
**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 September 30, 2015
Or

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

For the transition period from _____ to _____

Commission file number: 001-32877

MasterCard Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

13-4172551
(IRS Employer
Identification Number)

10577
(Zip Code)

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(do not check if a smaller reporting company)

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

As of October 22, 2015, there were 1,100,233,562 shares outstanding of the registrant's Class A common stock, par value \$0.0001 per share; and 22,535,195 shares outstanding of the registrant's Class B common stock, par value \$0.0001 per share.

MASTERCARD INCORPORATED
FORM 10-Q
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In this Report on Form 10-Q (“Report”), references to the “Company,” “MasterCard,” “we,” “us” or “our” refer to the MasterCard brand generally, and to the business conducted by MasterCard Incorporated and its consolidated subsidiaries, including our operating subsidiary, MasterCard International Incorporated.

Forward-Looking Statements

This Report contains forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts may be forward-looking statements. When used in this Report, the words “believe”, “expect”, “could”, “may”, “would”, “will”, “trend” and similar words are intended to identify forward-looking statements. These forward-looking statements relate to the Company’s future prospects, developments and business strategies and include, without limitation, statements relating to:

- our focus on growing, diversifying and building our business and providing value to our strategic partners;
- our management of the impact on our business of legal and regulatory challenges;
- the stability of economies around the globe;
- our advertising and marketing strategy;
- our belief that our existing cash, cash equivalents and investment securities balances, its cash flow generating capabilities, its borrowing capacity and our access to capital resources are sufficient to satisfy our future operating cash needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with its existing operations and potential obligations; and
- the manner and amount of purchases pursuant to our share repurchase program, dependent upon price and market conditions.

Many factors and uncertainties relating to our operations and business environment, all of which are difficult to predict and many of which are outside of our control, influence whether any forward-looking statements can or will be achieved. Any one of those factors could cause our actual results to differ materially from those expressed or implied in writing in any forward-looking statements made by MasterCard or on its behalf. We believe there are certain risk factors that are important to our business, and these could cause actual results to differ from our expectations. Such risk factors include:

- payments system-related regulation, legislation and litigation (including interchange fees and surcharging);
- regulation related to our participation in the payments industry;
- existing regulation leading to new regulation in other jurisdictions or of other products;
- preferential or protective government actions;
- potential or incurred liability and limitations on business resulting from litigation;
- potential changes in tax laws;
- competition in the global payments industry;
- banking industry consolidation;
- loss of substantial business from significant customers;
- impact of our relationships with merchants, issuers, acquirers and governments;
- competitor relationships with our customers;
- brand perception and reputation;
- the overall business environment, including global economic and political events and conditions;
- declines in cross-border activity;
- exposure to loss or illiquidity due to guarantees of settlement and certain other third-party obligations;
- impact of information security failures, disruptions to our transaction processing systems, account data breaches and increases in fraudulent activity;
- the challenges resulting from rapid technological developments in the payments industry;
- the effect of adverse currency fluctuation;
- issues related to acquisition integration and entry into new businesses; and

- issues related to our Class A common stock and corporate governance structure.

Please see a complete discussion of these risk factors in Part I, Item 1A - Risk Factors of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 . We caution you that the important factors referenced above may not contain all of the factors that are important to you. Our forward-looking statements speak only as of the date of this Report or as of the date they are made, and we undertake no obligation to update our forward-looking statements.

PART I — FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

MASTERCARD INCORPORATED
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	September 30, 2015	December 31, 2014
	(in millions, except share data)	
ASSETS		
Cash and cash equivalents	\$ 3,877	\$ 5,137
Restricted cash for litigation settlement	541	540
Investments	1,232	1,238
Accounts receivable	1,081	1,109
Settlement due from customers	912	1,052
Restricted security deposits held for customers	871	950
Prepaid expenses and other current assets	843	671
Deferred income taxes	268	300
Total Current Assets	9,625	10,997
Property, plant and equipment, net of accumulated depreciation of \$484 and \$437, respectively	641	615
Deferred income taxes	22	96
Goodwill	1,907	1,522
Other intangible assets, net of accumulated amortization of \$786 and \$663, respectively	820	714
Other assets	1,619	1,385
Total Assets	\$ 14,634	\$ 15,329
LIABILITIES AND EQUITY		
Accounts payable	\$ 381	\$ 419
Settlement due to customers	883	1,142
Restricted security deposits held for customers	871	950
Accrued litigation	711	771
Accrued expenses	2,512	2,439
Other current liabilities	585	501
Total Current Liabilities	5,943	6,222
Long-term debt	1,495	1,494
Deferred income taxes	95	115
Other liabilities	803	674
Total Liabilities	8,336	8,505
Commitments and Contingencies (Note 12)		
Stockholders' Equity		
Class A common stock, \$0.0001 par value; authorized 3,000,000,000 shares, 1,368,854,797 and 1,352,378,383 shares issued and 1,101,756,990 and 1,115,369,640 outstanding, respectively	—	—
Class B common stock, \$0.0001 par value; authorized 1,200,000,000 shares, 22,556,445 and 37,192,165 issued and outstanding, respectively	—	—
Additional paid-in-capital	3,973	3,876
Class A treasury stock, at cost, 267,097,807 and 237,008,743 shares, respectively	(12,713)	(9,995)
Retained earnings	15,543	13,169
Accumulated other comprehensive income (loss)	(536)	(260)
Total Stockholders' Equity	6,267	6,790
Non-controlling interests	31	34
Total Equity	6,298	6,824
Total Liabilities and Equity	\$ 14,634	\$ 15,329

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions, except per share data)			
Net Revenue	\$ 2,530	\$ 2,490	\$ 7,150	\$ 7,030
Operating Expenses				
General and administrative	883	784	2,343	2,180
Advertising and marketing	184	203	502	525
Depreciation and amortization	94	83	273	237
Provision for litigation settlement	—	—	61	—
Total operating expenses	<u>1,161</u>	<u>1,070</u>	<u>3,179</u>	<u>2,942</u>
Operating income	1,369	1,420	3,971	4,088
Other Income (Expense)				
Investment income	5	8	20	21
Interest expense	(15)	(11)	(49)	(32)
Other income (expense), net	(7)	1	(9)	(5)
Total other income (expense)	<u>(17)</u>	<u>(2)</u>	<u>(38)</u>	<u>(16)</u>
Income before income taxes	1,352	1,418	3,933	4,072
Income tax expense	375	403	1,015	1,256
Net Income	<u>\$ 977</u>	<u>\$ 1,015</u>	<u>\$ 2,918</u>	<u>\$ 2,816</u>
Basic Earnings per Share	<u>\$ 0.86</u>	<u>\$ 0.88</u>	<u>\$ 2.57</u>	<u>\$ 2.41</u>
Basic Weighted-Average Shares Outstanding	<u>1,130</u>	<u>1,157</u>	<u>1,136</u>	<u>1,169</u>
Diluted Earnings per Share	<u>\$ 0.86</u>	<u>\$ 0.87</u>	<u>\$ 2.56</u>	<u>\$ 2.40</u>
Diluted Weighted-Average Shares Outstanding	<u>1,133</u>	<u>1,160</u>	<u>1,139</u>	<u>1,172</u>

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)			
Net Income	\$ 977	\$ 1,015	\$ 2,918	\$ 2,816
Other comprehensive income (loss):				
Foreign currency translation adjustments	(66)	(274)	(300)	(262)
Defined benefit pension and other postretirement plans	40	—	53	2
Income tax effect	(15)	—	(19)	—
Defined benefit pension and other postretirement plans, net of income tax effect	25	—	34	2
Investment securities available-for-sale	(3)	(8)	(10)	(14)
Income tax effect	—	2	—	4
Investment securities available-for-sale, net of income tax effect	(3)	(6)	(10)	(10)
Other comprehensive income (loss), net of tax	(44)	(280)	(276)	(270)
Comprehensive Income	<u>\$ 933</u>	<u>\$ 735</u>	<u>\$ 2,642</u>	<u>\$ 2,546</u>

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)

	Total	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock		Additional Paid-In Capital	Class A Treasury Stock	Non- Controlling Interests
				Class A	Class B			
	(in millions, except per share data)							
Balance at December 31, 2014	\$ 6,824	\$ 13,169	\$ (260)	\$ —	\$ —	\$ 3,876	\$ (9,995)	\$ 34
Net income	2,918	2,918	—	—	—	—	—	—
Activity related to non-controlling interests	(3)	—	—	—	—	—	—	(3)
Other comprehensive income (loss), net of tax	(276)	—	(276)	—	—	—	—	—
Cash dividends declared on Class A and Class B common stock, \$0.48 per share	(544)	(544)	—	—	—	—	—	—
Purchases of treasury stock	(2,724)	—	—	—	—	—	(2,724)	—
Share-based payments	103	—	—	—	—	97	6	—
Balance at September 30, 2015	<u>\$ 6,298</u>	<u>\$ 15,543</u>	<u>\$ (536)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,973</u>	<u>\$ (12,713)</u>	<u>\$ 31</u>

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2015	2014
	(in millions)	
Operating Activities		
Net income	\$ 2,918	\$ 2,816
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of customer and merchant incentives	560	513
Depreciation and amortization	273	237
Share-based payments	1	(43)
Deferred income taxes	18	(80)
Other	33	24
Changes in operating assets and liabilities:		
Accounts receivable	(27)	(96)
Income taxes receivable	(83)	(12)
Settlement due from customers	78	86
Prepaid expenses	(704)	(610)
Accrued litigation and legal settlements	(60)	(97)
Accounts payable	(31)	(39)
Settlement due to customers	(192)	(124)
Accrued expenses	1	60
Net change in other assets and liabilities	219	47
Net cash provided by operating activities	<u>3,004</u>	<u>2,682</u>
Investing Activities		
Purchases of investment securities available-for-sale	(862)	(1,977)
Purchases of other short-term investments held-to-maturity	(868)	—
Acquisition of businesses, net of cash acquired	(584)	(336)
Purchases of property, plant and equipment	(125)	(97)
Capitalized software	(124)	(75)
Proceeds from sales of investment securities available-for-sale	666	1,444
Proceeds from maturities of investment securities available-for-sale	476	1,322
(Increase) decrease in restricted cash for litigation settlement	(1)	184
Proceeds from maturities of investment securities held-to-maturity	576	—
Other investing activities	(7)	(17)
Net cash (used in) provided by investing activities	<u>(853)</u>	<u>448</u>
Financing Activities		
Purchases of treasury stock	(2,725)	(3,231)
Proceeds from debt	—	1,487
Dividends paid	(548)	(388)
Tax benefit for share-based payments	40	53
Cash proceeds from exercise of stock options	25	23
Other financing activities	(8)	(39)
Net cash used in financing activities	<u>(3,216)</u>	<u>(2,095)</u>
Effect of exchange rate changes on cash and cash equivalents	(195)	(172)
Net (decrease) increase in cash and cash equivalents	(1,260)	863
Cash and cash equivalents - beginning of period	5,137	3,599
Cash and cash equivalents - end of period	<u>\$ 3,877</u>	<u>\$ 4,462</u>
Non-Cash Investing and Financing Activities		
Fair value of assets acquired, net of cash acquired	\$ 625	\$ 574

Fair value of liabilities assumed related to acquisitions

\$ 41

\$ 134

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

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Summary of Significant Accounting Policies

Organization

MasterCard Incorporated and its consolidated subsidiaries, including MasterCard International Incorporated (“MasterCard International” and together with MasterCard Incorporated, “MasterCard” or the “Company”), is a technology company in the global payments industry that connects consumers, financial institutions, merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks. The Company facilitates the processing of payment transactions including authorization, clearing and settlement, and delivers related products and services. The Company makes payments easier and more efficient by creating a wide range of payment solutions and services through a family of well-known brands, including MasterCard®, Maestro® and Cirrus®. The Company also provides value-added offerings such as loyalty and reward programs, information services and consulting. The Company’s network is designed to ensure safety and security for the global payments system. A typical transaction on the Company’s network involves four participants in addition to the Company: cardholder, merchant, issuer (the cardholder’s financial institution) and acquirer (the merchant’s financial institution). The Company’s customers encompass a vast array of entities, including financial institutions and other entities that act as “issuers” and “acquirers”, as well as merchants, governments, telecommunication companies and other businesses. The Company does not issue cards, extend credit, determine or receive revenue from interest rates or other fees charged to cardholders by issuers, or establish the rates charged by acquirers in connection with merchants’ acceptance of the Company’s branded cards.

Consolidation and basis of presentation

The consolidated financial statements include the accounts of MasterCard and its majority-owned and controlled entities, including any variable interest entities (“VIEs”) for which the Company is the primary beneficiary. As of September 30, 2015 and December 31, 2014, there were no significant VIEs which required consolidation. Intercompany transactions and balances have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the 2015 presentation. In addition, for the three and nine months ended September 30, 2014, contra-revenue and general and administrative expenses were revised to correctly classify \$13 million and \$27 million, respectively, of customer incentive expenses as contra revenue instead of general and administrative expenses. This revision had no impact on net income. The Company follows accounting principles generally accepted in the United States of America (“GAAP”).

The balance sheet as of December 31, 2014 was derived from the audited consolidated financial statements as of December 31, 2014. The consolidated financial statements for the three and nine months ended September 30, 2015 and 2014 and as of September 30, 2015 are unaudited, and in the opinion of management, include all normal recurring adjustments that are necessary to present fairly the results for interim periods. The results of operations for the three and nine months ended September 30, 2015 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 for Quarterly Reports on Form 10-Q and, consequently, do not include all of the disclosures required by GAAP. Reference should be made to the MasterCard Incorporated Annual Report on Form 10-K for the year ended December 31, 2014 for additional disclosures, including a summary of the Company’s significant accounting policies.

Non-controlling interest amounts are included in the consolidated statement of operations within other income (expense). For the three and nine months ended September 30, 2015 and 2014 activity from non-controlling interests was insignificant.

Recent accounting pronouncements

Fair Value Measurements - In May 2015, the Financial Accounting Standards Board (“FASB”) issued accounting guidance that removes the requirement to make disclosures for certain investments that are measured at net asset value per share (or its equivalent). This standard is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company will early adopt the accounting guidance in the fourth quarter of 2015 and does not anticipate any impact on its consolidated financial statements, however, benefit plan disclosures will be impacted.

