
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 March 31, 2018

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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)		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act.

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

As of April 27, 2018, there were 1,030,195,248 shares outstanding of the registrant's Class A common stock, par value \$0.0001 per share; and 13,775,789 shares outstanding of the registrant's Class B common stock, par value \$0.0001 per share.

MASTERCARD INCORPORATED
FORM 10-Q

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I — FINANCIAL INFORMATION</u>	
<u>ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</u>	<u>4</u>
<u>Consolidated Balance Sheet — March 31, 2018 and December 31, 2017</u>	<u>4</u>
<u>Consolidated Statement of Operations — Three Months Ended March 31, 2018 and 2017</u>	<u>5</u>
<u>Consolidated Statement of Comprehensive Income — Three Months Ended March 31, 2018 and 2017</u>	<u>6</u>
<u>Consolidated Statement of Changes in Equity — Three Months Ended March 31, 2018</u>	<u>7</u>
<u>Consolidated Statement of Cash Flows — Three Months Ended March 31, 2018 and 2017</u>	<u>8</u>
<u>Notes to Consolidated Financial Statements</u>	<u>9</u>
<u>ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>31</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>45</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>45</u>
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>46</u>
<u>PART II — OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>47</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>47</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>47</u>
<u>ITEM 5. OTHER INFORMATION</u>	<u>47</u>
<u>ITEM 6. EXHIBITS</u>	<u>47</u>
<u>SIGNATURES</u>	<u>49</u>

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. Examples of forward-looking statements include, but are not limited to, statements that relate to the Company's future prospects, developments and business strategies.

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, including, but not limited to, the following factors:

- direct regulation of the payments industry (including regulatory, legislative and litigation activity with respect to interchange fees, surcharging and the extension of current regulatory activity to additional jurisdictions or products)
- the impact of preferential or protective government actions
- regulation to which we are directly or indirectly subject based on our participation in the payments industry (including anti-money laundering and economic sanctions, financial sector oversight, real-time account-based payment systems, issuer practice regulation and regulation of internet and digital transactions)
- the impact of changes in laws, including the recent U.S. tax legislation, regulations and interpretations thereof, or challenges to our tax positions
- regulation of privacy, data protection and security
- potential or incurred liability and limitations on business resulting from litigation
- the impact of competition in the global payments industry (including disintermediation and pricing pressure)
- the challenges relating to rapid technological developments and changes
- the challenges relating to operating an account-based payment system in addition to our core network and to working with new customers and end users
- the impact of information security incidents, account data breaches, fraudulent activity, or service disruptions on our business
- issues related to our relationships with our financial institution customers (including loss of substantial business from significant customers, competitor relationships with our customers and banking industry consolidation)
- the impact of our relationships with other stakeholders, including merchants and governments
- exposure to loss or illiquidity due to settlement guarantees and other significant third-party obligations
- the impact of global economic and political events and conditions (including global financial market activity, declines in cross-border activity, negative trends in consumer spending, the effect of adverse currency fluctuation and the effects of the U.K.'s proposed withdrawal from the E.U.)
- reputational impact, including impact related to brand perception
- issues related to acquisition integration, strategic investments and entry into new businesses
- 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, 2017 . 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)

	March 31, 2018	December 31, 2017
	(in millions, except per share data)	
ASSETS		
Cash and cash equivalents	\$ 6,890	\$ 5,933
Restricted cash for litigation settlement	548	546
Investments	1,378	1,849
Accounts receivable	2,122	1,969
Settlement due from customers	1,531	1,375
Restricted security deposits held for customers	965	1,085
Prepaid expenses and other current assets	1,273	1,040
Total Current Assets	14,707	13,797
Property, plant and equipment, net of accumulated depreciation of \$748 and \$714, respectively	839	829
Deferred income taxes	350	250
Goodwill	3,104	3,035
Other intangible assets, net of accumulated amortization of \$1,173 and \$1,157, respectively	1,118	1,120
Other assets	2,826	2,298
Total Assets	\$ 22,944	\$ 21,329
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY		
Accounts payable	\$ 370	\$ 933
Settlement due to customers	1,280	1,343
Restricted security deposits held for customers	965	1,085
Accrued litigation	828	709
Accrued expenses	4,501	3,931
Other current liabilities	1,004	792
Total Current Liabilities	8,948	8,793
Long-term debt	6,469	5,424
Deferred income taxes	64	106
Other liabilities	1,661	1,438
Total Liabilities	17,142	15,761
Commitments and Contingencies		
Redeemable Non-controlling Interests	71	71
Stockholders' Equity		
Class A common stock, \$0.0001 par value; authorized 3,000 shares, 1,384 and 1,382 shares issued and 1,034 and 1,040 outstanding, respectively	—	—
Class B common stock, \$0.0001 par value; authorized 1,200 shares, 14 and 14 issued and outstanding, respectively	—	—
Additional paid-in-capital	4,367	4,365
Class A treasury stock, at cost, 350 and 342 shares, respectively	(22,143)	(20,764)
Retained earnings	23,852	22,364
Accumulated other comprehensive income (loss)	(373)	(497)
Total Stockholders' Equity	5,703	5,468
Non-controlling interests	28	29
Total Equity	5,731	5,497
Total Liabilities, Redeemable Non-controlling Interests and Equity	\$ 22,944	\$ 21,329

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,	
	2018	2017
	(in millions, except per share data)	
Net Revenue	\$ 3,580	\$ 2,734
Operating Expenses		
General and administrative	1,294	951
Advertising and marketing	224	170
Depreciation and amortization	120	92
Provision for litigation settlements	117	15
Total operating expenses	1,755	1,228
Operating income	1,825	1,506
Other Income (Expense)		
Investment income	17	15
Interest expense	(43)	(39)
Other income (expense), net	4	(4)
Total other income (expense)	(22)	(28)
Income before income taxes	1,803	1,478
Income tax expense	311	397
Net Income	\$ 1,492	\$ 1,081
Basic Earnings per Share	\$ 1.42	\$ 1.00
Basic Weighted-Average Shares Outstanding	1,051	1,078
Diluted Earnings per Share	\$ 1.41	\$ 1.00
Diluted Weighted-Average Shares Outstanding	1,057	1,082

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended March 31,	
	2018	2017
	(in millions)	
Net Income	\$ 1,492	\$ 1,081
Other comprehensive income (loss):		
Foreign currency translation adjustments	161	86
Income tax effect	(2)	(1)
Foreign currency translation adjustments, net of income tax effect	159	85
Translation adjustments on net investment hedge	(45)	(34)
Income tax effect	12	12
Translation adjustments on net investment hedge, net of income tax effect	(33)	(22)
Defined benefit pension and other postretirement plans	(1)	(2)
Income tax effect	—	1
Defined benefit pension and other postretirement plans, net of income tax effect	(1)	(1)
Investment securities available-for-sale	(1)	(1)
Income tax effect	—	—
Investment securities available-for-sale, net of income tax effect	(1)	(1)
Other comprehensive income (loss), net of tax	124	61
Comprehensive Income	<u>\$ 1,616</u>	<u>\$ 1,142</u>

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)

	Stockholders' Equity							Non-Controlling Interests	Total Equity
	Common Stock		Additional Paid-In Capital	Class A Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)			
	Class A	Class B							
	(in millions, except per share data)								
Balance at December 31, 2017	\$ —	\$ —	\$ 4,365	\$ (20,764)	\$ 22,364	\$ (497)	\$ 29	\$ 5,497	
Adoption of revenue standard	—	—	—	—	441	—	—	441	
Adoption of intra-entity asset transfers standard	—	—	—	—	(183)	—	—	(183)	
Net income	—	—	—	—	1,492	—	—	1,492	
Activity related to non-controlling interests	—	—	—	—	—	—	(1)	(1)	
Other comprehensive income (loss), net of tax	—	—	—	—	—	124	—	124	
Cash dividends declared on Class A and Class B common stock, \$0.25 per share	—	—	—	—	(262)	—	—	(262)	
Purchases of treasury stock	—	—	—	(1,383)	—	—	—	(1,383)	
Share-based payments	—	—	2	4	—	—	—	6	
Balance at March 31, 2018	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,367</u>	<u>\$ (22,143)</u>	<u>\$ 23,852</u>	<u>\$ (373)</u>	<u>\$ 28</u>	<u>\$ 5,731</u>	

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

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
	2018	2017
	(in millions)	
Operating Activities		
Net income	\$ 1,492	\$ 1,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of customer and merchant incentives	287	266
Depreciation and amortization	120	92
Share-based compensation	43	39
Deferred income taxes	(46)	8
Other	1	9
Changes in operating assets and liabilities:		
Accounts receivable	(80)	(120)
Settlement due from customers	(156)	8
Prepaid expenses	(375)	(660)
Accrued litigation and legal settlements	111	13
Restricted security deposits held for customers	(141)	(19)
Accounts payable	(62)	57
Settlement due to customers	(63)	(124)
Accrued expenses	(140)	10
Net change in other assets and liabilities	44	67
Net cash provided by operating activities	<u>1,035</u>	<u>727</u>
Investing Activities		
Purchases of investment securities available-for-sale	(108)	(205)
Purchases of investments held-to-maturity	(123)	(377)
Proceeds from sales of investment securities available-for-sale	198	89
Proceeds from maturities of investment securities available-for-sale	108	151
Proceeds from maturities of investments held-to-maturity	430	320
Purchases of property, plant and equipment	(82)	(64)
Capitalized software	(44)	(30)
Other investing activities	(12)	(7)
Net cash provided by (used in) investing activities	<u>367</u>	<u>(123)</u>
Financing Activities		
Purchases of treasury stock	(1,352)	(962)
Dividends paid	(263)	(238)
Proceeds from debt	991	—
Tax withholdings related to share-based payments	(77)	(46)
Cash proceeds from exercise of stock options	40	19
Other financing activities	(4)	(10)
Net cash used in financing activities	<u>(665)</u>	<u>(1,237)</u>
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	95	35
Net increase (decrease) cash, cash equivalents, restricted cash and restricted cash equivalents	832	(598)
Cash, cash equivalents, restricted cash and restricted cash equivalents - beginning of period	7,592	8,273
Cash, cash equivalents, restricted cash and restricted cash equivalents - end of period	<u>\$ 8,424</u>	<u>\$ 7,675</u>

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, digital partners, businesses and other organizations worldwide, enabling them to use electronic forms of payment instead of cash and checks.

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. At March 31, 2018 and December 31, 2017, there were no significant VIEs which required consolidation. The Company consolidates acquisitions as of the date in which the Company has obtained a controlling financial interest. Intercompany transactions and balances have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the 2018 presentation. The Company follows accounting principles generally accepted in the United States of America (“GAAP”).

The balance sheet as of December 31, 2017 was derived from the audited consolidated financial statements as of December 31, 2017. The consolidated financial statements for the three months ended March 31, 2018 and 2017 and as of March 31, 2018 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 months ended March 31, 2018 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. Reference should be made to the Mastercard Incorporated Annual Report on Form 10-K for the year ended December 31, 2017 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 months ended March 31, 2018 and 2017, activity from non-controlling interests was not material to the respective period results.

Recent Accounting Pronouncements

Income taxes - In March 2018, the Financial Accounting Standards Board (the “FASB”) issued guidance allowing for the recognition of provisional amounts related to the 2017 U.S. tax reform (the “U.S. Tax Reform”) in the event that the accounting was not complete by the end of the period enacted. The provisional amounts can be updated within a one year measurement period with changes recorded as a component of income tax expense during the reporting period. This guidance was effective upon issuance. Refer to Note 13 (Income Taxes) for further discussion.

Comprehensive income - In February 2018, the FASB issued accounting guidance that allows for a one-time reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the U.S. Tax Reform. The guidance is effective for periods beginning after December 15, 2018, with early adoption permitted. The Company is in the process of evaluating the impacts this guidance will have on its consolidated financial statements and, at this time, does not expect the impacts to be material.

Derivatives and hedging - In August 2017, the FASB issued accounting guidance to improve and simplify existing guidance to allow companies to better reflect their risk management activities in the financial statements. The guidance expands the ability to account for nonfinancial and financial risk components under hedge accounting and eliminates the requirement to separately measure and recognize hedge ineffectiveness and eases requirements of an entity’s assessment of hedge effectiveness. This guidance is effective for periods beginning after December 15, 2018 and early adoption is permitted. The Company currently does not account for its foreign currency derivative contracts under hedge accounting and does not expect the standard to have an impact to the Company. For a more detailed discussion of the Company’s foreign exchange risk management activities, refer to Note 16 (Foreign Exchange Risk Management).

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

Net periodic pension cost and net periodic postretirement benefit cost - In March 2017, the FASB issued accounting guidance to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. Under this guidance, the service cost component is required to be reported in the same line item as other compensation costs arising from services rendered by employees during the period. The other components of the net periodic benefit costs are required to be presented in the consolidated statement of operations separately from the service cost component and outside of operating income. This guidance is required to be applied retrospectively and is effective for periods beginning after December 15, 2017. The Company adopted this guidance effective January 1, 2018. The adoption of this new accounting guidance resulted in no material impact on the Company's current year consolidated financial statements. The Company did not apply this guidance retrospectively, as the impact was de minimis as to the prior year consolidated financial statements.

Restricted cash - In November 2016, the FASB issued accounting guidance to address diversity in the classification and presentation of changes in restricted cash on the consolidated statement of cash flows. Under this guidance, companies are required to present restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the consolidated statement of cash flows. This guidance is required to be applied retrospectively and is effective for periods beginning after December 15, 2017. The Company adopted this guidance effective January 1, 2018. In accordance with the adoption of this standard, the Company includes restricted cash, which currently consists primarily of restricted cash for litigation settlement and restricted security deposits held for customers in its reconciliation of beginning-of-period and end-of-period amounts shown on the consolidated statement of cash flows.

Intra-entity asset transfers - In October 2016, the FASB issued accounting guidance to simplify the accounting for income tax consequences of intra-entity transfers of assets other than inventory. Under this guidance, companies will be required to recognize the income tax consequences of an intra-entity asset transfer when the transfer occurs. This guidance must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the period of adoption. The guidance is effective for periods beginning after December 15, 2017. The Company adopted this guidance effective January 1, 2018. For a more detailed discussion, refer to Note 13 (Income Taxes). See the section in this note entitled Cumulative Effect of the Adopted Accounting Pronouncements for a summary of the cumulative impact of adopting this standard as of January 1, 2018.

Leases - In February 2016, the FASB issued accounting guidance that will change how companies account for and present lease arrangements. This guidance requires companies to recognize leased assets and liabilities for both financing and operating leases. This guidance is effective for periods after December 15, 2018 and early adoption is permitted. Companies are required to adopt the guidance using a modified retrospective method. The Company expects to adopt this guidance effective January 1, 2019. The Company is in the process of evaluating the potential effects this guidance will have on its consolidated financial statements.

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. The Company adopted this guidance effective January 1, 2018 under the modified retrospective transition method, applying the standard to contracts not completed as of January 1, 2018 and considered the aggregate amount of modifications. See the section in this note entitled Cumulative Effect of the Adopted Accounting Pronouncements for a summary of the cumulative impact of adopting this standard as of January 1, 2018.

This new revenue guidance will primarily impact the timing of when certain customer incentives are recognized in the Company's consolidated statement of operations, which will now be recognized over the life of the contract versus as earned by the customer. In addition, the new revenue guidance impacts the accounting recognition for certain market development fund contributions and expenditures. Historically, these items were recorded on a net basis in net revenue and will now be recognized on a gross basis, resulting in an increase to both revenues and expenses. The estimated full-year impact for both of these items on the Company's consolidated financial statements is expected to be an increase of approximately \$300 million in net revenue and \$200 million in operating expenses in 2018. This estimate could change and is dependent upon how new customer deals will be structured throughout 2018 and when certain marketing costs are incurred.

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

The following tables summarize the impact of the revenue standard on the Company's consolidated statement of operations for the three months ended March 31, 2018 and consolidated balance sheet as of March 31, 2018 :

	Three Months Ended March 31, 2018		
	Balances excluding revenue standard	Impact of revenue standard	As reported
	(in millions)		
Net Revenue	\$ 3,473	\$ 107	\$ 3,580
Operating Expenses			
General and administrative	1,299	(5)	1,294
Advertising and marketing	184	40	224
Income before income taxes	1,731	72	1,803
Income tax expense	297	14	311
Net Income	1,434	58	1,492

	March 31, 2018		
	Balances excluding revenue standard	Impact of revenue standard	As reported
	(in millions)		
Assets			
Accounts receivable	\$ 2,075	\$ 47	\$ 2,122
Prepaid expenses and other current assets	1,081	192	1,273
Deferred income taxes	439	(89)	350
Other assets	2,088	738	2,826
Liabilities			
Accounts payable	808	(438)	370
Accrued expenses	4,045	456	4,501
Other current liabilities	1,082	(78)	1,004
Other liabilities	1,203	458	1,661
Equity			
Retained earnings	23,362	490	23,852

For a more detailed discussion on revenue recognition, refer to Note 3 (Revenue) .

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

Cumulative Effect of the Adopted Accounting Pronouncements

The following table summarizes the cumulative impact of the changes made to the January 1, 2018 consolidated balance sheet for the adoption of the new accounting standards pertaining to revenue recognition and intra-entity asset transfers. The prior periods have not been restated and have been reported under the accounting standards in effect for those periods.

