MASTERCARD INC
Form 10-K
February 13, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
Or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 001-32877
MasterCard Incorporated
(Exact name of registrant as specified in its charter)

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

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

Title of each Class	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g): Class B common stock, par value $0.0001 per share
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
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 x 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

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

The aggregate market value of the registrant's Class A common stock, par value $0.0001 per share, held by non-affiliates (using the New York Stock Exchange closing price as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter) was approximately $81.9 billion. There is currently no established public trading market for the registrant's Class B common stock, par value $0.0001 per share. As of February 5, 2015, there were 1,111,261,185 shares outstanding of the registrant's Class A common stock, par value $0.0001 per share and 37,191,765 shares outstanding of the registrant's Class B common stock, par value $0.0001 per share.

Portions of the registrant's definitive proxy statement for the 2015 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

MASTERCARD INCORPORATED
FISCAL YEAR 2014 FORM 10-K ANNUAL REPORT
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In this Report on Form 10-K ("Report"), references to the "Company," "MasterCard," "we," "us" or "our" refer to the MasterC 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 wor intended to identify forward-looking statements. These forward-looking statements relate to the Company's future prospects, developments and business strategies and include, without limitation, statements relating to:

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

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

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

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- issues related to acquisition integration and entry into new businesses; and
- issues related to our Class A common stock and corporate governance structure.

Please see a complete discussion of these risk factors in Part I, Item 1A - Risk Factors. 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

Item 1. Business

Overview

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

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

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

Our Strategy

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

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

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

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

Build. We build our business by:

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

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

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

Recent Business and Legal/Regulatory Developments

Product Innovation. We have launched and extended products and platforms that take advantage of physical/digital convergence, where consumers are increasingly seeking to use their cards to pay when, where and how they want. Among our recent developments:

- In 2014, we expanded the availability of MasterPass™, our global digital platform. It provides an easy and secure way to shop for all types of transactions (in-store, online and via mobile devices) by storing payment information in one convenient and secure place and enabling payment with a click or touch.
- We are using our digital technologies and security protocols to develop mobile solutions to make shopping and selling experiences simpler, faster, and safer for both consumers and merchants. One of the most prominent examples of this in 2014 was the launch of Apple Pay™, which uses MasterCard Digital Enablement Service (MDES), the platform that powers MasterPass and allows a connected device to be used as a safe and secure way to pay for everyday shopping.

Safety and Security. Our focus on security is embedded in our products, our systems and our network, as well as our analytics to prevent fraud:

- We continue to lead the migration to EMV, the global standard for chip technology, to bring its fraud prevention benefits to our U.S. customers, consumers and merchants.
- In the digital space, we are advancing the development of an industry-open standard for tokenization, which helps protect sensitive cardholder information for digital transactions, significantly reducing fraud and delivering benefits to both issuers and merchants.
- Among the products we launched in this area in 2014 is MasterCard SafetyNet™, which provides protection for issuers from attacks that can disable their systems.

Financial Inclusion. We are focused on addressing financial inclusion, reaching people without access to an electronic account that allows them to store and use money. In 2014, we worked with governments across several geographies to develop and roll out electronic payments solutions and social payment distribution mechanisms.

Acquisitions and Investments. In 2014, we acquired eight new businesses focused on expanding our footprint and enhancing critical capabilities, particularly around core processing activities, digital and mobile solutions and loyalty and rewards.

Legal and Regulatory. We operate in a dynamic and rapidly evolving legal and regulatory environment, with heightened regulatory and legislative scrutiny and other legal challenges, particularly with respect to interchange fees (as discussed below under "Our Operations and Network"). Recent developments include:

- European Union - In 2014, the European Commission's proposed legislation relating to payment system regulation of cards issued and acquired within the European Economic Area was amended by both the European Union Parliament and the European Council of Ministers. Following discussions among all three governing institutions, the resulting revised proposal includes, among other things, caps on consumer credit and debit interchange fees, "honor all cards" rule restrictions, certain surcharging prohibitions, "co-badge" rule prohibitions and separation of brand and processing in terms of accounting, organization and decision making. Final legislation is expected to be adopted during the first half of 2015. We are managing the potential impact of this legislation on our business. See the risk factor in "Legal and Regulatory Risks" in Part I, Item 1A of this Report related to payments system risks for a more detailed description of the legislation and its potential impact.
- Russia - In response to the global sanctions imposed as a result of the Ukraine conflict, the Russian government has amended its National Payments Systems laws to require all payment systems to process domestic transactions through a government-owned payment switch, which will modestly increase our costs of doing business in Russia. This requirement is expected to become effective in 2015. We are actively working to comply with the regulation and

manage the impact as we continue our business in Russia.

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See Part I, Item 1A of this Report for a more detailed discussion of our legal and regulatory developments and risks.

Our Business

Our Operations and Network

We operate the MasterCard Network, our unique and proprietary global payments network that links issuers and acquirers around the globe to facilitate the processing of transactions, permitting MasterCard cardholders to use their cards and other payment devices at millions of merchants worldwide. Our network facilitates an efficient and secure means for merchants to receive payments, and a convenient, quick and secure payment method for consumers and businesses that is accepted worldwide. We process transactions through our network for our issuer customers in more than 150 currencies in more than 210 countries and territories.

Typical Transaction. With a typical transaction involving four participants in addition to us, our network supports what is often referred to as a “four-party” payments network. The following diagram depicts a typical transaction on our network, and our role in that transaction:

In a typical transaction, a cardholder (or an account holder who may not be using a physical card) purchases goods or services from a merchant using a card or other payment device. After the transaction is authorized by the issuer, the issuer pays the acquirer an amount equal to the value of the transaction, minus the interchange fee (described below), and then posts the transaction to the cardholder’s account. The acquirer pays the amount of the purchase, net of a discount (referred to as the “merchant discount” rate, as further described below), to the merchant.

Interchange Fees. Interchange fees represent a sharing of a portion of payments system costs among the issuers and acquirers participating in our four-party payments system. They reflect the value merchants receive from accepting our products and play a key role in balancing the costs consumers and merchants pay. We do not earn revenues from interchange fees. Generally, interchange fees are collected from acquirers and paid to issuers to reimburse the issuers for a portion of the costs incurred by them in providing services that benefit all participants in the system, including acquirers and merchants. We or financial institutions establish “default interchange fees” that apply when there are no other established settlement terms in place between an issuer and an acquirer. We administer the collection and remittance of interchange fees through the settlement process.

Additional Four-Party System Fees. The “merchant discount rate” is established by the acquirer to cover its costs of both participating in the four-party system and providing services to merchants. The rate takes into consideration the amount of the interchange fee which the acquirer generally pays to the issuer. Additionally, acquirers may charge merchants processing and related fees in addition to the merchant discount rate, and issuers may also charge cardholders fees for the transaction, including, for example, fees for extending revolving credit.

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Our Network Architecture and Information Security. The MasterCard Network features a globally integrated structure that provides scale for our issuers, enabling them to expand into regional and global markets. It features an intelligent architecture that enables the network to adapt to the needs of each transaction by blending two distinct processing structures:

- a distributed (peer-to-peer) processing structure for transactions that require fast, reliable processing to ensure they are processed close to where the transaction occurred; and
- a centralized (hub-and-spoke) processing structure for transactions that require value-added processing, such as real-time access to transaction data for fraud scoring or rewards at the point-of-sale, to ensure advanced processing products and services are applied to the transaction.

Our network's architecture enables us to connect all parties regardless of where or how the transaction is occurring. It has 24-hour a day availability and world-class response time. The network incorporates multiple layers of protection, both for continuity purposes and to address information security challenges. We engage in multiple efforts to mitigate such challenges, including regularly testing our systems to address potential vulnerabilities.

Participation Standards. We establish, apply and enforce standards surrounding participation in the MasterCard payments system. We grant licenses that provide issuers and acquirers that meet specified criteria with certain rights, including access to the network and usage of cards and payment devices carrying our brands. As a condition of our licenses, issuers and acquirers agree to comply with our standards surrounding participation and brand usage and acceptance. We monitor areas of risk exposure and enforce our standards to combat fraudulent, illegal and brand-damaging activity. Issuers and acquirers are also required to report instances of fraud to us in a timely manner so that we can monitor trends and initiate action when appropriate.

Customer Risk Management. We guarantee the settlement of many of the transactions between our issuers and acquirers to ensure the integrity of our network. We refer to this as our settlement exposure. We do not, however, guarantee payments to merchants by their acquirer, or the availability of unspent prepaid cardholder account balances. As a guarantor of certain obligations of principal customers, we are exposed to customer credit risk arising from the potential financial failure of any principal customers of MasterCard, Maestro and Cirrus, and affiliate debit licensees. Principal customers participate directly in MasterCard programs and are responsible for the settlement and other activities of their sponsored affiliate customers. To minimize the contingent risk to MasterCard of a failure of a customer to meet its settlement obligations, we monitor the financial health of, economic and political operating environments of, and compliance with our standards by, our customers. We employ various strategies to mitigate these risks.

Processing

Transaction Switching - Authorization, Clearing and Settlement. Through the MasterCard Network, we enable the routing of a transaction to the issuer for its approval, facilitate the exchange of financial transaction information between issuers and acquirers after a successfully-conducted transaction, and help to settle the transaction by facilitating the exchange of funds between parties via settlement banks chosen by us and the customer.