Debt Issuance Costs - In April 2015, the FASB issued accounting guidance that will change the current presentation of debt issuance costs on the balance sheet. This new guidance will move debt issuance costs from the assets section of the balance sheet to the liabilities section as a direct deduction from the carrying amount of the debt issued. The Company will adopt the accounting guidance effective January 1, 2016 and does not anticipate that they will have a material impact on its consolidated financial statements.

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

Revenue Recognition - In May 2014, the FASB issued accounting guidance that provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes most of the existing revenue recognition requirements. Under this guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued accounting guidance that delayed the effective date of this standard by one year, making the guidance effective for fiscal years beginning after December 15, 2017. Early application is permitted as of the original effective date, December 31, 2016. The Company is in the process of evaluating the potential effects of this guidance.

Note 2. Acquisitions

In the nine months ended September 30, 2015, the Company acquired two businesses for \$609 million in cash. For these businesses acquired, the Company recorded \$465 million as goodwill representing the preliminary estimates of the aggregate excess of the purchase consideration over the fair value of net assets acquired.

The Company acquired eight businesses in 2014, five of which were acquired in the nine months ended September 30, 2014. In 2014, two of the business combinations were achieved in stages, with non-controlling interests acquired in previous years. One of the business combinations was a transaction for less than 100 percent of the equity interest. The total consideration transferred was \$575 million, primarily paid in cash, of which \$389 million was related to the acquisitions in the nine months ended September 30, 2014. Through September 30, 2015, the Company recorded \$507 million as goodwill for businesses acquired in 2014 representing the final and preliminary estimates of the aggregate excess of the purchase consideration over the fair value of net assets acquired. A portion of the goodwill is expected to be deductible for local tax purposes.

The consolidated financial statements include the operating results of the acquired businesses from the dates of their respective acquisition. Pro forma information related to acquisitions was not included because the impact on the Company's consolidated results of operations was not considered to be material.

Note 3. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions, except per share data)			
Numerator:				
Net income	\$ 977	\$ 1,015	\$ 2,918	\$ 2,816
Denominator:				
Basic weighted-average shares outstanding	1,130	1,157	1,136	1,169
Dilutive stock options and stock units	3	3	3	3
Diluted weighted-average shares outstanding ¹	1,133	1,160	1,139	1,172
Earnings per Share:				
Basic	\$ 0.86	\$ 0.88	\$ 2.57	\$ 2.41
Diluted	\$ 0.86	\$ 0.87	\$ 2.56	\$ 2.40

¹ For the periods presented, the calculation of diluted EPS excluded a minimal amount of anti-dilutive share-based payment awards.

Note 4. Fair Value and Investment Securities

Financial Instruments – Recurring Measurements

The Company classifies its fair value measurements of financial instruments into a three-level hierarchy (the "Valuation Hierarchy"). Except for the reclassification of U.S. government securities from Level 2 to Level 1, there were no transfers made among the three levels in the Valuation Hierarchy during the three and nine months ended September 30, 2015.

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

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

September 30, 2015				
	Quoted Prices in Active Markets (Level 1) ¹	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
(in millions)				
Municipal securities	\$ —	\$ 56	\$ —	\$ 56
U.S. government and agency securities ²	22	45	—	67
Corporate securities	—	648	—	648
Asset-backed securities	—	60	—	60
Other	3	71	—	74
Total	\$ 25	\$ 880	\$ —	\$ 905

December 31, 2014				
	Quoted Prices in Active Markets (Level 1) ¹	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
(in millions)				
Municipal securities	\$ —	\$ 135	\$ —	\$ 135
U.S. government and agency securities ²	85	114	—	199
Corporate securities	—	618	—	618
Asset-backed securities	—	178	—	178
Other	13	56	—	69
Total	\$ 98	\$ 1,101	\$ —	\$ 1,199

¹ During 2015, U.S. government securities were reclassified from Level 2 to Level 1 due to a reassessment of the availability of quoted prices. Prior period amounts have been revised to conform to the 2015 presentation.

² Excludes amounts held in escrow related to the U.S. merchant class litigation settlement of \$541 million and \$540 million at September 30, 2015 and December 31, 2014, which would be included in Level 1 of the Valuation Hierarchy. See Note 6 (Accrued Expenses and Accrued Litigation) and Note 11 (Legal and Regulatory Proceedings) for further details.

The fair value of the Company's available-for-sale municipal securities, U.S. government agency securities, corporate securities, asset-backed securities and other fixed income securities included in the Other category are based on quoted prices for similar assets in active markets and are therefore included in Level 2 of the Valuation Hierarchy. The Company's foreign currency derivative contracts have also been classified within Level 2 in the Other category of the Valuation Hierarchy, as the fair value is based on broker quotes for the same or similar derivative instruments. See Note 13 (Foreign Exchange Risk Management) for further details. The Company's U.S. government securities and marketable equity securities are classified within Level 1 of the Valuation Hierarchy as the fair values are based on unadjusted quoted prices for identical assets in active markets.

Financial Instruments - Non-Recurring Measurements

Certain financial instruments are carried on the consolidated balance sheet at cost, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, restricted cash, time deposits, accounts receivable, settlement due from customers, restricted security deposits held for customers, prepaid expenses, accounts payable, settlement due to customers and accrued expenses. In addition, nonmarketable equity investments are measured at fair value on a nonrecurring basis for purposes of initial recognition and impairment testing.

Investments on the Consolidated Balance Sheet include both available-for-sale and held-to-maturity securities. Available-for-sale securities are measured at fair value on a recurring basis and are included in the Valuation Hierarchy table above. Held-to-maturity securities are made up of time deposits with maturities of greater than three months and less than one year and are classified as Level 2 of the Valuation Hierarchy, but are not included in the table above due to their non-recurring nature. At September 30,

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

2015 and December 31, 2014 , the cost, which approximates fair value, of the Company's held-to-maturity securities was \$364 million and \$70 million , respectively.

Debt

The Company estimates the fair value of its long-term debt using the market pricing approach which applies market assumptions for relevant though not directly comparable undertakings. Long-term debt is classified as Level 2 of the Valuation Hierarchy. At September 30, 2015 and December 31, 2014 , the carrying value and fair value of long-term debt was \$1.5 billion .

Settlement and Other Guarantee Liabilities

The Company estimates the fair value of its settlement and other guarantees using the market pricing approach which applies market assumptions for relevant though not directly comparable undertakings, as the latter are not observable in the market given the proprietary nature of such guarantees. At September 30, 2015 and December 31, 2014 , the carrying value and fair value of settlement and other guarantee liabilities were not material. Settlement and other guarantee liabilities are classified as Level 3 of the Valuation Hierarchy as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market. For additional information regarding the Company's settlement and other guarantee liabilities, see Note 12 (Settlement and Other Risk Management).

Non-Financial Instruments

Certain assets are measured at fair value on a nonrecurring basis for purposes of initial recognition and impairment testing. The Company's non-financial assets measured at fair value on a nonrecurring basis include property, plant and equipment, goodwill and other intangible assets. These assets are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

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

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

The major classes of the Company’s available-for-sale investment securities, for which unrealized gains and losses are recorded as a separate component of other comprehensive income on the consolidated statement of comprehensive income, and their respective amortized cost basis and fair values as of September 30, 2015 and December 31, 2014 were as follows:

September 30, 2015							
	Amortized Cost		Gross Unrealized Gain		Gross Unrealized Loss		Fair Value
(in millions)							
Municipal securities	\$ 56	\$	—	\$	—	\$	56
U.S. government and agency securities	67		—		—		67
Corporate securities	650		—		(2)		648
Asset-backed securities	60		—		—		60
Other	50		2		(15)		37
Total	\$ 883	\$	2	\$	(17)	\$	868

December 31, 2014							
	Amortized Cost		Gross Unrealized Gain		Gross Unrealized Loss		Fair Value
(in millions)							
Municipal securities	\$ 135	\$	—	\$	—	\$	135
U.S. government and agency securities	199		—		—		199
Corporate securities	619		—		(1)		618
Asset-backed securities	178		—		—		178
Other	41		1		(4)		38
Total	\$ 1,172	\$	1	\$	(5)	\$	1,168

The municipal securities are primarily comprised of tax-exempt bonds and are diversified across states and sectors. The U.S. government and agency securities are primarily invested in U.S. government bonds and U.S. government sponsored agency bonds. Corporate securities are comprised of commercial paper and corporate bonds. The asset-backed securities are investments in bonds which are collateralized primarily by automobile loan receivables.

Investment Maturities

The maturity distribution based on the contractual terms of the Company’s investment securities at September 30, 2015 was as follows:

	Available-For-Sale	
	Amortized Cost	Fair Value
(in millions)		
Due within 1 year	\$ 264	\$ 264
Due after 1 year through 5 years	596	594
Due after 5 years through 10 years	—	—
Due after 10 years	7	7
No contractual maturity ¹	16	3
Total	\$ 883	\$ 868

¹ Equity securities have been included in the No contractual maturity category, as these securities do not have stated maturity dates.

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

Gross realized gains and losses

Gross realized gains and losses are recorded within investment income on the Company's consolidated statement of operations. The gross realized gains and losses from the sales of available-for-sale securities for the nine months ended September 30, 2015 and 2014 were not significant.

Note 5. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets consisted of the following:

	September 30, 2015	December 31, 2014
	(in millions)	
Customer and merchant incentives	\$ 347	\$ 260
Prepaid income taxes	273	237
Other	223	174
Total prepaid expenses and other current assets	<u>\$ 843</u>	<u>\$ 671</u>

Other assets consisted of the following:

	September 30, 2015	December 31, 2014
	(in millions)	
Customer and merchant incentives	\$ 746	\$ 556
Nonmarketable equity investments	234	245
Prepaid income taxes	368	407
Income taxes receivable	174	89
Other	97	88
Total other assets	<u>\$ 1,619</u>	<u>\$ 1,385</u>

Customer and merchant incentives represent payments made or amounts to be paid to customers and merchants under business agreements. Costs directly related to entering into such an agreement are generally deferred and amortized over the life of the agreement. Amounts to be paid for these incentives and the related liability were included in accrued expenses and other liabilities.

Non-current prepaid income taxes, included in the other asset table above, primarily consists of taxes paid in the fourth quarter of 2014 relating to the deferred charge resulting from the reorganization of our legal entity and tax structure to better align with our business footprint of our non-U.S. operations.

Note 6. Accrued Expenses and Accrued Litigation

Accrued expenses consisted of the following:

	September 30, 2015	December 31, 2014
	(in millions)	
Customer and merchant incentives	\$ 1,695	\$ 1,433
Personnel costs	377	531
Advertising	69	154
Income and other taxes	158	105
Other	213	216
Total accrued expenses	<u>\$ 2,512</u>	<u>\$ 2,439</u>

In the fourth quarter of 2014, a severance charge of \$87 million was recorded in general and administrative expenses. The Company restructured its organization to align with its strategic priorities and to best meet the Company's continued growth. The Company is substantially complete with these restructuring activities. As of September 30, 2015 and December 31, 2014, personnel costs included an accrual of \$36 million and \$84 million, respectively, related to this severance charge. The decrease in the balance was primarily due to payments and lower than expected severance actions.

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

As of September 30, 2015 and December 31, 2014, the Company's provision related to U.S. merchant litigations was \$711 million and \$771 million, respectively. These amounts are not included in the accrued expenses table above and are separately reported as accrued litigation on the consolidated balance sheet. As of September 30, 2015, MasterCard executed settlement agreements with a number of opt-out merchants and no adjustment to the amount previously recorded was deemed necessary. See Note 11 (Legal and Regulatory Proceedings) for further discussion of the U.S. merchant class litigation.

Note 7. Stockholders' Equity

In February 2013, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to \$2 billion of its Class A common stock (the "February 2013 Share Repurchase Program"). The program became effective in March 2013 at the completion of the Company's previously announced \$1.5 billion Class A share repurchase program.

In December 2013, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to \$3.5 billion of its Class A common stock (the "December 2013 Share Repurchase Program"). This program became effective in January 2014 at the completion of the Company's February 2013 Share Repurchase Program.

In December 2014, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to \$3.75 billion of its Class A common stock (the "December 2014 Share Repurchase Program"). This program became effective in January 2015 at the completion of the Company's December 2013 Share Repurchase Program.

The following table summarizes the Company's share repurchase authorizations of its Class A common stock through September 30, 2015, as well as historical purchases:

	Authorization Dates			Total
	December 2014	December 2013	February 2013	
	(in millions, except average price data)			
Board authorization	\$ 3,750	\$ 3,500	\$ 2,000	\$ 9,250
Dollar value of shares repurchased during the nine months ended September 30, 2014	\$ —	\$ 3,070	\$ 161	\$ 3,231
Remaining authorization at December 31, 2014	\$ 3,750	\$ 275	\$ —	\$ 4,025
Dollar value of shares repurchased during the nine months ended September 30, 2015	\$ 2,450	\$ 275	\$ —	\$ 2,725
Remaining authorization at September 30, 2015	\$ 1,300	\$ —	\$ —	\$ 1,300
Shares repurchased during the nine months ended September 30, 2014	—	40.5	1.9	42.4
Average price paid per share during the nine months ended September 30, 2014	\$ —	\$ 75.96	\$ 83.22	\$ 76.30
Shares repurchased during the nine months ended September 30, 2015	27.0	3.2	—	30.2
Average price paid per share during the nine months ended September 30, 2015	\$ 90.87	\$ 84.31	\$ —	\$ 90.16
Cumulative shares repurchased through September 30, 2015	27.0	45.8	31.1	103.9
Cumulative average price paid per share	\$ 90.87	\$ 76.42	\$ 64.26	\$ 76.53

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

Note 8. Accumulated Other Comprehensive Income (Loss)

The changes in the balances of each component of accumulated other comprehensive income (loss), net of tax, for the nine months ended September 30, 2015 and 2014 were as follows:

	Foreign Currency Translation Adjustments	Defined Benefit Pension and Other Postretirement Plans	Investment Securities Available-for-Sale	Accumulated Other Comprehensive Income (Loss)
(in millions)				
Balance at December 31, 2013	\$ 206	\$ (29)	\$ 1	\$ 178
Current period other comprehensive income (loss) ^{1,2}	(262)	2	(10)	(270)
Balance at September 30, 2014	\$ (56)	\$ (27)	\$ (9)	\$ (92)
Balance at December 31, 2014	\$ (230)	\$ (26)	\$ (4)	\$ (260)
Current period other comprehensive income (loss) ^{1,2,3}	(300)	34	(10)	(276)
Balance at September 30, 2015	\$ (530)	\$ 8	\$ (14)	\$ (536)

¹ During the nine months ended September 30, 2014, insignificant deferred costs related to the Company's defined benefit pension and other post retirement plans were reclassified to general and administrative expenses. For the nine months ended September 30, 2015 and 2014 insignificant gains and losses on available-for-sale investment securities were reclassified from accumulated other comprehensive income (loss) to investment income.

