30, 2006, respectively, from the comparable periods in 2005. Excluding the impact of charitable contributions to the MasterCard Foundation and litigation settlements, operating expenses increased 20.3% and 15.3% in the three and six months ended June 30, 2006, respectively, from the comparable periods in 2005. Our operating expenses as a percentage of total revenues excluding the impact of the charitable contributions and litigation settlements were 82.3% and 79.0% in the three and six months ended June 30, 2006, respectively, versus 75.1% and 76.0% in the comparable periods in 2005, respectively. The increase in operating expenses was principally due to MasterCard's sponsorship of the 2006 FIFA World Cup which involved a significant amount of resources for the sponsorship fee, special programming, promotions and event marketing. We do not expect, however, that this heightened level of marketing expenditure will continue for the remainder of the year. Additionally, operating expenses increased due to additional hiring to support our strategic initiatives.

We believe the trend within the global payments industry from paper-based forms of payment such as cash and checks toward electronic forms of payment such as cards creates significant opportunities for the continued

growth of our business. Our strategy is to drive growth by further penetrating our existing customer base and by expanding our role in targeted geographies and higher-growth segments of the global payments industry (such as corporate, premium and debit payments), enhancing our merchant relationships, maintaining unsurpassed acceptance and continuing to invest in our brands. We intend to expand our role in targeted geographies by, among other things, pursuing incremental payment processing opportunities in the European Union in connection with the implementation of the Single European Payment Area ("SEPA") initiative and in Latin American and Asia/Pacific countries. We are committed to providing our key customers with coordinated services through integrated, dedicated account teams in a manner that allows us to leverage our expertise in payment programs, brand marketing, product development, technology, processing and consulting services for these customers. By investing in strong customer relationships over the long-term, we believe that we can increase our volume of business with key customers over time, and in support of this strategy, we are continuing to hire additional resources and developing sales and other personnel.

There is increased regulatory scrutiny of interchange fees and other aspects of the payments industry which could have an adverse impact on our business. In addition, we face exposure to antitrust and other types of litigation. Competition and pricing pressure within the global payments industry is increasing, due in part to consolidation within the banking sector and the growing power of merchants. Regulatory actions, litigation, and pricing pressure may lead us to change our pricing arrangements and could reduce our overall revenues. See "Item 1A—Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2005 for these and other risks facing our business.

We establish standards and procedures for the acceptance and settlement of our customer's transactions on a global basis. Our customers may choose to engage third parties for transaction processing and are responsible to ensure that these third parties comply with our standards. Cardholder and merchant relationships are managed principally by our customers. Accordingly, we do not issue cards, extend credit to cardholders, determine the interest rates (if applicable) or other fees charged to cardholders by issuers, or establish the merchant discount charged by acquirers in connection with the acceptance of cards that carry our brands.

Impact of the IPO

We have completed a plan for a new ownership and governance structure including the appointment of a new Board of Directors comprised of a majority of independent directors and the establishment of a charitable foundation. Part of this plan included the completion of the IPO in May 2006.

Under the new ownership and governance structure, our previous stockholders retained a 41% equity interest in the company through ownership of a new non-voting Class B common stock. In addition, previous stockholders received a single share of Class M common stock that has no economic rights but provide certain voting rights, including the right to approve specified significant corporate actions and to elect up to three of MasterCard's directors (but not more than one quarter of the total number of directors).

We also issued 66,134,989 shares of a new voting Class A common stock to public investors through the IPO which closed in May 2006. These public investors hold shares representing approximately 49% of our equity and 83% of our general voting power. Additional shares of Class A common stock, representing approximately 10% of our equity and 17% of our voting rights, have been issued as a donation to The MasterCard Foundation (the "Foundation"), a charitable foundation incorporated in Canada. See the "Contribution Expense—Foundation" for additional information.

We used all but $650 million of our net proceeds from the IPO (including any proceeds received pursuant to the underwriters' option to purchase additional shares) to redeem a number of shares of Class B common stock from our previous stockholders that was equal to the aggregate number of shares of Class A common stock that we issued to investors in the IPO (including any shares sold pursuant to the underwriters' option to purchase additional shares) and contributed to the Foundation. We intend to use the remaining proceeds to increase our

capital, defend ourselves against legal and regulatory challenges, expand our role in targeted geographies and higher growth segments of the global payments industry and for other general corporate purposes. However, we have not determined the amounts of such remaining proceeds that are to be allocated to these purposes.

In addition, in connection with our new ownership and governance structure, we have implemented equity-based compensation plans. We have converted our existing long-term incentive cash award plans into an equity-based compensation plan. Based on this conversion, we will recognize approximately $10 million in additional personnel expense in future periods based on vesting within the plans. The Compensation Committee of our Board of Directors also approved 2006 awards under the equity-based long-term incentive plan. We also granted a one time restricted stock unit award to non-executive management employees of approximately 440 thousand shares in total, which resulted in deferred stock-based compensation equal to the fair value of the restricted stock units issued of approximately $17 million, which will be amortized over a three-year vesting period.

Impact of Foreign Currency Rates

Our operations are impacted by changes in foreign exchange rates. Assessments are calculated based on local currency volume, after conversion to U.S. dollar volume using average exchange rates for the quarter. As a result, assessment revenues decreased due to the overall strengthening of the U.S. dollar compared to the foreign currencies of our volumes, in the three and six months ended June 30, 2006, versus the same periods in 2005. In the three and six months ended June 30, 2006, respectively, an 16.7% and 14.6% increase in GDV on a U.S. dollar converted basis, was about the same as local currency GDV growth of 16.4% and 15.4%, compared to the same periods in the prior year, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Euro to U.S. dollar average exchange rate	$ 1.26	$ 1.26	$ 1.23	$ 1.28
Strengthening (devaluation) of U.S. dollar to euro	—	(5)%	4%	(5)%
Revenue change attributable to translation of MasterCard Europe revenues to U.S. dollars	—	1%	(1)%	1%
Operating expense change attributable to translation of MasterCard Europe expenses to U.S. dollars	—	1%	(1)%	1%

Revenues

We earned approximately 72.3% and 69.8% of our net revenues from net operations fees and approximately 27.7% and 30.2% of our net revenues from net assessments in the three and six months ended June 30, 2006, respectively. Operations fees are typically user fees for facilitating the processing of payment transactions and information management among our customers. MasterCard's system for transaction processing involves four participants in addition to us: issuers (the cardholders' banks), acquirers (the merchants' banks), merchants and cardholders. Operations fees are charged to issuers, acquirers or their delegated processors for transaction processing services, specific programs to promote MasterCard-branded card acceptance and additional services to assist our customers in managing their businesses. The significant components of operations fees are as follows:

- Authorization occurs when a merchant requests approval for a cardholder's transaction. We charge a fee for routing the authorization for approval to or from the issuer or, in certain circumstances, such as when the issuer's systems are unavailable, for approval by us or others on behalf of the issuer in accordance

with the issuer's instructions. Our rules, which vary across regions, establish the circumstances under which merchants and acquirers must seek authorization of transactions. These fees are primarily paid by issuers.

- Settlement refers to the process in which we determine the amounts due between issuers and acquirers for payment transactions and associated fees. Once quantified, we transfer the financial transaction details and relevant funds among issuers, acquirers or their designated third-party processors. We charge a fee for these settlement services. These fees are primarily paid by issuers.
- Switch fees are charges for the use of the MasterCard Debit Switch ("MDS"), our debit processing system. The MDS transmits financial messages between acquirers and issuers and provides transaction and statistical reporting and performs settlement between members and other debit transaction processing networks. These fees are primarily paid by issuers.
- Currency conversion and cross-border are volume-based revenues. Cross-border volumes are volumes where the cardholder and merchant geography are different. We process transactions denominated in more than 160 currencies through our global system, providing cardholders the ability to utilize, and merchants to accept, MasterCard cards across multiple country borders for transactions. We can also perform currency conversion services by processing transactions in a merchants' local currency and the charge appears on the cardholders' statement in their own home currency. In April 2006, we restructured our currency conversion by initiating a charge to our issuers and acquirers for all cross-border transaction volumes regardless of whether we perform the currency conversion or it is performed by a third party at the point-of-sale. We also generally decreased the price we charge our issuers for performing currency conversion.
- Acceptance development fees are charged to issuers based on GDV and support our focus on developing merchant relationships and promoting acceptance at the point of sale. These fees are primarily U.S. based.
- Warning bulletin fees are charged to issuers and acquirers for listing invalid or fraudulent accounts either electronically or in paper form and for distributing this listing to merchants.
- Connectivity fees are charged to issuers and acquirers for network access, equipment, and the transmission of authorization and settlement messages. The methodology for calculating the transmission fees was changed on April 1, 2005 so that they are based on the volume of information being transmitted through our systems and the number of connections to our systems. Prior to April 1, 2005, these transmission fees were calculated solely based on the number and type of connections.
- Consulting and research fees as well as outsourcing services fees are primarily generated by MasterCard Advisors, our professional advisory services group. We provide a wide range of consulting, information and outsourcing services associated with our customers' payment activities and programs. Research includes revenues from subscription-based services, access to research inquiry, and peer networking services generated by our independent financial and payments industry research group. We do not anticipate research becoming a significant percentage of our business. MasterCard Advisors' revenues, of which consulting and research fees are components, are less than 10% of our consolidated revenues in the six months ended June 30, 2006.
- Other operations fees are primarily user-pay services including the sale of manuals, publications, holograms, information and reports, as well as compliance programs, to assist our customers in managing their businesses. In addition, other operations fees include fees for cardholder services in connection with the benefits provided with MasterCard-branded cards, such as insurance, telecommunications assistance for lost cards and locating automated teller machines.

Generally, we process certain MasterCard-branded domestic transactions in the U.S., U.K., Canada and Australia. We process substantially all cross-border MasterCard, Maestro and Cirrus transactions. We charge relatively higher operations fees for settlement, authorization and switch fees on cross-border transactions and

earn cross-border revenues as well as currency conversion revenues if the transactions require conversion between two different currencies. Offline debit transactions are generally signature-based debit transactions and are processed and priced similar to credit transactions. Operations fees for processing domestic online debit transactions (Maestro and Cirrus transactions) are priced in a similar manner as domestic offline debit and credit transactions, while international offline debit and credit transactions are priced higher than international online debit transactions.

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

In the three and six months ended June 30, 2006, respectively, gross revenue grew 20.1% and 18.8% from the comparable periods in 2005. A component of our revenue growth for the six months ended June 30, 2006 was the result of implementing fees and changes to existing fees charged to our customers on April 1, 2005. Our overall revenue growth is being moderated by the demand from our customers for better pricing arrangements and greater rebates and incentives. Accordingly, we have entered into business agreements with certain customers and merchants to provide GDV and other performance-based support incentives. Rebates and incentives as a percentage of gross revenues were approximately 24.4% and 23.6% for the three and six months ended June 30, 2006, respectively, compared to 17.2% and 18.1% in the same periods in 2005, respectively. These pricing arrangements reflect enhanced competition in the global payments industry and the continued consolidation and globalization of our key customers and merchants. The rebates and incentives are calculated on a monthly basis based upon estimated performance and the terms of the related business agreements. Rebates and incentives are recorded as a reduction of gross revenue in the same period that performance occurs.