Cross-Border and Domestic Processing. The MasterCard Network processes transactions throughout the world when the merchant country and issuer country are different (cross-border transactions), providing cardholders with the ability to use, and merchants to accept, MasterCard cards and other payment devices across multiple country borders. We also provide domestic (or intra-country) transaction processing services to customers in every region of the world, which allow issuers to facilitate payment transactions between cardholders and merchants within a particular country. We process approximately half of all transactions using MasterCard-branded cards, including most cross-border transactions. We process the majority of MasterCard-branded domestic transactions in the United States, United Kingdom, Canada, Brazil and a select number of other countries. Outside of these countries, most domestic transaction activity on our products is processed without our involvement.

Extended Processing. We extend our processing capabilities in the payments value chain in various regions and across the globe with an expanded suite of offerings including:

- Issuer and acquirer solutions designed to provide medium to large customers with a complete processing solution to help them create differentiated products and services and allow quick deployment of payments portfolios across banking channels.

- Payment gateways that offer a single interface to provide e-commerce merchants with the ability to process secure payments and offer value-added solutions, including outsourced electronic payments, fraud prevention and alternative payment options.

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- Mobile gateways that facilitate transaction routing and prepaid processing for mobile-initiated transactions for our customers.

Programs and Solutions

We provide a wide variety of products and solutions that support payment products that customers can offer to their cardholders. These services facilitate transactions on the MasterCard Network among cardholders, merchants, financial institutions and governments in markets globally. The following chart provides GDV and number of cards featuring our brands in 2014 for select programs and solutions:

	Year Ended December 31, 2014		As of December 31, 2014	
	GDV in billions	% of Total GDV	Cards in millions	Percentage Increase from December 31, 2013
MasterCard Branded Programs [1]				
Consumer Credit	$2,115	47 %	727	5 %
Commercial Credit	360	8 %	40	18 %
Debit and Prepaid	2,024	45 %	670	24 %

[1] Excludes Maestro and Cirrus cards and volume generated by those cards.

Consumer Credit and Charge. We offer a number of programs that enable issuers to provide consumers with cards that allow them to defer payment. These programs are designed to meet the needs of our customers around the world and address standard, premium and affluent consumer segments.

Debit. We support a range of payment products and solutions that allow our customers to provide consumers with convenient access to funds in deposit and other accounts. Our debit and deposit access programs can be used to make purchases and to obtain cash in bank branches, at ATMs and in some cases at the point of sale. Our branded debit programs consist of MasterCard (including standard, premium and affluent offerings), Maestro (the only PIN-based solution that operates globally) and Cirrus (our primary global cash access solution).

Prepaid. Prepaid programs involve a balance that is funded with monetary value prior to use and can be accessed via a card or other payment device. We offer prepaid payment programs using any of our brands, which we support with processing products and services. Segments on which we focus include government programs such as Social Security payments, unemployment benefits and others; commercial programs such as payroll, health savings accounts, employee benefits and others; and consumer reloadable programs for individuals without formal banking relationships and non-traditional users of electronic payments.

We also provide prepaid program management services primarily outside of the United States that manage and enable switching and issuer processing for consumer and commercial prepaid travel cards for business partners such as financial institutions, retailers, telecommunications companies, travel agents, foreign exchange bureaus, colleges and universities, airlines and governments.

Commercial. We offer commercial payment products and solutions that help large corporations, mid-sized companies, small businesses and government entities streamline their procurement and payment processes, manage information and expenses (such as travel and entertainment) and reduce administrative costs. Our offerings and platforms include premium, travel, purchasing and fleet cards and programs; our SmartData tool that provides information reporting and expense management capabilities; and credit and debit programs targeted for small businesses.

Payment Innovations. The continued adoption of mobile devices has resulted in the ongoing convergence of the physical and digital worlds, where consumers are increasingly seeking to use their payment accounts to pay when, where and how they want. Leveraging our global innovations capability, we are developing platforms, products, and solutions that take advantage of this convergence and give us the opportunity to lead the transition to digital payments. We do this in a number of ways, including:

- Creating Better Shopping and Selling Experiences. We are focused on offering digital platforms, such as MasterPass, and other products to make shopping and selling experiences simpler, faster, and safer for both consumers and merchants. We also offer products that make it easier for merchants to accept payments and expand their customer base and are developing products and practices to facilitate acceptance via mobile devices.

- Engaging with New Partners. We enable consumers to securely use their smartphones to make digital payments through numerous active partnerships with mobile leaders around the world, including Apple, Google, Samsung, and Softcard. Through our Open API Services, developers can innovate and create applications using financial and data services offered through the MasterCard Developer Zone.

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- Facilitating Money Transfers and Personal Payments. We provide money transfer and global remittance products and solutions to enable consumers, particularly in developing markets, to send and receive money quickly and securely domestically and around the world. We continue to enhance our personal payments capabilities through our HomeSend joint venture and partnerships with companies such as Western Union, expanding our money transfer technology capabilities and providing financial institutions connected to our network with additional endpoints to send funds domestically and globally.

Safety and Security

Utilizing the capability of the MasterCard Network, we ensure the safety and security of the overall payments system. We offer products and services to detect, prevent and respond to fraud and ensure the safety of transactions made on our products and work with governments to help develop safe and secure transactions for the global payments system. In many markets, our products provide consumers with increased confidence through the benefit of “zero liability”, or no responsibility for losses, in the event of fraud, and we continue to focus on extending this benefit for other consumers around the world.

Our products and solutions to prevent and detect fraud and enhance the safety of transactions include:

- internet authentication solutions that permit cardholders to authenticate themselves to their issuer using a unique, personal code;
- services assisting customers, merchants and third-party service providers in protecting commercial sites from hacker intrusions and subsequent account data compromises;
- a suite of fraud detection and management products and services; and
- services protecting issuers from attacks that can disable their systems.

We have been leading the development of industry standards and working with many payments industry associations to ensure that payment security standards are put in place as part of our multi-layered approach to protect the global payments system. These efforts include:

- evolving a roadmap for the migration to EMV, the global standard for chip technology that helps protect sensitive cardholder information and reduce fraud;
- developing an industry-open standard for tokenization, which helps protect sensitive cardholder information for digital transactions by generating a unique identifier used only for a specific transaction; and
- incorporating innovative cardholder verification technologies such as the use of biometrics (including fingerprints, face and voice recognition).

Value-Added Solutions

MasterCard Advisors. MasterCard Advisors is our global professional services group which provides proprietary analysis, data-driven consulting and marketing services solutions to help clients optimize, streamline and grow their businesses. With analyses based on billions of anonymous transactions processed globally, we leverage aggregated information and a consultative approach to help financial institutions, merchants, media companies, governments and other organizations grow their businesses or otherwise achieve efficiencies.

Our information services group provides a suite of data analytics and products (including reports, benchmarks, models and insights) that enable customers to make better business decisions. Our consulting services group combines professional problem-solving skills with payments expertise to provide solutions that address the challenges and opportunities of clients with respect to payments. The managed services group provides solutions via data-driven acquisition of accounts, activation of portfolios, conversion of cards, marketing promotions activities and other customer management services.

Loyalty and Rewards Solutions. We provide MasterCard cardholders with a variety of benefits and services, including a scalable rewards platform that enables issuers to provide their consumers with personalized offers and rewards, 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. For merchants, we provide targeted offers and rewards campaigns and management services for publishing offers, as well as opportunities for holders of co-brand or loyalty cards and rewards program members to obtain reward points faster. We support these services with program management capabilities.

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Marketing

We manage and promote our brands through advertising, promotions and sponsorships, as well as digital, mobile and social media initiatives, in order to increase consumer preference for our brands and usage of our products. We sponsor a variety of sporting, entertainment and charity-related marketing properties to align with consumer segments important to us and our customers. Our advertising plays an important role in building brand visibility, usage and overall preference among cardholders globally. Our “Priceless®” advertising campaign, which has run in 53 languages in 112 countries worldwide, promotes MasterCard usage benefits and acceptance, markets MasterCard payment products and solutions and provides MasterCard with a consistent, recognizable message that supports our brand around the globe. We have extended the Priceless brand to focus on consumers’ spending preferences - Priceless Cities® provides cardholders in 35 cities across all of our regions with access to special experiences and offers, Priceless Causes™ provides cardholders with opportunities to support philanthropic causes, and Priceless Surprises® provides cardholders with unexpected unique experiences when they use their cards.

Our Revenue Sources

We generate revenues by assessing our customers primarily based on GDV on the cards and other devices that carry our brands and from the fees we charge to our customers for providing transaction processing and other payment-related products and services. Our net revenues are classified into the following five categories:

- Domestic assessments. Domestic assessments are fees charged to issuers and acquirers based primarily on the dollar volume of activity on cards and other devices that carry our brands where the merchant country and the issuer country are the same.
- Cross-border volume fees. Cross-border volume fees are charged to issuers and acquirers based on the dollar volume of activity on cards and other devices that carry our brands where the merchant country and issuer country are different.
- Transaction processing fees. Transaction processing fees are charged for both domestic and cross-border transactions and are primarily based on the number of transactions.
- Other revenues. Other revenues consist of other payment-related products and services and primarily include fees associated with consulting and research, fraud products and services, loyalty and rewards solutions, program management services and a variety of other payment-related products and services.
- Rebates and incentives (contra-revenue). Rebates and incentives are provided to certain MasterCard customers and are recorded as contra-revenue.