	Balance at December 31, 2017	Impact of revenue standard	Impact of intra-entity asset transfers standard	Balance at January 1, 2018
(in millions)				
Assets				
Accounts receivable	\$ 1,969	\$ 44	\$ —	\$ 2,013
Prepaid expenses and other current assets	1,040	172	(17)	1,195
Deferred income taxes	250	(82)	186	354
Other assets	2,298	660	(352)	2,606
Liabilities				
Accounts payable	933	(495)	—	438
Accrued expenses	3,931	481	—	4,412
Other current liabilities	792	(44)	—	748
Other liabilities	1,438	411	—	1,849
Equity				
Retained earnings	22,364	441	(183)	22,622

Note 2. Acquisitions

In 2017, the Company acquired businesses for total consideration of \$1.5 billion. The Company continues to evaluate and finalize the purchase price accounting. For the preliminary estimated fair values of the purchase price allocations, as of the acquisition dates, refer to Note 2 (Acquisitions) to the consolidated financial statements included in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Note 3. Revenue

Mastercard's business model involves four participants in addition to the Company: account holders, merchants, issuers (the account holders' financial institutions) and acquirers (the merchants' financial institutions). Revenue from contracts with customers is recognized when services are performed in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those services. Revenue recognized from domestic assessments, cross-border volume fees and transaction processing are derived from Mastercard's payment network services. Revenue is generated by charging fees to issuers, acquirers and other stakeholders for providing switching services, as well as by assessing customers based primarily on the dollar volume of activity, or gross dollar volume, on the cards and other devices that carry the Company's brands. Revenue is generally derived from transactional information accumulated by Mastercard's systems or reported by customers. In addition, the Company recognizes revenue from other payment-related products and services in the period in which the related transactions occur or services are performed.

The price structure for Mastercard's products and services is dependent on the nature of volumes, types of transactions and type of products and services offered to customers. Net revenue can be impacted by the following:

- domestic or cross-border transactions
- geographic region or country in which the transaction occurs
- volumes/transactions subject to tiered rates
- processed or not processed by the Company

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

- amount of usage of the Company's other products or services
- amount of rebates and incentives provided to customers

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

Domestic assessments are fees charged to issuers and acquirers based primarily on the dollar volume of activity on cards and other devices that carry the Company's brands where the acquirer country and the issuer country are the same. Revenue from domestic assessments are recorded as revenue in the period it is earned, which is when the related volume is generated on the cards or other devices that carry the Company's brand.

Cross-border volume fees are charged to issuers and acquirers based on the dollar volume of activity on cards and other devices that carry the Company's brands where the acquirer country and the issuer country are different. Revenue from cross-border volume are recorded as revenue in the period it is earned, which is when the related volume is generated on the cards or other devices that carry the Company's brand.

Transaction processing revenue is earned for both domestic and cross-border transactions and is primarily based on the number of transactions. Transaction processing includes the following:

- *Switched transaction* revenue is generated from 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 approve such transactions on behalf of the issuer in accordance with either the issuer's instructions or applicable rules (also known as "stand-in").
 - Clearing is the determination and exchange of financial transaction information between issuers and acquirers after a transaction has been successfully conducted at the point of interaction. Transactions are cleared among customers through Mastercard's central and regional processing systems.
 - Settlement is facilitating the exchange of funds between parties.
- *Connectivity fees* are charged to issuers, acquirers and other financial institutions for network access, equipment and the transmission of authorization and settlement messages. These fees are based on the size of the data being transmitted and the number of connections to the Company's network.
- *Other processing fees* include issuer and acquirer processing solutions; payment gateways for e-commerce merchants; mobile gateways for mobile initiated transactions; and safety and security.

Transaction-based revenue is recognized in the period in which the related transactions occur.

Other revenues consist of value added service offerings that are typically sold with the Company's payment service offerings.

- Consulting, data analytic and research fees.
- Safety and security services fees are for products and services offered to prevent, detect and respond to fraud and to ensure the safety of transactions made on Mastercard products.
- Loyalty and rewards solutions fees are charged to issuers for benefits provided directly to consumers with Mastercard-branded cards, such as access to a global airline lounge network, global and local concierge services, individual insurance coverages, emergency card replacement, emergency cash advance services and a 24-hour cardholder service center. Loyalty and reward solution fees also include rewards campaigns and management services.
- 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.
- Bank account-based payment services relating to automated clearing house ("ACH") transactions and other ACH related services.

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

- Other payment-related products and services, including account and transaction enhancement services, rules compliance and publications.

Revenue associated with these other payment-related products and services are recognized in the period in which the related transactions occur or services are performed.

Rebates and incentives (contra-revenue) are provided to customers that meet certain volume targets and can be in the form of a rebate or other support incentives, which are tied to performance. Rebates and incentives are recorded as a reduction of revenue when revenue is recognized, ratably over the contractual term. In addition, Mastercard may make incentive payments to a customer directly related to entering into an agreement, which are generally capitalized and amortized over the life of the agreement on a straight-line basis.

The following table disaggregates the Company's consolidated net revenue by revenue source and geography for the three months ended March 31, 2018 :

	(in millions)
Revenue by source:	
Domestic assessments	\$ 1,458
Cross-border volume fees	1,157
Transaction processing	1,707
Other revenues	748
Gross revenue	5,070
Rebates and incentives (contra-revenue)	(1,490)
Net revenue	\$ 3,580
Revenue by geography:	
North American Markets	\$ 1,248
International Markets	2,287
Other ¹	45
Net revenue	\$ 3,580

¹ Includes revenues managed by corporate functions.

Receivables from contracts with customers of \$1,980 million and \$1,873 million as of March 31, 2018 and December 31, 2017 , respectively, are recorded within accounts receivable in the consolidated balance sheet. Services are billed quarterly or more frequently dependent upon the nature of the performance obligation and the underlying contractual terms with the customer. The Company does not offer extended payment terms to customers.

Contract assets include unbilled consideration typically resulting from executed consulting, data analytic and research services performed for customers in connection with Mastercard's payment network service arrangements. Collection of these services typically occurs over the contractual term. These contract assets are included in other current assets and other assets on the consolidated balance sheet at March 31, 2018 in the amounts of \$27 million and \$61 million , respectively. The Company did not have contract assets at December 31, 2017 .

The Company defers the recognition of revenue when consideration has been received prior to the satisfaction of performance obligations. As these performance obligations are satisfied, revenue is subsequently recognized. Deferred revenue is primarily derived from consulting, data analytic and research services. Deferred revenue is included in other current liabilities and other liabilities on the consolidated balance sheet at March 31, 2018 in the amounts of \$230 million and \$65 million , respectively. Revenue recognized from performance obligations satisfied during the three months ended March 31, 2018 was \$161 million . The comparable amounts included in other current liabilities and other liabilities at December 31, 2017 were \$230 million and \$17 million , respectively.

The Company's remaining performance period for its contracts with customers for its payment network services are generally

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

long-term in nature (up to 10 years). As a payment network service provider, the Company provides its customers with continuous access to its payment network and stands ready to provide transaction processing and related services over the contractual term. Consideration is variable based upon the number of transactions processed and volume activity on the cards and other devices that carry the Company's brands. The Company has elected the optional exemption to not disclose the remaining performance obligations related to its payment network services.

The following table summarizes expected revenues for the remaining performance obligations with customers from the Company's other products and services including real-time account-based payment services, consulting and research fees and loyalty programs. The Company expects to recognize revenue in the future related to these unsatisfied performance obligations for fixed-fee contracts open as of March 31, 2018 that are greater than one year.

	(in millions)	
Remainder of 2018	\$	211
2019-2020		473
2021-2022		79
2023 and thereafter		23
Total	\$	786

Note 4. Earnings Per Share

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

	Three Months Ended March 31,	
	2018	2017
	(in millions, except per share data)	
Numerator		
Net income	\$ 1,492	\$ 1,081
Denominator		
Basic weighted-average shares outstanding	1,051	1,078
Dilutive stock options and stock units	6	4
Diluted weighted-average shares outstanding ¹	1,057	1,082
Earnings per Share		
Basic	\$ 1.42	\$ 1.00
Diluted	\$ 1.41	\$ 1.00

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

Note 5. Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

The Company's cash and cash equivalents include certain investments with daily liquidity and with a maturity of three months or less from the date of purchase. Cash equivalents are recorded at cost, which approximate fair value.

Restricted cash and restricted cash equivalents - The Company classifies cash and cash equivalents as restricted when the cash is unavailable for withdrawal or usage for general operations. The Company has the following types of restricted cash balances:

- *Restricted cash for litigation settlement* - The Company has restricted cash for litigation within a qualified settlement fund related to a preliminary settlement agreement for the U.S. merchant class litigation. The funds continue to be restricted for payments until the litigation matter is resolved. Refer to Note 14 (Legal and Regulatory Proceedings).

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

- *Restricted security deposits held for customers* - The Company requires collateral from certain customers for settlement of their transactions. The majority of collateral for settlement is in the form of standby letters of credit and bank guarantees which are not recorded on the consolidated balance sheet. Additionally, the Company holds cash deposits and certificates of deposit from certain customers of Mastercard as collateral for settlement of their transactions, which are recorded as assets on the consolidated balance sheet. These assets are fully offset by corresponding liabilities included on the consolidated balance sheet. These security deposits are typically held for the duration of the agreement with the customers.
- *Other restricted cash balances* - The Company has other restricted cash balances which include contractually restricted deposits, as well as cash balances that are restricted based on the Company's intention with regards to usage.

The following table provides a reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents reported within the statement of financial position that total to the beginning of period and end of period amounts shown in the statement of cash flows.

	December 31,	
	2017	2016
	(in millions)	
Cash and cash equivalents	\$ 5,933	\$ 6,721
Restricted cash and restricted cash equivalents		
Restricted cash for litigation settlement	546	543
Restricted security deposits held for customers	1,085	991
Prepaid expenses and other current assets	28	3
Other assets	—	15
Cash, cash equivalents, restricted cash and restricted cash equivalents - beginning of period ¹	<u>\$ 7,592</u>	<u>\$ 8,273</u>

	March 31,	
	2018	2017
	(in millions)	
Cash and cash equivalents	\$ 6,890	\$ 6,006
Restricted cash and restricted cash equivalents		
Restricted cash for litigation settlement	548	543
Restricted security deposits held for customers	965	984
Prepaid expenses and other current assets	21	126
Other assets	—	16
Cash, cash equivalents, restricted cash and restricted cash equivalents - end of period ¹	<u>\$ 8,424</u>	<u>\$ 7,675</u>

¹ As shown on the consolidated statement of cash flows.

Note 6. 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"). There were no transfers made among the three levels in the Valuation Hierarchy during the three months ended March 31, 2018 .

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

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

	March 31, 2018				December 31, 2017			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in millions)								
Assets								
Investment securities available for sale ¹ :								
Municipal securities	\$ —	\$ 14	\$ —	\$ 14	\$ —	\$ 17	\$ —	\$ 17
Government and agency securities	89	54	—	143	81	104	—	185
Corporate securities	—	757	—	757	—	876	—	876
Asset-backed securities	—	55	—	55	—	70	—	70
Equity securities	1	—	—	1	1	—	—	1
Derivative instruments ² :								
Foreign currency derivative assets	—	9	—	9	—	6	—	6
Deferred compensation plan ³ :								
Deferred compensation assets	61	—	—	61	55	—	—	55
Liabilities								
Derivative instruments ² :								
Foreign currency derivative liabilities	\$ —	\$ (37)	\$ —	\$ (37)	\$ —	\$ (30)	\$ —	\$ (30)
Deferred compensation plan ⁴ :								
Deferred compensation liabilities	(58)	—	—	(58)	(54)	—	—	(54)

¹ 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. The fair value of the Company's available-for-sale municipal securities, government and agency securities, corporate securities and asset-backed securities are based on observable inputs such as quoted prices, benchmark yields and issuer spreads for similar assets in active markets and are therefore included in Level 2 of the Valuation Hierarchy.

² The Company's foreign currency derivative asset and liability contracts have been classified within Level 2 of the Valuation Hierarchy as the fair value is based on observable inputs such as broker quotes relating to foreign currency exchange rates for similar derivative instruments. See Note 16 (Foreign Exchange Risk Management) for further details.

³ The Company has a nonqualified deferred compensation plan where assets are invested primarily in mutual funds held in a rabbi trust, which is restricted for payments to participants of the plan. The Company has elected to use the fair value option for these mutual funds, which are measured using quoted prices of identical instruments in active markets and are included in prepaid expenses and other current assets on the consolidated balance sheet.

⁴ The deferred compensation liabilities are measured at fair value based on the quoted prices of instruments identical to the investment vehicles selected by the participants. They are included in other liabilities on the consolidated balance sheet.

Settlement and Other Guarantee Liabilities

The Company estimates the fair value of its settlement and other guarantees using 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 March 31, 2018 and December 31, 2017, the carrying value and fair value of settlement and other guarantee liabilities were not material and accordingly are not included in the Valuation Hierarchy table above. Settlement and other guarantee liabilities are classified within Level 3 of the Valuation Hierarchy as their valuation requires substantial judgment and estimation of factors that are not observable in the market. For additional information regarding the Company's settlement and other guarantee liabilities, see Note 15 (Settlement and Other Risk Management).

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

Financial Instruments - Non-Recurring Measurements

Held-to-Maturity Securities

Investments on the consolidated balance sheet include both available-for-sale and short-term held-to-maturity securities. Held-to-maturity securities are not measured at fair value on a recurring basis and are not included in the Valuation Hierarchy table above. At March 31, 2018 and December 31, 2017, the Company held \$408 million and \$700 million, respectively, of short-term held-to-maturity securities. The cost of these securities approximates fair value.

Nonmarketable Equity Investments

The Company's nonmarketable equity investments are measured at fair value at initial recognition and for impairment testing. In addition, nonmarketable equity investments accounted for under the cost method of accounting are adjusted for changes resulting from observable price changes in orderly transactions for the identical or similar investments of the same issuer. Nonmarketable equity investments are classified within Level 3 of the Valuation Hierarchy due to the absence of quoted market prices, the inherent lack of liquidity, and the fact that inputs used to measure fair value are unobservable and require management's judgment. The Company uses discounted cash flows and market assumptions to estimate the fair value of its nonmarketable equity investments when certain events or circumstances indicate that impairment may exist. These investments are included in other assets on the consolidated balance sheet and in Note 7 (Prepaid Expenses and Other Assets).

Debt

The Company estimates the fair value of its long-term debt based on market quotes. These debt instruments are not traded in active markets and are classified within Level 2 of the Valuation Hierarchy. At March 31, 2018, the carrying value and fair value of long-term debt was \$6.5 billion and \$6.7 billion, respectively. At December 31, 2017, the carrying value and fair value of long-term debt was \$5.4 billion and \$5.7 billion, respectively.

Other Financial Instruments

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, accounts receivable, settlement due from customers, restricted security deposits held for customers, accounts payable, settlement due to customers and other accrued liabilities.

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.

The contingent consideration attributable to acquisitions made in 2017 is primarily based on the achievement of 2018 revenue targets. This contingent consideration liability is classified within Level 3 of the Valuation Hierarchy due to the absence of quoted market prices. The activity of the Company's contingent consideration liability for the three months ended March 31, 2018 was as follows:

		(in millions)
Balance at December 31, 2017	\$	219
Net change in valuation		4
Payments		(5)
Foreign currency translation		9
Balance at March 31, 2018	\$	227

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 (loss) on the consolidated statement of comprehensive income, and their respective amortized cost basis and fair values as of March 31, 2018 and December 31, 2017 were as follows:

	March 31, 2018				December 31, 2017			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions)							
Municipal securities	\$ 14	\$ —	\$ —	\$ 14	\$ 17	\$ —	\$ —	\$ 17
Government and agency securities	143	—	—	143	185	—	—	185
Corporate securities	757	1	(1)	757	875	2	(1)	876
Asset-backed securities	55	—	—	55	70	—	—	70
Equity securities	—	1	—	1	—	1	—	1
Total	\$ 969	\$ 2	\$ (1)	\$ 970	\$ 1,147	\$ 3	\$ (1)	\$ 1,149

The Company's available-for-sale investment securities held at March 31, 2018 and December 31, 2017 primarily carried a credit rating of A- or better. The municipal securities are primarily comprised of tax-exempt bonds and are diversified across states and sectors. Government and agency securities include U.S. government bonds, U.S. government sponsored agency bonds and foreign government bonds with similar credit quality to that of the U.S. government 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 March 31, 2018 was as follows:

	Available-For-Sale	
	Amortized Cost	Fair Value
	(in millions)	
Due within 1 year	\$ 256	\$ 256
Due after 1 year through 5 years	713	713
Due after 5 years through 10 years	—	—
Due after 10 years	—	—
No contractual maturity ¹	—	1
Total	\$ 969	\$ 970

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

Investment Income

Investment income primarily consists of interest income generated from cash, cash equivalents and investments. 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 three months ended March 31, 2018 and 2017 were not significant.