² During the nine months ended September 30, 2015 and 2014, the increase in other comprehensive loss related to foreign currency translation adjustments was driven primarily by the devaluation of the euro.

³ During the nine months ended September 30, 2015, \$ 41 million of deferred costs (\$26 million after-tax) related to the Company's defined benefit pension plan and other post retirement plans were reclassified to general and administrative expenses. These deferred costs are primarily due to the termination of the Company's U.S. defined benefit plan (See Note 14, Qualified U.S. Pension Plan).

Note 9. Share-Based Payments

During the nine months ended September 30, 2015, the Company granted the following awards under the MasterCard Incorporated 2006 Long Term Incentive Plan, as amended and restated ("LTIP"). The LTIP is a shareholder-approved plan that permits the grant of various types of equity awards to employees.

	Granted in 2015	Weighted-Average Grant-Date Fair Value
(in thousands)		
Non-qualified stock options	1,618	\$17
Restricted stock units	1,218	\$88
Performance stock units	130	\$99

Stock options generally vest in four equal annual installments beginning one year after the date of grant, and have a term of ten years. The Company used the Black-Scholes option pricing model to estimate the grant date fair value of stock options and calculated the expected term and the expected volatility based on historical MasterCard information. As a result, the expected term of stock options granted in the first quarter 2015 was five years, while the expected volatility was determined to be 20.6%.

Vesting of the shares underlying the restricted stock units and performance stock units will generally occur three years after the date of grant. The fair value of restricted stock units is determined and fixed on the grant date based on the Company's Class A common stock price, adjusted for the exclusion of dividend equivalents. The Monte Carlo simulation valuation model was used to determine the grant date fair value of performance stock units granted.

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

Compensation expense is recorded net of estimated forfeitures over the shorter of the vesting period or the date the individual becomes eligible to retire under the LTIP. The Company uses the straight-line method of attribution over the requisite service period for expensing equity awards.

Note 10. Income Taxes

The effective income tax rates were 27.7% and 28.5% for the three months ended September 30, 2015 and 2014, respectively. The effective income tax rates were 25.8% and 30.9% for the nine months ended September 30, 2015 and 2014, respectively. For the three months ended September 30, 2015, the effective tax rate was lower than the comparable period in 2014, due to a larger repatriation benefit and a more favorable mix of taxable earnings, offset by a reduction in discrete benefits. For the nine months ended September 30, 2015, the effective tax rate was lower than the comparable period in 2014, due to a larger repatriation benefit, an increase in discrete benefits, primarily relating to certain foreign taxes becoming eligible to be claimed as credits in the United States, and a more favorable mix of taxable earnings.

During the fourth quarter of 2014, in connection with an initiative to better align its legal entity and tax structure with its operational footprint outside the U.S., the Company recorded a deferred charge related to the income tax expense on intercompany profits. The deferred charge resulted from the transfer of intellectual property from Belgium to a related foreign entity in the United Kingdom. Management believes this improved alignment will result in greater flexibility and efficiency with regard to the global deployment of cash, as well as ongoing benefits in the Company's effective tax rate. The tax associated with the transfer is deferred and amortized utilizing a 25-year life. This deferred charge is included in other current assets and other assets on the Company's consolidated balance sheet at September 30, 2015 in the amounts of \$16 million and \$368 million, respectively. The comparable amounts included in other current assets and other assets were \$18 million and \$407 million, respectively, at December 31, 2014, with the difference driven by changes in foreign exchange rates and current period amortization.

The Company conducts operations in multiple countries and, as a result, is subjected to tax examinations in various jurisdictions, including the United States. Uncertain tax positions are reviewed on an ongoing basis and are adjusted after considering facts and circumstances, including progress of tax audits, developments in case law and closing of statutes of limitations. The Company has effectively settled its U.S. federal income tax obligations through 2008. With limited exception, the Company is no longer subject to state and local or foreign examinations by taxing authorities for years before 2006. Within the next three to six months, the Company believes that the favorable resolution of certain federal, foreign and state and local tax examinations is reasonably possible and that a reduction in unrecognized tax benefits may occur. While such a change may be significant, it is not possible to provide a range of the potential change until the examinations progress further.

Note 11. Legal and Regulatory Proceedings

MasterCard is a party to legal and regulatory proceedings with respect to a variety of matters in the ordinary course of business. Some of these proceedings are based on complex claims involving substantial uncertainties and unascertainable damages. Accordingly, except as discussed below, it is not possible to determine the probability of loss or estimate damages, and therefore, MasterCard has not established reserves for any of these proceedings. When the Company determines that a loss is both probable and estimable, MasterCard records a liability and discloses the amount of the liability if it is material. When a material loss contingency is only reasonably possible, MasterCard does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. Unless otherwise stated below with respect to these matters, MasterCard cannot provide an estimate of the possible loss or range of loss based on one or more of the following reasons: (1) actual or potential plaintiffs have not claimed an amount of monetary damages or the amounts are unsupported or exaggerated, (2) the matters are in early stages, (3) there is uncertainty as to the outcome of pending appeals or motions, (4) there are significant factual issues to be resolved, (5) the existence in many such proceedings of multiple defendants or potential defendants whose share of any potential financial responsibility has yet to be determined, and/or (6) there are novel legal issues presented. Furthermore, except as identified with respect to the matters below, MasterCard does not believe that the outcome of any individual existing legal or regulatory proceeding to which it is a party will have a material adverse effect on its results of operations, financial condition or overall business. However, an adverse judgment or other outcome or settlement with respect to any proceedings discussed below could result in fines or payments by MasterCard and/or could require MasterCard to change its business practices. In addition, an adverse outcome in a regulatory proceeding could lead to the filing of civil damage claims and possibly result in significant damage awards. Any of these events could have a material adverse effect on MasterCard's results of operations, financial condition and overall business.

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

Interchange Litigation and Regulatory Proceedings

MasterCard's interchange fees and other practices are subject to regulatory and/or legal review and/or challenges in a number of jurisdictions, including the proceedings described below. When taken as a whole, the resulting decisions, regulations and legislation with respect to interchange fees and acceptance practices may have a material adverse effect on the Company's prospects for future growth and its overall results of operations, financial position and cash flows.

United States. In June 2005, the first of a series of complaints were filed on behalf of merchants (the majority of the complaints were styled as class actions, although a few complaints were filed on behalf of individual merchant plaintiffs) against MasterCard International, Visa U.S.A., Inc., Visa International Service Association and a number of financial institutions. Taken together, the claims in the complaints were generally brought under both Sections 1 and 2 of the Sherman Act, which prohibit monopolization and attempts or conspiracies to monopolize a particular industry, and some of these complaints contain unfair competition law claims under state law. The complaints allege, among other things, that MasterCard, Visa, and certain financial institutions conspired to set the price of interchange fees, enacted point of sale acceptance rules (including the no surcharge rule) in violation of antitrust laws and engaged in unlawful tying and bundling of certain products and services. The cases were consolidated for pre-trial proceedings in the U.S. District Court for the Eastern District of New York in MDL No. 1720. The plaintiffs filed a consolidated class action complaint that seeks treble damages.

In July 2006, the group of purported merchant class plaintiffs filed a supplemental complaint alleging that MasterCard's initial public offering of its Class A Common Stock in May 2006 (the "IPO") and certain purported agreements entered into between MasterCard and financial institutions in connection with the IPO: (1) violate U.S. antitrust laws and (2) constituted a fraudulent conveyance because the financial institutions allegedly attempted to release, without adequate consideration, MasterCard's right to assess them for MasterCard's litigation liabilities. The class plaintiffs sought treble damages and injunctive relief including, but not limited to, an order reversing and unwinding the IPO.

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

In October 2012, the parties entered into a definitive settlement agreement with respect to the merchant class litigation (including with respect to the claims related to the IPO) and the defendants separately entered into a settlement agreement with the individual merchant plaintiffs. The settlements included cash payments that were apportioned among the defendants pursuant to the omnibus judgment sharing and settlement sharing agreement described above. MasterCard also agreed to provide class members with a short-term reduction in default credit interchange rates and to modify certain of its business practices, including its No Surcharge Rule. Objections to the settlement were filed by both merchants and certain competitors, including Discover. Discover's objections include a challenge to the settlement on the grounds that certain of the rule changes agreed to in the settlement constitute a restraint of trade in violation of Section 1 of the Sherman Act. The court granted final approval of the settlement in December 2013. Objectors to the settlement appealed the decision, and an oral argument was heard on the appeal in September 2015. Separately, the objectors filed a motion in July 2015 to set aside the approval order, contending that the merchant class was inadequately represented and the settlement was insufficient because a counsel for several individual merchant plaintiffs improperly exchanged communications with a defense counsel who at the time was representing MasterCard.

Merchants representing slightly more than 25% of the MasterCard and Visa purchase volume over the relevant period chose to opt out of the class settlement. MasterCard anticipates that most of the larger merchants who opted out of the settlement will initiate separate actions seeking to recover damages, and over 30 opt-out complaints have been filed on behalf of numerous merchants in various jurisdictions. The defendants have consolidated all of these matters (except for one state court action in New Mexico) in front of the same federal district court that is overseeing the approval of the settlement. In July 2014, the district court denied the defendants' motion to dismiss the opt-out merchant complaints for failure to state a claim.

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

MasterCard recorded a pre-tax charge of \$770 million in the fourth quarter of 2011 and an additional \$20 million pre-tax charge in the second quarter of 2012 relating to the settlement agreements described above. In 2012, MasterCard paid \$790 million with respect to the settlements, of which \$726 million was paid into a qualified cash settlement fund related to the merchant class litigation. As of September 30, 2015 and December 31, 2014, MasterCard had \$541 million and \$540 million, in the qualified cash settlement fund classified as restricted cash on its balance sheet. The class settlement agreement provided for a return to the defendants of a portion of the class cash settlement fund, based upon the percentage of purchase volume represented by the opt-out merchants. This resulted in \$164 million from the cash settlement fund being returned to MasterCard in January 2014 and reclassified at that time from restricted cash to cash and cash equivalents. In the fourth quarter of 2013, MasterCard recorded an incremental net pre-tax charge of \$95 million related to the opt-out merchants, representing a change in its estimate of probable losses relating to these matters. MasterCard has executed settlement agreements with a number of opt-out merchants and no adjustment to the amount previously recorded was deemed necessary. As of September 30, 2015, MasterCard had accrued a liability of \$711 million as a reserve for both the merchant class litigation and the filed and anticipated opt-out merchant cases.

The portion of the accrued liability relating to the opt-out merchants does not represent an estimate of a loss, if any, if the opt-out merchant matters were litigated to a final outcome, in which case MasterCard cannot estimate the potential liability. MasterCard's estimate involves significant judgment and may change depending on progress in settlement negotiations or depending upon decisions in any opt-out merchant cases. In addition, in the event that the merchant class litigation settlement approval is overturned, a negative outcome in the litigation could have a material adverse effect on MasterCard's results of operations, financial position and cash flows.

Canada. In December 2010, a proposed class action complaint was commenced against MasterCard in Quebec on behalf of Canadian merchants. That suit essentially repeated the allegations and arguments of a previously filed application by the Canadian Competition Bureau to the Canadian Competition Tribunal (dismissed in MasterCard's favor) related to certain MasterCard rules related to point-of-sale acceptance, including the "honor all cards" and "no surcharge" rules. The suit sought compensatory and punitive damages in unspecified amounts, as well as injunctive relief. In the first half of 2011, additional purported class action lawsuits containing similar allegations to the Quebec class action were commenced in British Columbia and Ontario against MasterCard, Visa and a number of large Canadian financial institutions. The British Columbia suit seeks compensatory damages in unspecified amounts, and the Ontario suit seeks compensatory damages of \$5 billion. The British Columbia and Ontario suits also seek punitive damages in unspecified amounts, as well as injunctive relief, interest and legal costs. The Quebec suit was later amended to include the same defendants and similar claims as in the British Columbia and Ontario suits. With respect to the status of the proceedings: (1) the Quebec suit has been stayed, (2) the Ontario suit is being temporarily suspended while the British Columbia suit proceeds, and (3) the British Columbia appellate court issued an order in August 2015 allowing several of the merchants' claims to proceed on a class basis. Additional proposed class action complaints have been filed in Saskatchewan and Alberta with claims that largely mirror those in the British Columbia and Ontario suits. If the class action lawsuits are ultimately successful, negative decisions could have a significant adverse impact on the revenue of MasterCard's Canadian customers and on MasterCard's overall business in Canada and could result in substantial damage awards.

Europe. In July 2015, the European Commission issued a Statement of Objections related to MasterCard's interregional interchange fees and central acquiring rules within the European Economic Area. The Statement of Objections, which follows an investigation opened in 2013, includes preliminary conclusions concerning the anticompetitive effects of these practices. The European Commission has indicated it intends to seek fines if these conclusions are subsequently confirmed. Although the Statement of Objections does not quantify the level of fines, it is possible that they could be substantial. MasterCard would not expect fines to be imposed if it agrees with the Commission to business practice changes that address the Commission's concerns.