Pricing varies among our regions, as do rebates and incentives, which are customer-specific agreements and which provide them with financial incentives and other support benefits to issue, accept, route, prioritize and promote our branded products and other payment programs. These financial incentives may be based on GDV or other performance-based criteria, such as issuance of new payment products, increased acceptance of our products, launch of new programs or execution of marketing initiatives.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Revenues” in Part II, Item 7 for more detail about our revenue, GDV and processed transactions.

Intellectual Property

We own a number of valuable trademarks that are essential to our business, including MasterCard®, Maestro® and Cirrus®, through one or more affiliates. We also own numerous other trademarks covering various brands, programs and services offered by MasterCard to support our payment programs. Trademark and service mark registrations are generally valid indefinitely as long as they are used and/or properly maintained. Through license agreements with our customers, we authorize the use of our trademarks in connection with our customers’ issuing and merchant acquiring businesses. In addition, we own a number of patents and patent applications relating to payments solutions, transaction processing, smart cards, contactless, mobile, electronic commerce, security systems and other matters, many of which are important to our business operations. Patents are of varying duration depending on the jurisdiction and filing date.

Competition

We compete in the global payments industry against all forms of payment including:

- cash and checks;

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- card-based payments, including credit, charge, debit, ATM and prepaid products, and limited-use products such as private label;
- contactless, mobile, e-commerce and cryptocurrency; and
- other electronic payments, including wire transfers, electronic benefits transfers, bill payments and automated clearing house payments.

We face a number of competitors in the global payments industry:

- Cash and Check. Cash and check continue to represent the most widely-used forms of payment, constituting approximately 85% of the world's retail payment transactions. However, electronic forms of payment are increasingly displacing paper forms of payment around the world, benefiting electronic payment brands.
- General Purpose Payment Networks. We compete worldwide with payment networks such as Visa, American Express and Discover, among others. Among global networks, Visa has significantly greater volume than we do. Outside of the United States, networks such as JCB in Japan and UnionPay in China have leading positions in their domestic markets. In the case of UnionPay, it operates the sole domestic payment switch in China. In addition, several governments are promoting, or considering promoting, local networks for domestic processing. See our risk factors related to payments system regulation and government actions that may prevent us from competing effectively for a more detailed discussion.
- Debit. We compete with ATM and point-of-sale debit networks in various countries, such as Interlink®, Plus® and Visa Electron® (owned by Visa Inc.), Star® (owned by First Data Corporation), NYCE® (owned by FIS), and Pulse® (owned by Discover), in the United States; Interac in Canada; EFTPOS in Australia; and Bankserv in South Africa. In addition, in many countries outside of the United States, local debit brands serve as the main domestic brands, while our brands are used mostly to enable cross-border transactions, which typically represent a small portion of overall transaction volume.
- Three-Party Payments Networks. Our competitors include operators of proprietary three-party payments networks, such as American Express and Discover, that have direct acquiring relationships with merchants and direct issuing relationships with account holders. These competitors have certain competitive advantages over four-party payments systems such as ours. Among other things, these networks do not require formal interchange fees to balance payment system costs between the issuing and acquiring sides of their business, even though they have the ability to internally transfer costs in a manner similar to interchange fees. As a result, to date, operators of three-party payments networks have generally avoided the same regulatory and legislative scrutiny and litigation challenges we face.
- Competition for Customer Business. We compete intensely with other payments networks for customer business. Globally, financial institutions typically issue both MasterCard and Visa-branded payment products, and we compete with Visa for business on the basis of individual portfolios or programs. In addition, a number of our customers issue American Express and/or Discover-branded payment cards in a manner consistent with a four-party system. We continue to face intense competitive pressure on the prices we charge our issuers and acquirers, and we seek to enter into business agreements with them through which we offer incentives and other support to issue and promote our payment products. We also compete for non-financial institution partners, such as merchants, governments and telecommunication companies.
- Third-Party Processors. We face competition, and potential displacement, from transaction processors throughout the world, such as First Data Corporation and Total System Services, Inc., which are seeking to enhance their networks that link issuers directly with point-of-sale devices for payment transaction authorization and processing services.
- Alternative Payments Systems and New Entrants. As the global payments industry becomes more complex, we may face increasing competition from emerging payment providers. Many of these providers have developed payments systems focused on online activity in e-commerce and mobile channels, however they either have or may expand to other channels. These competitors include digital wallet providers such as PayPal, AliPay and Amazon, merchants (via CurrenC, a merchant-owned mobile commerce network), mobile operator services, services such as mPesa, handset manufacturers, and cryptocurrencies. We compete with these providers in some circumstances, but in some cases they may also be our customers or partner with us.

Our competitive advantages include our highly-adaptable network that we believe is the world's fastest, our adoption of innovative products and platforms like MasterPass, our leadership of industry efforts on fraud reduction such as

EMV migration and tokenization, and our MasterCard Advisors group dedicated solely to the payments industry. Our expanded on-soil presence in

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individual markets and a heightened focus on working with governments has improved our ability to serve a broad array of participants in global payments.

Government Regulation

General. Government regulation impacts key aspects of our business. We are subject to regulations that affect the payments industry in the many countries in which our cards and payment devices are used. See "Risk Factors-Legal and Regulatory Risks" in Part I, Item 1A of this Report.

Interchange Fees. Interchange fees associated with four-party payments systems like ours are being reviewed or challenged in various jurisdictions around the world. Examples include:

- legislation to regulate interchange fees (such as the legislation expected to be adopted by the European Union in 2015);
- competition-related regulatory proceedings (such as the European Commission's December 2007 decision restricting our cross-border interchange fees, which was ultimately upheld in September 2014);
- central bank regulation (such as in Australia); and
- litigation (such as the merchant litigations in the United States, Canada and the United Kingdom).

For more detail, see our risk factors in "Risk Factors - Legal and Regulatory Risks" in Part I, Item 1A of this Report related to regulation of payment systems, including interchange fees and related practices. Also see Note 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8.

Payments System Regulation. Regulators in several countries around the world either have, or are seeking to establish, authority to regulate certain aspects of the payments systems in their countries. Such authority could result in regulation of various aspects of our business. Payment system oversight also could be used to provide resources or preferential treatment or other protection to selected domestic payments and processing providers, such as in Russia and Ukraine. See our risk factors in "Risk Factors - Legal and Regulatory Risks" in Part I, Item 1A related to payments system regulation and government actions that may prevent us from competing effectively. Additionally, we are or may be subject to regulations related to our role in the financial industry and our relationship with our financial institution customers. For example, certain of our operations are periodically reviewed by the U.S. Federal Financial Institutions Examination Council under its authority to examine financial institutions' technology service providers.

No-Surcharge Rules. We have historically implemented policies in certain regions that prohibit merchants from charging higher prices to consumers who pay using MasterCard products instead of other means. Authorities in several jurisdictions have acted to end or limit the application of these no-surcharge rules (or indicated interest in doing so), including in Australia and Canada. Additionally, pursuant to the terms of settlement of the U.S. merchant class litigation, we have modified our no-surcharge rules to permit U.S. merchants to surcharge credit cards, subject to certain limitations.

Data Protection and Information Security. Aspects of our operations or business are subject to privacy and data protection laws in the United States, the European Union and elsewhere. For example, in the United States, we and our customers are respectively subject to Federal Trade Commission and federal banking agency information safeguarding requirements under the Gramm-Leach-Bliley Act that require the maintenance of a written, comprehensive information security program. Due to constant changes to the nature of data, regulatory authorities around the world are considering numerous legislative and regulatory proposals concerning privacy and data protection. In addition, the interpretation and application of these privacy and data protection laws in the United States, Europe and elsewhere are often uncertain and in a state of flux. See our risk factor in "Risk Factors - Legal and Regulatory Risks" in Part I, Item 1A of this Report related to regulation in the areas of consumer privacy, data use and/or security.

Anti-Money Laundering. MasterCard is subject to anti-money laundering ("AML") laws and regulations, including the USA PATRIOT Act. We have implemented a comprehensive AML program designed to prevent our payment network from being used to facilitate money laundering and other illicit activity. Our AML compliance program is comprised of policies, procedures and internal controls, including the designation of a compliance officer, and is designed to address these legal and regulatory requirements and assist in managing money laundering and terrorist financing risks.

Economic Sanctions. We are subject to regulations imposed by the U.S. Office of Foreign Assets Control ("OFAC") restricting financial transactions and other dealings with Crimea, Cuba, Iran, Syria and Sudan and with persons and entities included in OFAC's list of Specially Designated Nationals and Blocked Persons (the "SDN List"). Cuba, Iran, Syria and Sudan have been identified by the U.S. State Department as terrorist-sponsoring states. We have no offices, subsidiaries or affiliated entities located in these countries and do not license financial institutions domiciled in these countries. We have established a risk-based compliance program that includes policies, procedures and controls that are designed to prevent us from having business dealings with prohibited countries, regions, individuals or entities. This includes obligating issuers and acquirers to screen cardholders and merchants, respectively, against the SDN list.

Consumer Financial Protection Bureau. The Consumer Financial Protection Bureau (the "CFPB") has significant authority to regulate consumer financial products in the United States, including consumer credit, deposit, payment, and similar products. It is not entirely clear whether and/or to what extent the CFPB will regulate broader aspects of payment card network operations. See our risk factor in "Risk Factors - Legal and Regulatory Risks" in Part I, Item 1A related to payments industry-related regulation.

Central Bank Oversight. Several central banks or similar regulatory bodies around the world that have increased, or are seeking to increase, their formal oversight of the electronic payments industry, are in some cases considering designating them as "systemically important payment systems" or "critical infrastructure." This includes the Financial Stability Oversight Council ("FSOC") in the United States. Such systems will be subject to new regulation, supervision and examination requirements. To date, MasterCard has not been designated "systemically important." See our risk factor in "Risk Factors - Legal and Regulatory Risks" in Part I, Item 1A related to payments industry-related regulation.