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

Note 7. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets consisted of the following:

	March 31, 2018	December 31, 2017
(in millions)		
Customer and merchant incentives	\$ 701	\$ 464
Prepaid income taxes	21	77
Other	551	499
Total prepaid expenses and other current assets	<u>\$ 1,273</u>	<u>\$ 1,040</u>

Other assets consisted of the following:

	March 31, 2018	December 31, 2017
(in millions)		
Customer and merchant incentives	\$ 2,230	\$ 1,434
Nonmarketable equity investments	253	249
Prepaid income taxes	—	352
Income taxes receivable	156	178
Other	187	85
Total other assets	<u>\$ 2,826</u>	<u>\$ 2,298</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. The increase in customer and merchant incentives and the decrease in prepaid income taxes at March 31, 2018 from December 31, 2017 are primarily due to the impact from the adoption of the new accounting standards pertaining to revenue recognition and intra-entity asset transfers, respectively. See Note 1 (Summary of Significant Accounting Policies) for additional information on the cumulative impact of the adoption of these accounting pronouncements.

Nonmarketable equity investments represent the Company's cost and equity method investments.

Note 8. Accrued Expenses and Accrued Litigation

Accrued expenses consisted of the following:

	March 31, 2018	December 31, 2017
(in millions)		
Customer and merchant incentives	\$ 3,310	\$ 2,648
Personnel costs	312	613
Advertising	74	88
Income and other taxes	374	194
Other	431	388
Total accrued expenses	<u>\$ 4,501</u>	<u>\$ 3,931</u>

As of March 31, 2018 and December 31, 2017, the Company's provision for litigation was \$828 million and \$709 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. See Note 14 (Legal and Regulatory Proceedings) for further discussion of the U.S. and Canadian merchant class litigations.

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

Note 9. Debt

Total debt outstanding consisted of the following at March 31, 2018 and December 31, 2017 :

Notes	Issuance Date	Interest Payment Terms	Maturity Date	Aggregate Principal Amount	Stated Interest Rate	Effective Interest Rate	March 31, 2018	December 31, 2017
(in millions, except percentages)								
2018 USD Notes	February 2018	Semi-annually	2028	\$ 500	3.500%	3.598%	\$ 500	\$ —
			2048	500	3.950%	3.990%	500	—
				<u>\$ 1,000</u>				
2016 USD Notes	November 2016	Semi-annually	2021	\$ 650	2.000%	2.236%	650	650
			2026	750	2.950%	3.044%	750	750
			2046	600	3.800%	3.893%	600	600
				<u>\$ 2,000</u>				
2015 Euro Notes	December 2015	Annually	2022	€ 700	1.100%	1.265%	862	839
			2027	800	2.100%	2.189%	985	958
			2030	150	2.500%	2.562%	185	180
				<u>€ 1,650</u>				
2014 USD Notes	March 2014	Semi-annually	2019	\$ 500	2.000%	2.178%	500	500
			2024	1,000	3.375%	3.484%	1,000	1,000
				<u>\$ 1,500</u>				
						6,532	5,477	
Less: Unamortized discount and debt issuance costs							(63)	(53)
Long-term debt							<u>\$ 6,469</u>	<u>\$ 5,424</u>

In February 2018, the Company issued \$500 million principal amount of notes due February 2028 and \$500 million principal amount of notes due February 2048 (collectively the “2018 USD Notes”). The net proceeds from the issuance of the 2018 USD Notes, after deducting the original issue discount, underwriting discount and offering expenses, were \$991 million .

The net proceeds, after deducting the original issue discount, underwriting discount and offering expenses, from the issuance of the 2016 USD Notes, the 2015 Euro Notes and the 2014 USD Notes, were \$1.969 billion , \$1.723 billion and \$1.484 billion , respectively.

None of the outstanding debt, described above, is subject to financial covenants and may be redeemed in whole, or in part, at the Company’s option at any time for a specified make-whole amount. These notes are senior unsecured obligations and would rank equally with any future unsecured and unsubordinated indebtedness. The proceeds of the notes are to be used for general corporate purposes.

In November 2015, the Company established a commercial paper program (the “Commercial Paper Program”) under which it is authorized to issue up to \$3.75 billion in outstanding notes, with maturities up to 397 days from the date of issuance. The Commercial Paper Program is available in U.S. dollars.

In conjunction with the Commercial Paper Program, the Company entered into a committed unsecured \$3.75 billion revolving credit facility (the “Credit Facility”). Borrowings under the Credit Facility are available in U.S. dollars and/or euros. In October 2017, the Company extended the Credit Facility for an additional year to October 2022. The extension did not result in any material changes to the terms and conditions of the Credit Facility. The facility fee and borrowing cost under the Credit Facility are based upon the Company’s credit rating. At March 31, 2018 , the applicable facility fee was 8 basis points on the average daily

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

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. 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”). The Company was in compliance in all material respects with the covenants of the Credit Facility at March 31, 2018. The majority of Credit Facility lenders are customers or affiliates of customers of the Company.

Borrowings under the Commercial Paper Program and the Credit Facility are used to provide liquidity for general corporate purposes, including providing liquidity in the event of one or more settlement failures by the Company’s customers. The Company may borrow and repay amounts under the Commercial Paper Program and Credit Facility from time to time. The Company had no borrowings under the Credit Facility and the Commercial Paper Program at March 31, 2018 and December 31, 2017.

In March 2018, the Company filed a universal shelf registration statement (replacing a previously filed shelf registration statement that was set to expire) to provide additional access to capital, if needed. Pursuant to the shelf registration statement, the Company may from time to time offer to sell debt securities, guarantees of debt securities, preferred stock, Class A common stock, depository shares, purchase contracts, units or warrants in one or more offerings.

Note 10. Stockholders’ Equity

The Company’s Board of Directors has approved share repurchase programs authorizing the Company to repurchase its Class A common stock. These programs become effective after the completion of the previously authorized share repurchase program.

The following table summarizes the Company’s share repurchase authorizations of its Class A common stock through March 31, 2018, as well as historical purchases:

Board authorization dates	December 2017	December 2016	December 2015	
Date program became effective	March 2018	April 2017	February 2016	Total
(in millions, except average price data)				
Board authorization	\$ 4,000	\$ 4,000	\$ 4,000	\$ 12,000
Dollar value of shares repurchased during the three months ended March 31, 2017	\$ —	\$ —	\$ 962	\$ 962
Remaining authorization at December 31, 2017	\$ 4,000	\$ 1,234	\$ —	\$ 5,234
Dollar value of shares repurchased during the three months ended March 31, 2018	\$ 118	\$ 1,234	\$ —	\$ 1,352
Remaining authorization at March 31, 2018	\$ 3,882	\$ —	\$ —	\$ 3,882
Shares repurchased during the three months ended March 31, 2017	—	—	8.8	8.8
Average price paid per share during the three months ended March 31, 2017	\$ —	\$ —	\$ 109.06	\$ 109.06
Shares repurchased during the three months ended March 31, 2018	0.7	7.2	—	7.9
Average price paid per share during the three months ended March 31, 2018	\$ 175.87	\$ 171.11	\$ —	\$ 171.52
Cumulative shares repurchased through March 31, 2018	0.7	28.2	40.4	69.3
Cumulative average price paid per share	\$ 175.87	\$ 141.99	\$ 99.10	\$ 117.30

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

The following table presents the changes in the Company's outstanding Class A and Class B common stock for the three months ended March 31, 2018 :

	Outstanding Shares	
	Class A	Class B
	(in millions)	
Balance at December 31, 2017	1,039.7	14.1
Purchases of treasury stock	(7.9)	—
Share-based payments	1.5	—
Conversion of Class B to Class A common stock	0.3	(0.3)
Balance at March 31, 2018	1,033.6	13.8

Note 11. Accumulated Other Comprehensive Income (Loss)

The changes in the balances of each component of accumulated other comprehensive income (loss), net of tax, for the three months ended March 31, 2018 and 2017 were as follows:

	Foreign Currency Translation Adjustments 1	Translation Adjustments on Net Investment Hedge 2	Defined Benefit Pension and Other Postretirement Plans	Investment Securities Available-for-Sale	Accumulated Other Comprehensive Income (Loss)
	(in millions)				
Balance at December 31, 2016	\$ (949)	\$ 12	\$ 11	\$ 2	\$ (924)
Other comprehensive income (loss) for the period 3	85	(22)	(1)	(1)	61
Balance at March 31, 2017	\$ (864)	\$ (10)	\$ 10	\$ 1	\$ (863)
Balance at December 31, 2017	\$ (382)	\$ (141)	\$ 25	\$ 1	\$ (497)
Other comprehensive income (loss) for the period 3	159	(33)	(1)	(1)	124
Balance at March 31, 2018	\$ (223)	\$ (174)	\$ 24	\$ —	\$ (373)

¹During the three months ended March 31, 2018 and 2017, the decrease in other comprehensive loss related to foreign currency translation adjustments was driven primarily by the appreciation of the euro.

² Balances at March 31, 2018 and December 31, 2017 include \$28 million of stranded tax effects as a result of the U.S. Tax Reform.

³During the three months ended March 31, 2018 and 2017, gains and losses reclassified from accumulated other comprehensive income to the consolidated statement of operations were not significant.

Note 12. Share-Based Payments

During the three months ended March 31, 2018, 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.

	Grants in 2018	Weighted-Average Grant-Date Fair Value
	(in millions)	(per option/unit)
Non-qualified stock options	0.9	\$41
Restricted stock units	0.9	\$170
Performance stock units	0.1	\$226

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

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

calculated the expected term and the expected volatility based on historical Mastercard information. The expected term of stock options granted in 2018 was determined to be six years , while the expected volatility was determined to be 19.7% .

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.

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 13. Income Taxes

The effective income tax rates were 17.3% and 26.9% for the three months ended March 31, 2018 and 2017 , respectively. The lower effective tax rate, as compared to the prior year, was primarily due to a lower enacted statutory tax rate in the United States. On December 22, 2017, the U.S. passed comprehensive tax legislation which, among other things, reduces the U.S. corporate income tax rate from 35% to 21% in 2018. The improved rate for the period was also attributable to discrete benefits for share-based payments.

While the effective date for most of the 2017 U.S. Tax Reform provisions was January 1, 2018, GAAP required the resulting tax effects be accounted for in the reporting period of enactment. At December 31, 2017, this included a one-time mandatory deemed repatriation tax on accumulated foreign earnings (the "Transition Tax"), the remeasurement of the Company's net deferred tax asset balance in the U.S., the dilution of foreign tax credit benefits on the repatriation of current year foreign earnings and the recognition of a deferred tax liability resulting from the change in the Company's indefinite reinvestment assertion for certain foreign affiliates. Also, in December 2017, the SEC staff issued guidance which allows registrants to record provisional amounts for certain aspects of the U.S. Tax Reform during a measurement period, which is not to extend beyond one year.

Consistent with the SEC guidance, the Company was able to make reasonable estimates and had recorded provisional amounts of \$629 million related to the Transition Tax, \$157 million charge for the remeasurement of the Company's net deferred tax asset in the U.S. and \$36 million related to the change in assertion regarding the indefinite reinvestment of foreign earnings. Each of these amounts may require further adjustments during the measurement period due to evolving analysis and interpretations of law, including issuance by the Internal Revenue Service (the "IRS") and The Department of Treasury ("Treasury") of Notices, regulations and, potentially, direct discussions with Treasury, as well as interpretations of how accounting for income taxes should be applied to the U.S. Tax Reform. The Company expects to complete its accounting within the prescribed measurement period.

On January 19, 2018, the IRS and Treasury issued additional administrative guidance relating to the Transition Tax. It was determined that a single spot rate, as of December 31, 2017, should be used to translate accumulated foreign earnings to U.S. dollars when calculating the Transition Tax liability, compared to the yearly average approach used in the Company's calculation as of December 31, 2017. This additional administrative guidance has no impact on the Company's overall effective tax rate. However, it did result in an approximately \$36 million increase to its Transition Tax liability with an offsetting decrease to the deferred tax liability recorded on the change in assertion with regard to the indefinite reinvestment of certain of the Company's foreign earnings. These offsetting charges were recorded during the three months ended March 31, 2018 .

During 2014, the Company implemented an initiative to better align its legal entity and tax structure with its 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. This improved alignment has resulted in greater flexibility and efficiency with regard to the global deployment of cash, as well as benefits to the Company's effective income tax rate. The Company recorded a deferred charge related to the income tax expense on intercompany profits that resulted from the transfer. The tax associated with the transfer was deferred and was being amortized utilizing a 25 -year life. This deferred charge was included in other current assets and other assets on the consolidated balance sheet at December 31, 2017 in the amounts of \$17 million and \$352 million , respectively. In October 2016, the FASB issued accounting guidance to simplify the accounting for income tax consequences of intra-entity transfers of assets other than inventory. Under this guidance, companies are required to recognize the income tax consequences of an intra-entity asset transfer when the transfer occurs. The guidance must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the period of adoption. The Company adopted this accounting guidance on January 1, 2018. The aforementioned deferred charge of \$369 million at December 31, 2017 has been

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

charged against retained earnings as a component of the cumulative-effect adjustment as of January 1, 2018. In addition, deferred taxes have also been included as a component of the cumulative-effect adjustment whereby the Company has recorded a \$186 million deferred tax asset representing the temporary difference in book and tax basis of the intellectual property that was transferred to the United Kingdom. See Note 1 (Summary of Significant Accounting Policies) for additional information on the cumulative impact of the adoption of this accounting pronouncement.

The Company is subject to tax in the United States, Belgium, Singapore, the United Kingdom and various other foreign jurisdictions, as well as state and local jurisdictions. 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 limitation. Within the next twelve months, the Company believes that the resolution of certain federal, foreign and state and local examinations are reasonably possible and that a change in estimate, reducing 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 or the related statutes of limitation expire. The Company has effectively settled its U.S. federal income tax obligations through 2008, with the exception of transfer pricing issues which are settled through 2011. With limited exception, the Company is no longer subject to state and local or foreign examinations by tax authorities for years before 2010.

Note 14. Legal and Regulatory Proceedings

Mastercard is a party to legal and regulatory proceedings with respect to a variety of matters in the ordinary course of business. Some of these proceedings 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 reasonably 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.

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.

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

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. The court granted final approval of the settlement in December 2013, and objectors to the settlement appealed that decision to the U.S. Court of Appeals for the Second Circuit. In June 2016, the court of appeals vacated the class action certification, reversed the settlement approval and sent the case back to the district court for further proceedings. The court of appeals' ruling was based primarily on whether the merchants were adequately represented by counsel in the settlement.

Prior to the reversal of the settlement approval, 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 had anticipated that most of the larger merchants who opted out of the settlement would initiate separate actions seeking to recover damages, and over 30 opt-out complaints have been filed on behalf of numerous merchants in various jurisdictions. Mastercard has executed settlement agreements with a number of opt-out merchants. Mastercard believes these settlement agreements are not impacted by the ruling of the court of appeals. The defendants have consolidated all of these matters (except for two state court actions) in front of the same federal district court that approved the merchant class settlement. In July 2014, the district court denied the defendants' motion to dismiss the opt-out merchant complaints for failure to state a claim. Deposition discovery commenced in December 2016 and the parties in the class action are in mediation.

As of March 31, 2018, Mastercard had accrued a liability of \$737 million as a reserve for both the merchant class litigation and the filed and anticipated opt-out merchant cases. As of March 31, 2018 and December 31, 2017, Mastercard had \$548 million and \$546 million, respectively, in a qualified cash settlement fund related to the merchant class litigation and classified as restricted cash on its consolidated balance sheet. In the first quarter of 2018, Mastercard increased the reserve for opt-out merchant cases by \$27 million to reflect current settlement discussions. Mastercard believes the reserve for both the merchant class litigation and the filed and anticipated opt-out merchants represents its best estimate of its probable liabilities in these matters at March 31, 2018. The portion of the accrued liability relating to both the opt-out merchants and the merchant class litigation settlement does not represent an estimate of a loss, if any, if the matters were litigated to a final outcome. Mastercard cannot estimate the potential liability if that were to occur.

Canada. In December 2010, a proposed class action complaint was commenced against Mastercard in Quebec on behalf of Canadian merchants. The 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) concerning certain Mastercard rules related to point-of-sale acceptance, including the "honor all cards" and "no surcharge" rules. The Quebec 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 were commenced in British Columbia and Ontario against Mastercard, Visa and a number of large Canadian financial institutions. The British Columbia suit sought compensatory damages in unspecified amounts, and the Ontario suit sought compensatory damages of \$5 billion on the basis of alleged conspiracy and various alleged breaches of the Canadian

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

Competition Act. Additional purported class action complaints were commenced in Saskatchewan and Alberta with claims that largely mirror those in the other suits. In June 2017, Mastercard entered into a class settlement agreement to resolve all of the Canadian class action litigation. The settlement, which is subject to court approval in each applicable province, requires Mastercard to make a cash payment and modify its “no surcharge” rule. During the first quarter of 2017, the Company recorded a provision for litigation of \$15 million related to this matter.