In the United Kingdom, beginning in May 2012, a number of retailers filed claims against MasterCard seeking damages for alleged anti-competitive conduct with respect to MasterCard's cross-border interchange fees and its U.K. and Ireland domestic interchange fees. More than 20 different retailers have filed claims or notice of claims. An additional 13 potential claimant retailers have agreed to delay filing their claims in exchange for MasterCard agreeing to suspend the running of the time limitations on their damages claims. Although the claimants have not quantified the full extent of their compensatory and punitive damages, their purported damages exceed \$2 billion. In June 2015, MasterCard entered into a settlement with one of these merchants for \$61 million, recorded as a provision for litigation settlement. MasterCard has submitted statements of defense to the remaining retailers' claims disputing liability and damages. A court in one of the actions has scheduled a trial for January 2016. In Belgium, a retailer filed claims in December 2012 for unspecified damages with respect to MasterCard's cross-border and domestic interchange fees paid in Belgium, Greece and Luxembourg.

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

ATM Non-Discrimination Rule Surcharge Complaints

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

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

In January 2012, the plaintiffs in the ATM Operators Complaint and the ATM Consumer Complaints filed amended class action complaints that largely mirror their prior complaints. In February 2013, the district court granted MasterCard’s motion to dismiss the complaints for failure to state a claim. On appeal, the Court of Appeals reversed the district court’s order in August 2015 and sent the case back for further proceedings.

Note 12. Settlement and Other Risk Management

MasterCard’s rules guarantee the settlement of many of the MasterCard, Cirrus and Maestro branded transactions between its issuers and acquirers (“settlement risk”). Settlement exposure is the outstanding settlement risk to customers under MasterCard’s rules due to the difference in timing between the payment transaction date and subsequent settlement. While the term and amount of the guarantee are unlimited, the duration of settlement exposure is short term and typically limited to a few days. Gross settlement exposure is estimated using the average daily card volume during the quarter multiplied by the estimated number of days to settle. The Company has global risk management policies and procedures, which include risk standards, to provide a framework for managing the Company’s settlement risk. Customer-reported transaction data and the transaction clearing data underlying the settlement exposure calculation may be revised in subsequent reporting periods.

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

The Company’s global risk management policies and procedures are aimed at managing the settlement exposure. These risk management procedures include interaction with the bank regulators of countries in which it operates, requiring customers to make adjustments to settlement processes, and requiring collateral from customers. MasterCard requires certain customers that are not in compliance with the Company’s risk standards in effect at the time of review to post collateral, typically in the form of cash, letters of credit, or guarantees. This requirement is based on management’s review of the individual risk circumstances for each customer that is out of compliance. In addition to these amounts, MasterCard holds collateral to cover variability and future growth in customer programs. The Company may also hold collateral to pay merchants in the event of an acquirer failure. Although the Company is not contractually obligated under its rules to effect such payments to merchants, the Company may elect to do so to protect brand integrity. MasterCard monitors its credit risk portfolio on a regular basis and the adequacy of collateral on hand. Additionally, from time to time, the Company reviews its risk management methodology and standards. As such, the amounts of estimated settlement exposure are revised as necessary.

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

	September 30, 2015	December 31, 2014
(in millions)		
Gross settlement exposure	\$ 38,992	\$ 41,729
Collateral held for settlement exposure	(3,531)	(3,415)
Net uncollateralized settlement exposure	\$ 35,461	\$ 38,314

General economic and political conditions in countries in which MasterCard operates affect the Company's settlement risk. Many of the Company's financial institution customers have been directly and adversely impacted by political instability and uncertain economic conditions. These conditions present increased risk that the Company may have to perform under its settlement guarantee. This risk could increase if political, economic and financial market conditions deteriorate further. The Company's global risk management policies and procedures are revised and enhanced from time to time. Historically, the Company has experienced a low level of losses from financial institution failures.

MasterCard also provides guarantees to customers and certain other counterparties indemnifying them from losses stemming from failures of third parties to perform duties. This includes guarantees of MasterCard-branded travelers cheques issued, but not yet cashed of \$426 million and \$465 million at September 30, 2015 and December 31, 2014, respectively, of which \$336 million and \$370 million at September 30, 2015 and December 31, 2014, respectively, is mitigated by collateral arrangements. In addition, the Company enters into business agreements in the ordinary course of business under which the Company agrees to indemnify third parties against damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with the Company. Certain indemnifications do not provide a stated maximum exposure. As the extent of the Company's obligations under these agreements depends entirely upon the occurrence of future events, the Company's potential future liability under these agreements is not determinable. Historically, payments made by the Company under these types of contractual arrangements have not been material.

Note 13. Foreign Exchange Risk Management

The Company enters into foreign currency derivative contracts to manage risk associated with anticipated receipts and disbursements which are either transacted in a non-functional currency or valued based on a currency other than its functional currency. The Company may also enter into foreign currency derivative contracts to offset possible changes in value due to foreign exchange fluctuations of earnings, assets and liabilities denominated in currencies other than its functional currency. The objective of these activities is to reduce the Company's exposure to gains and losses resulting from fluctuations of foreign currencies against its functional currencies.

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

As of September 30, 2015, the majority of derivative contracts to hedge foreign currency fluctuations had been entered into with customers of MasterCard. MasterCard's derivative contracts are summarized below:

	September 30, 2015		December 31, 2014	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
(in millions)				
Commitments to purchase foreign currency	\$ 105	\$ —	\$ 47	\$ 4
Commitments to sell foreign currency	702	36	614	27
Options to sell foreign currency	65	1	—	—
<i>Balance sheet location:</i>				
Accounts receivable ¹		\$ 41		\$ 35
Other current liabilities ¹		(4)		(4)

¹ The fair values of derivative contracts are presented on a gross basis on the balance sheet and are subject to enforceable master netting arrangements, which contain various netting and setoff provisions.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)			
Foreign currency derivative contracts				
General and administrative	\$ 35	\$ (53)	\$ 57	\$ (79)

The fair value of the foreign currency derivative 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 derivative contracts are generally less than 18 months. The Company had no deferred gains or losses related to foreign exchange contracts in accumulated other comprehensive income as of September 30, 2015 and December 31, 2014, as there were no derivative contracts accounted for under hedge accounting.

The Company's derivative financial instruments are subject to both market and counterparty credit risk. Market risk is the risk of loss due to the potential change in an instrument's value caused by fluctuations in interest rates and other variables related to currency exchange rates. The effect of a hypothetical 10% adverse change in foreign currency rates could result in a fair value loss of approximately \$81 million on the Company's foreign currency derivative contracts outstanding at September 30, 2015 related to the hedging program. Counterparty credit risk is the risk of loss due to failure of the counterparty to perform its obligations in accordance with contractual terms. To mitigate counterparty credit risk, the Company enters into derivative contracts with selected financial institutions based upon their credit ratings and other factors. Generally, the Company does not obtain collateral related to derivatives because of the high credit ratings of the counterparties.

Note 14. Qualified U.S. Pension Plan

During the three months ended September 30, 2015, the Company terminated its qualified U.S. defined benefit pension plan (the "Qualified Plan"). The Qualified Plan participants had the option to receive a lump sum distribution or to participate in an annuity with a third-party insurance company. As a result of this termination, the Company settled its obligation for \$287 million, which resulted in a pension settlement charge of \$79 million recorded in general and administrative expense during the three and nine months ended September 30, 2015.

Note 15. Subsequent Event

On October 21, 2015, the Company entered into a committed unsecured \$3.75 billion revolving credit facility (the "Credit Facility"), which expires on October 21, 2020. The Credit Facility amended and restated the Company's prior credit facility. Borrowings under the Credit Facility are available in U.S. dollars and/or euros to provide liquidity for general corporate purposes. MasterCard had no borrowings under the Credit Facility at October 29, 2015 or the prior credit facility at September 30, 2015.

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

The following discussion and analysis supplements management's discussion and analysis of MasterCard Incorporated for the year ended December 31, 2014 as contained in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on February 13, 2015. It also should be read in conjunction with the consolidated financial statements and notes of MasterCard Incorporated and its consolidated subsidiaries, including MasterCard International Incorporated (together, "MasterCard" or the "Company"), included elsewhere in this Report. For the three and nine months ended September 30, 2014, contra revenue and general and administrative expenses were revised to correctly classify \$13 million and \$27 million, respectively, of customer incentive expenses as contra revenue instead of general and administrative expenses. This revision had no impact on net income. Percentage changes provided throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations" were calculated on amounts rounded to the nearest thousand.

Non-GAAP Financial Information

Non-GAAP financial information is defined as a numerical measure of a company's performance that excludes or includes amounts so as to be different than the most comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP"). This report on Form 10-Q contains non-GAAP financial measures that exclude the impact of the following special items ("Special Items"):

- **Qualified Plan Settlement Charge** - for the three and nine months ended September 30, 2015, the Company recorded a settlement charge of \$79 million (\$50 million after tax or \$0.04 per diluted share) relating to the termination of its qualified U.S. defined benefit pension plan in general and administrative expenses (the "Qualified Plan Settlement Charge"). See Note 14 (Qualified U.S. Pension Plan) for further discussion.
- **UK Merchant Litigation Settlement Provision** - for the nine months ended September 30, 2015, the Company recorded a provision for a litigation settlement of \$61 million (\$44 million after tax or \$0.04 per diluted share) relating to a merchant litigation in the U.K. (the "UK Merchant Litigation Settlement Provision"). See Note 11 (Legal and Regulatory Proceedings) for further discussion.

MasterCard excludes these Special Items because its management monitors significant one-time items separately from ongoing operations and evaluates ongoing performance without these amounts. MasterCard presents non-GAAP financial measures to enhance an investor's understanding of MasterCard's ongoing operating results and to facilitate meaningful comparison of its results between periods. MasterCard's management uses these non-GAAP financial measures to, among other things, evaluate its ongoing operations in relation to historical results, for internal planning and forecasting purposes and in the calculation of performance-based compensation. See "Financial Results Overview" for the table that provides a reconciliation of the operating results and growth to the most directly comparable GAAP measure. 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.

Overview

MasterCard is a technology company in the global payments industry that connects consumers, financial institutions, merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks. As the operator of what we believe is the world's fastest payments network, we facilitate the processing of payment transactions, including authorization, clearing and settlement, and deliver related products and services. We make payments easier and more efficient by creating a wide range of payment solutions and services using our family of well-known brands, including MasterCard, Maestro and Cirrus. We also provide value-added offerings such as loyalty and reward programs, information services and consulting. Our network is designed to ensure safety and security for the global payments system.

A typical transaction on our network involves four participants in addition to us: cardholder, merchant, issuer (the cardholder's financial institution) and acquirer (the merchant's financial institution). We do not issue cards, extend credit, determine or receive revenue from interest rates or other fees charged to cardholders by issuers, or establish the rates charged by acquirers in connection with merchants' acceptance of our branded cards. In most cases, cardholder relationships belong to, and are managed by, our financial institution customers.

We generate revenue by charging fees primarily to issuers and acquirers for providing transaction processing and other payment-related products and services, as well as by assessing these customers based primarily on the dollar volume of activity, or gross dollar volume ("GDV"), on the cards and other devices that carry our brands.

Our Strategy

Our ability to grow our business is influenced by personal consumption expenditure growth, driving cash and checks toward electronic forms of payment, increasing our share in electronic payments and providing value-added products and services. We drive growth by growing, diversifying and building our business.

Grow . We focus on growing our core businesses globally, including growing our credit, debit, prepaid and commercial products and solutions and increasing the number of payment transactions we process.

Diversify . We look to diversify our business by seeking new areas of growth in new and existing markets around the world. We focus on:

- diversifying our customer base by working with partners such as governments and digital and mobile providers;
- encouraging use of our products and solutions in areas that provide new opportunities for electronic payments, such as transit and person-to-person transfers;
- driving acceptance at small merchants and merchants who have not historically accepted MasterCard products; and
- broadening financial inclusion for the unbanked and underbanked.

Build . We build our business by:

- taking advantage of the opportunities presented by the ongoing convergence of the physical and digital worlds; and
- using our safety and security products and solutions, data analytics and loyalty solutions to add value.

We build and diversify our business through a combination of organic growth and investments, including acquisitions.

Strategic Partners . We work with merchants to help them enable new sales channels, create better purchase experiences, increase revenues and fight fraud. We partner with large digital and mobile providers and telecommunication companies to support their digital payment solutions with our technology, expertise and security protocols. We help national and local governments drive increased financial inclusion and efficiency, reduce costs, increase transparency to reduce crime and corruption and advance social programs. For consumers, we provide better, safer and more convenient ways to pay. We provide financial institutions with solutions to help them increase revenue and increase preference for their MasterCard-branded products.

Financial Results Overview

We recorded net income of \$977 million , or \$0.86 per diluted share, and \$2.9 billion , or \$2.56 per diluted share, for the three and nine months ended September 30, 2015 , respectively, versus net income of \$1.0 billion , or \$0.87 per diluted share, and \$2.8 billion , or \$2.40 per diluted share, for the three and nine months ended September 30, 2014 , respectively. Net income decreased 4% and increased 4% for the three and nine months ended September 30, 2015 , respectively, versus the comparable periods in 2014 .

Excluding the impact of the Special Items we had adjusted net income of \$1.0 billion , or \$0.91 per adjusted diluted share, and \$3.0 billion , or \$2.64 per adjusted diluted share for the three and nine months ended September 30, 2015 , respectively. Adjusted net income increased 1% for the three months ended September 30, 2015 , versus the comparable period in 2014 , due to higher net revenue, partially offset by the negative impact of foreign currency translation and the impact from acquisitions. Adjusted net income increased 7% for the nine months ended September 30, 2015 , versus the comparable period in 2014 , driven by higher net revenue and an improved effective tax rate, partially offset by the negative impact of foreign currency translation and the impact from acquisitions. Foreign currency translation had a negative impact to net income growth of 7 percentage points and 8 percentage points for the three and nine months ended September 30, 2015 , or \$(0.06) and \$(0.16) per diluted share, versus the comparable periods in 2014 , respectively. Acquisitions had a negative impact to net income growth of 2 and 3 percentage points for the three and nine months ended September 30, 2015 , or \$(0.02) and \$(0.07) per diluted share, versus the comparable periods in 2014 , respectively.