Issuer Practice Regulation. Our customers are subject to numerous regulations and investigations applicable to banks and other financial institutions in their capacity as issuers and otherwise, impacting MasterCard as a consequence. Such regulations and investigations have been related to bank overdraft practices, fees issuers charge to cardholders and transparency of terms and conditions.

Regulation of Internet and Digital Transactions. Various jurisdictions have enacted or have proposed regulation related to internet transactions. For example, under the Unlawful Internet Gambling Enforcement Act in the United States, payment transactions must be coded and blocked for certain types of Internet gambling transactions. The legislation applies to payments system participants, including MasterCard and our U.S. customers, and is implemented through a federal regulation. In addition, jurisdictions are considering regulatory initiatives in digital-related areas, such as cyber-security, copyright and trademark infringement and privacy.

Additional Regulatory Developments. Various regulatory agencies also continue to examine a wide variety of issues, including campus cards, virtual currencies, payment card add-on products, identity theft, account management guidelines, privacy, disclosure rules, security and marketing that would impact our customers directly.

Seasonality

See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Seasonality" in Part II, Item 7 of this Report.

Financial Information About Geographic Areas

See Note 21 (Segment Reporting) to the consolidated financial statements included in Part II, Item 8 of this Report for certain geographic financial information.

Employees

As of December 31, 2014, we employed approximately 10,300 persons, of which approximately 5,700 were employed outside of the United States. Our relationship with employees is good.

Additional Information

MasterCard Incorporated was incorporated as a Delaware corporation in May 2001. We conduct our business principally through MasterCard Incorporated's principal operating subsidiary, MasterCard International Incorporated ("MasterCard International"), a Delaware non-stock (or membership) corporation that was formed in November 1966. For more information about our capital structure, including our Class A common stock (our voting stock) and Class B common stock (our non-voting stock), see Note 13 (Stockholders' Equity) to the consolidated financial statements included in Part II, Item 8.

Website and SEC Reports

The Company's internet address is www.mastercard.com. From time to time, we may use our website as a channel of distribution of material company information. Financial and other material information is routinely posted and accessible on the investor relations section of our corporate website. In addition, you may automatically receive e-mail alerts and other information about MasterCard by enrolling your e-mail address by visiting "E-Mail Alerts" in the investor relations section of our corporate website.

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Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available, without charge, for review on the investor relations section of our corporate website as soon as reasonably practicable after they are filed with, or furnished to, the U.S. Securities and Exchange Commission. The information contained on our website is not incorporated by reference into this Report.

Item 1A. Risk Factors

Legal and Regulatory Risks

The payments industry, and in particular interchange fees, is the subject of significant and intense global legal, regulatory and legislative focus, and the resulting decisions, regulations and legislation may have a material adverse impact on our overall business and results of operations.

Interchange fees are generally the largest component of the costs that acquirers charge merchants in connection with the acceptance of payment cards. Although we do not earn revenues from interchange fees, they are a factor on which we compete with other payment providers and therefore an important determinant of the volume of transactions we see on our cards. We have historically set default interchange fees in the United States and certain other countries. In some jurisdictions, however, interchange fees and related practices are subject to regulatory activity and litigation that have limited our ability to establish default rates. Regulators and legislative bodies in a number of countries, as well as merchants, are seeking to reduce these fees through legislation, competition-related regulatory proceedings, central bank regulation and/or litigation.

More broadly, regulators in several jurisdictions increasingly have been leveraging, or seeking to establish, the authority to regulate certain aspects of payments systems such as ours. These regulations have, and could further result in, obligations or restrictions with respect to not only interchange fees but also the types of products that we may offer to consumers, the countries in which our cards and other payment devices may be used, the way we structure and operate our business and the types of cardholders and merchants who can obtain or accept our cards. These obligations and restrictions could be further increased as more jurisdictions impose oversight of payment systems.

Examples of activity related to interchange fees and the payments system include:

- In July 2013, the European Commission proposed legislation relating to payment system regulation of cards issued and acquired within the European Economic Area, which was amended in 2014 by both the European Parliament and the European Council of Ministers. Following discussions among all three governing institutions, the resulting revised proposal includes: (1) a cap on consumer credit and debit interchange fees of 30 basis points and 20 basis points, respectively (a significant reduction in fees), with the ability of EU member states to impose more restrictive domestic debit interchange levels; (2) restrictions on our “honor all cards” rule with respect to products with different levels of interchange; (3) a prohibition of surcharging by merchants for products that are subject to regulated interchange rates; (4) the prohibition of rules that prevent a consumer from requesting a “co-badged” card (that is, a credit or debit card on which an issuer has put a competing brand); and (5) the separation of brand and processing in terms of accounting, organization and decision making. While the proposed legislation does not directly regulate network fees, it makes clear that network fees cannot be used to circumvent the interchange fee restrictions. Final legislation, which could differ, is expected to be adopted in 2015.
- In the United States, Federal Reserve regulations limit per-transaction U.S. debit and prepaid interchange fees for certain large issuers to 22 cents plus five basis points (with certain adjustments and exemptions), subject to reexamination and potential re-setting. While not directly regulating network fees, the rules make clear that network fees cannot be used to circumvent the interchange fee restrictions. The regulations require debit and prepaid cards to be enabled with two unaffiliated payments networks. Moreover, an issuer or payments network may not inhibit the ability of any person that accepts or honors a debit or prepaid card to direct the routing of the card transaction for processing over any network enabled on the card.
- Legislation regulating the level of domestic interchange fees has been enacted, or is being considered, in many jurisdictions, including Australia, Hungary, Israel, Poland, South Africa and Spain.
- A negative decision with respect to our cross-border interchange fees within Europe for consumer credit and debit cards was upheld in 2014 by the European Court of Justice.
- Several jurisdictions have recently created or granted authority to create new regulatory bodies that either have or would have the authority to regulate payment systems, including Brazil, India, Mexico, Russia and the United

Kingdom (which is considering designating MasterCard as a payments system).

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- The Minister of Finance in Canada has decided not to regulate interchange fees in light of commitments by MasterCard and other payment networks to voluntarily reduce weighted average domestic credit interchange fees. It is still considering revising the voluntary "Code of Conduct" for payment card industry participants to address transparency of acceptance costs, premium payment products and merchant discount rates.

Additionally, merchants are seeking to reduce interchange fees and impact acceptance rules through litigation. Such litigation includes:

- In the United States, merchants filed class action or individual suits against MasterCard, Visa and their customers alleging that our interchange fees and acceptance rules violate federal antitrust laws. The settlement of these claims has received final court approval, which is being appealed.
- In Canada, a number of class action suits have been filed against MasterCard, Visa and a number of large Canadian banks relating to MasterCard and Visa interchange fees and rules related to interchange fees, including "honor all cards" and "no surcharge" rules.
- In the United Kingdom, a number of retailers have filed claims against us with respect to MasterCard's cross-border interchange fees and its U.K. and Ireland domestic interchange fees. See Note 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 for more details regarding litigation, proceedings and inquiries related to interchange fees.

If issuers cannot collect, or we are forced to reduce, interchange fees, issuers will be unable to use interchange fees to recoup a portion of the costs incurred for their services. This could reduce the number of financial institutions willing to participate in our four-party payments system, lower overall transaction volumes, and/or make proprietary three-party networks or other forms of payment more attractive. Issuers could also choose to charge higher fees to consumers to attempt to recoup a portion of the costs incurred for their services, thereby making our card programs less desirable to consumers and reducing our transaction volumes and profitability. In addition, issuers could attempt to decrease the expense of their card and other payment programs by seeking a reduction in the fees that we charge to them. This could also result in less innovation and fewer product offerings. We are devoting substantial management and financial resources to the defense of interchange fees in regulatory proceedings, litigation and legislative activity. The potential outcome of any legislative, regulatory or litigation action could have a more positive or negative impact on MasterCard relative to its competitors. If we are ultimately unsuccessful in our defense of interchange fees, any such legislation, regulation and/or litigation may have a material adverse impact on our overall business and results of operations. In addition, regulatory proceedings and litigation could result in MasterCard being fined and/or having to pay civil damages.

Additionally, increased focus by jurisdictions on regulating payment systems may result in costly compliance burdens and/or may otherwise increase our costs, which could materially and adversely impact our financial performance. Moreover, failure to comply with the laws and regulations discussed above to which we are subject could result in fines, sanctions or other penalties, which could materially and adversely affect our overall business and results of operations, as well as have an impact on our reputation. In order to successfully compete in such an environment, we and our customers would each need to adjust our strategies accordingly.

New regulatory activity with respect to the payments industry in one jurisdiction or of one product may lead to new regulations (or impact pending regulatory proceedings) in other jurisdictions or of other products.

Regulators around the world increasingly look at each other's approaches to the regulation of the payments and other industries. In some areas, such as interchange fees, we believe that regulators are increasingly cooperating on their approaches. Consequently, a development in any one country, state or region may influence regulatory approaches in other countries, states or regions. For example, the European Court of Justice's decision in September 2014 upholding the European Commission's decision with respect to cross-border interchange fees within Europe has increased the possibility of additional competition authorities in European member states opening proceedings concerning domestic interchange fees, as well as the possibility of an adverse outcome for us in related and pending matters. Similarly, new laws and regulations in a country, state or region involving one product may cause lawmakers there to extend the regulations to another product. For example, regulations affecting debit transactions (such as the Federal Reserve's rules in the United States) could lead to regulation of other consumer products (such as credit).