The U.S. remains our largest geographic market based on revenues. However, non-U.S. revenues grew at a faster rate than U.S. revenues in the first half of 2006 compared to the same period in 2005. The growth was not specifically related to any one region in which we do business. Revenue generated in the U.S. was approximately 52.0% and 52.6% of total revenues in the three and six months ended June 30, 2006, respectively, and 54.1% and 54.9% of total revenues in each of the same periods in 2005, respectively. No individual country, other than the U.S., generated more than 10% of total revenues in any period.

Our business is dependent on certain world economies and consumer behaviors. In the past, our revenues have been impacted by specific events such as the war in Iraq, the SARS outbreak and the September 11, 2001 terrorist attack. Consumer behavior can be impacted by a number of factors, including confidence in the MasterCard brand.

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Results of Operations

	Three Months Ended June 30,		Percent Increase (Decrease) 2006 vs. 2005	Six Months Ended June 30,		Percent Increase (Decrease) 2006 vs. 2005
	2006	2005		2006	2005	
	(In millions, except per share and GDV amounts)					
Operations fees	$ 612	$ 489	25.2%	$1,107	$ 901	22.9%
Assessments	234	283	(17.3)	478	529	(9.6)
Total revenue	846	772	9.7	1,585	1,430	10.8
General and administrative	365	319	14.4	713	626	13.9
Advertising and market development	307	232	32.6	490	403	21.4
Litigation settlements	23	—	—	23	—	—
Charitable contributions to the MasterCard Foundation	400	—	—	400	—	—
Depreciation and amortization	25	29	(13.9)	50	57	(12.6)
Total operating expenses	1,120	580	93.4	1,676	1,086	54.3
Operating income (loss)	(274)	192	(242.4)	(91)	344	(126.5)
Total other income (expense)	13	(5)	365.3	23	(12)	290.8
Income (loss) before income tax expense	(261)	187	(239.1)	(68)	332	(120.4)
Income tax expense	50	67	(25.7)	116	118	(1.7)
Net income (loss)	$ (311)	$ 120	(358.2)	$ (184)	$ 214	(186.0)
Net income (loss) per share (basic) [1]	$ (2.30)	$ .89	(358.4)	$ (1.36)	$ 1.58	(186.1)
Weighted average shares outstanding (basic)	135	135	—	135	135	—
Net income (loss) per share (diluted)	(2.30)	.89	(358.4)	(1.36)	1.58	(186.1)
Weighted average shares outstanding (diluted)	135	135	—	135	135	—
Effective income tax rate	19.1% [2]	35.8%	**	171.5% [2]	35.6%	**
Gross dollar volume ("GDV") on a U.S. dollar converted basis (in billions)	$ 485	$ 416	16.7%	$ 922	$ 804	14.6%
Processed transactions [3]	3,989	3,389	17.7%	7,510	6,428	16.8%

** Not meaningful

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

2 The effective tax rate includes the impact of a $395 million stock charitable contribution which is not deductible for tax purposes.

3 The data set forth for processed transactions represents all transactions processed by MasterCard, including PIN-based online debit transactions. Prior to 2005, processed transactions reported by MasterCard included certain MasterCard branded (excluding Maestro and Cirrus) transactions for which we received transaction details from our customers but which were not processed by our systems. In the first quarter of 2006, we updated our transaction detail to remove certain on-line debit transactions which did not result in a flow of funds, for example balance inquiry or failed transactions. Management determined that it would be more appropriate to exclude such transactions from the processed transactions calculation. The processed transactions for the three and six months ended June 30, 2005 have been restated to be consistent with the calculation of processed transactions in 2006. Revenue has not been impacted by this change.

Operations Fees

	For the three months ended June 30,		Dollar Increase (Decrease)	Percent Increase (Decrease) 2006 vs. 2005	For the six months ended June 30,		Dollar Increase (Decrease)	Percent Increase (Decrease) 2006 vs. 2005
	2006	2005			2006	2005		
Authorization, settlement and switch	$ 284	$ 259	$ 25	9.7%	$ 549	$ 493	$ 56	11.4%
Currency conversion and cross border	166	80	86	107.5%	244	151	93	61.6%
Acceptance development fees	54	45	9	20.0%	101	74	27	36.5%
Warning bulletin fees	18	17	1	5.9%	35	33	2	6.1%
Connectivity	21	17	4	23.5%	39	25	14	56.0%
Consulting and research fees	19	14	5	35.7%	36	25	11	44.0%
Other operations fees	113	91	22	24.2%	215	176	39	22.2%
Gross operations fees	675	523	152	29.1%	1,219	977	242	24.8%
Rebates	(63)	(34)	(29)	(85.3)%	(112)	(76)	(36)	(47.4)%
Net operations fees	$ 612	$ 489	$ 123	25.2%	$ 1,107	$ 901	$ 206	22.9%

- Authorization, settlement and switch revenues increased due to the number of transactions processed through our systems increasing 17.7% and 16.8% in three and six months ended June 30, 2006, respectively, from the comparable periods in 2005. Offsetting the increase in growth due to increased transactions was a reduction of revenues within our Europe region due to the implementation of price changes to make our pricing SEPA compliant. These price changes are expected to be slightly positive on a total gross revenue basis; however, these changes will impact individual revenue categories, in particular currency conversion and cross-border revenues and assessments. In the six months ended June 30, 2006, a portion of the revenue increase was also due to the pricing of a component of these revenues being restructured on April 1, 2005.
- Currency conversion and cross-border revenues increased $86 million, or 107.5%, and $93 million, or 61.6%, in the three and six months ended June 30, 2006, respectively, compared to the same periods in 2005. These increases were primarily due to restructuring of currency conversion revenues in April 2006. We restructured our currency conversion pricing by initiating a charge to our issuers, and in most regions, acquirers for all cross-border transactions regardless of whether we perform the currency conversion or it is performed by a third party at the point of sale. We also generally decreased the price we charge our issuers for currency conversion. Of the increase, $33 million in the three and six months ended June 30, 2006, was due to the reclassification of certain assessment revenues in our Europe region to cross-border volume revenue. In addition to the restructuring of these revenues, a portion of the increase was due to an increase in the underlying level of cross-border transaction volumes of 18.3% and 18.0% in the three and six months ended June 30, 2006, respectively, and our customers' need for transactions to be converted into their base currency.
- Acceptance development fees in the three and six months ended June 30, 2006 increased compared to the same periods in 2005. The increase for the three months ended June 30, 2006 was primarily volume driven and the increase for the six months ended June 30, 2006 was also primarily due to the implementation of new fees and increases on the pricing of existing fees which occurred on April 1, 2005.
- Warning bulletin fees fluctuate with our customer requests for distribution of invalid account information.
- Connectivity revenues in the three and six months ended June 30, 2006 increased compared to the same periods in 2005. The increase for the three months ended June 30, 2006 was primarily volume driven

and the increase for the six months ended June 30, 2006 was primarily due to the implementation of new fees and increases on the pricing of existing fees which occurred on April 1, 2005.

- Consulting and research fees increased primarily due to new engagements with our customers in the three and six months ended June 30, 2006 compared to the same periods in 2005. Our business agreements with certain customers may include consulting services as an incentive. Approximately 100.0% and 90.9% of the increase in the three and six months ended June 30, 2006 was generated by new engagements which were provided to customers as a component of incentive agreements. This type of incentive increases consulting fees and reduces assessments.
- Other operations fees represent various revenue streams including cardholder services, compliance, holograms, and manuals and publications. The change in any individual revenue component was not material.
- Rebates relating to operations fees are primarily based on transactions and volumes and, accordingly, increase as these variables increase. Rebates have been increasing due to renewals of customer agreements, ongoing consolidation of our customers and the impact of restructured pricing. Rebates as a percentage of gross operations fees were 9.3% and 9.2% in the three and six months ended June 30, 2006, respectively, and 6.5% and 7.8% compared to the same periods in 2005, respectively.

Assessments

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

	For the three months ended June 30,		Dollar Increase (Decrease) 2006 vs. 2005	Percent Increase (Decrease) 2006 vs. 2005	For the six months ended June 30,		Dollar Increase (Decrease) 2006 vs. 2005	Percent Increase (Decrease) 2006 vs. 2005
	2006	2005			2006	2005		
Gross assessments	$ 444	$ 409	$ 35	8.6%	$ 855	$ 769	$ 86	11.2%
Rebates and incentives	(210)	(126)	(84)	(66.7)%	(377)	(240)	(137)	(57.1)%
Net Assessments	$ 234	$ 283	$ (49)	(17.3)%	$ 478	$ 529	$ (51)	(9.6)%

GDV growth was 16.4% and 15.4% in the three and six months ended June 30, 2006 when measured in local currency terms, and 16.7% and 14.6% when measured on a U.S. dollar converted basis. Rebates and incentives provided to customers and merchants reduce assessments growth. Rebates and incentives as a percentage of gross assessments were 47.3% and 44.1% in the three and six months ended June 30, 2006, respectively, compared to 30.8% and 31.2% for the same periods in 2005, respectively. Rebates and incentives are primarily based on GDV, and may also contain fixed components for the issuance of new cards, launch of marketing programs or consulting services. In the three months ended June 30, 2006, we provided significant incentives to support the conversion of a large payment card program to MasterCard. The conversion was completed by June 30, 2006.

Assessments were also impacted in each of the three and six months ended June 30, 2006 by a reclassification of $33 million from assessments to currency conversion and cross-border revenues, offset by $10 million in pricing increases to make our pricing SEPA compliant in Europe. Our gross assessments would have increased 14.2% in each of the three and six months ended June 30, 2006 if these pricing modifications were not made in April 2006. Based on this reclassification and the expected increase in incentives and rebates, we expect negative net assessment growth in 2006.

Operating Expenses

Our operating expenses are comprised of general and administrative, advertising and market development, U.S. merchant lawsuit and other litigation settlements, contributions to the Foundation and depreciation and amortization expenses. In the three and six months ended June 30, 2006, there was an increase in operating expenses of $541 million, or 93.4%, and $590 million, or 54.3%, respectively, compared to the same periods in 2005.

General and Administrative

General and administrative expenses consist primarily of personnel, professional fees, data processing, telecommunications and travel. In the three and six months ended June 30, 2006, these activities accounted for approximately 43.1% and 45.0% of total revenues, respectively, compared to 41.4% and 43.8% in the same periods in 2005, respectively. The major components of general and administrative expenses were as follows:

	For the three months ended June 30,		Dollar Increase (Decrease) 2006 vs. 2005	Percent Increase (Decrease) 2006 vs. 2005	For the six months ended June 30,		Dollar Increase (Decrease) 2006 vs. 2005	Percent Increase (Decrease) 2006 vs. 2005
	2006	2005			2006	2005		
Personnel	$ 234	$ 208	$ 26	12.5%	$ 461	$ 405	$ 56	13.8%
Professional fees	44	32	12	37.5%	76	63	13	20.6%
Telecommunications	17	18	(1)	(5.6)%	34	34	—	—
Data processing	15	16	(1)	(6.3)%	30	32	(2)	(6.3)%
Travel and entertainment	27	22	5	22.7%	49	41	8	19.5%
Other	28	23	5	21.7%	63	51	12	23.5%
General and administrative expenses	$ 365	$ 319	$ 46	14.4%	$ 713	$ 626	$ 87	13.9%

- Personnel expense increased in the three and six months ended June 30, 2006 primarily due to additional staff to support our strategic initiatives. As we continue to expand our customer-focused approach and expand our relationships with merchants, additional personnel are required.
- Professional fees increased in the three and six months ended June 30, 2006 primarily due to legal costs to defend our outstanding litigation.
- Telecommunications expense consists of expenses to support our global payments system infrastructure as well as our other telecommunication needs.
- Data processing consists of expenses to operate and maintain MasterCard's computer systems. These expenses vary with business volume growth, system upgrades and usage.
- Travel and entertainment expenses are incurred primarily for travel to customer and regional meetings and accordingly have increased with the corresponding increase in our business activity as well as due to increased travel around World Cup related activities.
- Other includes rental expense for our facilities, foreign exchange gains and losses and other miscellaneous administrative expenses.