Our net revenue increased 2% for both the three and nine months ended September 30, 2015 , respectively, versus the comparable periods in 2014 , primarily driven by increases across our revenue categories, partially offset by higher rebates and incentives and the negative impact of foreign currency translation. Acquisitions contributed 1 and 2 percentage points to net revenue growth for the three and nine months ended September 30, 2015 , respectively. For both the three and nine months ended September 30, 2015 , our processed transactions increased 12% versus the comparable periods in 2014 . Our volumes also increased 13% for both the three and nine months ended September 30, 2015 , on a local currency basis, versus the comparable periods in 2014 .

Operating expenses increased 9% and 8% for the three and nine months ended September 30, 2015, respectively, versus the comparable periods in 2014. Excluding the impact of the Special Items, adjusted operating expenses increased 1% and 3% for the three and nine months ended September 30, 2015, respectively, versus the comparable periods in 2014, primarily due to higher general and administrative expenses as a result of our acquisition activity, partially offset by the favorable impact of foreign currency translation. Acquisitions had a negative impact of 4 and 7 percentage points to the operating expense growth for the three and nine months ended September 30, 2015, respectively.

We generated net cash flows from operations of \$3.0 billion for the nine months ended September 30, 2015, compared to \$2.7 billion for the comparable period in 2014.

The following tables provide a summary of our operating results for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015			Three Months Ended September 30, 2014	Percent Increase/(Decrease)		
	Actual	Special Items ¹	Non-GAAP	Actual	Actual	Special Items ¹	Non-GAAP
(in millions, except per share data and percentages)							
Net Revenue	\$ 2,530		\$ 2,530	\$ 2,490	2%		2%
Total operating expenses	\$ 1,161	\$ (79)	\$ 1,082	\$ 1,070	9%	7%	1%
Operating income	\$ 1,369	\$ 79	\$ 1,448	\$ 1,420	(4)%	(6)%	2%
Operating Margin	54.1%		57.2%	57.0%			
Income tax expense	\$ 375	\$ 29	\$ 404	\$ 403	(7)%	(7)%	—%
Effective Tax Rate	27.7%		28.2%	28.5%			
Net Income	\$ 977	\$ 50	\$ 1,027	\$ 1,015	(4)%	(5)%	1%
Diluted Earnings per Share	\$ 0.86	\$ 0.04	\$ 0.91	\$ 0.87	(1)%	(5)%	5%
Diluted weighted-average shares outstanding	1,133		1,133	1,160	(2)%		(2)%

	Nine Months Ended September 30, 2015			Nine Months Ended September 30, 2014	Percent Increase/(Decrease)		
	Actual	Special Items ¹	Non-GAAP	Actual	Actual	Special Items ¹	Non-GAAP
(in millions, except per share data and percentages)							
Net Revenue	\$ 7,150		\$ 7,150	\$ 7,030	2%		2%
Total operating expenses	\$ 3,179	\$ (140)	\$ 3,039	\$ 2,942	8%	5%	3%
Operating income	\$ 3,971	\$ 140	\$ 4,111	\$ 4,088	(3)%	(3)%	1%
Operating Margin	55.5%		57.5%	58.1%			
Income tax expense	\$ 1,015	\$ 45	\$ 1,060	\$ 1,256	(19)%	(4)%	(16)%
Effective Tax Rate	25.8%		26.0%	30.9%			
Net Income	\$ 2,918	\$ 95	\$ 3,013	\$ 2,816	4%	(3)%	7%
Diluted Earnings per Share	\$ 2.56	\$ 0.08	\$ 2.64	\$ 2.40	7%	(3)%	10%
Diluted weighted-average shares outstanding	1,139		1,139	1,172	(3)%		(3)%

¹ See Non-GAAP Financial Information for the respective impacts relating to the Special Items.

* Tables may not sum due to rounding.

Business Environment

We process transactions from more than 210 countries and territories and in more than 150 currencies. Net revenue generated in the United States was 39% and 37% for the three months ended September 30, 2015 and 2014, respectively, and 39% for both the nine months ended September 30, 2015 and 2014. No individual country, other than the United States, generated more than 10% of total revenue in any such period, but differences in market growth, economic health and foreign exchange fluctuations in certain countries can have an impact on the proportion of revenue generated outside the United States over time. While the global nature of our business helps protect our operating results from adverse economic conditions in a single or a few countries, the significant concentration of our revenue generated in the United States makes our business particularly susceptible to adverse economic conditions in the United States.

The competitive and evolving nature of the global payments industry provides both challenges to and opportunities for the continued growth of our business. Adverse economic trends (including distress in financial markets, turmoil in specific economies around the world and additional government intervention) have impacted the environment in which we operate. Certain of our customers, merchants that accept our brands and cardholders who use our brands, have been directly impacted by these adverse economic conditions.

MasterCard's financial results may be negatively impacted by actions taken by individual financial institutions or by governmental or regulatory bodies. In addition, further political instability or a decline in economic conditions in the countries in which the Company operates may accelerate the timing of or increase the impact of risks to our financial performance. As a result, our revenue may be negatively impacted, or the Company may be impacted in several ways. MasterCard continues to monitor political and economic conditions around the world to identify opportunities for the continued growth of our business and to evaluate the evolution of the global payments industry. Notwithstanding recent encouraging trends, the extent and pace of economic recovery in various regions remains uncertain and the overall business environment may present challenges for MasterCard to grow its business. For a full discussion see, "Risk Factors - Business Risks" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

In addition, our business and our customers' businesses are subject to regulation in many countries. Regulatory bodies may seek to impose rules and price controls on certain aspects of our business and the payments industry. For further discussion, see Note 11 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 and our risk factors in "Risk Factors - Legal and Regulatory Risks" in Part I, Item 1A (Risk Factors) of the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Further, information security risks for global payments and technology companies such as MasterCard have significantly increased in recent years. Although to date we have not experienced any material impacts relating to cyber-attacks or other information security breaches, there can be no assurance that we will be immune to these risks and not suffer such losses in the future. See our risk factor in "Risk Factors - Business Risks" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 related to a failure or breach of our security systems or infrastructure as a result of cyber-attacks.

Impact of Foreign Currency Rates

Our overall operating results can be impacted by changes in foreign currency exchange rates, especially the strengthening or weakening of the U.S. dollar versus the euro and Brazilian real. The functional currency of MasterCard Europe, our principal European operating subsidiary, is the euro, and the functional currency of our Brazilian subsidiary is the Brazilian real. Accordingly, the strengthening or weakening of the U.S. dollar versus the euro and Brazilian real impacts the translation of our European and Brazilian subsidiaries' operating results into the U.S. dollar. For the three and nine months ended September 30, 2015, as compared to the same periods in 2014, the U.S. dollar strengthened against both the euro and the Brazilian real. For the three months ended September 30, 2015, the euro and the Brazilian real devalued against the U.S. dollar by 16% and 35%, respectively, versus the comparable periods in 2014. For the nine months ended September 30, 2015, the euro and the Brazilian real devalued against the U.S. dollar by 18% and 27%, respectively, versus the comparable periods in 2014. The net foreign currency impact of changes in the U.S. dollar average exchange rates against the euro and Brazilian real negatively impacted net income by 7 percentage points for both the three and nine months ended September 30, 2015. For the three and nine months ended September 30, 2015, net revenue was negatively impacted by 6 percentage points for both periods and operating expenses were favorably impacted by 4 percentage points for both periods.

In addition, changes in foreign currency exchange rates directly impact the calculation of gross dollar volume ("GDV") and gross euro volume ("GEV"), which are used in the calculation of our domestic assessments, cross-border volume fees and volume-related rebates and incentives. In most non-European regions, GDV is calculated based on local currency spending volume converted to U.S. dollars using average exchange rates for the period. In Europe, GEV is calculated based on local currency spending volume converted to euros using average exchange rates for the period. As a result, our domestic assessments, cross-border volume fees and volume-related rebates and incentives are impacted by the strengthening or weakening of the U.S. dollar

versus non-European local currencies and the strengthening or weakening of the euro versus European local currencies. The strengthening or weakening of the U.S. dollar is evident when GDV growth on a U.S. dollar-converted basis is compared to GDV growth on a local currency basis. For the three and nine months ended September 30, 2015, as compared to the same periods in 2014, GDV on a U.S. dollar converted basis remained flat and increased 1%, respectively, while GDV on a local currency basis grew 13% for both periods. The Company attempts to manage the impact from these foreign currency exposures through its foreign exchange risk management activities, which are discussed further in Note 13 (Foreign Exchange Risk Management) to the consolidated financial statements included in Part I, Item 1 of this Report.

The Company generates revenue and has financial assets in countries at risk for currency devaluation. While these revenues and financial assets are not material to MasterCard on a consolidated basis, they could be negatively impacted if a devaluation of local currencies occurs relative to the U.S. dollar.

Financial Results

Revenue

Revenue Description

MasterCard's business model involves four participants in addition to us: cardholders, merchants, issuers (the cardholders' financial institutions) and acquirers (the merchants' financial institutions). Our gross revenue is generated by assessing our customers based primarily on the dollar volume of activity on the cards and other devices that carry our brands and from the fees that we charge our customers for providing transaction processing and other payment-related products and services. Our revenue is based upon transactional information accumulated by our systems or reported by our customers. Our primary revenue billing currencies are the U.S. dollar, euro and Brazilian real.

The price structure for our products and services is complex and is dependent on the nature of volumes, types of transactions and type of products and services we offer to our customers. Our net revenue can be significantly impacted by the following:

- domestic or cross-border transactions;
- signature-based or PIN-based transactions;
- geographic region or country in which the transaction occurs;
- volumes/transactions subject to tiered rates;
- processed or not processed across the MasterCard network;
- amount of usage of our other products or services; and
- amount of rebates and incentives provided to customers.

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

1. **Domestic assessments:** Domestic assessments are fees charged to issuers and acquirers based primarily on the dollar volume of activity on cards and other devices that carry our brands where the merchant country and the issuer country are the same. Domestic assessments include items such as card assessments, which are fees charged on the number of cards issued or assessments for specific purposes, such as acceptance development or market development programs.
2. **Cross-border volume fees:** Cross-border volume fees are charged to issuers and acquirers based on the volume of activity on cards and other devices that carry our brands where the merchant country and the issuer country are different. In general, a cross-border transaction generates higher revenue than a domestic transaction since cross-border fees are higher than domestic fees, and in most cases also include fees for currency conversion.
3. **Transaction processing fees:** Transaction processing fees are charged for both domestic and cross-border transactions and are primarily based on the number of transactions. Transaction processing fees include charges to issuers for the following:
 - *Transaction Switching fees* for the following products and services:
 - *Authorization* is the process by which a transaction is routed to the issuer for approval. In certain circumstances such as when the issuer's systems are unavailable or cannot be contacted, MasterCard

or others on behalf of the issuer approve in accordance with either the issuer's instructions or applicable rules (also known as "stand-in").

- *Clearing* is the exchange of financial transaction information between issuers and acquirers after a transaction has been successfully conducted at the point of interaction. MasterCard clears transactions among customers through our central and regional processing systems.
 - *Settlement* is facilitating the exchange of funds between parties.
 - *Connectivity fees* are charged to issuers and acquirers for network access, equipment and the transmission of authorization and settlement messages. These fees are based on the size of the data being transmitted through and the number of connections to the Company's network.
4. **Other revenues** : Other revenues consist of other payment-related products and services and are primarily associated with the following:
- *Consulting and research fees* are primarily generated by MasterCard Advisors, the Company's professional advisory services group.
 - *Fraud products and services* used to prevent or detect fraudulent transactions. This includes fees for warning bulletins provided to issuers and acquirers either electronically or in paper form.
 - *Loyalty and rewards solution fees* are charged to issuers for benefits provided directly to consumers with MasterCard-branded cards, such as insurance, assistance for lost cards, locating ATMs and rewards programs.
 - *Program management services* provided to prepaid card issuers consist of foreign exchange margin, commissions, load fees and ATM withdrawal fees paid by cardholders on the sale and encashment of prepaid cards.
 - The Company also charges for a variety of other payment-related products and services, including account and transaction enhancement services, rules compliance and publications.
5. **Rebates and incentives (contra-revenue)**: Rebates and incentives are provided to certain MasterCard customers and are recorded as contra-revenue.

Revenue Analysis

In the three and nine months ended September 30, 2015 , gross revenue increased \$210 million and \$596 million , respectively, or 6% for both periods, versus the comparable periods in 2014 . Gross revenue growth in the three and nine months ended September 30, 2015 was driven by an increase in dollar volume of activity on cards carrying our brands, transactions, other payment-related products and services and the impact of acquisitions. Rebates and incentives, in the three and nine months ended September 30, 2015 , increased \$170 million and \$476 million , or 20% for both periods, respectively, versus the comparable periods in 2014 primarily due to the impact from new and renewed agreements and increased volumes. Our net revenue increased 2% for both the three and nine months ended September 30, 2015 , versus the comparable periods in 2014 . For the three and nine months ended September 30, 2015 , acquisitions contributed 1 and 2 percentage points, respectively, while foreign currency translation had a negative impact of 6 percentage points for both periods to net revenue growth. During both the three and nine months ended September 30, 2015 , our GDV increased 13% on a local currency basis while our processed transactions increased 12% for both periods.

The following table provides a summary of the trend in volume and transaction growth:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015		2014		2015		2014	
	Growth (USD)	Growth (Local)	Growth (USD)	Growth (Local)	Growth (USD)	Growth (Local)	Growth (USD)	Growth (Local)
MasterCard-Branded GDV ¹	— %	13%	11%	12%	1 %	13%	11 %	13%
Asia Pacific/Middle East/Africa	3 %	14%	17%	17%	6 %	15%	15 %	18%
Canada	(2)%	18%	—%	5%	1 %	17%	(1)%	6%
Europe	(6)%	17%	10%	12%	(7)%	16%	12 %	13%
Latin America	(15)%	16%	9%	14%	(9)%	15%	5 %	14%
United States	8 %	8%	8%	8%	7 %	7%	8 %	8%
Cross-border Volume ¹		16%		15%		17%		16%
Processed Transactions		12%		10%		12%		12%

¹ Excludes volume generated by Maestro and Cirrus cards.