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 “EEA”). The Statement of Objections, which follows an investigation opened in 2013, includes preliminary conclusions concerning the alleged anticompetitive effects of these practices. The European Commission has indicated it intends to seek fines if these conclusions are subsequently confirmed. In April 2016, Mastercard submitted a response to the Statement of Objections disputing the European Commission’s preliminary conclusions and participated in a related oral hearing in May 2016. Since that time, Mastercard has remained in discussions with the European Commission. Although the Statement of Objections does not quantify the level of fines, based upon recent interactions with the European Commission, it is possible that they could be substantial, potentially in excess of \$1 billion if the European Commission were to issue a negative decision. Fines may be less than this amount in the event of a negotiated resolution. Due to the uncertainty of numerous legal issues, including the potential for a negotiated resolution, Mastercard cannot estimate a possible range of loss at this time, although Mastercard expects to obtain greater clarity with respect to these issues in the second or third quarter of 2018.

In the United Kingdom, beginning in May 2012, a number of retailers filed claims or threatened litigation 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 (the “U.K. Merchant claimants”), with claimed purported damages exceeding \$1 billion. The U.K. Merchant claimants (including all resolved matters) represent approximately 40% of Mastercard’s U.K. interchange volume over the relevant damages period. Mastercard submitted statements of defense to the retailers’ claims disputing liability and damages. Since June 2015, Mastercard has recorded litigation provisions for settlements, judgments and legal fees relating to these claims in an aggregate amount of \$197 million, including a charge of \$19 million in the first quarter of 2018 relating to settlements with a number of U.K. Merchant claimants. This aggregate amount also includes a litigation provision of \$107 million recorded in the second quarter of 2016 for the amount of a judgment (which Mastercard is appealing) issued by a tribunal following the conclusion of a trial for liability and damages for one of the U.K. merchant cases.

In January 2017, Mastercard received a liability judgment in its favor on all significant matters in a separate action brought by ten of the U.K. Merchant claimants, who had been seeking in excess of \$500 million in damages. Subsequently, Mastercard settled with six of these claimants to resolve their claims, with no financial payments required by Mastercard. Three of the U.K. Merchant claimants are appealing the judgment. Oral argument on these appeals (as well as on Mastercard’s appeal described above) was held in late April 2018.

Additional merchants have filed or threatened litigation with respect to interchange rates in Europe (the “Pan-European claimants”) for purported damages exceeding \$1 billion. Mastercard submitted statements of defense to the retailers’ claims disputing liability and damages. During the first quarter of 2018, Mastercard recorded a charge of \$70 million resulting from settlements with over 70 Pan-European claimants, which represented over 60% of the Pan-European claimants’ merchant damages claims.

In September 2016, a proposed collective action was filed in the United Kingdom on behalf of U.K. consumers seeking damages for intra-EEA and domestic U.K. interchange fees that were allegedly passed on to consumers by merchants between 1992 and 2008. The complaint, which seeks to leverage the European Commission’s 2007 decision on intra-EEA interchange fees, claims damages in an amount that exceeds £14 billion (approximately \$20 billion as of March 31, 2018). In July 2017, the court denied the plaintiffs’ application for the case to proceed as a collective action. The plaintiffs’ request for permission to appeal this decision was denied, which they have appealed. The plaintiffs have also filed a separate request for judicial review of the court’s denial of their collective action.

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 in the United States with the discretion to determine the price of the ATM access fee for the terminals they operate.

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

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.

U.S. Liability Shift Litigation

In March 2016, a proposed U.S. merchant class action complaint was filed in federal court in California alleging that Mastercard, Visa, American Express and Discover (the "Network Defendants"), EMVCo, and a number of issuing banks (the "Bank Defendants") engaged in a conspiracy to shift fraud liability for card present transactions from issuing banks to merchants not yet in compliance with the standards for EMV chip cards in the United States (the "EMV Liability Shift"), in violation of the Sherman Act and California law. Plaintiffs allege damages equal to the value of all chargebacks for which class members became liable as a result of the EMV Liability Shift on October 1, 2015. The plaintiffs seek treble damages, attorney's fees and costs and an injunction against future violations of governing law, and the defendants have filed a motion to dismiss. In September 2016, the court denied the Network Defendants' motion to dismiss the complaint, but granted such a motion for EMVCo and the Bank Defendants. In May 2017, the court transferred the case to New York so that discovery could be coordinated with the U.S. merchant class interchange litigation described above. In March 2018, the district court denied the plaintiffs' motion for class certification, while permitting them to re-file.

Telephone Consumer Protection Class Action

Mastercard is a defendant in a Telephone Consumer Protection Act ("TCPA") class action pending in Florida. The plaintiffs are individuals and businesses who allege that approximately 381,000 unsolicited faxes were sent to them advertising a Mastercard co-brand card issued by First Arkansas Bank ("FAB"). The TCPA provides for uncapped statutory damages of \$500 per fax. Mastercard has asserted various defenses to the claims, and has notified FAB of an indemnity claim that it has (which FAB has disputed). Class certification briefing is expected to begin in May 2018.

Note 15. 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.

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

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 the ordinary course activities of the Company.

The Company has global risk management policies and procedures 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. As part of its policies, 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.

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

	March 31, 2018	December 31, 2017
	(in millions)	
Gross settlement exposure	\$ 47,157	\$ 47,002
Collateral held for settlement exposure	(4,816)	(4,360)
Net uncollateralized settlement exposure	<u>\$ 42,341</u>	<u>\$ 42,642</u>

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 \$395 million at March 31, 2018 and December 31, 2017, of which \$313 million is mitigated by collateral arrangements. In addition, the Company enters into 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 16. Foreign Exchange Risk Management

The Company monitors and manages its foreign currency exposures as part of its overall risk management program which focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results. A primary objective of the Company's risk management strategies is to reduce the financial impact that may arise from volatility in foreign currency exchange rates principally through the use of both foreign currency derivative contracts (Derivatives) and foreign currency denominated debt (Net Investment Hedge).

Derivatives

The Company enters into foreign currency derivative contracts to manage risk associated with anticipated receipts and disbursements which are valued based on currencies other than the functional currencies of the entity. The Company may also enter into foreign currency derivative contracts to offset possible changes in value due to foreign exchange fluctuations of earnings,

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

assets and liabilities. 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.

As of March 31, 2018 and December 31, 2017, 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:

	March 31, 2018		December 31, 2017	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
	(in millions)			
Commitments to purchase foreign currency	\$ 58	\$ 1	\$ 27	\$ —
Commitments to sell foreign currency	1,041	(32)	968	(26)
Options to sell foreign currency	31	3	27	2
<i>Balance sheet location</i>				
Accounts receivable ¹		\$ 9		\$ 6
Other current liabilities ¹		(37)		(30)

¹ The derivative contracts are subject to enforceable master netting arrangements, which contain various netting and setoff provisions.

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

	Three Months Ended March 31,	
	2018	2017
	(in millions)	
Foreign currency derivative contracts		
General and administrative	\$ (21)	\$ (28)

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. 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 currency derivative contracts in accumulated other comprehensive income as of March 31, 2018 and December 31, 2017, as these contracts were not accounted for under hedge accounting.

The Company's derivative financial instruments are subject to both market and counterparty credit 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 foreign currency exchange rates, interest rates and other related variables. The effect of a hypothetical 10% adverse change in U.S. dollar forward rates could result in a fair value loss of approximately \$115 million on the Company's foreign currency derivative contracts outstanding at March 31, 2018. 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 a diversified group of 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.

Net Investment Hedge

The Company uses foreign currency denominated debt to hedge a portion of its net investment in foreign operations against adverse movements in exchange rates, with changes in the value of the debt recorded within currency translation adjustment in accumulated other comprehensive income (loss). In 2015, the Company designated its €1.65 billion debt as a net investment hedge for a portion of its net investment in European foreign operations. As of March 31, 2018, the Company had a net foreign currency transaction pre-tax loss of \$261 million in accumulated other comprehensive income (loss) associated with hedging activity. There was no ineffectiveness in the current period.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following supplements management's discussion and analysis of Mastercard Incorporated for the year ended December 31, 2017 as contained in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on February 14, 2018 . 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. 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.

Business Overview

Mastercard is a technology company in the global payments industry that connects consumers, financial institutions, merchants, governments, digital partners, businesses and other organizations worldwide, enabling them to use electronic forms of payment instead of cash and checks. Through our global payments processing network, we facilitate the switching (authorization, clearing and settlement) of payment transactions 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®, Cirrus® and Masterpass®. Our 2017 acquisition of Vocalink Holdings Limited ("Vocalink") has expanded our capability to process automated clearing house ("ACH") transactions, among other things. As a multi-rail network, we now offer customers one partner to turn to for their payment needs for both domestic and cross-border transactions. We also provide value-added offerings such as safety and security products, information services and consulting, loyalty and reward programs and issuer and acquirer processing. Our networks are designed to ensure safety and security for the global payments system.

A typical transaction on our core network involves four participants in addition to us: account holder (a consumer who holds a card or uses another device enabled for payment), merchant, issuer (the account holder'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 account holders by issuers, or establish the rates charged by acquirers in connection with merchants' acceptance of our branded products. In most cases, account holder relationships belong to, and are managed by, our financial institution customers.

We generate revenues from assessing our customers based on the gross dollar volume (the "GDV") of activity on the products that carry our brands, from the fees we charge to our customers for providing switching services and from other payment-related products and services.

Our Strategy

We grow, diversify and build our business through a combination of organic growth and strategic investments, including acquisitions. Our ability to grow our business is influenced by personal consumption expenditure growth, driving cash and check transactions toward electronic forms of payment, increasing our share in electronic payments and providing value-added products and services. In addition, our growth will be driven by capturing other payments flows, such as business to business ("B2B"), person to person ("P2P"), business to consumer ("B2C") and government disbursements, among others.

Grow . We focus on growing our core businesses globally, including growing our consumer credit, debit, prepaid and commercial products and solutions, thereby increasing the number of payment transactions we switch. We also look to take advantage of the opportunities presented by the evolving ways people interact and transact in the growing digital economy.

Diversify . We diversify our business by focusing on:

- adding new players to our customer base in new and existing markets by working with partners such as governments, merchants, technology companies (such as digital players and mobile providers) and other businesses
- expanding capabilities based on our core network into new areas to provide opportunities for electronic payments and to capture more payment flows, such as B2C transfers, B2B transfers, P2P transfers, including in the areas of transit and government disbursements
- driving acceptance at merchants of all sizes
- broadening financial inclusion for the unbanked and underbanked

Build . We build our business by:

- creating and acquiring differentiated products to provide unique, innovative solutions that we bring to market, such as real-time account-based payments, Mastercard B2B Hub™ and Mastercard Send™ platforms
- providing value-added services across safety and security, consulting, data analytics and loyalty

Strategic Partners . We work with a variety of stakeholders. We provide financial institutions with solutions to help them increase revenue by driving preference for Mastercard-branded products. We help merchants, financial institutions and other organizations by delivering data-driven insights and other services that help them grow and create simple and secure purchase experiences. We partner with technology companies such as digital players and mobile providers to deliver digital payment solutions powered by 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.

Business Environment

We authorize, clear and settle transactions in more than 210 countries and territories and in more than 150 currencies. Net revenue generated in the United States was 32% and 37% of total net revenue for the three months ended March 31, 2018 and 2017 , respectively. No individual country, other than the United States, generated more than 10% of total net revenue in each 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. Our primary revenue billing currencies are the U.S. dollar, euro, Brazilian real and the British pound.

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, currency fluctuations, 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 account holders who use our brands, have been directly impacted by these adverse economic conditions.

Our financial results may be negatively impacted by actions taken by individual financial institutions or by governmental or regulatory bodies. In addition, political instability or a decline in economic conditions in the countries in which we operate may accelerate the timing of or increase the impact of risks to our financial performance. As a result, our revenue or results of operations may be negatively impacted. We continue 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 us to grow our business.

For a full discussion of the various legal, regulatory and business risks that could impact our financial results, see “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017 .

Financial Results Overview

The following tables provide a summary of our operating results:

	Three Months Ended March 31,			Increase/(Decrease)
	2018	2017		
	(\$ in millions, except per share data)			
Net revenue	\$ 3,580	\$ 2,734		31%
Operating expenses	\$ 1,755	\$ 1,228		43%
Operating income	\$ 1,825	\$ 1,506		21%
Operating margin	51.0%	55.1%		(4.1) ppt
Income tax expense	\$ 311	\$ 397		(22)%
Effective income tax rate	17.3%	26.9%		(9.6) ppt
Net income	\$ 1,492	\$ 1,081		38%
Diluted earnings per share	\$ 1.41	\$ 1.00		41%
Diluted weighted-average shares outstanding	1,057	1,082		(2)%

Summary of Non-GAAP Results 1 :

	Three Months Ended March 31,		Increase/(Decrease)	
	2018	2017	As adjusted	Currency-neutral
	(\$ in millions, except per share data)			
Net revenue	\$ 3,580	\$ 2,734	31%	27%
Adjusted operating expenses	\$ 1,638	\$ 1,213	35%	32%
Adjusted operating margin	54.2%	55.6%	(1.4) ppt	(1.8) ppt
Adjusted effective income tax rate	17.7%	26.9%	(9.2) ppt	(9.2) ppt
Adjusted net income	\$ 1,581	\$ 1,091	45%	39%
Adjusted diluted earnings per share	\$ 1.50	\$ 1.01	49%	43%

Note: Tables may not sum due to rounding.

¹ The Summary of Non-GAAP Results excludes the impact of Special Items (defined below) and/or foreign currency. See "Non-GAAP Financial Information" for further information on the Special Items, the impact of foreign currency and the reconciliation to GAAP reported amounts.

Key highlights for the three months ended March 31, 2018 were as follows:

- Net revenue increased 31% , or 27% on a currency-neutral basis, versus the comparable period in 2017 . Current year results include 4 percentage points of growth from the adoption of the new revenue standard and 2.5 percentage points of growth from acquisitions on a currency-neutral basis. The remaining 20 percentage points of growth was primarily driven by:
 - Switched transaction growth of 17% , adjusted for the impact of the Venezuela deconsolidation

- Cross border growth of 21% on a local currency basis
- Gross dollar volume growth of 14% , on a local currency basis
- These increases were partially offset by higher rebates and incentives, which increased 16% , or 13% on a currency-neutral basis
- Operating expenses increased 43% for the three months ended March 31, 2018 , versus the comparable period in 2017 . Excluding the impact of the Special Items (defined below), adjusted operating expenses increased 35% , or 32% on a currency-neutral basis, for the three months ended March 31, 2018 , versus the comparable period in 2017 . Current year results include 8 percentage points of growth from acquisitions, 8 percentage points of growth from our \$ 100 million contribution to the Mastercard Center for Inclusive Growth, a non-profit charitable organization, and 3 percentage points of growth from the adoption of the new revenue guidance. The remaining 12 percentage points of growth is primarily related to our continued investment in strategic initiatives and higher operating costs.
- The effective income tax rate was 17.3% for the three months ended March 31, 2018 , versus 26.9% for the comparable period in 2017 . The lower effective tax rate, as compared to the prior year, was primarily due to a lower enacted statutory tax rate in the United States. On December 22, 2017, the U.S. passed comprehensive tax legislation (“U.S. Tax Reform”) which, among other things, reduces the U.S. corporate income tax rate from 35% to 21% in 2018. The improved rate for the period was also attributable to discrete benefits for share-based payments.

Other financial highlights for the three months ended March 31, 2018 were as follows:

- We generated net cash flows from operations of \$1.0 billion compared to \$0.7 billion for the comparable period in 2017 .
- We completed a debt offering for an aggregate principal amount of \$1 billion.
- We repurchased 7.9 million shares of our common stock and paid dividends of \$263 million .

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”). These non-GAAP financial measures exclude the impact of the following special items (“Special Items”):

- In the first quarter of 2018, we recorded provisions for litigation of \$70 million (\$53 million after tax, or \$0.05 per diluted share) related to litigation settlements with Pan-European merchants, \$27 million (\$21 million after tax, or \$0.02 per diluted share) related to an increased reserve for our U.S. merchant opt-out cases and \$19 million (\$15 million after tax, or \$0.01 per diluted share) related to litigation settlements with U.K. merchants.
- In the first quarter of 2017, we recorded provisions for litigation of \$15 million (\$10 million after tax, or \$0.01 per diluted share) related to a litigation settlement with Canadian merchants.

See Note 14 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item I of this Report for further discussion. We excluded these litigation provisions because our management monitors litigation judgments and settlements related to interchange and regulation separately from ongoing operations and evaluates ongoing performance without these amounts.

In addition, we present growth rates adjusted for the impact of foreign currency, which is a non-GAAP financial measure. Currency-neutral growth rates are calculated by remeasuring the prior period’s results using the current period’s exchange rates for both the translational and transactional impacts on operating results. The impact of foreign currency translation represents the effect of translating operating results where the functional currency is different than our U.S. dollar reporting currency. The impact of the transactional foreign currency represents the effect of converting revenue and expenses occurring in a currency other than the functional currency. Our management believes the presentation of the impact of foreign currency provides relevant information.

Our management believes that the non-GAAP financial measures presented facilitate an understanding of our operating performance and provide a meaningful comparison of our results between periods. Our management uses non-GAAP financial measures, among other things, to evaluate our ongoing operations in relation to historical results, for internal planning and forecasting purposes and in the calculation of performance-based compensation.