As a result, the risks created by any one new law or regulation are magnified by the potential they have to be replicated in other jurisdictions or involving other products, affecting our business. These include matters like interchange rates, network standards and network exclusivity and routing agreements. Conversely, if widely varying regulations come into existence worldwide, we may have difficulty adjusting our products, services, fees and other important aspects of our business, with the same effect. Either of these outcomes could materially and adversely affect our overall business and results of operations.

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Government actions preferring or protecting providers of domestic payment services in certain countries may prevent us from competing effectively against those providers, which could adversely affect our ability to maintain or increase our revenues.

Governments in some countries, such as China, Russia, Ukraine and India, could act (or have acted) to provide resources, preferential treatment or other protection to selected national payment and processing providers, or may otherwise create (or have created) and support its own national provider. This action may displace us from, prevent us from entering into, or substantially restrict us from participating in, particular geographies. As an example, governments in some countries are considering, or may consider, regulatory requirements that mandate processing of domestic payments either entirely in that country or by only domestic companies. In particular, Russia has amended its National Payments Systems laws to require all payment systems to process domestic transactions through a government-owned payment switch. In addition, regional groups of countries, such as the Gulf Cooperation Countries in the Middle East, are considering, or may consider, efforts to restrict our participation in the processing of regional transactions. Such developments would, and in Russia will, prevent us from utilizing our global processing capabilities for domestic or regional customers. Our efforts to effect change in, or work with, these countries may not succeed. This could adversely affect our ability to maintain or increase our revenues and extend our global brand.

Limitations on our ability to restrict merchants from surcharging credit card transactions could impact the use of electronic payments, resulting in a decrease in our overall transaction volumes that could in turn materially and adversely impact our results of operations.

We have historically implemented policies, referred to as no-surcharge rules, in certain regions, including the United States, that prohibit merchants from charging higher prices to consumers who pay using MasterCard products instead of other means. Authorities in several jurisdictions have acted to end or limit the application of these no-surcharge rules (or indicated interest in doing so). Additionally, pursuant to the terms of settlement of the U.S. merchant class litigation, we have modified our no-surcharge rules to permit U.S. merchants to surcharge credit cards, subject to certain limitations. It is possible that over time merchants in some or all merchant categories in these jurisdictions may choose to surcharge as permitted by the rule change, which could make credit card programs less desirable to consumers in the United States and elsewhere. In the event that such merchants surcharge credit cards, this could result in consumers having a less favorable view of our products and/or using alternative means of payment instead of electronic products, which could result in a decrease in our overall transaction volumes, and which in turn could materially and adversely impact our results of operations.

Regulation in the areas of consumer privacy, data use and/or security could decrease the number of payment cards and devices issued and could increase our costs, as well as negatively impact our growth.

We are subject to regulations related to privacy, data protection and information security in the jurisdictions in which we do business. These regulations could result in negative impacts to our business. As we continue to develop products and services to meet the needs of a changing marketplace, we may expand our information profile through the collection of additional data across multiple channels. This expansion could amplify the impact of these regulations on our business. Moreover, due to recent account data compromise events at large, U.S.-based retailers, as well as the disclosure of the monitoring activities by certain governmental agencies, there has been heightened legislative and regulatory scrutiny around the world that could lead to further regulation. Regulation of privacy and data protection and information security may require changes to our data practices in regard to the collection, use, disclosure or security of personal and sensitive information. Failure to comply with the these laws and regulations could result in fines, sanctions or other penalties, which could materially and adversely affect our results of operations and overall business, as well as have an impact on our reputation. Any additions or changes to regulations in these areas (as well as the manner in which such laws could be interpreted or applied) may also increase our costs to comply with such regulations and could impact aspects of our business such as fraud monitoring and the development of information-based products and solutions. In addition, these regulations may increase the costs to our customers of issuing payment products, which may, in turn, decrease the number of our cards and other payment devices that they issue. Any of these changes could materially and adversely affect our overall business and results of operations.

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Our participation in the payments industry subjects us to various other regulations globally that affect the industry, which may materially and adversely affect our overall business and results of operations.
We are subject to regulations that affect the payments industry in the many countries in which our cards and other devices are used. In particular, many of our customers are subject to regulations applicable to banks and other financial institutions in the United States and abroad, and, consequently, we are at times affected by such regulations. Regulation of the payments industry, including regulations applicable to us and our customers, has increased significantly in the last several years. See "Business-Government Regulation" in Part I, Item 1 for a detailed description of such regulation and related legislation. Examples include:

- Anti-Money Laundering and Economic Sanctions - We are subject to AML laws and regulations, including the USA Patriot Act in the United States, as well as the various economic sanctions programs administered by OFAC, including restrictions on financial transactions with certain countries and with persons and entities included on the SDN List. We have policies, procedures and controls designed to comply with applicable AML and OFAC sanctions requirements. We take measures to prevent transactions that do not comply with OFAC sanctions, including obligating our customers to screen cardholders and merchants against the SDN List. However, despite these measures, it is possible that such transactions may be processed through our payments system. Activity such as money laundering or terrorist financing involving our cards could result in an enforcement action, and our reputation may suffer due to our customer's association with those countries, persons or entities or the existence of any such transaction. Any enforcement action or reputational damage could reduce the use and acceptance of our products and/or increase our costs, and thereby have a material adverse impact on our business. In addition, geopolitical events and resulting OFAC sanctions could lead jurisdictions affected by those sanctions to take actions in response that could adversely affect our business. For example, in response to the global sanctions imposed as a result of the Ukraine conflict, the Russian government amended its National Payments Systems laws requiring all payment systems to process domestic transactions through a government-owned payment switch. There is a risk that in the future other jurisdictions (or actors sympathetic to these jurisdictions) may take similar or other actions in response to sanctions that could negatively impact us.
- CFPB - In the United States, the CFPB has significant authority to regulate consumer financial products, including credit, debit and prepaid cards. The CFPB also has supervisory and independent examination authority as well as enforcement authority over certain financial institutions, their service providers, and other entities, which could include us due to our processing of credit, debit, and prepaid transactions. It is not clear whether and/or to what extent the CFPB will regulate broader aspects of payment card networks.
- Increased Central Bank Oversight - Several central banks or similar regulatory bodies around the world that have increased, or are seeking to increase, their formal oversight of the electronic payments industry (including the United States, the United Kingdom, Russia , Mexico and Brazil), are in some cases considering designating them as "systemically important payment systems" or "critical infrastructure." If MasterCard were designated "systemically important", it would be subject to new regulations relating to its payment, clearing and settlement activities, which could address areas such as risk management policies and procedures; collateral requirements; participant default policies and procedures; the ability to complete timely clearing and settlement of financial transactions; and capital and financial resource requirements. Also, MasterCard could be required to obtain prior approval for changes to its system rules, procedures or operations that could materially affect the level of risk presented by that payments system.
- Issuer Practice Legislation and Regulation - Our financial institution customers are subject to numerous regulations applicable to issuers and more generally to banks and other financial institutions, which impact us as a consequence. Existing or new regulations in these or other areas may diminish the attractiveness of our products to our customers.
- Regulation of Internet and Digital Transactions - Proposed legislation in various jurisdictions relating to Internet gambling and other digital areas such as cyber-security, copyright, trademark infringement and privacy could impose additional compliance burdens on us and/or our customers, including requiring us or our customers to monitor, filter, restrict, or otherwise oversee various categories of payment card transactions.

Increased regulatory focus on us, such as in connection with the matters discussed above, may result in costly compliance burdens and/or may otherwise increase our costs. Similarly, increased regulatory focus on our customers may cause such customers to reduce the volume of transactions processed through our systems. Finally, failure to comply with the laws and regulations discussed above to which we are subject could result in fines, sanctions or other penalties. Each may individually or collectively materially and adversely affect our financial performance and/or our overall business and results of operations, as well as have an impact on our reputation.

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Liabilities we may incur for any litigation that has been or may be brought against us could materially and adversely affect our results of operations.

We are a defendant on a number of civil litigations and regulatory proceedings and investigations, including among others, those alleging violations of competition and antitrust law. See Note 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 for more details regarding the allegations contained in these complaints and the status of these proceedings. In the event we are found liable in any of these material litigations or proceedings, particularly in the event we may be found liable in a large class-action lawsuit or on the basis of an antitrust claim entitling the plaintiff to treble damages or under which we were jointly and severally liable, we could be subject to significant damages, which could materially and adversely affect our financial condition and results of operations.

Limitations on our business resulting from litigation or litigation settlements may materially and adversely affect our overall business and results of operations.

Certain limitations have been placed on our business in recent years because of litigation and litigation settlements, such as changes to our no-surcharge rule in the United States. Any future limitations on our business resulting from litigation or litigation settlements could reduce the volume of business that we do with our customers, which may materially and adversely affect our overall business and results of operations.

Potential changes in the tax laws applicable to us could materially increase our tax payments.

Potential changes in existing tax laws, such as recent proposals for fundamental tax reform in the United States, including the treatment of earnings of controlled foreign corporations, may impact our effective tax rate and tax payments. This could adversely impact our results of operations. See also Note 17 (Income Taxes) to the consolidated financial statements included in Part II, Item 8.

Business Risks

Substantial and increasingly intense competition worldwide in the global payments industry may materially and adversely affect our overall business and results of operations.