A significant portion of our revenue is concentrated among our five largest customers. The loss of any of these customers or their significant card programs could adversely impact our revenue. In addition, as part of our business strategy, MasterCard, among other efforts, enters into business agreements with customers. These agreements can be terminated in a variety of circumstances. See our risk factor in “Risk Factor - Business Risks” in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 .

The significant components of our net revenue for the three and nine months ended September 30, 2015 and 2014 were as follows:

	Three Months Ended September 30,		Percent Increase (Decrease)	Nine Months Ended September 30,		Percent Increase (Decrease)
	2015	2014		2015	2014	
(in millions, except percentages)						
Domestic assessments	\$ 1,028	\$ 1,003	3%	\$ 3,019	\$ 2,949	2%
Cross-border volume fees	880	835	5%	2,381	2,280	4%
Transaction processing fees	1,140	1,041	9%	3,197	2,972	8%
Other revenues	501	460	9%	1,393	1,193	17%
Gross revenue	3,549	3,339	6%	9,990	9,394	6%
Rebates and incentives (contra-revenue)	(1,019)	(849)	20%	(2,840)	(2,364)	20%
Net revenue	\$ 2,530	\$ 2,490	2%	\$ 7,150	\$ 7,030	2%

The following tables provide a summary of the primary drivers of net revenue growth in the three and nine months ended September 30, 2015 versus the three and nine months ended September 30, 2014 :

	Three Months Ended September 30,							
	Volume		Foreign Currency ¹		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Domestic assessments	13%	11%	(7)%	—%	(3)% ²	(3)% ²	3%	8%
Cross-border volume fees	14%	13%	(5)%	—%	(4)%	—%	5%	13%
Transaction processing fees	11%	9%	(7)%	—%	5%	4%	9%	13%
Other revenues	**	**	(6)%	—%	15% ³	38% ³	9%	38%
Rebates and incentives	7%	9%	(7)%	—%	20% ⁴	10% ⁴	20%	19%
Net revenue	12%	10%	(6)%	—%	(4)%	3%	2%	13%

	Nine Months Ended September 30,							
	Volume		Foreign Currency ¹		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Domestic assessments	12%	12%	(6)%	—%	(4)% ²	(3)% ²	2%	9%
Cross-border volume fees	15%	14%	(5)%	1%	(6)%	—%	4%	15%
Transaction processing fees	11%	12%	(6)%	—%	3%	2%	8%	14%
Other revenues	**	**	(7)%	1%	24% ³	27% ³	17%	28%
Rebates and incentives	8%	8%	(7)%	—%	19% ⁴	8% ⁴	20%	16%
Net revenue	12%	12%	(6)%	—%	(4)%	1%	2%	13%

** Not applicable

¹ Reflects translation from the euro and Brazilian real to the U.S. dollar.

² Includes impact of the allocation of revenue to service deliverables, which are recorded in other revenue when services are performed.

³ Acquisitions contributed 3 percentage points and 9 percentage points of growth for the three and nine months ended September 30, 2015, respectively, and contributed 15 percentage points and 6 percentage points of growth for the three and nine months ended September 30, 2014, respectively. Additionally there are impacts from consulting fees, fraud service fees and other payment-related products and services.

⁴ Includes the impact from timing of new, renewed and expired agreements.

Operating Expenses

Our operating expenses are comprised of general and administrative, advertising and marketing, depreciation and amortization expenses and provisions for litigation settlements. Operating expenses increased \$91 million and \$237 million , or 9% and 8% , for the three and nine months ended September 30, 2015 , respectively, versus the comparable periods in 2014 .

Excluding the impact of the Special Items, adjusted operating expenses increased \$12 million and \$97 million , or 1% and 3% for the three and nine months ended September 30, 2015 , respectively, versus the comparable periods in 2014 . For the three months ended September 30, 2015 , adjusted operating expenses increased primarily due to higher general and administrative expenses as a result of acquisition activity, partially offset by the favorable impact of foreign currency translation. For the nine months ended September 30, 2015 , adjusted operating expenses increased primarily due to higher general and administrative expenses as a result of acquisition activity and higher data processing costs, partially offset by the favorable impact of foreign currency translation and gains associated with foreign exchange activity for derivative contracts and balance sheet remeasurement. For the three and nine months ended September 30, 2015 , acquisitions had a negative impact of 4 percentage points and 7 percentage points, respectively, while foreign currency translation had a favorable impact of 4 percentage points, for both periods, on the operating expenses growth. The components of operating expenses for the three and nine months ended September 30, 2015 and 2014 were as follows:

	Three Months Ended September 30,		Percent Increase (Decrease)	Nine Months Ended September 30,		Percent Increase (Decrease)
	2015	2014		2015	2014	
	(in millions, except percentages)					
General and administrative	\$ 883	\$ 784	13%	\$ 2,343	\$ 2,180	7%
Advertising and marketing	184	203	(10)%	502	525	(4)%
Depreciation and amortization	94	83	14%	273	237	15%
Provision for litigation settlement	—	—	**	61	—	**
Total operating expenses	1,161	1,070	9%	3,179	2,942	8%
Special Items	(79)	—		(140)	—	
Total non-GAAP operating expenses (excluding Special Items)	\$ 1,082	\$ 1,070	1%	\$ 3,039	\$ 2,942	3%

** Not meaningful

General and Administrative

General and administrative expenses for the three and nine months ended September 30, 2015 increased \$99 million and \$163 million , or 13% and 7% , respectively, versus the comparable periods in 2014 .

Excluding the impact of the Special Items, adjusted general and administrative expenses increased \$20 million or 3% for the three months ended September 30, 2015 versus the comparable period in 2014, primarily due to acquisition activity, partially offset by the favorable impact of foreign currency translation. For the nine months ended September 30, 2015, adjusted general and administrative expenses increased \$84 million or 4%, versus the comparable period in 2014, primarily due to acquisition activity and higher data processing costs, partially offset by the favorable impact of foreign currency translation and gains associated with foreign exchange activity for derivative contracts and balance sheet remeasurement. For the three and nine months ended September 30, 2015, acquisitions had a negative impact of 4 and 8 percentage points, respectively, while foreign currency translation had a favorable impact of 3 percentage points for both periods. The significant components of our general and administrative expenses for the three and nine months ended September 30, 2015 and 2014 were as follows:

	Three Months Ended September 30,		Percent Increase (Decrease)	Nine Months Ended September 30,		Percent Increase (Decrease)
	2015	2014		2015	2014	
	(in millions, except percentages)					
Personnel	\$ 584	\$ 511	15%	\$ 1,540	\$ 1,446	6%
Professional fees	76	74	4%	199	195	2%
Data processing and telecommunications	90	70	28%	255	196	30%
Foreign exchange activity	(12)	(18)	**	(80)	(20)	**
Other	145	147	(1)%	429	363	18%
General and administrative expenses	883	784	13%	2,343	2,180	7%
Special Items	(79)	—		(79)	—	
Non-GAAP general and administrative expenses (excluding Special Items)	\$ 804	\$ 784	3%	\$ 2,264	\$ 2,180	4%

** Not meaningful

- Personnel expense includes the Qualified Plan Settlement Charge of \$79 million, which increased personnel expenses by 15% and 5%, respectively, for three and nine months ended September 30, 2015 versus comparable periods in 2014. The remainder of the change is driven by an increase in the number of employees from our acquired businesses, partially offset by improved cost controls and the favorable impact from foreign currency translation.
- Professional fees consist primarily of third-party services, legal costs to defend our outstanding litigation and the evaluation of regulatory developments that impact our industry and brand.
- Data processing and telecommunication expense consists of expenses to support our global payments network infrastructure, expenses to operate and maintain our computer systems and other telecommunication systems. These expenses increased due to capacity growth of our business and higher third party processing costs.
- Foreign exchange activity includes gains and losses on foreign exchange derivative contracts and the impact of remeasurement of assets and liabilities denominated in foreign currencies. See Note 13 (Foreign Exchange Risk Management) to the consolidated financial statements included in Part I, Item 1 of this Report. Since the Company does not designate foreign currency derivatives as hedging instruments pursuant to the accounting standards for derivative instruments and hedging activities, it records gains and losses on foreign exchange derivatives on a current basis, with the associated offset being recognized as the exposures materialize. During the nine months ended September 30, 2015, we recorded higher gains on derivative contracts due to foreign exchange rate movements and higher gains from the balance sheet remeasurement related primarily to the devaluation of the Venezuelan bolivar versus the comparable period in 2014.
- Other expenses include costs to provide loyalty and rewards programs, travel and meeting expenses and rental expense for our facilities. Other expenses increased for the nine months ended September 30, 2015 versus the comparable period in 2014, primarily due to the impact of our acquisitions and expenses incurred to support strategic development efforts.

Advertising and Marketing

Our brands, principally MasterCard, are valuable strategic assets that drive acceptance and usage of our products and facilitate our ability to successfully introduce new service offerings and access new markets globally. Our advertising and marketing strategy is to increase global MasterCard brand awareness, preference and usage through integrated advertising, sponsorship, promotions, interactive media and public relations programs on a global scale. We will continue to invest in marketing programs at the regional and local levels and sponsor diverse events aimed at multiple target audiences. Advertising and marketing expenses decreased for the three and nine months ended September 30, 2015 versus the comparable periods in 2014, mainly due to the favorable

impact from foreign currency translation and the timing of media spend, partially offset by the timing of sponsorship promotions to support our strategic initiatives.

Depreciation and Amortization

Depreciation and amortization expenses increased \$11 million and \$36 million, or 14% and 15% for the three and nine months ended September 30, 2015, respectively, versus the comparable periods in 2014. The increase in depreciation and amortization expense was primarily due to higher amortization of capitalized software costs associated with our acquisitions.

Other Income (Expense)

Other income (expense) is comprised primarily of investment income, interest expense, our share of income (losses) from equity method investments and other gains and losses. Total other expense for the three months ended September 30, 2015 increased primarily due to our share of equity losses from equity method investments and lower interest income. Total other expense for the nine months ended September 30, 2015 increased primarily due to higher interest expense related to our debt issuance in March 2014 versus the comparable period in 2014.

Income Taxes

The effective income tax rates were 27.7% and 28.5% for the three months ended September 30, 2015 and 2014, respectively. The effective income tax rates were 25.8% and 30.9% for the nine months ended September 30, 2015 and 2014, respectively. For the three months ended September 30, 2015, the effective tax rate was lower than the comparable period in 2014, due to a larger repatriation benefit and a more favorable mix of taxable earnings, offset by a reduction in discrete benefits. For the nine months ended September 30, 2015, the effective tax rate was lower than the comparable period in 2014, due to a larger repatriation benefit, an increase in discrete benefits, primarily relating to certain foreign taxes becoming eligible to be claimed as credits in the United States, and a more favorable mix of taxable earnings.

During the fourth quarter of 2014, we implemented an initiative to better align our legal entity and tax structure with our operational footprint outside of the U.S. This initiative resulted in a one-time taxable gain in Belgium relating to the transfer of intellectual property to a related foreign entity in the United Kingdom. We believe this improved alignment will result in greater flexibility and efficiency with regard to the global deployment of cash, as well as ongoing benefits in our effective income tax rate.

Within the next three to six months, we believe that the favorable resolution of certain federal, foreign and state and local tax examinations is reasonably possible and that a reduction in unrecognized tax benefits, may occur. While such a change may be significant, it is not possible to provide a range of the potential change until the examinations progress further.

See Note 10 (Income Taxes) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion of these items.

Liquidity and Capital Resources

We need liquidity and access to capital to fund our global operations, credit and settlement exposure, capital expenditures, investments in our business and current and potential obligations. The Company generates the cash required to meet these needs through operations. The following table summarizes the cash, cash equivalents, investments and credit available to the Company at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
	(in billions)	
Cash, cash equivalents and investments ¹	\$ 5.1	\$ 6.4
Unused line of credit ²	3.0	3.0

¹ Investments include available-for-sale securities and held-to-maturity securities. At September 30, 2015 and December 31, 2014 this amount excludes restricted cash related to the U.S. merchant class litigation settlement of \$541 million and \$540 million, respectively.

² The Company did not use any funds from the line of credit available during the periods presented.

Cash, cash equivalents and investments held by our foreign subsidiaries (i.e., any entities where earnings would be subject to U.S. tax upon repatriation) was \$3.6 billion and \$2.6 billion at September 30, 2015 and December 31, 2014, respectively, or 71% and 42% of our total as of such dates. It is our present intention to permanently reinvest the undistributed earnings associated with our foreign subsidiaries as of December 31, 2014 outside of the United States (as disclosed in Note 17 (Income Tax) to the consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31,

2014), and our current plans do not require repatriation of these earnings. If these earnings are needed for U.S. operations or can no longer be permanently reinvested outside of the United States, the Company would be subject to U.S. tax upon repatriation.

Our liquidity and access to capital could be negatively impacted by global credit market conditions. The Company guarantees the settlement of many MasterCard, Cirrus and Maestro-branded transactions between our issuers and acquirers. See Note 12 (Settlement and Other Risk Management) to the consolidated financial statements in Part I, Item 1 of this Report for a description of these guarantees. Historically, payments under these guarantees have not been significant; however, historical trends may not be an indication of the future. The risk of loss on these guarantees is specific to individual customers, but may also be driven significantly by regional or global economic conditions, including, but not limited to the health of the financial institutions in a country or region.

Our liquidity and access to capital could also be negatively impacted by the outcome of any of the legal or regulatory proceedings to which we are a party. For additional discussion of these and other risks facing our business, see Part I, Item 1A - Risk Factors of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 ; Note 11 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 of this Report; and "Business Environment".