Advertising and Market Development

Advertising and market development consists of expenses associated with advertising, marketing, promotions and sponsorships, which promote our brand and assist our customers in achieving their goals by raising consumer awareness and usage of cards carrying our brands. In the three and six months ended June 30, 2006, these activities accounted for approximately 36.3% and 30.9% of total revenues, respectively, compared to 30.0% and 28.2% in the same periods in 2005, respectively. Advertising and market development expenses

increased $75 million or 32.6% and $86 million or 21.4% in the three and six months ended June 30, 2006, respectively, versus the comparable periods in 2005. MasterCard was a sponsor of the 2006 FIFA World Cup. To fully leverage this valuable asset, we devoted a significant amount of resources for the sponsorship fee, special programming, promotions and event marketing. We do not expect, however, that this heightened level of marketing expenditure will continue for the remainder of the year.

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

Merchant Lawsuit and Other Litigation Settlements

In the first quarter of 2003, we recorded a pre-tax charge of $721 million ($469 million after-tax) consisting of (i) the monetary amount of the U.S. merchant lawsuit settlement (discounted at 8 percent over the payment term), (ii) certain additional costs in connection with, and in order to comply with, other requirements of the U.S. merchant lawsuit settlement, and (iii) costs to address the merchants who opted not to participate in the plaintiff class in the U.S. merchant lawsuit. The $721 million pre-tax charge amount was an estimate, which was subsequently revised based on the approval of the U.S. merchant lawsuit settlement agreement by the court, and other factors.

Total liabilities for the U.S. merchant lawsuit and other litigation settlements changed as follows (in millions):

Balance as of December 31, 2005	$605
Interest accretion	21
Reserve for litigation settlements	23
Balance as of June 30, 2006	$649

Contribution Expense—Foundation

At the time of the IPO, we issued 13,496,933 shares of our Class A common stock as a donation to the Foundation, a private charitable foundation incorporated in Canada that is controlled by directors who are independent of us and our members. The Foundation will build on MasterCard's existing charitable giving commitments by continuing to support programs and initiatives that help children and youth to access education, understand and utilize technology, and develop the skills necessary to succeed in a diverse and global work force. In addition, the Foundation will support organizations that provide microfinance programs and services to financially disadvantaged persons and communities in order to enhance local economies and develop entrepreneurs. We also expect to donate approximately $40 million in cash to the Foundation over a period of up to four years in support of its operating expenses and charitable disbursements for the first four years of its operations, and we may make additional cash contributions to the Foundation during and after this period. In connection with the donation of the Class A common stock, we recorded an expense of $395 million which was equal to the aggregate value of the shares we donated. The value of the shares of Class A common stock we donated was determined based on the IPO price per share of Class A common stock in the IPO less a marketability discount of 25%. This marketability discount and the methodology used to quantify it were determined by management in consultation with independent valuation consultants retained by MasterCard. This discount was calculated based on analyses of prices paid in transactions of restricted stock of publicly held companies and on income based analyses. Additionally, we recorded a $5.5 million expense for cash donations we made to the Foundation during the second quarter of 2006. As a result of these expenses, we recorded a significant net loss for the three and six months ended June 30, 2006 and may record a net loss for the 2006 fiscal

year. Under the terms of the contribution to the Foundation, this donation is generally not deductible to MasterCard for tax purposes. As a result of this difference between the financial statement treatment and tax treatments of the donation, there was a significant increase to our effective income tax rate for the three and six months ended June 30, 2006 and we expect there to be a significant increase to the 2006 fiscal year effective income tax rate compared to the same periods in 2005. We also expect to record an expense equal to the value of any cash we donate in the period or periods in which any such donations are made.

Depreciation and Amortization

Depreciation and amortization expenses decreased $4 million and $7 million in the three and six months ended June 30, 2006, respectively, versus the comparable periods in 2005. This decrease was primarily related to certain assets becoming fully depreciated and fewer additions of equipment and software during 2006.

Other Income (Expense)

Other income (expense) is comprised primarily of investment income, interest expense and other gains and losses. Investment income increased $16 million and $26 million in the three and six months ended June 30, 2006, respectively, versus comparable periods in 2005. The increase is primarily driven by interest income from higher cash balances principally relating to the proceeds received from the IPO, increases in interest rates and dividends received. The interest earned on the IPO proceeds ultimately used for the stock redemption was approximately $7 million and interest earned on the proceeds we retained was approximately $3 million.

Interest expense decreased $8 million in the six months ended June 30, 2006 compared to the same period in 2005, of which $4 million was due to a refund of interest assessed in the audit of the Company's federal income tax return, as well as the reduction of interest reserve requirements related to the Company's tax reserves, resulting from the reassessment of such reserves.

Income Taxes

Our effective tax rate for the three and six months ended June 30, 2006 includes the impact of the $395 charitable contribution of MasterCard Class A common shares to the MasterCard Foundation. This contribution was recorded as an expense in the income statement however it is not deductible for tax purposes. This resulted in a significant impact on our effective tax rate as follows:

	GAAP Actual	GAAP Effective Tax Rate	Stock Donation	Non-GAAP Adjusted	Non-GAAP Effective Tax Rate
Three months ended June 30, 2006:					
Income (Loss) before income taxes	$(261)	19.1%	$ 395	$ 134	33.6%
Income tax expense [1]	50			45	
Net Income (Loss)	$(311)			$ 89	
Six months ended June 30, 2006:					
Income (Loss) before income taxes	$ (68)	171.5%	$ 395	$ 327	34.0%
Income tax expense [1]	116			111	
Net Income (Loss)	$(184)			$ 216	

[1] Income tax expense has been calculated with and without the impact of the stock donation.

Liquidity

We need capital resources and liquidity to fund our global development, to provide for credit and settlement risk, to finance capital expenditures and any future acquisitions and to service the payments of principal and interest on our outstanding debt and the settlement of the U.S. merchant lawsuit. At June 30, 2006 and December 31, 2005, we had $2.1 billion and $1.3 billion, respectively, of cash, cash equivalents and available-for-sale securities with which to manage operations. We expect that the cash generated from operations and our borrowing capacity will be sufficient to meet our operating, working capital and capital needs for the next twelve months. However, our liquidity could be negatively impacted by the adverse outcome of any of the legal or regulatory proceedings to which we are a party. See Part I, Item 1A—"Risk Factors—Legal and Regulatory Risks" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 for a complete discussion of these risk factors. See also Note 15 to the Consolidated Financial Statements included herein.

	Six Months Ended June 30,		Dollar Change Increase (Decrease)
	2006	2005	2006 vs. 2005
	(In millions)		
Cash flow data:			
Net cash provided by operating activities	$ 184	$197	$ (14)
Net cash provided by (used in) investing activities	(183)	13	(196)
Net cash provided by financing activities	650	—	650

	June 30, 2006	December 31, 2005
	(In millions)	
Balance sheet data:		
Current assets	$ 3,162	$ 2,228
Current liabilities	1,563	1,557
Long-term liabilities	957	970
Equity	2,117	1,169

Net cash provided by operating activities in the six months ended June 30, 2006 was $184 million compared to $197 million of net cash provided by operating activities in the six months ended June 30, 2005. The decrease in cash from operations was due to payments for taxes, advertising and personnel costs and greater pre-payments of expenses. The use of cash from investing activities in the six months ended June 30, 2006 was primarily due to the purchases of available-for-sale-securities. The net cash provided by financing activities in the six months ended June 30, 2006 of $650 million is the result of the proceeds received from the sale of common stock to investors in the IPO (including the proceeds received pursuant to the underwriters' option to purchase additional shares) of approximately $2.5 billion, which was offset by the redemption of common stock from previous stockholders of approximately $1.8 billion.

Under the terms of the U.S. merchant lawsuit settlement agreement, we are required to pay $100 million annually each December through the year 2012. In addition, we made a payment toward the settlement related to currency conversion litigation in July 2006 in the amount of $72.5 million.

On April 28, 2006, we entered into a committed 3-year unsecured $2.5 billion revolving credit facility (the "Credit Facility") with certain financial institutions. The Credit Facility, which expires on April 28, 2009, replaced our prior $2.25 billion credit facility, which was to expire on June 16, 2006. Borrowings under the Credit Facility are available to provide liquidity in the event of one or more settlement failures by our customers and, subject to a limit of $500 million, for general corporate purposes. The facility fee and borrowing cost are contingent upon our credit rating. At our current rating, we pay a facility fee of 8 basis points on the total commitment, or $2 million annually. Interest on borrowings under the Credit Facility would be charged at the London Interbank Offered Rate (LIBOR) plus an applicable margin of 37 basis points (the LIBOR margin) or an alternative base rate. A utilization fee of 10 basis points would be charged if outstanding borrowings under the facility exceed 50% of commitments. We were in compliance with the covenants of the Credit Facility as of

June 30, 2006 and December 31, 2005. There were no borrowings under the Credit Facility as of and for the six months ended June 30, 2006. The majority of Credit Facility lenders are customers or affiliates of customers of MasterCard International.

Following the announcement of our planned ownership and governance changes, Standard & Poor's placed our credit ratings on credit watch with negative implications and announced the intention to lower our long-term counterparty credit rating from A- to BBB+ and our subordinated debt rating from BBB+ to BBB, both with stable outlook, upon completion of the IPO. On May 25, 2006 these ratings changes took effect. The change in our long-term counterparty rating resulted in an increase in the facility fee on the Credit Facility from 7 to 8 basis points or $250 thousand annually. Additionally, the LIBOR margin increased from 28 to 37 basis points. We do not expect these ratings changes to materially impact our liquidity or access to capital.

MasterCard Europe and European Payment System Services sprl, a subsidiary of MasterCard, have a 1 million euro overdraft facility for MasterCard Europe and European Payment System Services sprl and a 1 million euro guarantee facility for MasterCard Europe. Interest on borrowings under the overdraft facility is charged at 50 basis points over the relevant market index and interest for the guarantee facility is paid at a rate of 1.5% per annum on outstanding guarantees. There were no borrowings under these facilities at June 30, 2006 and December 31, 2005. Deutsche Bank AG is the lender of these facilities and is a member of MasterCard International.

MasterCard Europe has one additional uncommitted credit agreement totaling 100 million euros. The interest rate under this facility is Euro LIBOR plus 50 basis points per annum for amounts below 100 million euros and Euro LIBOR plus 250 basis points for amounts over the 100 million euro limit. For drawings in currencies other than the euro, interest will be charged at the above margins over the relevant currency base rate. There were no borrowings under this agreement at June 30, 2006 and 4 million euros outstanding at December 31, 2005. HSBC Bank plc is the lender of this facility and is a member of MasterCard International.

Subject to legally available funds, and declaration by our Board of Directors, we currently intend to pay a quarterly cash dividend of $0.09 per share of Class A common stock and Class B common stock, commencing in the fourth quarter of 2006. The declaration and payment of any future dividends will be at the sole discretion of our Board of Directors after taking into account various factors, including our financial condition, settlement guarantees, operating results, available cash and current and anticipated cash needs.