Net revenue, operating expenses, operating margin, effective income tax rate, net income and diluted earnings per share adjusted for Special Items and/or the impact of foreign currency are non-GAAP financial measures and should not be relied upon as substitutes for measures calculated in accordance with GAAP. The following tables reconcile our as-reported financial measures calculated in accordance with GAAP to the respective non-GAAP adjusted financial measures.

	Three Months Ended March 31, 2018				
	Operating expenses	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
	(\$ in millions, except per share data)				
Reported - GAAP	\$ 1,755	51.0%	17.3%	\$ 1,492	\$ 1.41
Special Items	(117)	3.2%	0.4%	89	0.08
Non-GAAP	\$ 1,638	54.2%	17.7%	\$ 1,581	\$ 1.50

	Three Months Ended March 31, 2017				
	Operating expenses	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
	(\$ in millions, except per share data)				
Reported - GAAP	\$ 1,228	55.1%	26.9%	\$ 1,081	\$ 1.00
Special Item	(15)	0.5%	—%	10	0.01
Non-GAAP	\$ 1,213	55.6%	26.9%	\$ 1,091	\$ 1.01

	Three Months Ended March 31, 2018 as compared to the Three Months Ended March 31, 2017					
	Increase/(Decrease)					
	Net revenue	Operating expenses	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	31 %	43 %	(4.1) ppt	(9.6) ppt	38 %	41 %
Special Items	— %	(8)%	2.7 ppt	0.4 ppt	7 %	8 %
Non-GAAP	31 %	35 %	(1.4) ppt	(9.2) ppt	45 %	49 %
Foreign currency ¹	(4)%	(3)%	(0.4) ppt	— ppt	(6)%	(6)%
Non-GAAP - currency-neutral	27 %	32 %	(1.8) ppt	(9.2) ppt	39 %	43 %

Note: Tables may not sum due to rounding.

¹ Represents the foreign currency translational and transactional impact.

Impact of Foreign Currency Rates

Our overall operating results are impacted by foreign currency translation, which represents the effect of translating operating results where the functional currency is different than our U.S. dollar reporting currency.

Our operating results can also be impacted by transactional foreign currency. The impact of the transactional foreign currency represents the effect of converting revenue and expense transactions occurring in a currency other than the functional currency. 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 other European local currencies. For example, our billing in Australia is in the U.S. dollar, however, consumer spend in Australia is in the Australian dollar. The foreign currency

transactional impact of converting Australian dollars to our U.S. dollar billing currency will have an impact on the revenue generated. 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 months ended March 31, 2018, GDV on a U.S. dollar-converted basis increased 19%, respectively, while GDV on a local currency basis increased 14%, versus the comparable period in 2017. Further, the impact from transactional foreign currency occurs in transaction processing revenue, other revenue and operating expenses when the local currency of these items are different than the functional currency.

In addition, we incur foreign currency gains and losses from remeasuring monetary assets and liabilities that are in a currency other than the functional currency and from remeasuring foreign exchange derivative contracts (“Foreign Exchange Activity”). The impact of Foreign Exchange Activity has not been eliminated in our currency-neutral results (see “Non-GAAP Financial Information”) and is recorded in general and administrative expenses. We attempt to manage foreign currency balance sheet remeasurement and cash flow risk through our foreign exchange risk management activities, which are discussed further in Note 16 (Foreign Exchange Risk Management) to the consolidated financial statements included in Part I, Item 1 of this Report. Since we do not designate foreign currency derivatives as hedging instruments pursuant to the accounting standards for derivative instruments and hedging activities, we record gains and losses on foreign exchange derivatives on a current basis, with the associated offset being recognized as the exposures materialize.

We are exposed to currency devaluation in certain countries. In addition, we are subject to exchange control regulations that restrict the conversion of financial assets into U.S. dollars. While these revenues and assets are not material to us on a consolidated basis, we can be negatively impacted should there be a continued and sustained devaluation of local currencies relative to the U.S. dollar and/or a continued and sustained deterioration of economic conditions in these countries.

Financial Results

Revenue

In the three months ended March 31, 2018, gross revenue increased 26%, or 22% on a currency-neutral basis, versus the comparable period in 2017. Gross revenue growth in the three months ended March 31, 2018 was driven by an increase in transactions, dollar volume of activity on cards carrying our brands and other payment-related products and services.

Rebates and incentives, in the three months ended March 31, 2018, increased 16%, or 13% on a currency-neutral basis, respectively, versus the comparable period in 2017, primarily due to increased volumes and new deals.

Our net revenue for the three months ended March 31, 2018, increased 31%, or 27% on a currency-neutral basis, versus the comparable period in 2017. The impact of acquisitions contributed 2.5 percentage points of growth and the adoption of the new revenue guidance contributed 4 percentage points of growth for the three months ended March 31, 2018.

See Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements included in Part I, Item 1 of this Report for a further discussion of the new revenue guidance. Additionally, see Note 3 (Revenue) to the consolidated financial statements included in Part I, Item 1 of this Report for a further discussion of how we recognize revenue.

The significant components of our net revenue were as follows:

	Three Months Ended March 31,		Increase (Decrease)
	2018	2017	
	(\$ in millions)		
Domestic assessments	\$ 1,458	\$ 1,189	23%
Cross-border volume fees	1,157	916	26%
Transaction processing	1,707	1,347	27%
Other revenues	748	561	33%
Gross revenue	<u>5,070</u>	<u>4,013</u>	26%
Rebates and incentives (contra-revenue)	(1,490)	(1,279)	16%
Net revenue	<u>\$ 3,580</u>	<u>\$ 2,734</u>	31%

The following table summarizes the primary drivers of net revenue growth in the three months ended March 31, 2018, versus the comparable period in 2017:

	Three Months Ended March 31, 2018					Total
	Volume	Acquisitions	Revenue Standard ¹	Foreign Currency ²	Other ³	
Domestic assessments	13%	—%	6%	3%	—% ⁴	23%
Cross-border volume fees	20%	—%	1%	7%	(2)%	26%
Transaction processing	15%	1%	—%	4%	6%	27%
Other revenues	**	10%	—%	—%	23% ⁵	33%
Rebates and incentives (contra-revenue)	11%	—%	(1)%	3%	4% ⁶	16%
Net revenue	15%	2.5%	4%	4%	6%	31%

Note: Table may not sum due to rounding.

** Not applicable.

¹ Represents the impact of our adoption of the new revenue guidance. For a more detailed discussion on the impact of the new revenue guidance, refer to Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements included in Part I, Item 1 of this Report.

² Represents the foreign currency translational and transactional impact versus the prior year period.

³ Includes impact from pricing and other non-volume based fees.

⁴ Includes impact of the allocation of revenue to service deliverables, which are recorded in other revenue when services are performed.

⁵ Includes impacts from Advisor fees, safety and security fees, loyalty and reward solution fees and other payment-related products and services.

⁶ Includes the impact from timing of new, renewed and expired agreements.

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

	Three Months Ended March 31,			
	2018		2017	
	Growth (USD)	Growth (Local)	Growth (USD)	Growth (Local)
Mastercard-branded GDV ¹	19%	14%	3%	5%
Asia Pacific/Middle East/Africa	19%	13%	6%	8%
Canada	15%	9%	17%	12%
Europe	31%	19%	(2)%	1%
Latin America	19%	17%	17%	15%
United States	10%	10%	2%	2%
Cross-border Volume ¹	32%	21%	10%	13%
Switched Transactions		13%		17%

¹ Excludes volume generated by Maestro and Cirrus cards.

In 2016, our GDV was impacted by the EU Interchange Fee Regulation related to card payments, which became effective in June 2016. The regulation requires that we no longer collect fees on domestic European Economic Area payment transactions that do not use our network brand. Prior to that, we collected a de minimis assessment fee in a few countries, particularly France, on transactions with Mastercard co-badged cards if the brands of domestic networks (as opposed to Mastercard) were used. As a result, the non-Mastercard co-badged volume is no longer being included.

The following table reflects GDV growth rates for Europe and Worldwide Mastercard. For comparability purposes, we adjusted growth rates for the impact of Article 8 of the EU Interchange Fee Regulation related to card payments, to exclude the prior period co-badged volume processed by other networks.

	Three Months Ended March 31,	
	2018	2017
	Growth (Local)	
GDV ¹		
Worldwide as reported	14%	5%
Worldwide as adjusted for EU Regulation	14%	8%
Europe as reported	19%	1%
Europe as adjusted for EU Regulation	19%	14%

¹ Excludes volume generated by Maestro and Cirrus cards.

The following table reflects switched transactions growth rates. For comparability purposes, we adjusted growth rates for the the deconsolidation of our Venezuelan subsidiaries. Revenue from these transactions was not material to our consolidated financial results. For a more detailed discussion of the deconsolidation of our Venezuelan subsidiaries, refer to Note 1 (Summary of Significant Accounting Policies) in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017 .

	Three Months Ended March 31,	
	2018	2017
	Growth (Local)	
Switched Transactions as reported	13%	17%
Switched Transactions as adjusted for the deconsolidation of Venezuela subsidiaries	17%	16%

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 our Annual Report on Form 10-K for the year ended December 31, 2017 .

Operating Expenses

Operating expenses increased 43% for the three months ended March 31, 2018 , versus the comparable period in 2017 . Excluding the impact of the Special Items, adjusted operating expenses increased 35% , or 32% on a currency-neutral basis, for the three months ended March 31, 2018 , versus the comparable period in 2017 .

The components of operating expenses were as follows:

	Three Months Ended March 31,		Increase (Decrease)
	2018	2017	
	(\$ in millions)		
General and administrative	\$ 1,294	\$ 951	36%
Advertising and marketing	224	170	32%
Depreciation and amortization	120	92	30%
Provision for litigation settlements	117	15	**
Total operating expenses	1,755	1,228	43%
Special Items ¹	(117)	(15)	**
Adjusted total operating expenses (excluding Special Items ¹)	\$ 1,638	\$ 1,213	35%

** Not meaningful.

¹ See "Non-GAAP Financial Information" for further information on the Special Items.

The following table summarizes the primary drivers of changes in operating expenses in the three months ended March 31, 2018 versus the comparable period in 2017 :

	Three Months Ended March 31, 2018						Total
	Operational	Special Items ¹	Acquisitions	Revenue Standard ²	Center for Inclusive Growth ³	Foreign Currency ⁴	
General and administrative	15 %	—%	8%	—%	10%	3%	36%
Advertising and marketing	4 %	—%	1%	23%	—%	5%	32%
Depreciation and amortization	— %	—%	28%	—%	—%	2%	30%
Provision for litigation settlements	**	**	**	**	**	**	**
Total operating expenses	12 %	8%	8%	3%	8%	3%	43%

Note: Tables may not sum due to rounding.

** Not meaningful.

¹ See "Non-GAAP Financial Information" for further information on the Special Items.

² Represents the impact of our adoption of the new revenue guidance. For a more detailed discussion on the impact of the new revenue guidance, refer to Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements included in Part I, Item 1 of this report.

³ Represents contribution of \$100 million to the Mastercard Center for Inclusive Growth, a non-profit charitable organization.

⁴ Represents the foreign currency translational and transactional impact versus the prior year period.

General and Administrative

The significant components of our general and administrative expenses were as follows:

	Three Months Ended March 31,		Increase (Decrease)
	2018	2017	
	(\$ in millions)		
Personnel	\$ 752	\$ 594	27%
Professional fees	81	61	32%
Data processing and telecommunications	141	110	28%
Foreign exchange activity	28	37	**
Other	292	149	97%
General and administrative expenses	<u>\$ 1,294</u>	<u>\$ 951</u>	36%

Note: Table may not sum due to rounding.

** Not meaningful.

The primary drivers of changes in general and administrative expenses for three months ended March 31, 2018 versus the comparable period in 2017 were:

- Personnel expenses increased 27% , or 23% on a currency-neutral basis, versus the comparable period in 2017 . The increase was due to a higher number of employees to support our continued investment in the areas of digital infrastructure, safety and security platforms and data analytics as well as geographic expansion. Acquisitions contributed 9 percentage points to personnel expense growth for the three months ended March 31, 2018 .
- Data processing and telecommunication expense increased 28% , or 24% on a currency-neutral basis, versus the comparable period in 2017 . This line item consists of expenses to support our global payments network infrastructure, expenses to operate and maintain our computer systems and other telecommunication systems. Acquisitions contributed 12 percentage points to expense growth for the three months ended March 31, 2018 . The remaining increase is due to capacity growth of our business.
- 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 16 (Foreign Exchange Risk Management) to the consolidated financial statements included in Part I, Item 1 for further discussion. There were no significant changes in the foreign exchange activity for the three months ended March 31, 2018 versus the comparable period in 2017 .
- Other expenses include costs to provide loyalty and rewards solutions, travel and meeting expenses, rental expense for our facilities and other costs associated with our business. For the three months ended March 31, 2018 , other expenses increased primarily due to the \$100 million contribution to the Mastercard Center for Inclusive Growth, a non-profit charitable organization, to enable a variety of workforce training, financial inclusion and digital infrastructure initiatives. Additionally, the increase in other expenses was due to higher cardholder services.

Advertising and Marketing

Advertising and marketing expenses increased 32% , or 27% on a currency-neutral basis, for the three months ended March 31, 2018 , versus the comparable period in 2017 , primarily due to a change in accounting for certain marketing fund arrangements as a result of our adoption of the new revenue guidance. For a more detailed discussion on the impact of the new revenue guidance, refer to Note 1 (Summary of Significant Accounting Policies) .

Depreciation and Amortization

Depreciation and amortization expenses increased 30% , or 28% on a currency-neutral basis, for the three months ended March 31, 2018 , versus the comparable period in 2017 , primarily due to the impact of acquisitions.

Provision for Litigation Settlement

In the first quarter of 2018, we recorded \$117 million in provisions for various litigation versus \$15 million recorded in the previous year. See section entitled "Non-GAAP Financial Information" in this section and Note 14 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion.

Other Income (Expense)

Other income (expense) is comprised primarily of investment income, interest expense, our share of income (losses) from equity method investments, certain income (expense) from our defined benefit plans and other gains and losses. Total other income (expense) decreased \$6 million for the three months ended March 31, 2018, versus the comparable period in 2017, primarily due to the lapping of impairment charges taken on an investment in the first quarter of 2017 and higher investment income, partially offset by higher interest expense related to our debt issuance in February 2018.

Income Taxes

The effective income tax rate was 17.3% for the three months ended March 31, 2018, versus 26.9% for the comparable period in 2017. The lower effective tax rate, as compared to the prior year, was primarily due to a lower enacted statutory tax rate in the United States. On December 22, 2017, the U.S. passed comprehensive tax legislation which, among other things, reduces the U.S. corporate income tax rate from 35% to 21% in 2018. The improved rate for the period was also attributable to discrete benefits for share-based payments.

Liquidity and Capital Resources

We rely on existing liquidity, cash generated from operations 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 following table summarizes the cash, cash equivalents, investments and credit available to us at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
	(in billions)	
Cash, cash equivalents and investments ¹	\$ 8.3	\$ 7.8
Unused line of credit	3.8	3.8

¹ Investments include available-for-sale securities and short-term held-to-maturity securities. At March 31, 2018 and December 31, 2017, this amount excludes restricted cash related to the U.S. merchant class litigation settlement of \$548 million and \$546 million, respectively. This amount also excludes restricted security deposits held for customers of \$1 billion at both March 31, 2018 and December 31, 2017.

Cash, cash equivalents and investments held by our foreign subsidiaries was \$3.7 billion and \$4.8 billion at March 31, 2018 and December 31, 2017, or 45% and 62%, respectively, as of such dates. As described further in Note 13 (Income Taxes) to the consolidated financial statements included in Part I, Item 1 of this Report, as a result of the enactment of the U.S. Tax Reform, among other things, we have changed our assertion regarding the indefinite reinvestment of foreign earnings outside the U.S. for certain of our foreign affiliates. It is our present intention to indefinitely reinvest a portion of our historic undistributed accumulated earnings associated with certain foreign subsidiaries outside of the United States. Based upon the ongoing review of business requirements and capital needs of our non-U.S. subsidiaries, we believe a portion of these undistributed earnings that have already been subject to tax in the U.S. will be necessary to fund current and future growth of the related businesses and will remain indefinitely reinvested outside of the U.S. In 2018, we continue to review our global working capital and cash needs to determine the amount we consider indefinitely reinvested. We will disclose such amount in the period in which such analysis is completed.

Our liquidity and access to capital could be negatively impacted by global credit market conditions. We guarantee the settlement of many Mastercard, Cirrus and Maestro-branded transactions between our issuers and acquirers. See Note 15 (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 potential future losses. 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 our Annual Report on Form 10-K for the year ended December 31, 2017; Note 14 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 of this Report; and "Business Environment" within this section of this Report.

Cash Flow

The table below shows a summary of the cash flows from operating, investing and financing activities for the three months ended March 31, 2018 and 2017 :

	Three Months Ended March 31,	
	2018	2017
	(in millions)	
Cash Flow Data:		
Net cash provided by operating activities	\$ 1,035	\$ 727
Net cash provided by (used in) investing activities	367	(123)
Net cash used in financing activities	(665)	(1,237)

Net cash provided by operating activities increased \$308 million for the three months ended March 31, 2018 , versus the comparable period in 2017 , primarily due to higher net income adjusted for non-cash items and lower customer sign-on payments, partially offset by lower payables and accrued expenses, refund of restricted security deposits and the timing of settlement with customers.