The global payments industry is highly competitive. Our payment programs compete against all forms of payment, including cash and checks; electronic, mobile and e-commerce payment platforms; and payments networks. Within the global general purpose payments industry, we face substantial and increasingly intense competition worldwide from systems such as Visa, American Express, Discover, UnionPay, JCB and PayPal among others. In certain jurisdictions, including the United States, Visa has greater volume, scale and market share than we do, which may provide significant competitive advantages. Moreover, some of our traditional competitors, as well as alternative payment service providers, may have substantially greater financial and other resources than we have, may offer a wider range of programs and services than we offer or may use more effective advertising and marketing strategies to achieve broader brand recognition or merchant acceptance than we have. Our ability to compete may also be affected by the outcomes of litigation, competition-related regulatory proceedings, central bank activity and legislative activity.

Certain of our competitors, including American Express, Discover, private-label card networks and certain alternative payments systems, operate end-to-end payments systems with direct connections to both merchants and consumers. These competitors seek to derive competitive advantages from their business models. For example, operators of end-to-end payments systems tend to have greater control over consumer and merchant customer service than operators of four-party payments systems such as ours, in which we must typically rely on our issuing and acquiring financial institution customers. In addition, even when they operate programs that utilize a four-party system, these competitors have generally not attracted the same level of regulatory or legislative scrutiny of their pricing and business practices as have operators of four-party payments systems such as ours. If we continue to attract more regulatory scrutiny than these competitors because we operate a four-party system, or we are regulated because of the system we operate in a way in which our competitors are not, we could lose business to these competitors. See "Business-Competition" in Part I, Item 1.

If we are not able to differentiate ourselves from our competitors, drive value for our customers and/or effectively align our resources with our goals and objectives, we may not be able to compete effectively against these threats. Our competitors may also more effectively introduce their own innovative programs and services that adversely impact our growth. Our customers can also develop their own competitive services. We also compete against new entrants that have developed alternative payments systems, e-commerce payments systems and payments systems for mobile devices, as well as physical store locations. A number of these new entrants rely principally on the Internet to support their services and may enjoy lower costs than we do, which could

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put us at a competitive disadvantage. Our failure to compete effectively against any of the foregoing competitive threats could materially and adversely affect our overall business and results of operations.

Potential future changes in the competitive landscape, including disintermediation from other participants in the payments value chain, also could harm our business.

We expect that there may be future changes in the competitive landscape, including:

- Parties that process our transactions in certain countries may try to eliminate our position as an intermediary in the payment process. For example, merchants could process transactions directly with issuers, or processors could process transactions directly between issuers and acquirers. Large scale consolidation within processors could result in these processors developing bilateral agreements or in some cases processing the entire transaction on their own network, thereby disintermediating us.
- Rapid and significant technological changes could occur, resulting in new and innovative payment methods (including cryptocurrencies) and programs that could place us at a competitive disadvantage and that could reduce the use of MasterCard products.
- Competitors, customers, governments and other industry participants may develop products that compete with or replace value-added products and services we currently provide to support our transaction processing. These products could replace our own processing offerings or could force us to change our pricing or practices for these offerings.
- Participants in the payments industry may merge, create joint ventures or form other business combinations that may strengthen their existing business services or create new payment services that compete with our services.
- New services and technologies that we develop may be impacted by industry-wide solutions and standards related to EMV, tokenization or other safety and security technologies.

Our failure to compete effectively against any of the foregoing competitive threats could materially and adversely affect our overall business and results of operations.

Continued intense competitive pressure on the prices we charge our customers may materially and adversely affect our business and results of operations.

In order to increase transaction volumes, enter new markets and expand our card base, we seek to enter into business agreements with customers through which we offer incentives, pricing discounts and other support to customers that issue and promote our products. In order to stay competitive, we may have to increase the amount of these incentives and pricing discounts. Over the past several years, we have experienced continued pricing pressure. The demand from our customers for better pricing arrangements and greater rebates and incentives moderates our growth. We may not be able to continue our expansion strategy to process additional transaction volumes or to provide additional services to our customers at levels sufficient to compensate for such lower fees or increased costs in the future, which could materially and adversely affect our overall business and results of operations. In addition, increased pressure on prices enhances the importance of cost containment and productivity initiatives in areas other than those relating to customer incentives. We may not succeed in these efforts.

In the future, we may not be able to enter into agreements with our customers on terms that we consider favorable, and we may be required to modify existing agreements in order to maintain relationships and to compete with others in the industry. Some of our competitors are larger and have greater financial resources than we do and accordingly may be able to charge lower prices to our customers. In addition, to the extent that we offer discounts or incentives under such agreements, we will need to further increase transaction volumes or the amount of services provided thereunder in order to benefit incrementally from such agreements and to increase revenue and profit, and we may not be successful in doing so, particularly in the current regulatory environment. Our customers also may implement cost reduction initiatives that reduce or eliminate payment product marketing or increase requests for greater incentives or greater cost stability. These factors could have a material adverse impact on our overall business and results of operations.

Continuing consolidation or other changes in or affecting the banking industry could materially and adversely affect our overall business and results of operations.

The banking industry has undergone substantial, accelerated consolidation in the past. Consolidations have included customers with a substantial MasterCard portfolio being acquired by institutions with a strong relationship with a competitor. If significant consolidation were to continue in the banking industry, it may result in the substantial loss of business for us, which could have

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a material adverse impact on our business and prospects. In addition, one or more of our customers could seek to merge with, or acquire, one of our competitors, and any such transaction could also have a material adverse impact on our overall business.

Consolidation in the banking industry, whether as a result of an acquisition of a substantial MasterCard portfolio by an institution with a strong relationship with a competitor or the combination of two institutions with which we have a strong relationship, would also produce a smaller number of large customers, which could increase the bargaining power of our customers. This consolidation could lead to lower prices and/or more favorable terms for our customers. Any such lower prices and/or more favorable terms could materially and adversely affect our results of operations.

If we lose a significant portion of business from one or more of our largest customers, our revenue could fluctuate and decrease significantly in the longer term, which could have a material adverse long-term impact on our business.

Most of our customer relationships are not exclusive and in certain circumstances may be terminated by our customers. Our customers can reassess their commitments to us at any time in the future and/or develop their own competitive services. Accordingly, our business agreements with these customers may not reduce the risk inherent in our business that customers may terminate their relationships with us in favor of relationships with our competitors, or for other reasons, or might not meet their contractual obligations to us.

In addition, a significant portion of our revenue is concentrated among our five largest customers. Loss of business from any of our large customers could have a material adverse impact on our overall business and results of operations.

Merchants’ continued focus on acceptance costs may lead to additional litigation and regulatory proceedings and may increase the costs of our incentive programs, which could materially and adversely affect our profitability.

Merchants are an important constituency in our payments system. We rely on both our relationships with them, as well as their relationships with our issuer and acquirer customers, to expand the acceptance of our cards and payment devices. We also work with merchants to help them enable new sales channels, create better purchase experiences, improve efficiencies, increase revenues and fight fraud. In the retail industry, there is a set of larger merchants with increasingly global scope. We believe that these merchants are having a significant impact on all participants in the global payments industry, including MasterCard. Some large merchants have supported the legal, regulatory and legislative challenges to interchange fees that MasterCard has been defending, including the U.S. merchant litigations. See our risk factor in this Part I, Item 1A with respect to payments industry regulation, including interchange fees. The continued focus of merchants on the costs of accepting various forms of payment, including in connection with the growth of digital payments, may lead to additional litigation and regulatory proceedings.

Merchants are also able to negotiate incentives from us and pricing concessions from our issuer and acquirer customers as a condition to accepting our payment cards and devices. As merchants consolidate and become even larger, we may have to increase the amount of incentives that we provide to certain merchants, which could materially and adversely affect our results of operations. Competitive and regulatory pressures on pricing could make it difficult to offset the costs of these incentives.

The exclusive, or nearly exclusive, relationships certain customers have with our competitors may adversely affect our ability to maintain or increase our revenues and may have a material adverse impact on our business.

Certain customers have exclusive, or nearly-exclusive, relationships with our competitors to issue payment products, and these relationships may make it difficult or cost-prohibitive for us to do significant amounts of business with them to increase our revenues. In addition, these customers may be more successful and may grow faster than the customers that primarily issue our cards, which could put us at a competitive disadvantage. Furthermore, we earn substantial revenue from customers with nearly-exclusive relationships with our competitors. Such relationships could provide advantages to the customers to shift business from us to the competitors with which they are principally aligned. A significant loss of our existing revenue or transaction volumes from these customers could have a material adverse impact on our business.

We depend significantly on our relationships with our issuers and acquirers to manage our payments system and our failure to maintain those relationships may materially and adversely affect our business.

While we work directly with many stakeholders in the payments system, including merchants and governments, we are, and will continue to be, significantly dependent on our relationships with our issuers and acquirers and their further relationships with cardholders and merchants to support our programs and services. We do not issue cards or other payment devices, extend credit to cardholders or determine the interest rates or other fees charged to cardholders using our products. Each issuer determines these and most other competitive payment program features. In addition, we do not establish the discount rate that merchants are charged for acceptance, which is the responsibility of our acquiring customers. As a result, our business significantly depends on the continued success and competitiveness of our issuing and acquiring customers and the strength of our relationships with them. In

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turn, our customers' success depends on a variety of factors over which we have little or no influence. If our customers become financially unstable, we may lose revenue or we may be exposed to settlement risk. See our risk factor in "Risk Factors - Business Risks" in this Part I, Item 1A with respect to how we guarantee certain third-party obligations for further discussion.