Future Obligations

The following table summarizes as of June 30, 2006 our obligations that are expected to impact liquidity and cash flow in future periods. We believe we will be able to fund these obligations through cash generated from operations and our existing cash balances.

	Payments Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	More Than 5 Years
			(In millions)		
Capital leases [1]	$ 63	$ 4	$ 13	$ 6	$ 40
Operating leases [2]	96	20	49	19	8
Sponsorship [4], licensing & other [3]	802	224	332	127	119
Litigation settlements [5]	813	213	200	200	200
Debt [6]	240	3	88	149	—
Executive incentive plan benefit [7]	19	19	—	—	—
Total	$2,033	$ 483	$ 682	$ 501	$ 367

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

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

3 Amounts primarily relate to sponsorships with certain organizations to promote the MasterCard brand. The amounts included are fixed and non-cancelable. In addition, these amounts include amounts due in accordance with leases for computer hardware, software licenses and other service agreements. Future cash payments that will become due to our customers under agreements which provide pricing rebates on our standard fees and other incentives in exchange for increased transaction volumes are not included in the table because the amounts due are indeterminable and contingent until such time as performance has occurred. MasterCard has accrued $344 million as of June 30, 2006 related to these agreements.

4 Includes $180 million as of June 30, 2006 relating to a sponsorship agreement which is in a legal dispute and which we may not be obligated to pay.

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

6 Debt primarily represents principal and interest owed on our subordinated notes due June 2008 and the principal owed on our Series A Senior Secured Notes due September 2009. We also have various credit facilities for which there were no outstanding balances at June 30, 2006 that, among other things, would provide liquidity in the event of settlement failures by our members. Our debt obligations would change if one or more of our members failed and we borrowed under these credit facilities to settle on our members' behalf or for other reasons.

7 Represents Executive Incentive Plan and the Senior Executive Incentive Plan cash payments due to employees should they terminate employment.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement 109", ("FIN 48"). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 is effective for annual periods beginning after December 15, 2006. We are in the process of evaluating the impact of FIN 48 on our financial position and results of operations.

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

MasterCard has limited exposure to market risk or the potential for economic losses on market risk sensitive instruments arising from adverse changes in market factors such as interest rates, foreign currency exchange rates, and equity price risk. Management establishes and oversees the implementation of policies, which have been approved by the Board of Directors, governing our funding, investments, and use of derivative financial instruments. We monitor aggregate risk exposures on an ongoing basis. There have been no material changes in our market risk exposures at June 30, 2006 as compared to December 31, 2005.

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

Changes in Internal Control over Financial Reporting

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

Other Financial Information

With respect to the unaudited consolidated financial statements of MasterCard Incorporated and its subsidiaries for the three and six months ended June 30, 2006 and 2005, PricewaterhouseCoopers LLP ("PricewaterhouseCoopers") reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report dated August 2, 2006, appearing below, states that they did not audit and they do not express an opinion on that unaudited financial information. PricewaterhouseCoopers has not carried out any significant or additional audit tests beyond those which would have been necessary if their report had not been included. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers is not subject to the liability provisions of Section 11 of the Securities Act of 1933 ("the Act") for their report on the unaudited consolidated financial statements because that report is not a "report" or a "part" of a registration statement prepared or certified by PricewaterhouseCoopers within the meaning of Section 7 and 11 of the Act.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of MasterCard Incorporated:

We have reviewed the accompanying consolidated balance sheet of MasterCard Incorporated and its subsidiaries (the "Company") as of June 30, 2006, and the related consolidated statements of operations and consolidated condensed statements of comprehensive income (loss) for each of the three and six month periods ended June 30, 2006 and 2005, and the consolidated statements of cash flows for each of the six month periods ended June 30, 2006 and 2005 and the consolidated statement of changes in stockholders' equity for the six month period ended June 30, 2006. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2005, and the related consolidated statements of operations, of comprehensive income (loss), of changes in stockholders' equity, and of cash flows for the year then ended, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 and the effectiveness of the Company's internal control over financial reporting as of December 31, 2005; and in our report dated March 16, 2006, we expressed unqualified opinions thereon. Our report contained an explanatory paragraph for a change in accounting principle. Specifically, the Company changed its method for calculating the market-related value of pension plan assets used in determining the expected return on the assets component of annual pension cost in 2003. The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting referred to above are not presented herein. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2005, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP
New York, New York
August 2, 2006

MASTERCARD INCORPORATED

FORM 10-Q

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings***

Refer to Notes 13 and 15 to the Consolidated Financial Statements included herein.

Item 1A. ***Risk Factors***

For a discussion of the Company's risk factors, see the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

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

On June 30, 2006, the Company redeemed 79,631,924 shares of its Class B common stock in accordance with the provisions of its certificate of incorporation.

The Company's repurchases of equity securities during the second quarter of 2006, all of which were in connection with the redemption, were as follows:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under publicly announced plans or programs
2006				
April	—	—	—	N/A
May	—	—	—	N/A
June	79,631,924[(a)]	$22.6029[(b)]	79,631,924	N/A
Total	79,631,924	$22.6029	79,631,924	N/A

(a) Represents shares of Class B common stock redeemed in accordance with the Company's certificate of incorporation.
(b) Represents the weighted average redemption price per share of Class B Common Stock.

Item 6. ***Exhibits***

Refer to the Exhibit Index included herein.

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SIGNATURES

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

Date: August 2, 2006

MASTERCARD INCORPORATED
(Registrant)

Date: August 2, 2006

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

Date: August 2, 2006

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

Date: August 2, 2006

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

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EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1(a)	Amended and Restated Certificate of Incorporation of MasterCard Incorporated.
3.1(b)	Amended and Restated Bylaws of MasterCard Incorporated (incorporated by reference to Exhibit 3.1(b) to Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-1 filed November 14, 2005 (No. 333-128337)).
3.2(a)	Amended and Restated Certificate of Incorporation of MasterCard International Incorporated.
3.2(b)	Amended and Restated Bylaws of MasterCard International Incorporated. (incorporated by reference to Exhibit 3.1(b) to Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-1 filed November 14, 2005 (No.333-128337)).
10.1	Customer Business Agreement between MasterCard International Incorporated and Bank of America, N.A. effective as of January 1, 2006 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 11, 2006 (No. 000-50250)).
10.2	Deed of Gift between MasterCard Incorporated and The MasterCard Foundation (incorporated by reference to Exhibit 10.28 to Pre-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-1 filed May 3, 2006 (No.333-128337)).
10.3	Schedule of Non-Employee Directors' Annual Compensation.
10.4	Form of Restricted Stock Unit Agreement for awards under 2006 Long Term Incentive Plan.
10.5	Form of Stock Option Agreement for awards under 2006 Long Term Incentive Plan.
10.6	2006 Non-Employee Director Equity Compensation Plan.
15	A letter from the Company's independent registered public accounting firm regarding unaudited interim consolidated financial statements.
31.1	Certification of Robert W. Selander, President and Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chris A. McWilton, Chief Financial Officer, pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Robert W. Selander, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chris A. McWilton, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 3.1A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
MASTERCARD INCORPORATED

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

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

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

C. This Amended and Restated Certificate of Incorporation shall not become effective until, and shall become effective at, 9:30 a.m. on May 31, 2006.

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

ARTICLE I

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

ARTICLE II

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

ARTICLE III

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

ARTICLE IV

Section 4.1. Capitalization .

(A) The total number of shares of all classes of stock that the Corporation is authorized to issue is 4,501,000,000 shares, consisting of (i) 300,000,000 shares of Preferred

Stock, par value $.0001 per share (" Preferred Stock "), (ii) 3,000,000,000 shares of Class A Common Stock, par value $.0001 per share (" Class A Common Stock "), (iii) 1,200,000,000 shares of Class B Common Stock, par value $.0001 per share (" Class B Common Stock ") and (iv) 1,000,000 shares of Class M Common Stock, par value $.0001 per share (" Class M Common Stock " and, together with the Class A Common Stock and the Class B Common Stock, the " Common Stock "). The number of authorized shares of any of the Class A Common Stock, Class B Common Stock, Class M Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Class A Common Stock, Class B Common Stock, Class M Common Stock or Preferred Stock voting separately as a class shall be required therefor.

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

Section 4.2. Preferred Stock .

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

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

Section 4.3. Common Stock .

(A) Voting Rights .

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

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

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

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

2) the consummation of any merger or consolidation of the Corporation or any approval of the consummation of any merger or consolidation of MasterCard International, in either case, (a) with any other corporation or entity prior to the date that is 20 years and 11 months following the date of the consummation of the Corporation's initial public

offering of the Class A Common Stock (the " Initial Public Offering "), or (b) with (i) any competitor of the Corporation, as determined by the Board in its sole discretion, (ii) any Member (as defined below) or (iii) any financial institution that is eligible to become a Member, as determined by the Board in its sole discretion;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. 30% of such volumes for the 12-month period ending June 30, 2006;

c. 20% of such volumes for the 12-month period ending June 30, 2007; and

d. 10% of such volumes for subsequent years.

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

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

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

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

Notwithstanding any other provision hereof, for purposes of determining the Global Proxy Calculation for each stockholder for each of the seven years after June 30, 2005, (i) $100 million will be subtracted from the denominator of the Revenues Paid component of the Global Proxy Calculation relating to all matters other than travelers cheque programs, irrespective of whether the Corporation earned such amount as revenues under U.S. GAAP, and

(ii) an "Adjustment Amount" will be subtracted from the numerator of the Revenues Paid component of the Global Proxy Calculation relating to all matters other than travelers cheque programs, irrespective of whether the stockholder paid such amount in revenues to the Corporation. "Adjustment Amount" means: (a) for each stockholder that is designated on the books and records of the Corporation (which shall be conclusive and binding for all purposes) as part of the U.S. Region of the Corporation (a "U.S. Stockholder"), an amount calculated by multiplying $100 million by a fraction, the numerator of which is the Revenues Paid by such U.S. Stockholder to the Corporation and its consolidated subsidiaries prior to adjustment pursuant to this Section and the denominator of which is the Revenues Paid by all U.S. Stockholders to the Corporation and its consolidated subsidiaries prior to adjustment pursuant to this Section; and (b) for each other stockholder of the Corporation, zero.

(B) Dividends and Distributions .

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

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

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

(D) Conversion .

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

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

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

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

(5) Shares of Class M Common Stock and, except as provided in Section 4.3(K)(4), shares of Class A Common Stock shall not be convertible into any other class or series.

(E) Right of First Refusal of Class B Common Stock. For so long as the outstanding shares of Class B Common Stock represent 15% or more of the aggregate outstanding shares of Class A Common Stock and Class B Common Stock, no holder of Class B Common Stock may convert any of such holder's shares of Class B Common Stock into shares of Class A Common Stock unless such holder shall have previously complied with the following provisions of this Section 4.3(E).

(1) If a holder of shares of Class B Common Stock desires to convert any of such shares, then such holder shall first offer to sell the number of shares to be converted to the Class A members and affiliate members of MasterCard International for cash at a per share price equal to the Market Price (as defined below) on the date of such offer with settlement to occur no later than eight business days after such date unless otherwise agreed by the parties, which offer may be made electronically through a posting on any website the address of which shall have been notified to the Class A members and affiliate members of MasterCard International by the Corporation or through any other mechanism determined by the Board in its sole discretion to be reasonably likely to communicate such offer widely to the Class A members and affiliate members of MasterCard International and notified to the Class A members and affiliate members of MasterCard International by the Corporation.