Net cash provided by investing activities increased \$490 million for the three months ended March 31, 2018 , versus the comparable period in 2017 , primarily due to higher net proceeds from investment securities.

Net cash used in financing activities decreased \$572 million for the three months ended March 31, 2018 , versus the comparable period in 2017 , due to the proceeds from the issuance of debt in the current period, partially offset by higher repurchases of our Class A common stock.

The table below shows a summary of select balance sheet data at March 31, 2018 and December 31, 2017 :

	March 31, 2018	December 31, 2017
	(in millions)	
Balance Sheet Data:		
Current assets	\$ 14,707	\$ 13,797
Current liabilities	8,948	8,793
Long-term liabilities	8,194	6,968
Equity	5,731	5,497

We believe that our existing cash, cash equivalents and investment securities balances, our cash flow generating capabilities, our 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 our existing operations and potential obligations.

Debt and Credit Availability

In February 2018, we issued \$500 million principal amount of notes due in 2028 and an additional \$500 million principal amount of notes due in 2048. Our long-term debt was \$6.5 billion and \$5.4 billion at March 31, 2018 and December 31, 2017 , respectively, with the earliest maturity of principal occurring in 2019.

We have a commercial paper program (the "Commercial Paper Program"), under which we are authorized to issue up to \$3.75 billion in outstanding notes, with maturities up to 397 days from the date of issuance. In conjunction with the Commercial Paper Program, we entered into a committed unsecured \$3.75 billion revolving credit facility (the "Credit Facility") which expires in October 2022.

Borrowings under the Commercial Paper Program and the Credit Facility are to provide liquidity for general corporate purposes, including providing liquidity in the event of one or more settlement failures by our customers. In addition, we may borrow and

repay amounts under these facilities for business continuity purposes. We had no borrowings outstanding under the Commercial Paper Program or the Credit Facility at March 31, 2018 and December 31, 2017 .

In March 2018, we filed a universal shelf registration statement (replacing a previously filed shelf registration statement that was set to expire) to provide additional access to capital, if needed. Pursuant to the shelf registration statement, we may from time to time offer to sell debt securities, guarantees of debt securities, preferred stock, Class A common stock, depository shares, purchase contracts, units or warrants in one or more offerings.

See Note 9 (Debt) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion of long-term debt, the Commercial Paper Program and the Credit Facility.

Dividends and Share Repurchases

We have historically paid quarterly dividends on our 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.

Aggregate payments for quarterly dividends totaled \$263 million for the three months ended March 31, 2018 .

On December 4, 2017, our Board of Directors declared a quarterly cash dividend of \$0.25 per share paid on February 9, 2018 to holders of record on January 9, 2018 of our Class A common stock and Class B common stock. The aggregate amount of this dividend was \$263 million .

On February 5, 2018, our Board of Directors declared a quarterly cash dividend of \$0.25 per share payable on May 9, 2018 to holders of record on April 9, 2018 of our Class A common stock and Class B common stock. The aggregate amount of this dividend will be \$262 million .

Repurchased shares of our common stock 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 2017, our Board of Directors approved a share repurchase program authorizing us to repurchase up to \$4 billion of our Class A common stock. This program became effective in March 2018 after completion of the share repurchase program authorized in December 2016.

The following table summarizes our share repurchase authorizations of our Class A common stock through March 31, 2018 , as well as historical purchases:

	Authorization Dates		
	December 2017	December 2016	Total
	(in millions, except average price data)		
Board authorization	\$ 4,000	\$ 4,000	\$ 8,000
Remaining authorization at December 31, 2017	\$ 4,000	\$ 1,234	\$ 5,234
Dollar value of shares repurchased during the three months ended March 31, 2018	\$ 118	\$ 1,234	\$ 1,352
Remaining authorization at March 31, 2018	\$ 3,882	\$ —	\$ 3,882
Shares repurchased during the three months ended March 31, 2018	0.7	7.2	7.9
Average price paid per share during the three months ended March 31, 2018	\$ 175.87	\$ 171.11	\$ 171.52

See Note 10 (Stockholders' Equity) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion.

Off-Balance Sheet Arrangements

We have 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 our Annual Report on Form 10-K for the year ended December 31, 2017 .

Recent Accounting Pronouncements

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

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 U.S. dollar forward rates could result in a fair value loss of approximately \$115 million on our foreign currency derivative contracts outstanding at March 31, 2018 related to the hedging program. A 100 basis point adverse change in interest rates would not have a material impact on our investments at March 31, 2018. Our euro-denominated debt is vulnerable to changes in the euro to U.S. dollar exchange rates. We use the euro-denominated debt to hedge a portion of our net investment in foreign operations against adverse movements in exchange rates, with changes in the translated value of the debt recorded within currency translation adjustment in accumulated other comprehensive income (loss). In addition to euro-denominated debt, we have U.S. dollar-denominated debt, both of which carry a fixed interest rate and thus the fair value of our debt is subject to interest rate risk. There was no material equity price risk at March 31, 2018.

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 March 31, 2018 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 March 31, 2018 and for the three months ended March 31, 2018 and 2017, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report dated May 2, 2018 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 Stockholders of Mastercard Incorporated:

Results of Review of Financial Statements

We have reviewed the accompanying consolidated balance sheet of Mastercard Incorporated and its subsidiaries as of March 31, 2018 , and the related consolidated statements of operations, of comprehensive income, and of cash flows for the three -month periods ended March 31, 2018 and March 31, 2017 and the statement of changes in equity as of March 31, 2018 , including the related notes (collectively referred to as the “interim financial statements”) appearing under Part I, Item 1 of this Form 10-Q. Based on our reviews, we are not aware of any material modifications that should be made to the accompanying 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, 2017 , 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 14, 2018 , we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2017 , is fairly stated in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company’s management. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. 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 PCAOB, 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.

/s/ PricewaterhouseCoopers LLP

New York, New York
May 2, 2018

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 14 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part I, Item 1 of this Report.

ITEM 1A. RISK FACTORS

For a discussion of our risk factors, see Item 1A (Risk Factors) in Part I of our Annual Report on Form 10-K for the year ended December 31, 2017 .

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

During the first quarter of 2018 , we repurchased a total of approximately 7.9 million shares for \$1,352 million at an average price of \$171.52 per share of Class A common stock. See Note 10 (Stockholders' Equity) to the consolidated financial statements included in Part I, Item 1 of this Report for further discussion with respect to our share repurchase programs. Our repurchase activity during the first quarter of 2018 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
January 1 - 31	1,866,432	\$ 161.18	1,866,432	\$ 4,933,035,685
February 1 - 28	2,915,798	\$ 170.63	2,915,798	\$ 4,435,518,016
March 1 - 31	3,098,907	\$ 178.58	3,098,907	\$ 3,882,119,096
Total	7,881,137	\$ 171.52	7,881,137	

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

ITEM 5. OTHER INFORMATION

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, we hereby incorporate by reference herein the disclosure contained in Exhibit 99.1 of this Report.

ITEM 6. EXHIBITS

Refer to the Exhibit Index included herein.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
4.1	Officer's Certificate of the Company, dated as of February 26, 2018 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K Filed on February 26, 2018 (File No. 001-32877)).
4.2	Form of Global Note representing the Company's 3.5% Notes due 2028 (included in Exhibit 4.1) (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K Filed on February 26, 2018 (File No. 001-32877)).
4.3	Form of Global Note representing the Company's 3.95% Notes due 2048 (included in Exhibit 4.1)(incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K Filed on February 26, 2018 (File No. 001-32877)).
10.1*+	Description of Employment Arrangement with Craig Vosburg.
10.2*+	Contract of Employment between Mastercard UK Management Services Limited and Ann Cairns, amended and restated as of April 5, 2018.
10.3*+	Amended and Restated Mastercard International Incorporated Executive Severance Plan, amended and restated as of April 10, 2018.
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.
99.1*	Disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012.
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

+ Management contracts or compensatory plans or arrangements.

* 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.

Description of Employment Arrangement with Craig Vosburg

*Explanatory Note: The below description summarizes the employment arrangement between Mastercard International Incorporated (“Mastercard International”) and Craig Vosburg, who is identified as a named executive officer in the 2018 Proxy Statement for Mastercard Incorporated (“Mastercard”). The description is consistent with both: (1) the disclosure in the proxy statement and (2) the descriptions of each of the Mastercard International Incorporated Executive Severance Plan and the Mastercard International Incorporated Change in Control Severance Plan set forth in Mastercard’s Quarterly Report on Form 10-Q filed with the SEC on August 1, 2012.

Title, Term and Compensation

Craig Vosburg has served as President, North America of Mastercard International since January 2016. He is employed at-will.

Mr. Vosburg receives a base salary that is subject to adjustment based on an annual performance review by Mastercard’s Human Resources and Compensation Committee. Additionally, he is eligible to participate in annual and/or long-term bonus or incentive plan(s) generally available to other executive officers, as well as other applicable Mastercard International employee compensation and benefit plans and programs, including the LTIP and SEAICP.

Events of Termination of Employment and Related Payments and Terms

Termination Event*	Components of Termination Payment	
Death		<ul style="list-style-type: none"> Target annual incentive bonus for year in which termination occurs (plus the target annual incentive bonus earned for the previous year, if not already paid)
Disability		<ul style="list-style-type: none"> Target annual incentive bonus prorated for year of termination (plus the target annual incentive bonus earned for the previous year, if not already paid)
For Cause or Voluntary Resignation		<ul style="list-style-type: none"> No additional payments
Without Cause or with Good Reason		<ul style="list-style-type: none"> Annual incentive bonus prorated for year of termination based upon Mastercard's actual performance during the year in which termination occurs (subject to HRCC discretion) (plus the annual incentive bonus earned for the previous year, if not already paid) Base salary continuation for 18 months (the severance period) following termination (extendable by an additional six months at Mastercard's sole discretion) An amount equal to 1.5 times the annual incentive bonus paid to the executive for the year prior to termination, paid ratably over the severance period and in accordance with Mastercard's annual incentive bonus pay practices (or up to an amount equal to two times the bonus for the prior year, payable over 24 months at Mastercard's discretion) Payment of the monthly COBRA medical coverage premium for the applicable period (or, if shorter, the severance period) (not applicable to Ms. Cairns) or, if the executive is eligible, the full cost of the Mastercard Retiree Health Plan during the severance period with retiree contribution levels applying thereafter Reasonable outplacement services for the shorter of the severance period or the period of unemployment
Mandatory Retirement		<ul style="list-style-type: none"> Other than Ms. Cairns, annual incentive bonus prorated for year of termination based upon Mastercard's actual performance during the year in which termination occurs (subject to HRCC discretion) (plus the annual incentive bonus earned for the previous year, if not already paid)

"Double Trigger" Change in Control Payments

If, within the six months preceding or two years following a Change in Control, Mr. Vosburg terminates his employment with Mastercard International or its successor for Good Reason or is terminated without Cause, he will be entitled to the following:

"Double-Trigger" Severance Payments
<ul style="list-style-type: none"> Lump sum payments within 30 days following date of termination of (1) all base salary earned but not paid and (2) all accrued but unused vacation time
<ul style="list-style-type: none"> Pro-rata portion of the annual incentive bonus payable in year of termination and previous year, if not already paid
<ul style="list-style-type: none"> Base salary continuation for 24 months following termination (the severance period)
<ul style="list-style-type: none"> Annual bonus payments following the date of termination, the aggregate amount equal to the average annual bonus received by the executive over the prior two years of employment, payable ratably over the severance period
<ul style="list-style-type: none"> Payment of the monthly COBRA medical coverage premium for the applicable period (or, if shorter, the severance period) (not applicable to Ms. Cairns) or, if the executive is eligible, the full cost of the Mastercard Retiree Health Plan during the severance period with retiree contribution levels applying thereafter
<ul style="list-style-type: none"> Reasonable outplacement services for the shorter of the severance period or the period of unemployment
<ul style="list-style-type: none"> Such additional benefits, if any, that the executive would be entitled to under applicable Mastercard plans and programs (other than severance payments)

Release of Claims

Mr. Vosburg is required to enter into a separate agreement and release of claims against Mastercard International in order to receive payment for severance, Change in Control and other payments on account of termination other than for Cause, with Good Reason or for non-renewal.

Restrictive Covenants

Mr. Vosburg is subject to Mastercard International's standard restrictive covenants for executive employees, including non-disclosure, non-competition and non-solicitation obligations. In addition, he has signed separate non-compete agreements, including agreements in order to receive long-term incentive awards and specified severance and Change in Control payments as follows:

Craig Vosburg	<ul style="list-style-type: none">• 12-month non-compete• 24-month non-solicit• In the event of a violation, repayment of specified gains from stock options exercised and repayment of vested equity awards from the two-year period preceding the violation	<ul style="list-style-type: none">• Non-compete and non-solicit for longer of 18 months or the length of the severance payments (agreement to be executed within 60 days following termination)	<ul style="list-style-type: none">• Two-year non-compete and non-solicit
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Definitions

Cause

Defined as (a) willful failure of the executive to perform duties or responsibilities (other than due to disability); (b) engaging in serious misconduct that is injurious to Mastercard, including, but not limited to, damage to its reputation or standing in the industry; (c) conviction of, or entering into a plea of guilty or nolo contendere to, a crime that constitutes a felony or a crime that constitutes a misdemeanor involving moral turpitude; (d) the material breach of any written covenant or agreement with Mastercard International not to disclose any information pertaining to Mastercard International; or (e) the breach of our Code of Conduct, the Supplemental Code of Ethics, any material provision of the employment agreement or any material provision of other specified Mastercard or Mastercard International policies.

Notice of termination for cause must state the date of termination and identify the grounds upon which termination is based.

Good Reason

Defined as (a) the assignment to a position for which the executive is not qualified or a materially lesser position than the position held; (b) a material reduction in annual base salary other than a 10% or less reduction, in the aggregate, over the term of employment; and (c) the relocation of the executive's principal place of employment to a location more than 50 miles from his or her principal place of employment.

Change in Control

Defined as the occurrence of any of the following events (other than by means of a public offering of Mastercard's equity securities):

(a) the acquisition by any person of beneficial ownership of more than 30% of the voting power of the then outstanding equity shares of Mastercard (the "Outstanding Registrant Voting Securities"), subject to specified exceptions

(b) a change in the composition of the Board that causes less than a majority of Mastercard's directors then in office to be members of the Board, subject to specified exceptions

(c) consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of Mastercard's assets or the purchase of assets or stock of another entity (a "Business Combination"), in each case, unless immediately following such Business Combination (1) all or substantially all of the persons who were the beneficial owners of the Outstanding Registrant Voting Securities immediately prior to such Business Combination will beneficially own more than

50% of the then outstanding voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Registrant Voting Securities, (2) no person will beneficially own more than a majority of the voting power of the then outstanding voting securities of such entity except to the extent that such ownership of Mastercard existed prior to the Business Combination and (3) at least a majority of the members of the board of directors of the entity resulting from such Business Combination will have been members of the incumbent Mastercard Board at the time of the initial agreement, or an action of Mastercard's Board, providing such Business Combination

(d) approval by Mastercard's stockholders of a complete liquidation or dissolution of Mastercard.

Mandatory Retirement

The last day of the calendar year in which Mr. Vosburg reaches the age of 65.

Exhibit 10.2

5 APRIL 2018

CONTRACT OF EMPLOYMENT

BETWEEN

MASTERCARD UK MANAGEMENT SERVICES LIMITED

AND

ANN CAIRNS

TABLE OF CONTENTS

1.	COMMENCEMENT OF EMPLOYMENT	3
2.	DESCRIPTION OF DUTIES AND ROLE TITLE	3
3.	PLACE OF WORK	3
4.	EMPLOYEE HANDBOOK	3
5.	TRAVEL AND WORKING ABROAD	4
6.	EXTENDED PERIODS OF WORK ABROAD	4
7.	REMUNERATION AND BENEFITS	4
8.	HOURS OF WORK	4
9.	WORKING TIME	4
10.	HOLIDAYS	4
11.	SICKNESS	5
12.	CODE OF CONDUCT	5
13.	SUSPENSION	5
14.	TERMINATION	6
15.	DISCIPLINARY AND GRIEVANCE PROCEDURES	7
16.	CONFIDENTIAL INFORMATION	7
17.	AGREEMENT TO MAKE DEDUCTION/WITHHOLD PAYMENT	8
18.	EMPLOYEE INFORMATION - DATA PROTECTION	8
19.	COLLECTIVE AGREEMENTS	8
20.	DIVERSITY AND EQUAL OPPORTUNITIES POLICY	8
21.	HEALTH, SAFETY AND WELL-BEING	8
22.	SECURITY	9
23.	VARIATION	9
24.	MISCELLANEOUS	9

25.	THIRD PARTY RIGHTS	9
26.	GOVERNING LAW	10
	SCHEDULE I TO CONTRACT OF EMPLOYMENT	11
	Total Compensation: Remuneration and Benefits	11

This contract of employment ("Contract") is between MasterCard UK Management Services Limited., (the "Company") whose registered office in London is at 10 Upper Bank Street, Canary Wharf, London, E14 5NP and Ann Cairns of 9 Cranley Road, Burwood Park, Walton-on-Thames, Surrey, KT12 5BX

1 . COMMENCEMENT OF EMPLOYMENT

Your employment with the Company commenced on 22 August 2011. The effective date of this Contract is 1 June, 2018.