Cash Flow

The table below shows a summary of the cash flows from operating, investing and financing activities for the nine months ended September 30, 2015 and 2014 :

	Nine Months Ended September 30,	
	2015	2014
	(in millions)	
Cash Flow Data:		
Net cash provided by operating activities	\$ 3,004	\$ 2,682
Net cash (used in) provided by investing activities	(853)	448
Net cash used in financing activities	(3,216)	(2,095)

Net cash provided by operating activities was \$3.0 billion and \$2.7 billion for the nine months ended September 30, 2015 and 2014 , respectively. Net cash provided by operating activities grew by \$322 million for the nine months ended September 30, 2015 , versus the comparable period in 2014 , due primarily to higher net income, higher customer incentives and the timing of receivables, partially offset by timing of customer settlements.

Net cash used in investing activities increased by \$1.3 billion for the nine months ended September 30, 2015 , versus the comparable period in 2014 , due to lower net proceeds received from investments as compared to prior year, higher acquisitions in the current year and return of restricted cash for litigation settlements in the prior year.

Net cash used in financing activities increased by \$1.1 billion for the nine months ended September 30, 2015 , versus the comparable period in 2014 , due to proceeds from the Company's debt offering completed on March 31, 2014 and higher dividends paid in the current year, partially offset by lower repurchases of the Company's Class A common stock in the current year.

The table below shows a summary of the balance sheet data at September 30, 2015 and December 31, 2014 :

	September 30,	December 31,
	2015	2014
	(in millions)	
Balance Sheet Data:		
Current assets	\$ 9,625	\$ 10,997
Current liabilities	5,943	6,222
Long-term liabilities	2,393	2,283
Equity	6,298	6,824

The Company believes that its existing cash, cash equivalents and investment securities balances, its cash flow generating capabilities, its borrowing capacity and its access to capital resources are sufficient to satisfy its future operating cash needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with its existing operations and potential obligations.

Debt and Credit Availability

In March 2014, MasterCard Incorporated issued \$500 million aggregate principal amount of 2.000% Notes due April 1, 2019 (the “2019 Notes”) and \$1 billion aggregate principal amount of 3.375% Notes due April 1, 2024 (the “2024 Notes”) (collectively the “Notes”). The effective interest rates were 2.081% and 3.426% on the 2019 Notes and 2024 Notes, respectively. The Company is not subject to any financial covenants under the Notes. Interest on the Notes is payable semi-annually on April 1 and October 1. The Notes may be redeemed in whole, or in part, at the Company’s option at any time for a specified make-whole amount. The Notes are senior unsecured obligations and would rank equally with any future unsecured and unsubordinated indebtedness.

In September 2015, the Board of Directors of the Company authorized the issuance of up to \$3.75 billion of commercial paper (“Commercial Paper Program”). Through October 29, 2015, the Company has not yet established the Commercial Paper Program, but intends to do so. In conjunction with the Commercial Paper Program, the Company entered into a committed unsecured \$3.75 billion revolving credit facility (the “Credit Facility”) on October 21, 2015, which expires on October 21, 2020. The Credit Facility amended and restated the Company’s prior credit facility. The facility fee and borrowing cost under the Credit Facility are dependent upon the Company’s credit rating. Currently, the applicable facility fee is 8 basis points on the average daily commitment (whether or not utilized). In addition to the facility fee, interest on borrowings under the Credit Facility would be charged at the London Interbank Offered Rate (LIBOR) plus an applicable margin of 79.5 basis points, or an alternative base rate. MasterCard had no borrowings under the Credit Facility at October 29, 2015 or the prior credit facility at September 30, 2015.

The Credit Facility contains customary representations, warranties, events of default and affirmative and negative covenants, including a financial covenant limiting the maximum level of consolidated debt to earnings before interest, taxes, depreciation and amortization (EBITDA), which are substantially similar to the prior credit facility. MasterCard was in compliance in all material respects with the covenants of the prior credit facility as of September 30, 2015 and December 31, 2014. The majority of Credit Facility lenders are customers or affiliates of customers of MasterCard.

Borrowings under the Credit Facility and the Commercial Paper Program are to provide liquidity for general corporate purposes, including providing liquidity in the event of one or more settlement failures by the Company’s customers. In addition, for business continuity planning and related purposes, we may borrow and repay amounts under the Credit Facility from time to time.

Dividends and Share Repurchases

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

On December 2, 2014, our Board of Directors declared a quarterly cash dividend of \$0.16 per share paid on February 9, 2015 to holders of record on January 9, 2015 of our Class A common stock and Class B common stock. The aggregate amount of this dividend was \$184 million.

On February 3, 2015, our Board of Directors declared a quarterly cash dividend of \$0.16 per share payable on May 8, 2015 to holders of record on April 9, 2015 of our Class A common stock and Class B common stock. The aggregate amount of this dividend was \$183 million.

On June 10, 2015, our Board of Directors declared a quarterly cash dividend of \$0.16 per share payable on August 10, 2015 to holders of record on July 9, 2015 of our Class A common stock and Class B common stock. The aggregate amount of this dividend was \$181 million.

On September 22, 2015, our Board of Directors declared a quarterly cash dividend of \$0.16 per share payable on November 9, 2015 to holders of record on October 9, 2015 of our Class A common stock and Class B common stock. The aggregate amount of this dividend will be \$180 million.

A aggregate payments for quarterly dividends totaled \$548 million and \$388 million for the nine months ended September 30, 2015 and 2014, respectively.

Shares in the Company's common stock that are repurchased are considered treasury stock. The timing and actual number of additional shares repurchased will depend on a variety of factors, including the operating needs of the business, legal requirements, price and economic and market conditions. In December 2014, our Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to \$3.75 billion of our Class A common stock. During January 2015, the Company exhausted its purchases under its December 2013 share repurchase program. As of October 22, 2015, the cumulative repurchases in 2015 by the Company under both its December 2013 share repurchase program and its December 2014 share repurchase program totaled approximately 31.8 million shares of its Class A common stock for an aggregate cost of approximately \$2.9 billion at an average price of \$90.31 per share of Class A common stock. As of October 22, 2015, the Company had approximately \$1.2 billion remaining under its December 2014 share repurchase program.

The following table summarizes the Company's share repurchase authorizations of its Class A common stock through September 30, 2015, as well as historical purchases:

	Authorization Dates		
	December 2014	December 2013	Total
	(in millions, except average price data)		
Board authorization	\$ 3,750	\$ 3,500	\$ 7,250
Remaining authorization at December 31, 2014	\$ 3,750	\$ 275	\$ 4,025
Dollar value of shares repurchased during the nine months ended September 30, 2015	\$ 2,450	\$ 275	\$ 2,725
Remaining authorization at September 30, 2015	\$ 1,300	\$ —	\$ 1,300
Shares repurchased during the nine months ended September 30, 2015	27.0	3.2	30.2
Average price paid per share during the nine months ended September 30, 2015	\$ 90.87	\$ 84.31	\$ 90.16

See Note 7 (Stockholders' Equity) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion.

Off-Balance Sheet Arrangements

MasterCard has no off-balance sheet debt other than lease arrangements and other commitments as presented in the future obligations table in Item 7 (Liquidity and Capital Resources) in Part II of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Recent Accounting Pronouncements

Refer to Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements included in Part I, Item 1.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential for economic losses to be incurred on market risk sensitive instruments arising from adverse changes in market factors such as interest rates, foreign currency exchange rates and equity price risk. Our exposure to market risk from changes in interest rates, foreign exchange rates and equity price risk is limited. Management establishes and oversees the implementation of policies governing our funding, investments and use of derivative financial instruments. We monitor risk exposures on an ongoing basis. The effect of a hypothetical 10% adverse change in foreign currency rates could result in a fair value loss of approximately \$81 million on our foreign currency derivative contracts outstanding at September 30, 2015 related to the hedging program. A 100 basis point adverse change in interest rates would not have a material impact on the Company's financial assets or liabilities at September 30, 2015 or December 31, 2014. In addition, there was no material equity price risk at September 30, 2015 or December 31, 2014.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are designed to ensure that information that is required to be disclosed in the reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our President and Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding disclosure. The President and Chief Executive Officer and the Chief Financial Officer, with assistance from other

members of management, have reviewed the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

Changes in Internal Control over Financial Reporting

There was no change in MasterCard's internal control over financial reporting that occurred during the three months ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, MasterCard's internal control over financial reporting.

Other Financial Information

With respect to the unaudited consolidated financial information of MasterCard Incorporated and its subsidiaries as of September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report dated October 29, 2015 appearing below, states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (the "Act") for their report on the unaudited consolidated financial information because that report is not a "report" or a "part" of a registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of MasterCard Incorporated:

We have reviewed the consolidated balance sheet of MasterCard Incorporated and its subsidiaries (the “Company”) as of September 30, 2015 , and the related consolidated statements of operations and comprehensive income for the three and nine -month periods ended September 30, 2015 and 2014 , and the consolidated statement of changes in equity for the nine -month period ended September 30, 2015 , and the consolidated statement of cash flows for the nine -month periods ended September 30, 2015 and 2014 included within Part I, Item 1 of this Form 10-Q. 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 previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2014 , and the related consolidated statements of operations, of comprehensive income, of changes in equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 13, 2015, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2014 , is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

New York, New York
October 29, 2015

PART II - OTHER INFORMATION**Item 1. Legal Proceedings**

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

Item 1A. Risk Factors

For a discussion of the Company's risk factors, see Item 1A (Risk Factors) in Part I of our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**ISSUER PURCHASES OF EQUITY SECURITIES**

During the third quarter of 2015, MasterCard repurchased a total of approximately 9.9 million shares for \$930 million at an average price of \$93.55 per share of Class A common stock. See Note 7 (Stockholders' Equity) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion with respect to the Company's share repurchase programs. The Company's repurchase activity during the third quarter of 2015 is summarized in the following table:

Period	Total Number of Shares Purchased	Average Price Paid per Share (including commission cost)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that may yet be Purchased under the Plans or Programs ¹
July 1 - 31	2,781,953	\$ 94.84	2,781,953	\$ 1,966,152,647
August 1 - 31	3,205,568	\$ 94.89	3,205,568	\$ 1,661,983,799
September 1 - 30	3,958,900	\$ 91.55	3,958,900	\$ 1,299,539,454
Total	9,946,421	\$ 93.55	9,946,421	

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

Item 6. Exhibits

Refer to the Exhibit Index included herein.

SIGNATURES

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

MASTERCARD INCORPORATED

(Registrant)

Date: October 29, 2015

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

Date: October 29, 2015

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

Date: October 29, 2015

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description
10.1	\$3,750,000,000 Amended and Restated Credit Agreement, dated as of October 21, 2015, among MasterCard Incorporated, the several lenders and agents from time to time party thereto, Citibank, N.A., as managing administrative agent and JPMorgan Chase Bank, N.A. as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 23, 2015 (File No. 001-32877)).
10.2*	Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing, dated as of October 22, 2015, by and among MasterCard Incorporated, MasterCard International Incorporated, Visa Inc., Visa U.S.A Inc., Visa International Service Association and MasterCard's customer banks that are parties thereto.
10.3*	Second Amendment to MasterCard Settlement and Judgment Sharing Agreement, dated as of October 22, 2015, by and among MasterCard Incorporated, MasterCard International Incorporated and MasterCard's customer banks that are parties thereto.
12.1*	Computation of Ratio of Earnings to Fixed Charges.
15*	Awareness Letter from the Company's Independent Registered Public Accounting Firm.
31.1*	Certification of Ajay Banga, President and Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Martina Hund-Mejean, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Ajay Banga, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Martina Hund-Mejean, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed or furnished herewith.

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

**SECOND AMENDMENT TO OMNIBUS AGREEMENT
REGARDING INTERCHANGE LITIGATION JUDGMENT SHARING
AND SETTLEMENT SHARING**

With respect to the Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing dated as of February 7, 2011, as amended on August 26, 2014 (“Omnibus Agreement”), and in consideration of the mutual covenants and agreements contained herein, the undersigned parties agree as of the Second Amendment Effective Date to amend the Omnibus Agreement as follows:

1. The undersigned parties agree, pursuant to Paragraph 11 of the Omnibus Agreement, to amend paragraphs a., b., and c. of the third recital of the Omnibus Agreement in their entirety to read as follows:

- a. The Interchange Judgment Sharing Agreement dated as of July 1, 2007, among Visa USA, Visa International, Visa Inc. and various financial institutions, as amended and restated in the Amended and Restated Judgment Sharing Agreement dated as of December 16, 2008, and as further amended on February 7, 2011, August 26, 2014, and October 22, 2015 (the “Visa JSA”);

- b. The Loss Sharing Agreement dated as of July 1, 2007, among Visa Inc., Visa International, Visa USA, and various financial institutions, as amended and restated in the Amended and Restated Loss Sharing Agreement dated as of December 16, 2008, and as further amended on February 7, 2011, August 26, 2014, and October 22, 2015 (the “Visa LSA”); and

- c. The MasterCard Settlement and Judgment Sharing Agreement dated as of February 7, 2011, among MasterCard and various financial institutions, as amended on August 26, 2014, and as further amended on October 22, 2015 (the “MasterCard SJSA”); and

2. To the extent that this Amendment modifies or amends the Visa JSA or the Visa LSA, each of the parties hereto that is a party to the Visa JSA or the Visa LSA consents to such modification or amendment of (a) the Visa JSA pursuant to Paragraphs 17 of the Visa JSA and (b) the Visa LSA pursuant to Section 11(i) of the Visa LSA.
3. This Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing may be executed in multiple counterparts, each of which shall be deemed to be an original, and all such counterparts shall constitute but one instrument.
4. This Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing shall be effective as of the date on which (a) all entities listed on the signature pages hereto have executed it and (b) all entities listed on the signature pages thereto have executed each of the Amendment of Loss Sharing Agreement dated as of October 22, 2015, Amendment of Interchange Judgment Sharing Agreement dated as of October 22, 2015, and Second Amendment

to MasterCard Settlement and Judging Sharing Agreement dated as of October 22, 2015 (the “Second Amendment Effective Date”).

5. Each of the undersigned individuals signs on behalf of, and represents and warrants that he or she has the authority and authorization to sign on behalf of and bind, the corporations, banks, companies, or entities identified immediately above his or her signature, and upon the Second Amendment Effective Date this instrument shall be a valid and binding obligation of each such entity.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned parties have caused the execution of this Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing.