(2) In the event any Class A member or members or affiliate member or members of MasterCard International wish to purchase any of the shares of Class B Common Stock the converting holder has proposed to convert on the terms specified in the converting holder's offer, such Class A member or members or affiliate member or members of MasterCard International shall so notify the converting holder within five business days following the date of the offer by the converting holder made pursuant to clause (1) above and such converting holder shall thereupon sell such shares

of Class B common stock to any such Class A member or members or affiliate member or members of MasterCard International on a first-come, first-served basis in accordance with the terms of such offer and the provisions hereof.

(3) In the event no Class A member or affiliate member of MasterCard International accepts the converting holder's offer to sell any or all of the shares specified in the converting holder's offer within five days following the date of the offer by the converting holder made pursuant to clause (1) above, such converting holder may, within the 30-day period following the date of the offer by the converting holder made pursuant to clause (1) above, convert the shares of Class B Common Stock specified in such offer that were not purchased by any of the Class A members or affiliate members of MasterCard International in accordance with and subject to Article IV, Section 4.3(D).

(F) Redemption of Class B Common Stock; Subsequent Public Offering .

(1) In the event that the Corporation shall consummate the Initial Public Offering, the Board shall, to the extent assets and funds are legally available therefor, cause the Corporation, on or prior to the date that is 90 days after the date of the consummation of the Initial Public Offering, to redeem that number of shares of Class B Common Stock that is equal to the aggregate number of shares of Class A Common Stock that the Corporation issues in the Initial Public Offering (including any shares sold pursuant to the underwriters' option to purchase additional shares) and in any substantially concurrent issuance of shares of Class A Common Stock to The MasterCard Foundation (as defined below), and such shares of Class B Common Stock shall be redeemable by the Corporation on such terms. The redemption price per share payable to holders of Class B Common Stock not designated on the books and records of the Corporation (which shall be conclusive and binding for all purposes) as belonging to the Corporation's United States region (the " Non-U.S. Holders ") shall be payable in cash in an amount equal to the quotient of (A) the product of (x) the aggregate cash proceeds that the Corporation receives in the Initial Public Offering (including any shares sold pursuant to the underwriters' option to purchase additional shares), net of underwriting discounts and commissions and other offering-related expenses as determined by the Board in its sole discretion (which expenses may include expenses and estimated expenses not yet paid) (the " Net Cash Proceeds "), multiplied by (y) the fraction obtained by dividing the aggregate number of shares of Class B Common Stock then held by the Non-U.S. Holders by the total number of shares of Class B Common Stock then outstanding, divided by (B) the aggregate number of shares of Class B Common Stock that is being redeemed from the Non-U.S. Holders. The redemption price per share payable to holders of Class B Common Stock designated on the books and records of the Corporation (which shall be conclusive and binding for all purposes) as belonging to the Corporation's United States region (the " U.S. Holders ") shall be payable in cash in an amount equal to the quotient of (A) the remainder of (x) the Net Cash Proceeds minus (y) the aggregate redemption price to be received by the Non-U.S. Holders minus (z) $650 million, divided by (B) the aggregate number of shares of Class B Common Stock that is being redeemed from the U.S. Holders; provided, however, that if such calculation results in a negative number, the redemption price per share to be received by the U.S. Holders

will equal zero. In effecting such redemption the Corporation shall redeem shares of Class B Common Stock from the holders thereof on a pro rata basis in proportion to the number of shares of Class B Common Stock held by each of them at the time of the consummation of the Initial Public Offering; *provided* , that the Corporation may round off to a full share the number of shares to be redeemed from any holder so that fractional interests of less than one-half share will be rounded down and fractional interests of one-half share or more will be rounded up.

(2) In the event that the Corporation shall consummate the Initial Public Offering but the underwriters in the Initial Public Offering shall not exercise in full their option to purchase additional shares in connection with the Initial Public Offering, the Corporation shall, subject to applicable law and to the Board's fiduciary duties (a) conduct a subsequent public offering of its Class A Common Stock on or prior to the second annual meeting of the Corporation following the Filing Time (the " Subsequent Public Offering ") and (b) to the extent assets and funds are legally available therefor, cause the Corporation, on or prior to the date that is 90 days after the date of the consummation of the Subsequent Public Offering, to redeem that number of shares of Class B Common Stock that is equal to the aggregate number of shares of Class A Common Stock that the Corporation issues in the Subsequent Public Offering, and such shares of Class B Common Stock shall be redeemable by the Corporation on such terms; *provided*, that the number of shares of Class B Common Stock to be redeemed shall be reduced to the extent that such redemption would otherwise result in the number of shares of Class B Common Stock outstanding immediately following such redemption being less than 41% of the aggregate number of shares of Class A Common Stock and Class B Common Stock outstanding at the date of such redemption. The redemption price per share payable to all holders of Class B Common Stock shall be payable in cash in an amount equal to the price per share of Class A Common Stock received by the Corporation in the Subsequent Public Offering, net of per share underwriting discounts and commissions and other per share offering-related expenses as determined by the Board in its sole discretion (which expenses may include expenses and estimated expenses not yet paid). In effecting such redemption the Corporation shall redeem shares of Class B Common Stock from the holders thereof on a pro rata basis in proportion to the number of shares of Class B Common Stock held by each of them at the time of the consummation of the Subsequent Public Offering; *provided* , that the Corporation may round off to a full share the number of shares to be redeemed from any holder so that fractional interests of less than one-half share will be rounded down and fractional interests of one-half share or more will be rounded up.

(3) In effecting any redemption pursuant to this Section 4.3(F), the Corporation shall send written notice of redemption to the holders of the shares of Class B Common Stock redeemed and deposit, set aside or pay the redemption price therefor. The Board may establish such procedures as it may in its sole and absolute discretion determine to be necessary or desirable for the orderly redemption of Class B Common Stock pursuant to this Section 4.3(F), which procedures shall be binding upon the holders of Class B Common Stock.

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

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

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

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

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

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

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

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

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

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

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

(3) No Person shall directly or indirectly acquire Beneficial Ownership of more than 15% of the aggregate outstanding shares of Class B Common Stock otherwise than as a direct result of a decrease in the number of shares of Class B Common Stock outstanding. If any Transfer is purportedly effected which, if effective, would result in any Person Beneficially Owning shares of Class B Common Stock in violation of this Section 4.3(K)(3) then the intended transferee shall acquire no rights in respect of such shares, including, without limitation, voting rights or rights to dividends or other distributions with respect to such shares, and any shares of Class B Common Stock Beneficially Owned in violation of this Section 4.3(K)(3) may be redeemed by the

Corporation, or its designee, at a price per share equal to the lesser of (i) the per share consideration paid in the transaction that resulted in such violative Transfer (or, in the case of a devise, gift or other such transaction without consideration, the Market Price of the Class A Common Stock at the time of such devise or gift or other such transaction) and (ii) the Market Price of the Class A Common Stock on the date the Corporation, or its designee, elects to redeem such shares.

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

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

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

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

(5) Definitions .

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

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

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

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

(e) "Market Price" of a security on any date shall mean the last reported sale price for such security, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, for such security, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such security is not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such security is listed or admitted to trading or, if such security is not listed or admitted to trading on any national securities exchange,

the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such security selected by the Board or, in the event that no trading price is available for such security, the fair market value of such security as determined in good faith by the Board.

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

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

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

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

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

(k) "Transfer" shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire Beneficial Ownership, or any agreement to take any such actions or cause any such events, of Class A Common Stock, Class B Common Stock and/or Other Voting Stock or the right to vote Class A Common Stock and/or Other Voting Stock, including (a) the granting or exercise of any option (or any disposition of any option), (b) any disposition of any securities or rights

convertible into or exchangeable for Class A Common Stock, Class B Common Stock and/or Other Voting Stock or any interest in Class A Common Stock, Class B Common Stock and/or Other Voting Stock or any exercise of any such conversion or exchange right and (c) Transfers of interests in other entities that result in changes in Beneficial Ownership of Class A Common Stock, Class B Common Stock and/or Other Voting Stock; in each case, whether voluntary or involuntary, whether owned of record, or Beneficially Owned and whether by operation of law or otherwise. The terms "Transferring" and "Transferred" shall have the correlative meanings.

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

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

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

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

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

(7) Remedies for Breach . If the Board shall at any time determine in good faith that a Transfer or other event has purportedly taken place that, if effected would result in a violation of Sections 4.3(K)(1) or (2) or that a Person intends to acquire or has attempted to acquire Beneficial Ownership of any shares of Class A Common Stock and/or Other Voting Stock in violation of Sections 4.3(K)(1) or (2) (whether or not such violation is intended), the Board shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Corporation to redeem shares pursuant to Section 4.3(K)(8)(e),

refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; *provided* , *however* , that any Transfer or attempted Transfer or other event in violation of Sections 4.3(K)(1) or (2) shall automatically result in the Transfer to a Trust, and, where applicable, such Transfer (or other event) in violation of Sections 4.3(K)(1) or (2) shall be void *ab initio* irrespective of any action (or non-action) by the Board.

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

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

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

(c) Dividend and Voting Rights . The Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Class A Common Stock and/or Other Voting Stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by the Corporation that the shares of Class A Common Stock and/or Other Voting Stock have been transferred to the Trustee shall be paid by the recipient of such dividend or distribution to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividend or distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Trust and, subject to the DGCL, effective as of the date that the shares of Class A Common Stock and/or Other Voting Stock have been transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that the shares of Class A Common Stock and/or

Other Voting Stock have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken corporate action pursuant to such vote, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Section 4.3(K), until the Corporation has received notification that shares of Class A Common Stock and/or Other Voting Stock have been transferred into a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

(d) Sale of Shares by Trustee . Within 20 days of receiving notice from the Corporation that shares of Class A Common Stock and/or Other Voting Stock have been transferred to the Trust, the Trustee of the Trust shall sell the shares held in the Trust to a Person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Sections 4.3(K)(1) or (2), as applicable. Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Trust (e.g., in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust and (2) the price per share received by the Trustee (net of any commissions and other expenses of sale) from the sale or other disposition of the shares held in the Trust. The Trustee may reduce the amount payable to the Prohibited Owner by the amount of dividends and distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 4.3(K)(8)(c). Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Class A Common Stock and/or Other Voting Stock have been transferred to the Trustee, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 4.3(K)(8)(d), such excess shall be paid to the Trustee upon demand.

(e) Right to Redeem Stock Transferred to the Trustee . Shares of Class A Common Stock and/or Other Voting Stock transferred to the Trustee may be redeemed by the Corporation, or its designee, at a price per share equal to the lesser of (i) the per share consideration paid in the transaction that resulted in such transfer to the Trust (or, in the case of a devise, gift or other such transaction without consideration, the Market Price at the time of such devise or gift or other

such transaction) and (ii) the Market Price on the date the Corporation, or its designee, elects to redeem such shares. The Corporation may reduce the amount payable to the Prohibited Owner by the amount of dividends and distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to 4.3(K)(8)(c). The Corporation may pay the amount of such reduction to the Trustee for the benefit of the Charitable Beneficiary. The Corporation shall have the right to redeem such shares until the Trustee has sold the shares held in the Trust pursuant to Section 4.3(K)(8)(d). Upon such a redemption, the interest of the Charitable Beneficiary in the shares shall terminate and the Trustee shall distribute the net proceeds of the redemption to the Prohibited Owner.