2. DESCRIPTION OF DUTIES AND ROLE TITLE

Your role title is currently President, International Markets and will be Vice Chairman as of the effective date. You will report to the Chief Executive Officer, MasterCard International Incorporated.

You must devote your full time, attention and abilities to your duties during working hours, and act in the best interests of the Company at all times. You must not, without the Company's prior written consent, be in any way directly or indirectly engaged or concerned in any other business where this is or is likely to be in conflict with the Company's interests or where this may adversely affect the efficient discharge of your duties. However, this does not preclude you holding, for investment purposes only, up to 5% of any shares or other class of securities in any public company which is quoted on a recognised Stock Exchange.

3. PLACE OF WORK

You will be employed at 10 Upper Bank Street, Canary Wharf, London, E14 5NP, but the Company may at any time, on giving you reasonable notice, require you to work at any other location of Company within the United Kingdom, according to business needs and/or move you from one department to another within the Company.

4. EMPLOYEE HANDBOOK

A copy of the Company's Employee Handbook is enclosed and further copies are available from Human Resources. The contents of the whole Employee Handbook form part of your terms and conditions of employment with the exception of the policies at sections 1 - 2 (inclusive), 3.1 - 3.4 (inclusive), 3.6, 3.7.1 - 3.7.5 (inclusive), 3.7.7 - 3.7.9 (inclusive), 3.8 - 3.9, 4.4 - 4.5 (inclusive), 5 - 7 (inclusive), 8.1, 8.3 - 8.7 (inclusive), 9, 12, 14 - 15 (inclusive), 16.1 - 16.3 (inclusive), 16.6 - 16.10 (inclusive) and 17.

5. TRAVEL AND WORKING ABROAD

Your role requires you to travel in the United Kingdom and to other countries globally. This may involve travelling outside normal business hours and at weekends or public holidays should the need arise. Reasonable expenses will be reimbursed for such travel as stated in section 9 of the Employee Handbook.

6. EXTENDED PERIODS OF WORK ABROAD

If you are required at any time to work outside the United Kingdom for more than one month, you will be provided with the following written particulars:

- (a) the period for which you are to work outside your home country;
- (b) the currency in which remuneration is to be paid while you are working abroad;
- (c) any additional remuneration payable to you and any benefits to be provided to you in respect of your being required to work outside the United Kingdom;
- (d) any terms and conditions relating to your return to the United Kingdom.

7. REMUNERATION AND BENEFITS

The remuneration and benefits to which you are entitled are detailed in the attached Schedule I - Total Compensation: Remuneration and Benefits.

8. HOURS OF WORK

Normal office hours are 3 days per week on such days to agree between you and the CEO. Due to the particular needs of our business and your role, you may be expected to work such additional time as your manager and your role may require. This may include working in the evenings outside normal office hours, at weekends or on public holidays. No additional pay will be permitted for any additional hours worked.

9. WORKING TIME

The Working Time Regulations 1998 provide that the average working time including overtime must not exceed 48 hours for each 7 days. The Company may at its discretion require you to sign an opt-out agreement such that the Working Time Regulations will not apply to you. Further information is contained in the Employee Handbook at section 16.4 regarding the Working Time Regulations.

10. HOLIDAYS

The Company's holiday year runs from 1 April to 31 March. You are entitled to a core of 15 days holiday with pay in each year (exclusive of bank and other public holidays). Holidays can only be taken at times agreed in advance with your manager. Further information is contained in the Employee Handbook at section 3.7.6 regarding additional holidays and your entitlement on termination of employment.

Any entitlement to holiday remaining at the end of any holiday year may not be carried over to the following year unless there are exceptional circumstances. Further information is contained in the Employee Handbook.

11. SICKNESS

The payment and other terms that apply if you are absent from work through sickness or injury are set out in the Employee Handbook at Section 3.7.1.

The Company must be satisfied that any sickness is genuine, otherwise payments may be withheld. The Company reserves the right at any time during your employment (whether or not you are absent from work on account of sickness) to require you to undergo an examination by a medical practitioner nominated by the Company at its expense (such examinations may include testing for alcohol and drug usage). Alternatively, the Company may require you to supply a medical report from your own doctor. You are required to give such consents as may be necessary for any such report to be disclosed to the Company.

If for an aggregate period of not less than 6 months in the period of 12 months ending with the date of notice, you have been incapacitated by reason of ill health or injury from performing your duties, the Company may terminate your employment by written notice.

12. CODE OF CONDUCT

A copy of the Company's Code of Conduct is enclosed and is also available on People Place. You are required to comply with the Code.

13. SUSPENSION

The Company may suspend all or any of your duties for such periods and on such terms as it considers expedient including a term that you must stay away from all or any of the Company's premises and/or will not be provided with any work and/or will have no business contact with all or any of the Company's agents, employees, customers, clients, distributors and suppliers. During any period of suspension your employment contract will continue and you will continue to be bound by your obligations under this agreement.

The right to suspend does not limit the Company's right to suspend any of your duties during any period after notice of termination of your employment has been given by the Company or you in accordance with clause 14. In particular the Company may exercise this right where you leave the Company's employment in circumstances where it is reasonable for the Company to believe that you are or are about to become concerned in a Restricted Business (within the meaning of clause 4 of your Deed of Employment) which is, or is likely to be, competitive with any part of the business of the Company with which you were engaged or concerned in the twelve months before suspension

started. In addition or alternatively the Company may during the whole or any part of such period of notice require you to perform duties (including any modified duties arising from an exercise of the Company's rights under this clause) other than your normal duties.

Throughout any such period of suspension your salary and other benefits to which you are entitled under this agreement shall continue to be paid or provided by the Company unless it is a sanction imposed at a disciplinary hearing (the sanction may be suspension, without pay or on a reduced pay as the Company may decide).

14. TERMINATION

Either party may terminate this Contract by giving notice to the other party. The Company may at its sole discretion make a payment to you of your Base Salary and the value of any other contractual benefits in lieu of the above notice entitlement at the times it would have been paid to you if the Company had given notice to terminate your employment in accordance with this clause, or if notice has previously been given under this clause, as if your employment terminated on the expiry of the remainder of the period of notice.

If you are paid salary in lieu of notice you will not be entitled to any additional payment in respect of holiday which you would otherwise have accrued during the notice period or the remainder of the notice period.

The above is subject to the Company's right to terminate your employment at any time without notice in the event that you are found guilty of gross misconduct. Examples of gross misconduct include but are not limited to:

- theft
- damage to Company property
- fraud
- if you are convicted of any other arrestable offence (other than a road traffic offence for which a non-custodial penalty is imposed)
- incapacity for work due to being under the influence of alcohol or illegal drugs
- the loading onto the Company hardware of unlicensed or illegal software
- deliberate breach of the Company's policy on the use of computer systems and software
- physical assault
- gross insubordination

- unauthorised use or disclosure of confidential information
- repeated material breach by you of your obligations to the Company
- if you become bankrupt or make any arrangement or composition with your creditors
- become of unsound mind or a patient under the Mental Health Act 1983.

On termination of your employment, you must immediately return to the Company in accordance with any instructions which may be given to you, all items of property belonging to the Company in your possession or under your control (including technical information and data, software, manuals, correspondence, notes, reports, papers and other documents (together with any summaries, extracts or copies thereof), demonstration equipment, customer lists, sales records, company cards, keys, credit cards and passes). If required by the Company, you must confirm in writing that you have complied with this obligation.

Each of the restrictions in this clause are enforceable independently of each of the others and its validity is not affected if any of the others is invalid. If any of those restrictions is void but would be valid if some part of the restriction, the restriction in question applies with such modification as may be necessary to make it valid.

Termination on grounds of ill health or injury is covered in clause 11 above.

15. DISCIPLINARY AND GRIEVANCE PROCEDURES

The disciplinary rules applicable to your employment and the Company's grievance procedures are contained in the Employee Handbook at section 14. These rules and procedure do not form part of your contract of employment. Any disciplinary action will be taken in the first instance by your immediate manager. If you have a grievance this should in the first instance be referred to your immediate manager.

16. CONFIDENTIAL INFORMATION

Except in the proper performance of your duties, you will not, either during your employment or at any time afterwards, use or communicate to any person, and during your employment you will use your best endeavours to prevent the disclosure of, any information of a confidential nature concerning the business of the Company or MasterCard International Inc., or any subsidiary or its affiliates of it or of any customer, supplier or other person having dealings with the Company and which comes to your knowledge during the course of your employment.

17. AGREEMENT TO MAKE DEDUCTION/WITHHOLD PAYMENT

At any time during your employment, or on its termination (however arising), the Company shall be entitled to deduct from your salary or any other payments due to you in respect of your employment any monies due from you to the Company. If at any time you are requested to return to the Company property belonging to it and you fail to do so the Company shall, without prejudice to any other remedy, be entitled to withhold any monies due to you from the Company.

18. EMPLOYEE INFORMATION - DATA PROTECTION

You authorise the Company and any company in the MasterCard International Group of Company's (which includes the Company and any holding companies for the time being and any subsidiaries (as defined in section 736 of the Companies Act 1985 as amended) for the time being of the Company or any holding companies of the Company) to process your employee information (for example, name, bank details, terms and conditions of employment) in accordance with the Data Protection Act 1998 for general human resource management purposes (the "agreed purposes").

Processing includes obtaining, holding, editing, destroying and disclosing your employee information to any company in the Company, Group and/or any third parties (for example, insurers, pension scheme trustees, banks and other employers following a business transfer or merger) for the agreed purposes. You also agree to the transfer of your employee information to any company with the Company Group and/or any third parties (for example, insurers, pension scheme trustees, banks and other employers following a business transfer or merger) located inside and outside the European Economic Area and in the USA.

19. COLLECTIVE AGREEMENTS

There are no collective agreements applicable to you or which affect your terms of employment.

20. DIVERSITY AND EQUAL OPPORTUNITIES POLICY

The Company operates an equal opportunities policy in all aspects of recruitment and employment regardless of age, sex, sexual orientation, marital status, religion or belief, race, colour, ethnic origin or disability etc. You are required to comply with this policy. The policy is set out in the Employee Handbook at section 5.

21. HEALTH, SAFETY AND WELL-BEING

Employers are obliged by law to prepare and bring to the notice of all their employees a written statement of general policy with respect to the health and safety at work of their employees and the organisation and arrangements for carrying out such policy. A

copy of the Company's current Health and Safety Policy and rules are contained in the Employee's Handbook at section 8. You are required to comply strictly with all regulations in respect of health and safety and you must co-operate with anyone designated by the Company to carry out activities aimed at securing the objectives of the health and safety legislation.

22. SECURITY

As part of its general security procedures, the Company reserves the right to carry out searches of your workplace at any time. It also reserves the right to search you and your personal belongings, including the contents of lockers, bags, briefcases and vehicles. Refusal to cooperate with the Company's reasonable request to search in the furtherance of general security will be a serious disciplinary offence which could lead to summary dismissal. Searches will only be carried out by authorised personnel.

In the event of company equipment, assets or monetary loss, you may be required to participate in the Company's investigations and co-operate where necessary with auditors and other third parties at the direction of the Company.

23. VARIATION

The particulars of your employment contained in this contract and the Employee Handbook, apply as at the date of this contract. However, the Company reserves the right to make such reasonable changes as are required for business or organisational purposes. The Company will, not later than one month after any change in particulars, provide you with a written statement containing details of the change.

24. MISCELLANEOUS

This contract, Deed of Employment, your offer letter and any documents referred to herein contain the entire understanding between the parties and supersede all previous agreements and arrangements (if any) relating to your employment by the Company (which shall be deemed to be terminated by mutual consent and cease to have effect from the date of this contract).

25. THIRD PARTY RIGHTS

A person who is not a party to this agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

26. GOVERNING LAW

This agreement shall be governed by and interpreted in accordance with English law and the parties agree to submit to the jurisdiction of the English courts.

Your signature below will confirm your agreement to the terms set out above and in the attached schedules.

/s/ Howard Parkin April 5, 2018

.....
Howard Parkin Date
Signed for the Company

/s/ Ann Cairns April 5, 2018

.....
Ann Cairns Date
Signed by the employee

SCHEDULE I TO CONTRACT OF EMPLOYMENT

Total Compensation: Remuneration and Benefits

1. ANNUAL REMUNERATION

- 1.1 Your salary will be £300,000 per annum ("Salary") payable monthly in arrears in equal monthly instalments normally on the 15th day of each calendar month by credit transfer into your bank account.
- 1.2 Payment in respect of a period less than a month will be apportioned in proportion to the number of days worked as a proportion of the total number of working days that month.
- 1.3 You are entitled to participate in the Company's Flexible Benefits Plan as may be amended from time to time. The Company reserves the right to amend or vary the flexible benefits available and/or the terms of the Flexible Benefits Plan.
- 1.4 Your salary will be reviewed by the Company annually, typically in February during the common review cycle. Further information is contained in the Employee Handbook at section 3.5.

2. ANNUAL INCENTIVE PLANS

- 2.1 Subject to the terms of the plan in force from time to time, you will be eligible to participate in the MasterCard Annual Incentive Compensation Plan ("AICP") up to and including 31 May, 2018. Payouts for this bonus are based on a combination of corporate, business unit and individual performance and you will receive this bonus on the normal bonus payment date in 2019 whether or not you continue to be employed by the Company on that payment date.
- 2.2 Your bonus for 2018 will be pro-rated for the 2018 calendar, based on when you take up the role of Vice Chairman. Bonus amounts are based upon the CEO and Board of Directors assessment of attainment of established performance goals and are not guaranteed.
- 2.3 You will not be eligible to receive an incentive award from 1 June 2018 onwards.

3. CORE BENEFITS

The Company will provide you with a core package of benefits as set out in subparagraphs 2.1 to 2.6 below. The rules governing the provision of life assurance, long term disability insurance, healthcare insurance, personal accident insurance and pension arrangements are subject to insurance company terms and, where applicable, Inland Revenue requirements. The Company reserves the right to amend or vary any benefits

and/or the terms upon which they are provided and will provide you with advance notice of any proposed changes to benefits. Further terms are contained in the Employee Handbook at section 3.7. Full details of the current terms which apply to all the respective benefits plans may be obtained from Human Resources, London.

3.1 Life Assurance

You will be included as a member of the Company Life Assurance Plan and provided with life assurance cover in accordance with the terms of that plan of four times your Annual Remuneration). Any payment of this benefit will at all times comply with Inland Revenue rules.

3.2 Long Term Disability Insurance

You will be insured under the terms of the Company Long Term Insurance Disability Plan to provide continuing income in the event of your disability, normally amounting to 75% of your Base Salary, less state single Disability Benefit.

3.3 Healthcare Benefits

Subject to the provisions of the Healthcare plan, you will be entitled to participate in the Company Healthcare Plan and provided with medical expenses insurance in accordance with the terms of that plan.

3.4 Personal Accident Insurance

You will be covered under the Company Personal Accident Insurance Plan providing cover of up to four times your Base Salary, for accidental death and injury in accordance with the terms of that Plan.

3.5 Short Term Sick Pay and Leave

For the first six months of sickness absence, subject to the Group sickness procedures outlined in the Employee Handbook, the Company will pay you an amount (which is deemed inclusive of Statutory Sick Pay), plus your associated Flexible Award. Further information is contained in the Employee Handbook at section 3.7.1.

3.6 Season Ticket Loans

You are eligible to apply for a season ticket loan, repayable in monthly instalments from your Base Salary.

4. FLEXIBLE BENEFITS

In accordance with the terms of the Company's Flexible Benefit Plan as may be amended from time to time, you may buy additional benefits available to you under that Plan.

You will be given the opportunity to indicate your preferences for flexible benefits before these are formally determined and allocated by the Company. Your flexible benefits allocation will be confirmed to you after allocation issue of a revised Total Compensation: Remuneration and Benefits schedule, such revised schedule will form part of your contract of employment and will be reviewed by the Company at the end of each Flexible Benefits Plan year. Further information is contained in the Employee Handbook at section 3.8.

5. PENSION

The Company offers the opportunity to participate in the MasterCard UK Pension Plan, the terms of which are summarised in the Employee Handbook at section 3.7.5. Its full terms and conditions are contained in the Scheme's Trust Deeds and Rules, copies of which are available on request from Human Resources. The Company reserves the right to discontinue the Scheme or, with the agreement of the Scheme's Trustees, modify it at anytime.

A Contracting Out Certificate (within the meaning of the Pensions Schemes Act 1993) in relation to your employment and the pension scheme is not in force

6. NOTICE PERIOD

You will be required to give 6 months written notice of termination of employment and will receive from the Company either 6 months written notice of termination of employment or the statutory period, whichever is the greater.

7. SETTLEMENT

Upon termination of your employment for any reason other than dismissal for gross misconduct as set out in clause 14 and subject to your signing a settlement agreement with the Company you will receive a fixed payment (paid ratably over 18 months as per clause 1.1 of this Schedule I) equal to:

A continuation of base salary as at May 31, 2018; plus

An amount equal to 1.5 times the annual incentive bonus received for 2017

In each case less such tax and social security deductions which the Company is obliged to make.