Bank of America, N.A.,
MBNA America (Delaware)
FIA Card Services N.A. (f/k/a Bank of America, N.A. (USA) and MBNA America Bank, N.A.)
Bank of America Corporation, and
NB Holdings Corporation

By: /s/ Jana Litsey
Name: Jana Litsey
Title: Associate General Counsel

BA Merchant Services LLC (F/k/a National Processing, Inc.),

By: /s/ JoAnn P. Carlton
Name: JoAnn P. Carlton
Title: General Counsel and Secretary

Barclays Bank plc, Barclays Financial Corp., and Barclays Bank Delaware

By: /s/ Clinton Walker
Name: Clinton Walker
Title: Secretary

(Signature page to Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing)

Capital One Bank, (USA), N.A., Capital One, F.S.B, Capital One, N.A., Capital One Financial Corporation

By: /s/ Jonathan Campbell

Name: Jonathan Campbell

Title: VP, Associate General Counsel

Chase Bank USA, N.A.

By: /s/ Gordon A. Smith

Name: Gordon A. Smith

Title: CEO of Consumer & Community Banking

Citibank (South Dakota), N.A., Citibank, N.A., Citicorp, and Citigroup, Inc.

By: /s/ Benjamin R. Nagin, Sidley Austin LLP

Name: Benjamin R. Nagin, Sidley Austin LLP

Title: with authorization, on behalf of, Citibank (South Dakota), N.A., Citibank, N.A., Citicorp, and Citigroup, Inc.

(Signature page to Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing)

Fifth Third Bancorp

By: /s/ H. Samuel Lind

Name: H. Samuel Lind

Title: Secretary

First National of Nebraska, Inc. and

First National Bank of Omaha

By: /s/ Nicholas W. Baxter

Name: Nicholas W. Baxter

Title: Executive Vice President & Chief Risk Officer

HSBC Finance Corporation

By: /s/ Megan S. Webster

Name: Megan S. Webster

Title: Vice President

(Signature page to Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing)

HSBC Bank USA, N.A.

By: /s/ James S. Stiegel
Name: James S. Stiegel
Title: Assistant Secretary

HSBC North America Holdings Inc.

By: /s/ Stephen R. Nesbitt
Name: Stephen R. Nesbitt
Title: Executive Vice President

HSBC Bank plc

By: /s/ D. M. Charles
Name: D. M. Charles
Title: Co-General Counsel

HSBC Holdings plc

By: /s/ Guy Nielson
Name: Guy Nielson
Title: Co-General Counsel, Litigation and Regulatory Enforcement

(Signature page to Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing)

JPMorgan Chase & Co.

By: /s/ Gordon A. Smith

Name: Gordon A. Smith

Title: CEO of Consumer & Community Banking

JPMorgan Chase Bank, N.A., as acquirer of certain assets and liabilities of Washington Mutual Bank from the Federal Deposit Insurance Corporation acting as receiver

By: /s/ Gordon A. Smith

Name: Gordon A. Smith

Title: CEO of Consumer & Community Banking

MasterCard Incorporated,
MasterCard International Incorporated

By: /s/ Timothy H. Murphy

Name: Timothy H. Murphy

Title: General Counsel

(Signature page to Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing)

PNC Bank, National Association, successor by merger to National City Bank and National City Bank of Kentucky

By: /s/ Joseph Guyaux
Name: Joseph Guyaux
Title: Vice Chairman

The PNC Financial Services Group, Inc, successor by merger to National City Corporation

By: /s/ Joseph Guyaux
Name: Joseph Guyaux
Title: Vice Chairman

Suntrust Banks, Inc.

By: /s/ Brian D. Edwards
Name: Brian D. Edwards
Title: Deputy General Counsel

Texas Independent Bancshares, Inc., Texas First Bank

By: /s/ Charles T. Doyle
Name: Charles T. Doyle
Title: Chairman of the Board

(Signature page to Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing)

U.S. Bank, N.A., and U.S. Bancorp

By: /s/ Laura Bednarski

Name: Laura Bednarski

Title: Senior Vice President

Wells Fargo & Co.

Wells Fargo Bank N.A.

By: /s/ C. Vance Beck

Name: C. Vance Beck

Title: Senior Vice President

Wells Fargo & Co., as successor to Wachovia Corporation

By: /s/ C. Vance Beck

Name: C. Vance Beck

Title: Senior Vice President

Wells Fargo Bank N.A., as successor to Wachovia Bank, N.A.

By: /s/ C. Vance Beck

Name: C. Vance Beck

Title: Senior Vice President

(Signature page to Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing)

Visa U.S.A. Inc.

By: /s/ Kelly Mahon Tullier
Name: Kelly Mahon Tullier
Title: EVP, General Counsel

Visa International Service Association

By: /s/ Kelly Mahon Tullier
Name: Kelly Mahon Tullier
Title: EVP, General Counsel

Visa Inc.

By: /s/ Kelly Mahon Tullier
Name: Kelly Mahon Tullier
Title: EVP, General Counsel

(Signature page to Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing)

WMI Liquidating Trust,
on its own behalf and on behalf of Washington Mutual, Inc.

By: /s/ Charles Edward Smith

Name: Charles Edward Smith

Title: General Counsel

(Signature page to Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing)

**SECOND AMENDMENT TO MASTERCARD SETTLEMENT
AND JUDGMENT SHARING AGREEMENT**

With respect to the MasterCard Settlement and Judgment Sharing Agreement dated as of February 7, 2011, as amended on August 26, 2014 (“Agreement”), and in consideration of the mutual covenants and agreements contained herein, the undersigned parties agree as of the Second Amendment Effective Date to amend the Agreement as follows:

1. The undersigned parties agree, pursuant to Paragraph 17 of the Agreement, to amend Paragraph 6.d of the Agreement in its entirety to read as follows:
 - d. For purposes of this Agreement, Sharing Agreements refers to (i) this Agreement, as amended on August 26, 2014 and October 22, 2015, (ii) the Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing dated as of February 7, 2011, as amended on August 26, 2014 and October 22, 2015, (iii) the Interchange Judgment Sharing Agreement dated as of July 1, 2007 among Visa USA, Visa International, Visa Inc., and various financial institutions, as amended and restated in the Amended and Restated Interchange Judgment Sharing Agreement dated as of December 16, 2008 and as further amended on February 7, 2011, August 26, 2014, and October 22, 2015 (the “Visa JSA”), and (iv) the Loss Sharing Agreement, dated as of July 1, 2007, among Visa Inc., Visa International, Visa USA, and various financial institutions, as amended and restated in the Amended and Restated Loss Sharing Agreement, dated as of December 16, 2008 and as further amended on February 7, 2011, August 26, 2014, and October 22, 2015 (the “Visa LSA”). The Visa JSA and the Visa LSA are referred to collectively herein as the “Visa Agreements.”
2. For the avoidance of doubt, to the extent that the Agreement uses the term “Visa LSA,” that term shall mean the Loss Sharing Agreement, dated as of July 1, 2007, among Visa Inc., Visa International, Visa USA, and various financial institutions, as amended and restated in the Amended and Restated Loss Sharing Agreement, dated as of December 16, 2008 and as further amended on February 7, 2011, August 26, 2014, and October 22, 2015.
3. This Second Amendment to the Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, and all such counterparts shall constitute but one instrument.
4. This Second Amendment to the Agreement shall be effective as of the date on which (a) all entities listed on the signature pages hereto have executed it and (b) all entities listed on the signature pages thereto have executed each of the Amendment to Loss Sharing Agreement dated as of October 22, 2015, Amendment of Interchange Judgment Sharing Agreement dated as of October 22, 2015, and Second Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing dated as of October 22, 2015 (the “Second Amendment Effective Date”).

5. Each of the undersigned individuals signs on behalf of, and represents and warrants that he or she has the authority and authorization to sign on behalf of and bind, the corporations, banks, companies, or entities identified immediately above his or her signature, and upon the Second Amendment Effective Date this instrument shall be a valid and binding obligation of each such entity.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned parties have caused the execution of this Second Amendment to MasterCard Settlement and Judgment Sharing Agreement.

Bank of America, N.A.,
MBNA America (Delaware),
FIA Card Services N.A. (f/k/a Bank of America, N.A. (USA)
and MBNA America Bank, N.A.),
Bank of America Corporation, and
NB Holdings Corporation

By: /s/ Jana Litsey
Name: Jana Litsey
Title: Associate General Counsel

BA Merchant Services LLC (f/k/a National Processing, Inc.)

By: /s/ JoAnn P. Carlton
Name: JoAnn P. Carlton
Title: General Counsel and Secretary

Barclays Bank plc, Barclays Financial Corp., and Barclays Bank Delaware

By: /s/ Clinton Walker
Name: Clinton Walker
Title: Secretary

Capital One Bank, (USA), N.A., Capital One, F.S.B., Capital One, N.A., Capital One Financial Corporation

By: /s/ Jonathan Campbell

Name: Jonathan Campbell

Title: VP Associate General Counsel

Chase Bank USA, N.A.

By: /s/ Gordon A. Smith

Name: Gordon A. Smith

Title: CEO of Consumer & Community Banking

Citibank (South Dakota), N.A., Citibank, N.A., Citicorp, and Citigroup, Inc.

By: /s/ Benjamin R. Nagin, Sidley Austin LLP

Name: Benjamin R. Nagin, Sidley Austin LLP

Title: with authorization, on behalf of, Citibank (South Dakota), N.A., Citibank, N.A., Citicorp, and Citigroup, Inc.

Fifth Third Bancorp

By: /s/ H. Samuel Lind

Name: H. Samuel Lind

Title: Secretary

First National Bank of Nebraska, Inc. and First National Bank of Omaha

By: /s/ Nicholas W. Baxter

Name: Nicholas W. Baxter

Title: Executive Vice President & Chief Risk Officer

HSBC Finance Corporation

By: /s/ Megan S. Webster

Name: Megan S. Webster

Title: Vice President

HSBC Bank, USA, N.A.

By: /s/ James S. Stiegel

Name: James S. Stiegel

Title: Assistant Secretary

HSBC North America Holdings, Inc.

By: /s/ Stephen R. Nesbitt

Name: Stephen R. Nesbitt

Title: Executive Vice President

HSBC Bank plc

By: /s/ D. M. Charles

Name: D. M. Charles

Title: Co-General Counsel

HSBC Holdings plc

By: /s/ Guy Nielson

Name: Guy Nielson

Title: Co-General Counsel, Litigation and Regulatory Enforcement

JPMorgan Chase & Co.

By: /s/ Gordon A. Smith

Name: Gordon A. Smith

Title: CEO of Consumer & Community Banking

JPMorgan Chase Bank, N.A., as acquirer of certain assets and liabilities of Washington Mutual Bank from the Federal Deposit Insurance Corporation acting as receiver

By: /s/ Gordon A. Smith

Name: Gordon A. Smith

Title: CEO of Consumer & Community Banking

MasterCard Incorporated,
MasterCard International Incorporated

By: /s/ Timothy H. Murphy
Name: Timothy H. Murphy
Title: General Counsel

The PNC Financial Services Group, Inc., successor by merger to National City Corporation

By: /s/ Joseph Guyaux
Name: Joseph Guyaux
Title: Vice Chairman

PNC Bank, National Association, successor by merger to National City Bank and National City Bank of Kentucky

By: /s/ Joseph Guyaux
Name: Joseph Guyaux
Title: Vice Chairman

Suntrust Banks Inc.

By: /s/ Brian D. Edwards
Name: Brian D. Edwards
Title: Deputy General Counsel

Texas Independent Bancshares, Inc.

By: /s/ Charles T. Doyle

Name: Charles T. Doyle

Title: Chairman of the Board

Wells Fargo & Co.

Wells Fargo Bank N.A.

By: /s/ C. Vance Beck

Name: C. Vance Beck

Title: Senior Vice President

MASTERCARD INCORPORATED
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Nine Months Ended		Years Ended December 31,			
	September 30, 2015	2014	2013	2012	2011	2010
(in millions, except ratios)						
Pre-tax income (loss) before adjustment for non-controlling interests	\$ 3,933	\$ 5,082	\$ 4,502	\$ 3,932	\$ 2,746	\$ 2,757
Loss attributable to non-controlling interests and equity investments	19	27	37	25	18	1
Add: Fixed charges	51	50	20	25	29	56
Earnings (loss)	\$ 4,003	\$ 5,159	\$ 4,559	\$ 3,982	\$ 2,793	\$ 2,814
Fixed charges:						
Interest expense	\$ 49	\$ 48	\$ 14	\$ 20	\$ 25	\$ 52
Portion of rental expense under operating leases deemed to be the equivalent of interest ¹	2	2	6	5	4	4
Total fixed charges	\$ 51	\$ 50	\$ 20	\$ 25	\$ 29	\$ 56
Ratio of earnings to fixed charges	78.5	103.2	228.0	159.3	96.3	50.3

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

October 29, 2015

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

Commissioners:

We are aware that our report dated October 29, 2015 on our review of interim financial information of MasterCard Incorporated and its subsidiaries (the "Company") as of September 30, 2015 and for the three and nine month periods ended September 30, 2015 and 2014 and included in the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2015 is incorporated by reference in its Registration Statements on Form S-8 dated June 30, 2006 (File No. 333-135572), August 9, 2006 (File No. 333-136460), and June 15, 2007 (File No. 333-143777), and the Registration Statement on Form S-3 dated June 15, 2015 (No. 333-204959).

Very truly yours,

/s/ PricewaterhouseCoopers LLP

New York, New York

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

I, Martina Hund-Mejean, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MasterCard Incorporated for the three months ended September 30, 2015 ;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2015

By: _____ /s/ Martina Hund-Mejean

**Martina Hund-Mejean
Chief Financial Officer**

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

In connection with the quarterly report of MasterCard Incorporated (the "Company") on Form 10-Q for the three month period ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ajay Banga, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

October 29, 2015

/s/ Ajay Banga

Ajay Banga

President and Chief Executive Officer

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

In connection with the quarterly report of MasterCard Incorporated (the "Company") on Form 10-Q for the three month period ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martina Hund-Mejean, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

October 29, 2015

/s/ Martina Hund-Mejean

Martina Hund-Mejean
Chief Financial Officer