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

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

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

(11) Ambiguity . In the case of an ambiguity in the application of any of the provisions of this Section 4.3(K), the Board of the Corporation shall have the power to determine the application of the provisions of this Section 4.3(K) with respect to any situation based on the facts known to it. In the event Section 4.3(K)(7) or (8) requires an action by the Board and this Amended and Restated Certificate of Incorporation fails to provide specific guidance with respect to such action, the Board shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 4.3(K). Absent a decision to the contrary by the Board (which the Board may make in its sole and absolute discretion), if a Person would have (but for the remedies set forth in Section 4.3(K)(7)) acquired Beneficial Ownership

of Class A Common Stock and/or Other Voting Stock in violation of Section 4.3(K)(1) or (2), such remedies (as applicable) shall apply first, to the shares of Class A Common Stock and/or Other Voting Stock which, but for such remedies, would have been owned directly by such Person, second, to the shares which, but for such remedies, would have been wholly Beneficially Owned (but not owned directly) by such Person, and thereafter, to the shares which, but for such remedies, would have been Beneficially Owned by such Person, pro rata among the Persons who directly own such shares of Class A Common Stock and/or Other Voting Stock based upon the relative number of the shares of Class A Common Stock and/or Other Voting Stock held by each such Person.

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

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

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

ARTICLE V

Section 5.1. By-Laws . In furtherance and not in limitation of the powers conferred by the DGCL, the Board is expressly authorized to make, amend, alter, change, add to or repeal the by-laws of the Corporation without the assent or vote of the stockholders in any manner not inconsistent with the laws of the State of Delaware or this Amended and Restated Certificate of Incorporation. Notwithstanding anything to the contrary contained in this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least 80% of the voting power of all the then outstanding shares of stock of the Corporation entitled to vote generally in the election of directors (which, for the avoidance of doubt, shall not include shares of Class M Common Stock), voting together as a single class, shall be required for the stockholders to alter, amend or repeal any provision of the by-laws of the Corporation or to adopt any provision inconsistent therewith. In addition, the affirmative vote of at least a majority of the votes cast thereon by the holders of Class M Common Stock, voting separately as a class, shall be required to alter, amend or repeal any provision of the by-laws of the Corporation which is to the same effect as Article IV, Section 4.3(A)(3), Article VI, Section 6.1(A), Article VI, Section 6.4 or Article VI, Section 6.5 of this Amended and Restated Certificate of Incorporation or to adopt any provision inconsistent therewith.

ARTICLE VI

Section 6.1. Board of Directors: Composition .

(A) Except as provided in Article VI, Section 6.7, the business and affairs of the Corporation shall be managed by or under the direction of a Board consisting of not less

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

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

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

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

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

Section 6.2. Board of Directors: Vacancies . Any newly created directorship on the Board that results from an increase in the number of directors and any vacancy occurring in the Board shall be filled only by a majority of the directors then in office who are not Class M Directors, although less than a quorum, or by a sole remaining director who is not a Class M

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

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

Section 6.4. Director Qualifications .

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

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

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

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

Section 6.7. European Board .

(A) Subject to paragraph (B) of this Section 6.7, the Corporation's operations in Europe in respect of (1) review of applications for membership; (2) fines; (3) intraregional operating rules; (4) assessments and fees to the extent that such assessments and fees do not have an exclusionary effect; (5) intraregional product and enhancement development to the extent that the development initiatives do not relate to competitively

sensitive matters; (6) annual expense budget; (7) surplus funds; and (8) affinity and co-branding rules shall be managed by or under the direction of a regional board (the " European Board "); *provided, however* , that with respect to the matters listed in clauses (1) – (4) above, such authority shall only be exercised subject to guidelines established by the Board from time to time.

(B) The Board, acting by the affirmative vote of at least 75% of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may assume the authority granted to the European Board pursuant to Section 6.7 (A) in its entirety and may terminate the existence of the European Board; *provided, however* , that the holders of Class M Common Stock designated on the books and records of the Corporation (which shall be conclusive and binding for all purposes) as belonging to the Corporation's Europe region (each, a " European Class M Holder "), acting with approval thereof by the affirmative vote of at least a majority of the votes cast thereon, voting for such purpose as a separate class, shall approve any such assumption of authority and termination. In the event of a dispute, the Board shall have the sole and absolute discretion to determine whether a holder of Class M Common Stock constitutes a European Class M Holder. In addition, the Board, acting by the affirmative vote of at least 75% of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may permanently assume from the European Board any specific authority granted to the European Board pursuant to Section 6.7(A). In addition, the Board, acting by the affirmative vote of at least 66 $^{2}/_{3}$% of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may override any decision or otherwise temporarily assume any authority granted to the European Board pursuant to Section 6.7(A). In addition, the Board, acting by the affirmative vote of a majority of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may override any decision or otherwise temporarily assume any authority of the European Board if, in the Board's sole judgment and discretion, any action or failure to take action by the European Board (1) could subject the Corporation or any of its subsidiaries to risk of legal or regulatory liability, (2) would be contrary to the Corporation's global strategy, (3) would be reasonably likely to have an effect outside Europe or on U.S. commerce or (4) relates to any matter outside of the authority granted to the European Board pursuant to Section 6.7(A). Whether any matter falls within the authority of the European Board granted pursuant to Section 6.7(A) shall be determined in the sole discretion of the Board.

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

European Board shall automatically be adjusted to include any such Class M Director if the number of members of the European Board would otherwise exceed the number fixed by the European Board.

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

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

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

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

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

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

ARTICLE VII

Section 7.1. Meetings of Stockholders . Any action required or permitted to be taken by the holders of the Common Stock of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders; *provided, however* , that any action required or permitted to be taken by the holders

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

ARTICLE VIII

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

ARTICLE IX

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

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

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

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

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

capacity, it being the policy of the Corporation that indemnification of any person whom the Corporation is obligated to indemnify pursuant to Section 9.1 shall be made to the fullest extent permitted by law.

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

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

ARTICLE X

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

ARTICLE XI

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

* * *

IN WITNESS WHEREOF, the undersigned has caused this Amended and Restated Certificate of Incorporation to be signed by Noah J. Hanft, General Counsel and Secretary of the Corporation on May 30, 2006.

MasterCard Incorporated

/s/ Noah J. Hanft
Name: Noah J. Hanft
Title: General Counsel and Secretary

Exhibit 3.2A

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
MASTERCARD INTERNATIONAL INCORPORATED

The present name of the corporation is MasterCard International Incorporated. The corporation was incorporated under the name "INTERBANKARD, INC." by the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware on November 3, 1966. This Amended and Restated Certificate of Incorporation of the corporation, which both restates and further amends the provisions of the corporation's Amended and Restated Certificate of Incorporation, was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware (including by the written consent of its sole class B member in accordance with Section 228 of the General Corporation Law of the State of Delaware). This Amended and Restated Certificate of Incorporation of the corporation shall not become effective until, and shall become effective at, 9:30 a.m. on May 31, 2006. The Amended and Restated Certificate of Incorporation of the corporation is hereby amended and restated to read in its entirety as follows:

FIRST: The name of the corporation is MasterCard International Incorporated (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, 19801 and the name of the registered agent of the Corporation in the State of Delaware at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

FOURTH: In furtherance, and not in limitation, of the general powers conferred by the law of the State of Delaware and the objects and purposes herein set forth, it is expressly provided that the Corporation shall, subject to the provisions contained in the law of the State of Delaware, this Certificate of Incorporation and the Bylaws of the Corporation (the "Bylaws"), have the power to do all such acts as are necessary or convenient to the attainment of the objects and purposes herein set forth and to engage in any lawful act or activity for which corporations may be organized under the DGCL; provided, however, that nothing contained in this Certificate of Incorporation shall authorize or empower the Corporation to perform or engage in any acts or practices which (a) are prohibited by Section 340 of the General Business Law of the State of New York or any anti-monopoly statute of any state of the United States or the District of Columbia, or (b) are defined as banking powers under Section 126(a) of the DGCL.

FIFTH: The Corporation shall not have any authority to issue capital stock.

SIXTH: The Corporation initially shall have authority to issue membership interests in the following classes: Class A or "Principal" Memberships, which shall include Principal Memberships, Association Memberships and Travelers Cheque Memberships; Class B

Memberships; and Affiliate Memberships. The Corporation is authorized to issue an unlimited number of Class A Memberships. The Corporation is authorized to issue a maximum of one Class B Membership. The Class B Membership shall not be assessable. The board of directors of the Corporation (the "Board") shall have the authority to create additional classes of membership interests. Such additional classes of membership shall have such rights, preferences and privileges as are set out, from time to time, in the Bylaws, provided, however, that they shall not have any right, preference or privilege greater than those of the Class A Memberships.

a. Class A Memberships. The rights and obligations of the Class A Memberships are as set forth in this Certificate of Incorporation and the Bylaws of the Corporation. Holders of the Class A Memberships (such holders, the "Class A Members") shall not be entitled to vote on account of such holdings, except as otherwise provided herein or in the Bylaws, or as required by law. Class A Members shall not be entitled on account of such membership, to receive any portion of any dividends or other distributions or profits of the Corporation and shall not be entitled to participate in any assets available for distribution to the members of the Corporation upon any dissolution of the Corporation.

b. Class B Membership. The rights and obligations of the Class B Membership are as set forth in this Certificate of Incorporation and the Bylaws of the Corporation. The Class B Membership shall be issued to MasterCard Incorporated, a Delaware stock corporation. The holder of the Class B Membership (the "Class B Member") shall have exclusive voting rights on all matters with respect to which members may vote, except as provided otherwise herein or in the Bylaws, or as otherwise required by law. The Class B Member, on account of such status, shall be entitled to all legally permitted dividends and other distributions approved by the Board, and shall be entitled to receive all assets legally available for distribution to the members of the Corporation on any dissolution, liquidation or winding-up of the Corporation.

c. Other Classes of Membership. The rights and obligations of Affiliate Memberships are set forth in the Bylaws of the Corporation. Other classes of membership interests in the Corporation shall have such rights, preferences and privileges as are determined by the Board, provided that in no event shall any additional classes of membership be entitled to rights, preferences or privileges that are greater than those of the Class A Memberships.

SEVENTH: Except to the extent set forth in this Certificate of Incorporation, the private property of the members of the Corporation shall not be subject to the payment of debts of the Corporation nor be subject to any liability for any other obligations of the Corporation.

EIGHTH: Except to the extent set forth in this Certificate of Incorporation, the conditions of membership in the Corporation shall be set forth in the Bylaws.

NINTH: The Board may impose upon the members (other than the Class B Member), whether before, on, or after termination of their membership, dues, assessments, fees, and other charges for any purpose or purposes as may be authorized in this Certificate of Incorporation or in the Bylaws.

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

ELEVENTH: (A) Except as expressly provided in paragraph (B) of this Article ELEVENTH, the business and affairs of the Corporation shall be managed by or under the direction of the Board. It shall be a qualification for each director of the Corporation that such director is also a director of the Class B Member. The Class B Member shall elect any person who becomes a director of the Class B Member as a director of the Corporation. Any director of the Corporation who ceases to be a director of the Class B Member shall immediately cease to be a director of the Corporation. A majority of the total number of directors then in office (but not less than one-third of the number of directors constituting the entire Board) shall constitute a quorum for the transaction of business; *provided* , that a quorum shall not be constituted unless directors who are neither Class M Directors (as defined in the Amended and Restated Certificate of Incorporation of the Class B Member) nor officers of the Corporation or the Class B Member represent a majority of the directors present. Except as otherwise provided by law, this Certificate of Incorporation or the Bylaws, the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board.