Amended and Restated Mastercard International Incorporated Executive Severance Plan

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

Effective Date

The Plan was effective as of August 1, 2009, and is amended and restated as of April 10, 2018.

Eligibility

The Chief Executive Officer of Mastercard (“CEO”) and individuals who report directly to the CEO and are designated in writing by the CEO of Mastercard shall be eligible to participate in the Plan (“Eligible Members”), to the extent such individuals are not subject to an employment agreement (or other similar agreement) which addresses their eligibility for severance. Eligible Members shall not be eligible to participate in, and receive any severance benefits under, the Amended and Restated Mastercard International Incorporated Severance Plan. To the extent that an Eligible Member is party to an employment agreement (or other similar agreement) providing for payments or benefits other than severance upon a specific termination of employment event also addressed herein, the Eligible Member shall be entitled to receive such payments or benefits as provided upon such event under his or her employment agreement (or other similar agreement), and not under this Plan. In the event of any other inconsistency between the Plan and an Eligible Member’s employment agreement (or other similar agreement), the Eligible Member’s employment agreement will control.

Qualification

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

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

Disqualifying Events

Notwithstanding the foregoing, an Eligible Member shall not be entitled to receive Severance Payments if any of the following disqualifying events occur; provided, however, that such Eligible Member shall nevertheless be eligible to receive certain accrued payments (as described below).

- a. the Eligible Member’s employment is terminated due to death or, at the option of the Company, upon the “Disability” (as such term is defined in the “Definitions” section) of the Eligible Member;
-

- b. the Eligible Member elects to voluntarily terminate his or her employment with the Company or a successor for any reason other than for Good Reason (“Voluntary Resignation”) or Mandatory Retirement;
 - c. the Eligible Member’s employment with the Company is terminated for Cause;
 - the Eligible Member’s employment may be terminated for Cause by the Company, effective upon the giving of written notice by the Company to the Eligible Member of such termination for Cause, or effective upon such other date as specified therein (“Notice of Termination for Cause”). The Company’s Notice of Termination For Cause shall state the date of termination and the basis for the Company’s determination that the Eligible Member’s actions establish Cause hereunder.
 - if within sixty (60) days subsequent to the termination of the Eligible Member’s employment for death, Disability, Good Reason or Voluntary Resignation or otherwise, the Company determines that the Eligible Member could have been terminated for Cause, such voluntary termination shall be recharacterized as a termination for Cause, upon the giving of written notice to the Eligible Member and the Eligible Member is provided at least five (5) days to provide a written response to the Company. Thereafter, the Company may take appropriate legal action to seek recompense for any Severance Payments improperly paid to the Eligible Member, his estate or beneficiaries hereunder. Following a judicial determination, the prevailing party in any action under this paragraph, shall be entitled to be reimbursed by the non-prevailing party for reasonable legal fees and expenses incurred by the prevailing party in connection with the judicial proceeding seeking to enforce the provisions of this paragraph.
 - notwithstanding anything to the contrary herein, if the Company has reason to believe that there are circumstances which, if substantiated, would constitute Cause as defined herein, the Company may suspend the Eligible Member from employment immediately upon notice for such period of time as shall be reasonably necessary for the Company to ascertain whether such circumstances are substantiated. During such suspension, the Eligible Member shall continue to be paid the compensation and provided all benefits in accordance with the regular payroll and benefit practices of the Company; provided, however, that if the Eligible Member has been indicted or otherwise formally charged by governmental authorities with any felony, the Company may, in its sole discretion, and without limiting the Company’s discretion to terminate the Eligible Member’s employment for Cause (provided it has grounds to do so under the terms of this “Disqualifying Events” section, paragraph (c), suspend the Eligible Member without continuation of any compensation or benefits (except health benefits, which shall be continued during the period of suspension), pending final disposition of such criminal charge(s). Upon receiving notice of any such suspension, the Eligible Member shall promptly leave the premises of the Company and remain off such premises until further notice from the Company. In the event the Eligible Member is suspended as a result of such charges, but is later acquitted or otherwise exonerated from such charges, the Company shall pay to the Eligible Member such compensation, with interest, calculated from the date such compensation was suspended at the prime lending rate in effect on the date the Company receives notice from the Eligible Member of such acquittal or exoneration, and provide benefits withheld from the Eligible Member during the period of the Eligible Member’s suspension, if any, all of which shall be paid and provided within thirty (30) days of the date of the Eligible Member’s acquittal or exoneration from criminal charges that resulted in his suspension shall be limited with respect to the period of up to two (2) years from the date of suspension;
 - d. the failure by the Eligible Member to give a timely notice of termination for Good Reason (as described above); or
 - e. the Eligible Member becomes employed by a Company Entity.
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Amount and Duration of Severance

a. Accrued Payments

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

Death, Disability or Mandatory Retirement

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

- "Base Salary" (as such term is defined in the "Definitions" section) earned but not paid prior to the Date of Termination;
- payment for all accrued but unused vacation time up to the Date of Termination;
- (x) in the event of the Eligible Member's death, the target annual incentive bonus payable for the year in which the Eligible Member's death occurs, (y) in the event of termination due to Disability, a pro rata portion (based upon completed calendar months worked prior to the date of Disability) of the target annual incentive bonus payable for the year in which the Eligible Member's Date of Termination occurs, or (z) in the event of Mandatory Retirement, a pro rata portion (based upon actually completed calendar months worked) of the annual incentive bonus payable for the year in which the Eligible Member's termination of employment occurs based upon the actual performance of the Company for the applicable performance period (and taking into account the terms of the annual incentive plan, including but not limited to the discretion of the Compensation Committee to reduce such bonus amount) as contemplated in accordance with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), with such amount payable when the annual incentive bonus is regularly paid to similarly employees for such year;
- to the extent not already paid, the annual incentive bonus for the year immediately preceding the year in which the Eligible Member's Date of Termination, with such amount payable when the annual incentive bonus is regularly paid to similarly employees for such year; and
- such additional benefits, if any, to which the Eligible Member is expressly eligible following the termination of the Eligible Member's employment on account of death, Disability or Mandatory Retirement, as applicable, payable or made available under such terms and conditions as may be provided by the then existing plans, programs and/or arrangements of the Company.

Cause or Voluntary Resignation

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

- Base Salary earned but not paid prior to the Date of Termination;
 - payment for all accrued but unused vacation time up to the Date of Termination; and
 - additional benefits, if any, to which the Eligible Member is expressly eligible following his termination for Cause or by Voluntary Resignation, as applicable, payable or made available under such terms and conditions as may be provided by the then existing plans, programs and/or arrangements of the Company.
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Without Cause or For Good Reason

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

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

b. Severance Payments

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

1. Severance Pay

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

2. Medical Benefits Continuation

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

3. Outplacement Services

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

4. Additional Payments

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

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

5. Separation Agreement and Release

The Company's obligations to make payments and provide benefits under this "Severance Payments" section, paragraphs (1)-(3), are conditioned upon the Eligible Member's execution (without revocation) of the Company's separation agreement and release of all claims related to the Eligible Member's employment or the termination thereof in a form satisfactory to Mastercard (the "Separation Agreement and Release"), which Separation Agreement and Release shall include a non-competition restriction and a non-solicitation restriction for a period no less than the Severance Pay Period (taking into account any additional payment periods pursuant to Section 4 above), as more fully described in such Separation Agreement and Release, provided that if the Eligible Member should fail to execute such Separation Agreement and Release within sixty (60) days following the Date of Termination, the Company shall not have any obligation to make the payments and provide the benefits contemplated under this "Severance Payments" section, paragraphs (1)-(3). In the event of Severance Pay in the case in which the Eligible Member is provided with a notice period, the Severance Pay shall be payable beginning at the end of the notice period (provided that the Separation Agreement and Release has been fully executed and legally effective as of the last day of the notice period). In the event of Severance Pay in the case in which the Eligible Member is not provided with a notice period, the Severance Pay payable during the period following the Eligible Member's Date of Termination during which the Eligible Member is required to execute a legally effective Separation Agreement and Release shall be aggregated and paid in a lump sum on the 60th day following the Date of Termination, with subsequent payments following over the original schedule during the Separation Pay Period (unless required to be paid six months plus one day after the Date of Termination).

Rehired Eligible Members

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

Income Taxes

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

Section 409A of the Code

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

Notwithstanding the preceding paragraph, up to two (2) times the lesser of: (i) the Eligible Employee’s Base Salary for the year preceding the year in which the Date of Termination occurs; and (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Date of Termination occurs, shall be paid in accordance with the schedule set forth in the “Severance Payments” section, paragraph (1), without regard to such six (6) month delay.

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

Administration of Plan

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

take all actions and make all decisions with respect to the eligibility for, and the amount of, severance and benefits payable under the Plan;

formulate, interpret and apply rules, regulations, and policies necessary to administer the Plan in accordance with its terms;

decide questions, including legal or factual questions, with regard to any matter related to the Plan;

construe and interpret the terms and provisions of the Plan and all documents which relate to the Plan and decide any and all matters arising thereunder including the right to remedy possible ambiguities, inconsistencies or omissions;

investigate and make such factual or other determinations as shall be necessary or advisable for the resolution of appeals of adverse determinations under the Plan; and

process, and approve or deny, claims for severance and benefits under the Plan.

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

Modification or Termination of Plan

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

Claims and Appeal Procedures

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

Claim Procedures

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

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

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

Appeal Procedures

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

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

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

Exhaustion of Remedies under the Plan

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

Miscellaneous Provisions

Neither the establishment of this Plan, nor any modification thereof, nor the payment of any severance and benefits hereunder, shall be construed as giving to any Eligible Member, or other person, any legal or equitable right against the Company or any current or former officer, director, or employee thereof, and in no event shall the terms and conditions of employment by the Company of any Eligible Member be modified or in any way affected by this Plan.

- The records of the Company with respect to employment history, compensation, absences, illnesses, and all other relevant matters shall be conclusive for all purposes of this Plan.

The respective terms and provisions of the Plan shall be construed, whenever possible, to be in conformity with the requirements of ERISA, or any subsequent laws or amendments thereto. To the extent not to conflict with the preceding sentence, the construction and administration of the Plan shall be in accordance with the laws of the state of New York applicable to contracts made and to be performed within the state of New York (without reference to its conflicts of law provisions).

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

Definitions

Terms	Definitions
Base Salary	<p>The Eligible Member's annual base salary as in effect from time to time.</p> <p>the willful failure by the Eligible Member to perform his or her duties or responsibilities (other than due to Disability); the Eligible Member's engaging in serious misconduct that is injurious to the Company including, but not limited to, damage to its reputation or standing in its industry;</p> <p>the Eligible Member's having been convicted of, or entered a plea of guilty or nolo contendere to, a crime that constitutes a felony, or a crime that constitutes a misdemeanor involving moral turpitude;</p> <p>the material breach by the Eligible Member of any written covenant or agreement with the Company not to disclose any information pertaining to the Company; or</p> <p>the breach by the Eligible Member of the Code of Conduct, the Supplemental Code of Conduct, any material provision of the Plan, or any material provision of the following the Company policies: non-discrimination, substance abuse, workplace violence, nepotism, travel and entertainment, corporation information security, antitrust/competition law, enterprise risk management, accounting, contracts, purchasing, communications, investor relations, immigration, privacy, insider trading, financial process and reporting procedures, financial approval authority, whistleblower, anti-corruption and other similar the Company policies, whether currently in effect or adopted after the Effective Date of the Plan.</p>
Cause Company	<p>Mastercard International Incorporated.</p>
Company Entity	<p>Any entity (including any subsidiary, affiliate or joint venture) in which the Company has a direct or indirect ownership interest of not less than 20%.</p>
Disability	<p>Disability shall be defined as set forth under the Mastercard Long-Term Disability Benefits Plan, as it may be amended from time to time.</p> <p>Any dispute concerning whether the Eligible Member is deemed to have suffered a Disability for purposes of the Plan shall be resolved in accordance with the dispute resolution procedures set forth in the Mastercard Long-Term Disability Benefits Plan.</p>
Good Reason	<p>The occurrence of any of the following without the prior written consent of the Eligible Member:</p> <p>the assignment to a position for which the Eligible Member is not qualified or a materially lesser position than the position held by the Eligible Member (although duties may differ without giving rise to a termination by the Eligible Member for Good Reason);</p> <p>a material reduction in the Eligible Member's annual Base Salary except that a 10 percent reduction, in the aggregate, over the period of the Eligible Member's employment shall not be treated as a material reduction;</p> <p>the relocation of the Eligible Member's principal place of employment to a location more than fifty (50) miles from the Eligible Member's principal place of employment (unless such relocation does not increase the Eligible Member's commute by more than twenty (20) miles), except for required travel on the Company's business to an extent substantially consistent with the Eligible Member's business travel obligations as of the date of relocation.</p>
Mandatory Retirement	<p>The last day of the calendar year in which the Eligible Member attains the age of sixty-five (65).</p>
Mastercard Plan Administrator	<p>Mastercard International Incorporated.</p> <p>Executive Vice President, Total Rewards (or her functional successor)</p>
Date of Termination	<p>The date on which the Eligible Member incurs a termination of employment as described in the "Qualification" section or such other date on which an Eligible Member incurs a "separation from service" determined using the default provisions set forth in Section 1.409A-1(h) of the Treasury Regulations. Pursuant to such default provisions, an Eligible Member will be treated as no longer performing services for the Company when the level of services he or she performs for the Company decreases to a level equal to 20% or less of the average level of services performed by such Eligible Member during the immediately preceding 36 months.</p>

Your Rights Under ERISA

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

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

Receive Information About Your Plan and Benefits

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

Prudent Action by Fiduciaries

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

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

Enforcing Your Rights

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

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

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

Assistance with Your Questions

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

The Division of Technical Assistance and Inquiries

Employee Benefits Security Administration,

Department of Labor

200 Constitution Avenue, N.W., Room 5N625

Washington, DC 20210

1-866-444-EBSA (1-866-444-3272)

www.dol.gov/ebsa (for general information)

www.askebsa.dol.gov (for electronic inquiries)

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

Administrative Facts

Topic	Description
Plan Name	Amended and Restated Mastercard International Incorporated Executive Severance Plan Mastercard International Incorporated 2000 Purchase Street Purchase, NY 10577 USA
Plan Sponsor	
Source of Contributions to Plan	Employer payments from corporate assets
Employer Identification Number	95-2536378
Plan Number	_____
	Executive Vice President, Total Rewards (or her functional successor) Mastercard International Incorporated 2000 Purchase Street Purchase, NY 10577 USA
Plan Administrator	914-249-5260 General Counsel Mastercard International Incorporated 2000 Purchase Street Purchase, NY 10577 USA
Agent for Receiving Service of Legal Process	914-249-5301

Contact Information

If you have questions about this Plan, please contact your department's HR Business Partner or Mastercard's Chief Human Resources Officer.

May 2, 2018

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

Commissioners:

We are aware that our report dated May 2, 2018 on our review of interim financial information of Mastercard Incorporated and its subsidiaries, which appears in this Quarterly Report on Form 10-Q, is incorporated by reference in the Registration Statements on Form S-8 (Nos. 333-135572, 333-136460, and 333-143777), and Form S-3 (No. 333-223679) of Mastercard Incorporated.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

New York, New York

**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 March 31, 2018 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.

May 2, 2018

/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 March 31, 2018 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.

May 2, 2018

/s/ Martina Hund-Mejean

Martina Hund-Mejean
Chief Financial Officer

Section 13(r) Disclosure

Mastercard Incorporated ("Mastercard") has established a risk-based compliance program designed to prevent us from having business dealings with Iran, as well as other prohibited countries, regions, individuals or entities. This includes obligating issuers and acquirers to screen account holders and merchants, respectively, against the U.S. Office of Foreign Assets Control's ("OFAC") sanctions lists, including the List of Specially Designated Nationals ("SDN list").

We identified through our compliance program that:

- for the period covered by this Report, Mastercard processed transactions resulting from certain European acquirers having acquired transactions for consular services with Iranian embassies located in Austria, France, Spain and Switzerland that accepted Mastercard cards (and for the six years ended December 31, 2017, Mastercard processed additional transactions related to the Iranian embassy in Switzerland)
- for the period covered by this Report, Mastercard processed transactions resulting from certain European and Middle Eastern acquirers having acquired transactions for Iran Air, which accepted Mastercard cards in Austria, France and Qatar

OFAC regulations and other legal authorities provide exemptions for certain activities involving dealings with Iran. However, Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 requires us to disclose whether we, or any of our affiliates, have knowingly engaged in certain transactions or dealings involving the Government of Iran or with certain persons or entities found on the SDN list, regardless of whether these dealings constitute a violation of OFAC regulations. We intend to allow our acquirers to continue to engage in these transactions to the extent permitted by law.

We do not calculate net revenues or net profits associated with specific merchants (our customers' customers). However, we used our fee schedule and the aggregate number and amount of transactions involving the Iranian embassies and Iran Air to estimate the net revenue and net profit we obtained during both the three months ended March 31, 2018 and (as to the transactions related to the Iranian embassy in Switzerland) the six years ended December 31, 2017. Both the number of transactions and our estimated net revenue and net profits for these periods are de minimis.