With the exception of the United States and a select number of other jurisdictions, most in-country (as opposed to cross-border) transactions conducted using MasterCard, Maestro and Cirrus cards are authorized, cleared and settled by our customers or other processors. Because we do not provide domestic processing services in these countries and do not, as described above, have direct relationships with cardholders, we depend on our close working relationships with our customers to effectively manage our brands, and the perception of our payments system, among consumers in these countries. We also rely on these customers to help manage our brands and perception among regulators and merchants in these countries, alongside our own relationships with them. From time to time, our customers may take actions that we do not believe to be in the best interests of our payments system overall, which may materially and adversely impact our business. If our customers' actions cause significant negative perception of the global payments industry or our brands, cardholders may reduce the usage of our programs, which could reduce our revenues and negatively impact our results of operations.

In addition, our competitors may process a greater percentage of domestic transactions in jurisdictions outside the United States than we do. As a result, our inability to control the end-to-end processing on cards and other payment devices carrying our brands in many markets may put us at a competitive disadvantage by limiting our ability to maintain transaction integrity or introduce value-added programs and services that are dependent upon us processing the underlying transactions.

We rely on the continuing expansion of merchant acceptance of our products and programs. Although our business strategy is to invest in strengthening our brands and expanding our acceptance network, there can be no guarantee that our efforts in these areas will continue to be successful. If the rate of merchant acceptance growth slows or reverses itself, our business could suffer.

The perception of our brands and reputation may materially and adversely affect our overall business.

Our brands and their attributes are key assets of our business. The ability to attract and retain cardholders to our branded products depends upon the external perception of us and our industry. Our business may be affected by actions taken by our customers that impact the perception of our brands. From time to time, our customers may take actions that we do not believe to be in the best interests of our brands, such as creditor practices that may be viewed as "predatory". Moreover, adverse developments with respect to our industry or the industries of our customers may also, by association, impair our reputation, or result in greater regulatory or legislative scrutiny. We have also been pursuing the use of social media channels at an increasingly rapid pace. Under some circumstances, our use of social media, or the use of social media by others as a channel for criticism or other purposes, could also cause rapid, widespread reputational harm to our brands. Such perception and damage to our reputation could have a material and adverse effect to our overall business.

Our work with governments exposes us to unique risks that could have a material impact on our business and results of operations.

As we increase our work with national, state and local governments, both indirectly through financial institutions and with them directly as our customers, we may face various risks inherent in associating or contracting directly with governments. These risks include, but are not limited to, the following:

- Governmental entities typically fund projects through appropriated monies. Changes in governmental priorities or other political developments, including disruptions in governmental operations, could impact approved funding and result in changes in the scope, or lead to the termination of, the arrangements or contracts we or financial institutions enter into with respect to our payment products and services.
- Our work with governments subjects us to U.S. and international anti-corruption laws, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. A violation and subsequent judgment or settlement under these laws could subject us to substantial monetary penalties and damages and have a significant reputational impact.
- Working or contracting with governments, either directly or via our financial institution customers, can subject us to heightened reputational risks, including extensive scrutiny and publicity, as well as a potential association with the

policies of a government as a result of a business arrangement with that government. Any negative publicity or negative association with a government entity, regardless of its accuracy, may adversely affect our reputation.

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The impact of global economic events in financial markets and on our customers, merchants and cardholders could result in a material and adverse impact on our overall business and results of operations.

Adverse economic trends (including distress in financial markets, turmoil in specific economies around the world and additional government intervention) have impacted the environment in which we operate. The condition of the economic environment may accelerate the timing of or increase the impact of risks to our financial performance. Such impact may include, but is not limited to, the following:

- Declining economies, foreign currency fluctuations and the pace of economic recovery can change consumer spending behaviors, such as cross-border travel patterns, on which a significant portion of our revenues is dependent.
- Low levels of consumer and business confidence typically associated with recessionary environments and those markets experiencing relatively high unemployment, may cause decreased spending by cardholders.
- Budgetary concerns in the United States and other countries around the world could affect the United States and other specific sovereign credit ratings, impact consumer confidence and spending and increase the risks of operating in those countries.
- Our customers may restrict credit lines to cardholders or limit the issuance of new cards to mitigate increasing cardholder defaults.
- Uncertainty and volatility in the performance of our customers' businesses may make estimates of our revenues, rebates, incentives and realization of prepaid assets less predictable.
- Our customers may implement cost reduction initiatives that reduce or eliminate payment card marketing or increase requests for greater incentives or greater cost stability.
- Our customers may decrease spending for value-added services.
- Government intervention, including the effect of laws, regulations and/or government investments in our customers, may have potential negative effects on our business and our relationships with customers or otherwise alter their strategic direction away from our products.
- Tightening of credit availability could impact the ability of participating financial institutions to lend to us under the terms of our credit facility.
- Our customers may default on their settlement obligations, including as a result of sovereign defaults, causing a liquidity crisis for our other customers. See Note 19 (Settlement and Other Risk Management) to the consolidated financial statements included in Part II, Item 8 of this Report for further discussion of our settlement exposure.

Any of these developments could have a material adverse impact on our overall business and results of operations.

A decline in cross-border activity could adversely affect our results of operations.

We process substantially all cross-border transactions using MasterCard, Maestro and Cirrus-branded cards and generate a significant amount of revenue from cross-border volume fees and transaction processing fees. Revenue from processing cross-border and currency conversion transactions for our customers fluctuates with cross-border travel and our customers' need for transactions to be converted into their base currency. Cross-border activity may be adversely affected by world geopolitical, economic, weather and other conditions. These include the threat of terrorism and outbreaks of flu, viruses and other diseases. Any such decline in cross-border activity could adversely affect our results of operations.

General economic and global political conditions may adversely affect trends in consumer spending, which may materially and adversely impact our results of operations.

The global payments industry depends heavily upon the overall level of consumer, business and government spending. General economic conditions (such as unemployment, housing and changes in interest rates) and other political conditions (such as devaluation of currencies and government restrictions on consumer spending, as well as the impact of events in the United States such as deadlines on the debt limit) in key countries in which we operate may adversely affect our financial performance by reducing the number or average purchase amount of transactions involving our payment cards and devices. Also, as we are headquartered in the United States, a negative perception of the United States could impact the perception of our company, which could adversely affect our business.

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As a guarantor of certain third-party obligations, including those of principal customers and affiliate debit licensees, we are exposed to risk of loss or illiquidity.

We may incur obligations in connection with transaction settlements if an issuer or acquirer fails to fund its daily settlement obligations due to technical problems, liquidity shortfalls, insolvency or other reasons. If a principal customer or affiliate debit licensee of MasterCard is unable to fulfill its settlement obligations to other customers, we may bear the loss. In addition, although we are not obligated to do so, we may elect to keep merchants whole if an acquirer defaults on its merchant payment obligations, or to keep prepaid cardholders whole if an issuer defaults on its obligation to safeguard unspent prepaid funds. Our MasterCard, Maestro and Cirrus-branded gross legal settlement exposure, which is primarily estimated using the average daily card volume during the quarter multiplied by the estimated number of days to settle, was approximately $42 billion as of December 31, 2014. We have a revolving credit facility in the amount of $3 billion which could be used for general corporate purposes, including to provide liquidity in the event of one or more settlement failures by our customers. In the event that MasterCard effects a payment on behalf of a failed customer, MasterCard may seek an assignment of the underlying receivables from the failed customer. Customers may be charged for the amount of any settlement loss incurred during these ordinary course activities of MasterCard. While we believe that we have sufficient liquidity to cover a settlement failure by our largest customer on its peak day, the term and amount of our guarantee of obligations to principal customers is unlimited. As a result, concurrent settlement failures of more than one of our larger customers or of several of our smaller customers either on a given day or over a condensed period of time may exceed our available resources and could materially and adversely affect our overall business. In addition, even if we have sufficient liquidity to cover a settlement failure, we may not be able to recover the cost of such a payment and may therefore be exposed to significant losses, which could materially and adversely affect our results of operations. Moreover, during 2014, many of our financial institution customers continued to be directly and adversely impacted by economic events in the global financial markets. These conditions present increased risk that we may have to perform under our settlement guarantees. For more information on our settlement exposure and risk assessment and mitigation practices as of December 31, 2014, see Note 19 (Settlement and Other Risk Management) to the consolidated financial statements included in Part II, Item 8 of this Report.

Separately, MasterCard also provides guarantees to certain customers and other companies indemnifying them from losses stemming from our failure to perform with respect to our products and services or the failure of third parties to perform. Any significant indemnification obligation which we owe to any such customers or other companies could materially and adversely affect our overall business and results of operations.

A failure or breach of our information security systems or infrastructure could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses.

Information security risks for payments and technology companies such as MasterCard have significantly increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. These threats may derive from fraud or malice on the part of our employees or third parties, or may result from human error or accidental technological failure. These threats include cyber-attacks such as computer viruses, malicious code, phishing attacks or information security breaches.

Our operations rely on the secure processing, transmission and storage of confidential, proprietary and other information in our computer systems and networks. Our customers and other parties in the payments value chain, as well as our cardholders, rely on our digital technologies, computer and email systems, software and networks to conduct their operations. In addition, to access our products and services, our customers and cardholders increasingly use personal smartphones, tablet PCs and other mobile devices that may be beyond our control. We routinely are subject to cyber-threats and our technologies, systems and networks have been subject to cyber-attacks. Because of our position in the payments value chain, we believe that we are likely to continue to be a target of such threats and attacks. Additionally, geopolitical events and resulting government activity (including sanctions) could also lead to information security threats and attacks by jurisdictions affected by such activity (or by other actors sympathetic to those jurisdictions).