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

(C) The Board, acting by the affirmative vote of at least 75% of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may assume the authority granted to the European Board pursuant to paragraph (B) of this Article ELEVENTH in its entirety; *provided, however* , that the European Class M Holders (as defined in the Amended Certificate of Incorporation of the Class B Member) of Class M Common Stock of the Class B Member, by the affirmative vote of at least a majority of the votes cast thereon, voting for such purpose as a separate class, shall approve any such assumption of authority. In addition, the Board, acting by the affirmative vote of at least 75% of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may permanently assume from the European Board any specific authority granted to the European Board pursuant to paragraph (B) of this Article ELEVENTH. In addition, the Board, acting by the affirmative

vote of at least 66 2/3% of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may override any decision or otherwise temporarily assume any authority granted to the European Board pursuant to paragraph (B) of this Article ELEVENTH. In addition, the Board, acting by the affirmative vote of a majority of the entire Board at any meeting at which a quorum is present, or by action without a meeting if all of the directors consent in writing to that action, may override any decision or otherwise temporarily assume any authority of the European Board if, in the Board's sole judgment and discretion, any action or failure to take action by the European Board (1) could subject the Corporation or any of its subsidiaries to risk of legal or regulatory liability, (2) would be contrary to the Corporation's global strategy, (3) would be reasonably likely to have an effect outside Europe or on U.S. commerce or (4) relates to any matter outside of the authority granted to the European Board pursuant to paragraph (B) of this Article ELEVENTH. Whether any matter falls within the authority of the European Board granted pursuant to paragraph (B) of this Article ELEVENTH shall be determined in the sole discretion of the Board.

TWELFTH: In furtherance and not in limitation of the powers conferred by statute, the Board is expressly authorized to make, alter or repeal the bylaws of the Corporation.

THIRTEENTH: In the event of any voluntary or involuntary liquidation, dissolution, or winding-up (collectively, "liquidation") of the Corporation, the Class B Member shall be entitled to receive out of the net remaining assets of the Corporation (including any termination fees and assessments levied on members pursuant to the Bylaws) the amounts and rights, if any, then existing or received by the Corporation in such liquidation in respect to the sale or other disposition of the trademarks, goodwill, and other assets relating to the activities of the Corporation. Neither the consolidation nor merger of the Corporation, nor the sale, lease, or transfer by the Corporation of all or any part of its assets shall be deemed to be a liquidation of the Corporation for the purposes of this Article THIRTEENTH.

FOURTEENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by the law of the State of Delaware, and all rights herein conferred upon members are granted subject to this reservation. The consent of the Class B Member shall be required to amend this Certificate of Incorporation.

IN WITNESS WHEREOF, MasterCard International Incorporated has caused this Amended and Restated Certificate of Incorporation to be signed by its General Counsel and Secretary, this 30th day of May 2006.

MASTERCARD INTERNATIONAL
INCORPORATED

By: /s/ Noah J. Hanft
Name: Noah J. Hanft
Title: General Counsel and Secretary

EXHIBIT 10.3

MASTERCARD INCORPORATED

SCHEDULE OF NON-EMPLOYEE DIRECTORS' ANNUAL COMPENSATION

Effective May 31, 2006

ANNUAL RETAINER	AMOUNT
Service as a Director	$ 70,000
Service as Chairman of the Board	$ 105,000

COMMITTEE SERVICE RETAINER	AMOUNT
Audit Committee Member	$ 10,000
Human Resources and Compensation Committee Member	$ 5,000
Nominating and Corporate Governance Committee Member	$ 5,000
Audit Committee Chairperson	$ 20,000
Human Resources and Compensation Committee Chairperson	$ 10,000
Nominating and Corporate Governance Committee Chairperson	$ 10,000

EQUITY AWARDS(1)	AMOUNT
Director	$ 100,000
Chairman of the Board	$ 150,000

(1) Represents a grant of deferred stock units under the MasterCard Incorporated 2006 Non-Employee Director Equity Compensation Plan (the "Plan"), adopted by stockholders of MasterCard Incorporated (the "Company") at the annual meeting of stockholders on July 18, 2006. Pursuant to the terms of the Plan, 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 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 a number of deferred stock units determined by dividing $100,000 ($150,000 in the case of the Chairman of the Board) by the average of the high and low prices for the Company's Class A common stock on the exchange on which the shares are principally traded for the date of such annual meeting of stockholders.

Exhibit 10.4

FORM OF RESTRICTED STOCK UNIT AGREEMENT

THIS AGREEMENT, dated as of [ ], ("Grant Date") is between MasterCard Incorporated, a Delaware Corporation ("Company"), and you ("Employee"). Capitalized terms that are used but not defined in this Agreement have the meanings given to them in the 2006 Long Term Incentive Plan ("Plan").

WHEREAS, the Company has established the Plan, the terms of which Plan, but not the standard terms and conditions of Section 9.4 of such Plan, are made a part hereof;

WHEREAS, the Compensation Committee of the Board of Directors of the Company ("Committee") has approved this grant under the terms of the Plan;

NOW, THEREFORE, the parties hereby agree as follows:

1. Grant of Units.

Subject to the terms and conditions of this Agreement and of the Plan, the Company hereby grants to you the number of Units reflected in your grant letter, the terms of which letter are incorporated as a part of this Agreement. The Units comprising this award will be recorded in an unfunded Units account in your name maintained on the books of the Company ("Account"). Each Unit represents the right to receive one share of the Company's $0.0001 par value Class A Common Stock ("Common Shares") under the terms and conditions set forth below.

2. Vesting Schedule.

(a) Subject to (b) and (c) below, the interest of the Employee in the Units shall vest on [ ], conditioned upon the Employee's continued employment with the Company or an Affiliated Employer as of [ ].

(b) In the event that the Employee's employment with the Company or an Affiliated Employer terminates by reason of the Employee's death following the Grant Date, 100 percent of the Employee's then unvested Units shall vest. In the event the Employee's employment with the Company or an Affiliated Employer terminates due to Disability or Retirement, unvested Units shall continue to vest as if there was no termination of Employment. In the event Employee's employment with the Company or an Affiliated Employer terminates for any other reason, unvested Units shall be forfeited.

(c) In the event that the Employee's employment with the Company or an Affiliated Employer, or successor thereto, is terminated without Cause or by the Employee with Good Reason, six months preceding or two years following a Change in Control, 100 percent of the Employee's then unvested Units shall vest.

3. Transfer Restrictions.

The Units 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, except as expressly permitted by the Plan.

4. Stockholder Rights.

Prior to the time that Employee's Units vest and the Company has issued Common Shares relating to such Units, Employee will not be deemed to be the holder of, or have any of the rights of a holder with respect to, any Common Shares deliverable with respect to such Units.

5. Dividend Equivalents.

Until such time as the Units are forfeited or become vested, whichever occurs first, the Company will pay Employee a cash amount equal to the number of Units granted hereunder times any per share dividend payment made to shareholders of the Company's Common Shares as long as the Employees continues to be employed by the Company on the dividend payment date. Such payments shall be made on or around the date the dividends are paid to shareholders, but in any event by the end of the year in which dividends are paid to shareholders.

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 Units credited to the Employee's Account as provided in the Plan.

7. Form and Timing of Payment.

(a) The Company shall pay two business days following the [ ], vesting date set forth in section 2(a) above, or at such later date permitted under Code section 409A, a number of Common Shares equal to the aggregate number of vested Units credited to the Employee as of vesting.

(b) In the event of vesting under 2(b) above due to an Employee's death, payment shall be made two business days following death or at such later date permitted under Code section 409A.

(c) In the event of vesting under Section 2(c) above due to termination in connection with a Change in Control, payment shall be made six months following the termination.

8. Compliance with Law.

No Common Shares will be delivered to Employee upon the vesting of the Units unless counsel for the Company is satisfied that such delivery will be in compliance with all applicable laws.

9. Death of Employee.

In the event of the Employee's death, where the death results in vesting and payment of Units under section 2(b) above, payment shall be made to the Employee's estate or beneficiary.

10. Taxes.

The Employee shall be liable for any and all taxes, including withholding taxes, arising out of this grant or the issuance of the Common Shares on vesting of Units hereunder. The Company is authorized to deduct the amount of the tax withholding from the amount payable to Employee upon settlement of the Units. The Company shall withhold from the total number of Common Shares Employee is to receive the value equal to the amount necessary to satisfy any such withholding obligation at the minimum applicable withholding rate.

11. Discretionary Nature of Plan.

Employee acknowledges and agrees that the Plan is discretionary in nature and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of Units under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of Units, other types of grants under the Plan, or benefits in lieu of such grants in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the number of Units granted, the payment of dividend equivalents, and vesting provisions.

12. Data Authorization.

Employee acknowledges and consents to the collection, use, processing and transfer of personal data as described in this paragraph. The Company, its affiliates, and Employee's employer hold certain personal information about Employee, including Employee's name, home address and telephone number, date of birth, social insurance number or other employee identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Units or any other entitlement to shares of stock awarded, canceled, purchased, vested, unvested or outstanding in Employee's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and/or Employee's employer will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of Employee's participation in the Plan, and the Company, its affiliates and/or Employee's employer 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. Employee 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 Employee'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 Employee's behalf to a broker or other third party with whom Employee may elect to deposit any shares of stock acquired pursuant to the Plan. This authorization is provided by Employee solely in connection with and for the purposes of implementation, administration and management of the Plan. Employee 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 Employee's ability to participate in the Plan.

13. Consent to On-Line Grant and Acceptance.

Employee acknowledges and agrees that, as a term of this grant of Units, any grant, communication, or acceptance of such grant, if applicable, is permitted to be made and processed through the online system operated and maintained for this purpose. Employee further acknowledges and agrees that execution of any documents through such system shall have the same force and effect as if executed in writing.

14. Section 409A.

To the extent the Company determines that this agreement is subject to Code section 409A, but does not conform with the requirements of Code section 409A the Company may at its sole discretion amend or replace the agreement to cause the agreement to comply with Code section 409A.

15. Miscellaneous.

(a) All amounts credited to the Employee's Account under this Agreement shall continue for all purposes to be a part of the general assets of the Company. The Employee's interest in the Account shall make the Employee only a general, unsecured creditor of the Company.

(b) 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.

(c) Any notice required or permitted hereunder that is not covered by section 13 above, shall be given in writing and shall be deemed effectively given upon delivery to the Employee at the address then on file with the Company or upon delivery to the Company at 2000 Purchase Street, Purchase, New York 10577, Attn: Head of Executive and Domestic Compensation.

(d) Neither the Plan nor this Agreement nor any provisions under either shall be construed so as to grant the Employee any right to remain in the employ of the Company.

(e) This Agreement, along with the incorporated grant letter, constitutes the entire agreement of the parties with respect to the subject matter hereof.

By

Exhibit 10.5

FORM OF STOCK OPTION AGREEMENT

THIS AGREEMENT, dated as of [ ], ("Grant Date") is between MasterCard Incorporated, a Delaware Corporation ("Company"), and you ("Employee"). Capitalized terms that are used but not defined in this Agreement have the meanings given to them in the 2006 Long Term Incentive Plan ("Plan").

WHEREAS, the Company has established the Plan, the terms of which Plan, but not the standard terms and conditions of Section 6.4 of such Plan, are made a part hereof;

WHEREAS, the Compensation Committee of the Board of Directors of the Company ("Committee") has approved this grant under the terms of the Plan;

NOW, THEREFORE, the parties hereby agree as follows:

1. Grant of Stock Options.

Subject to the terms and conditions of this Agreement and of the Plan, the Company hereby grants to you a nonqualified stock option ("Stock Option") to purchase from time to time all or any part of the number of common shares of the Company's Class A Common Stock ("Common Shares") reflected in your grant letter, the terms of which grant letter are incorporated as part of this Agreement, at a price per share equal to 100 percent of the Fair Market Value of the Common Shares on the Grant Date.

2. Exercise.

This Stock Option is exercisable from the date and to the extent that the Employee's interest in the Stock Option is vested, but in no event earlier than six months after the Grant Date, until the date the term of the Stock Option expires. The Employee's interest in the Stock Option may be exercised only by delivering notice of exercise, in the form prescribed by the Company, to the Company or its designated agent, and paying the full exercise price for the shares and the full amount of any taxes required to be withheld. The exercise price may be paid by delivery of cash or a certified check, delivery of Common Shares already owned by the Employee, or by delivery of cash by a broker-dealer as a "cashless" exercise. Special rules will apply to the payment of the exercise price by Employees who are subject to Securities and Exchange Commission Rule 16b-3. Common Shares issued on exercise of the Stock Option shall be unrestricted Common Shares.

3. Vesting.

(a) Subject to (b) and (c) below, the interest of the Employee in the Stock Option shall vest 25 percent on each of the first, second, third, and fourth anniversaries of the Grant Date, conditioned upon the Employee's continued employment with the Company or an Affiliated Employer as of each vesting date.

(b) In the event that the Employee's employment with the Company or an Affiliated Employer terminates by reason of the Employee's death after the grant, 100 percent of the Employee's interest in the Stock Option shall vest. In the event the Employee's employment with the Company or an Affiliated Employer terminates due to Disability or Retirement, the Employee's interest in the Stock Option shall continue to vest as if there was no termination of Employment. In the event Employee's employment with the Company or an Affiliated Employer terminates for any other reason, the Employee's unvested interest in the Stock Option shall be forfeited.

(c) In the event that the Employee's employment with the Company or an Affiliated Employer, or successor thereto, is terminated without Cause or by the Employee with Good Reason, six months preceding or two years following a Change in Control, 100 percent of the Employee's then unvested interest in the Stock Option shall vest.

4. Term and Termination.

The Stock Option generally shall expire on the earlier of (i) the tenth anniversary of the Grant Date, or (ii) in the case of a Stock Option that has vested at the time of an Employee's Termination of Employment other than by death, Disability, or Retirement, 90 days from the date of the Employee's Termination of Employment. In the event an Employee's Termination of Employment is due to death, Disability, Retirement, or is in connection with a Change in Control under the circumstances specified in Section 3(c) above, the Stock Option shall expire on the tenth anniversary of the Grant Date.

5. Transfer Restrictions.

Other than by will or by the laws of descent and distribution, the Stock Option 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, except as expressly permitted by the Plan. During the Employee's lifetime, the Stock Option is exercisable only by the Employee.

6. Stockholder Rights.

Prior to the time that the Company has issued Common Shares on an Employee's exercise of the Employee's interest in his or her Stock Option, Employee will not be deemed to be the holder of, or have any of the rights of a holder with respect to, any Common Shares deliverable with respect to such Stock Option.

7. Changes in Stock.

In the event of any change in the number and kind of outstanding shares of 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 terms of the Stock Option.

8. Compliance with Law.

No Common Shares will be delivered to Employee upon the Employee's exercise of his or her interest in the Stock Option unless counsel for the Company is satisfied that such delivery will be in compliance with all applicable laws.

9. Death of Employee.

In the event of the Employee's death, the Stock Option shall be exercisable by the executor or administrator of the Employee's estate or the person to whom the Stock Option has passed by will or the laws of descent and distribution in accordance with Section 5 of this Agreement.

10. Taxes.

The Employee shall be liable for any and all taxes, including withholding taxes, arising out of the transfer of Common Shares on exercise of the Stock Option. The Employee may satisfy such taxes by delivery of cash or a certified check or delivery of cash by a broker-dealer as part of a "cashless" exercise. The Company is authorized to deduct from the total number of Common Shares Employee is to receive on exercise of the Stock Option the total value equal to the amount necessary to satisfy any such withholding obligation at the minimum applicable withholding rate.

11. Discretionary Nature of Plan.

Employee acknowledges and agrees that the Plan is discretionary in nature and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of a Stock Option under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of a Stock Option, other awards under the Plan, or benefits in lieu of such awards in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the number of Stock Options granted, the payment of dividend equivalents, and vesting provisions.

12. Data Authorization.

Employee acknowledges and consents to the collection, use, processing and transfer of personal data as described in this paragraph. The Company, its Subsidiaries, and Employee's employer hold certain personal information about Employee, including Employee's name, home address and telephone number, date of birth, social insurance number or other employee identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all stock options or any other entitlement to shares of stock awarded, canceled, purchased, vested, unvested or outstanding in Employee's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its Subsidiaries and/or Employee's employer will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of Employee's participation in the Plan, and the Company, its Subsidiaries and/or Employee's employer 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. Employee 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 Employee'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 Common Shares on Employee's behalf to a broker or other third party with whom Employee may elect to deposit any Common Shares acquired pursuant to the Plan. This authorization is provided by Employee solely in connection with and for the purposes of implementation, administration and management of the Plan. Employee 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 Employee's ability to participate in the Plan.

13. Section 409A.

To the extent the Company determines that this agreement is subject to Code section 409A, but does not conform with the requirements of Code section 409A the Company may at its sole discretion amend or replace the agreement to cause the agreement to be exempt from or comply with Code section 409A.

14. Consent to On-Line Grant and Acceptance.

Employee acknowledges and agrees that, as a term of this Stock Option grant, any grant, communication, acceptance of such grant, or exercise of such grant, is permitted to be made and processed through the on-line system operated and maintained for this purpose. Employee further acknowledges and agrees that execution of any documents through such system shall have the same force and effect as if executed in writing.

15. 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 that is not covered by Section 14 above shall be given in writing and shall be deemed effectively given upon delivery to the Employee at the address then on file with the Company or upon delivery to the Company at 2000 Purchase Street, Purchase, New York 10577, Attn: Head of Executive and Domestic Compensation.

(c) Neither the Plan nor this Agreement nor any provisions under either shall be construed so as to grant the Employee any right to remain in the employ of the Company.

(d) This Agreement, along with the incorporated grant letter, constitutes the entire agreement of the parties with respect to the subject matter hereof.

By

Exhibit 10.6

MASTERCARD INCORPORATED

2006 NON-EMPLOYEE DIRECTOR
EQUITY COMPENSATION PLAN

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

"Administrator" means the Company's Head of Human Resources or functional successor.

"Award" means an award of Deferred Stock Units 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.

"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.

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

ARTICLE III

ADMINISTRATION

The Plan is intended to be self-executing and operated as a formula plan. To the extent necessary for the operation of the Plan, it shall be construed, interpreted, and administered by the Administrator. The Administrator's constructions and interpretations and actions thereunder shall be binding and conclusive on all persons for all purposes. The Administrator shall not 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. The Administrator may delegate his or her responsibilities and duties under the Plan.

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 of Deferred Stock Units 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 shares acquired from a third party. Shares subject to an Award that is forfeited, terminates, expires, or lapses without the issuance of shares, including by cash settlement, 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 Administrator may 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 Administrator 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.

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 of Deferred Stock Units in accordance with Article VI.

ARTICLE VI

DEFERRED STOCK UNITS

6.1 Automatic Award .

On the date of the Company's Annual Meeting of Shareholders in each year for so long as the Plan remains in effect, 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, automatically shall be awarded a number of Deferred Stock Units determined by dividing $100,000 ($150,000 in the case of the Chairman of the Board or lead Director) by the average of the high and low prices for the Company's Class A Common Stock on the exchange on which the shares are principally traded for the date of the Annual Meeting of Shareholders (or the immediately preceding date on which shares are traded, if shares are not traded on the date of the Annual Meeting) and rounding the results to the nearest whole Deferred Stock Unit. Notwithstanding the foregoing, each non-employee Director who is elected at, or whose term of office shall continue after, the first Annual Meeting of Shareholders following the Company's initial public offering of shares of Common Stock, shall be awarded 2,565 Deferred Stock Units (3,850 Deferred Stock Units in the case of the Chairman of the Board or lead Director). If sufficient shares do not remain available under Section 4.1 for each eligible Director to receive the full number of Deferred Stock Units, the Deferred Stock Units awarded to each eligible Director shall be proportionately reduced. Any non-employee Director who joins the Board at a time other than the Annual Meeting of shareholders shall be awarded a pro-rated 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 Awards .

Unless otherwise determined by the Administrator in the Award document, an Award of Deferred Stock Units shall be settled in Common Stock upon (i) the fourth anniversary of the date of grant of the Award of the Deferred Stock Units or (ii) the date that is 60 days following the Director's termination of services as a Director, as elected by the Director at the time and in the form prescribed by the Company. In the event a Director becomes a specified employee for purposes of Code section 409A(a)(2)(B)(i), in

the event of a payment on termination, the payment shall be made six months following termination.

In order to be effective, any election as to the time of payment 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 timely election is not made, the default payment date shall be the fourth anniversary of the date of grant of the Award of Deferred Stock Units.

6.3 Dividend Equivalents .

The Administrator shall have the authority to specify in the Deferred Stock Units Award that the Directors shall be entitled to receive current or deferred payments corresponding to the dividends payable on the Common Stock underlying the Award.

6.4 Beneficiary .

Each Participant may designate a 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. 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.

ARTICLE VII

MISCELLANEOUS

7.1 Unfunded Status of Plan .

It is intended that the Plan be an "unfunded" plan. The Administrator 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 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 Administrator, 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 December 31, 2015.

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, including by changing the form of Awards to any form permitted under the Company's 2006 Long Term Incentive Plan, but no amendment, alteration, or discontinuation shall be made which would impair an outstanding Award under the Plan. Without approval of the shareholders of the Company, no amendment may materially increase the benefits accruing to Directors under the Plan. 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.

Exhibit 15

August 2, 2006

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

Commissioners:

We are aware that our report dated August 2, 2006 on our review of interim financial information of MasterCard Incorporated (the "Company") for the three and six month periods ended June 30, 2006 and 2005 and included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2006 is incorporated by reference in its Registration Statement on Form S-8 dated June 30, 2006.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

EXHIBIT 31.1

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

I, Robert W. Selander, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MasterCard Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2006

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

EXHIBIT 31.2

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

I, Chris A. McWilton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MasterCard Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2006

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

EXHIBIT 32.1

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

In connection with the Quarterly Report of MasterCard Incorporated (the "Company") on Form 10-Q for the period ending June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert W. Selander, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

August 2, 2006

EXHIBIT 32.2

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

In connection with the Quarterly Report of MasterCard Incorporated (the "Company") on Form 10-Q for the period ending June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chris A. McWilton, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

August 2, 2006