To date, we have not experienced any material impact relating to cyber-attacks or other information security breaches. However, if one or more of these events occurs, it could lead to security breaches of the networks, systems or devices that our customers use to access our products and services which could result in the unauthorized disclosure, release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information (including account data information) or data security compromises. Such events could also cause service interruptions, malfunctions or other failures in the physical infrastructure or operations systems that support our businesses and customers (such as the lack of availability of our value-added systems), as well as the operations of our customers or other third parties. Any actual attacks could lead to damage to our reputation with our customers and other parties and the market, additional costs to MasterCard (such as repairing systems, adding new personnel or protection technologies or compliance costs), regulatory penalties, financial losses to both us and our customers and partners and the loss of customers and business opportunities. If such attacks are not detected immediately, their effect could be compounded.

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We maintain an information security program that is reviewed by our Board of Directors, a business continuity program and insurance coverage, and our processing systems incorporate multiple levels of protection, in order to address or otherwise mitigate these risks. We also test our systems to discover and address any potential vulnerabilities. Despite these mitigation efforts, there can be no assurance that we will be immune to these risks and not suffer losses in the future. Our risk and exposure to these matters remain heightened because of, among other things, the evolving nature of these threats, the prominent size and scale of MasterCard and our role in the global payments and technology industries, our plans to continue to implement our digital and mobile channel strategies and develop additional remote connectivity solutions to serve our customers and cardholders when and how they want to be served, our global presence, our extensive use of third-party vendors and future joint venture and merger and acquisition opportunities. As a result, information security and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. As cyber-threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Any of the risks described above could materially adversely affect our overall business and results of operations.

If our transaction processing systems and other services are disrupted or we are unable to process transactions or service our customers efficiently or at all, our results of operations would be materially reduced.

Our transaction processing systems and other key service offerings may experience interruptions as a result of a disaster including, but not limited to, technology malfunctions, fire, weather events, power outages, telecommunications disruptions, terrorism, workplace violence, accidents or other catastrophic events. Our visibility in the global payments industry may also put us at greater risk of attack by terrorists, activists, or hackers who intend to disrupt our facilities and/or systems. A disaster that occurs at, or in the vicinity of, our primary and/or back-up facilities in any global location could interrupt our services. Although we maintain a business continuity program to analyze risk, assess potential impacts, and develop effective response strategies, we cannot ensure that our business would be immune to these risks.

Additionally, we rely on third-party service providers for the timely transmission of information across our global data network. Inadequate infrastructure in lesser-developed markets could also result in service disruptions, which could impact our ability to do business in those markets. If one of our service providers fails to provide the communications capacity or services we require, as a result of natural disaster, operational disruptions, terrorism, hacking or any other reason, the failure could interrupt our services. Because of the intrinsic importance of our processing systems to our business, any interruption or degradation could adversely affect the perception of the reliability of products carrying our brands and materially reduce our results of operations.

Account data breaches involving card data stored, processed or transmitted by us or third parties could adversely affect our reputation and results of operations.

We, our issuers and acquirers, merchants and other third parties process, transmit or store cardholder account and other information in connection with payment cards and devices. In addition, our customers may sponsor (or we may certify as PCI-compliant) third-party processors to process transactions generated by cards carrying our brands and merchants may use third parties to provide services related to card use. A breach of the systems on which sensitive cardholder data and account information are processed, transmitted or stored could lead to fraudulent activity involving cards carrying our brands, damage our reputation and lead to claims against us, as well as subject us to regulatory actions. We routinely encounter account data compromise events, some of which have been high profile, involving merchants and third-party payment processors that process, store or transmit payment card data, which affect millions of MasterCard, Visa, Discover, American Express and other types of cardholders. These events typically involve external agents hacking the merchants' or third-party processors' systems and installing malware to compromise the confidentiality and integrity of those systems. Further data security breaches may subject us to reputational damage and/or lawsuits involving payment cards carrying our brands. While most of these lawsuits do not involve direct claims against us, we could face damage claims in various circumstances, which, if upheld, could materially and adversely affect our results of operations. Damage to our reputation or that of our brands resulting from an account data breach of either our systems or the systems of our customers, merchants and other third parties could decrease the use and acceptance of our cards and other payment devices, as well as the trend toward electronic payments, which in turn could have a material adverse impact on our transaction volumes, results of operations and prospects for future growth, or increase our costs by leading to additional regulatory burdens being imposed upon us.

An increase in fraudulent activity using our cards could lead to reputational damage to our brands and/or regulatory intervention, which could reduce the use and acceptance of our cards and other payment devices.

Criminals are using increasingly sophisticated methods to capture cardholder account information to engage in illegal activities such as counterfeiting or other fraud. Cards that use magnetic-stripe technology, the predominant payment technology in the United States, continue to raise heightened vulnerabilities to fraud relative to other technologies due to the static nature of the

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information on the magnetic stripe. Fraud is also more likely to occur in transactions where the card is not present, which constitutes an increasing number of transactions. In addition, as outsourcing and specialization become commonplace in the payments industry, there are more third parties involved in processing transactions using our cards. Increased fraud levels involving our cards, or misconduct or negligence by third parties processing or otherwise servicing our cards, could lead to regulatory intervention, such as enhanced security requirements, as well as damage to our reputation, which could reduce the use and acceptance of our cards or increase our compliance costs, and thereby have a material adverse impact on our business.

Rapid technological developments in our industry present both operational and legal challenges (including potential intellectual property exposure) which could impact our results of operations or limit our future growth.

The payments industry is subject to rapid and significant technological changes, including continuing developments of technologies in the areas of smart cards and devices, radio frequency and proximity payment devices (such as contactless payment devices), electronic commerce and mobile commerce, among others. We cannot predict the effect of technological changes on our business. We rely in part on third parties, including some of our competitors and potential competitors, for the development of and access to new technologies. We expect that new services and technologies applicable to the payments industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently use in our programs and services. In addition, our ability to adopt new services and technologies that we develop may be inhibited by a need for industry-wide standards and by resistance from customers or merchants to such changes by the complexity of our systems. Our ability to adopt these technologies can also be inhibited by intellectual property rights of third parties. We have received, and we may in the future receive, notices or inquiries from patent holders (for example, other operating companies or non-practicing entities) suggesting that we may be infringing certain patents or that we need to license the use of their patents to avoid infringement. Such notices may, among other things, threaten litigation against us or our customers or demand significant license fees. Our future success will depend, in part, on our ability to develop or adapt to technological changes and evolving industry standards. Failure to keep pace with these technological developments could lead to a decline in the use of our products, which could have a material adverse impact on our results of operations.

Adverse currency fluctuations and foreign exchange controls could negatively impact our results of operations.

During 2014, approximately 61% of our revenue was generated from activities outside the United States. This revenue (and the related expense) could be transacted in a non-functional currency or valued based on a currency other than the functional currency of the entity generating the revenues. Resulting exchange gains and losses are included in our net income. Our risk management activities provide protection with respect to adverse changes in the value of only a limited number of currencies and are based on estimates of exposures to these currencies.

In addition, some of the revenue we generate outside the United States is subject to unpredictable currency fluctuations (including devaluations of currencies) where the values of other currencies change relative to the U.S. dollar. If the U.S. dollar strengthens compared to currencies in which we generate revenue, this revenue may be translated at a materially lower amount than expected. Furthermore, we may become subject to exchange control regulations that might restrict or prohibit the conversion of our other revenue currencies into U.S. dollars.

The occurrence of currency fluctuations or exchange controls could have a material adverse impact on our results of operations.

Acquisitions, strategic investments or entry into new businesses could disrupt our business and harm our results of operations or reputation.

Although we may continue to make strategic acquisitions of, or acquire interests in joint ventures or other entities related to, complementary businesses, products or technologies, we may not be able to successfully partner with or integrate any such acquired businesses, products or technologies. In addition, the integration of any acquisition or investment (including efforts related to an acquisition of an interest in a joint venture or other entity) may divert management’s time and resources from our core business and disrupt our operations. Moreover, we may spend time and money on acquisitions or projects that do not meet our expectations or increase our revenue. To the extent we pay the purchase price of any acquisition in cash, it would reduce our cash reserves available to us for other uses, and to the extent the purchase price is paid with our stock, it could be dilutive to our stockholders. Furthermore, we may not be able to successfully finance the business following the acquisition as a result of costs of operations, including any litigation risk which may be inherited from the acquisition. Any acquisition or entry into a new business could subject us to new regulations with which we would need to comply, and we could be subject to liability or reputational harm to the extent we cannot meet any such compliance requirements. Our expansion into new businesses could also result in unanticipated issues which may be difficult to manage. Although we periodically evaluate potential acquisitions of businesses, products and technologies and anticipate continuing to make these evaluations, we cannot guarantee that we will be able to execute and integrate any such acquisitions.

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Risks Related to our Class A Common Stock and Governance Structure

Our organizational documents and Delaware law contain terms and provisions that could be considered anti-takeover provisions or could have an impact on a change in control.

Provisions contained in our amended and restated certificate of incorporation and bylaws and Delaware law could delay or prevent entirely a merger or acquisition that our stockholders consider favorable. These provisions may also discourage acquisition proposals or have the effect of delaying or preventing entirely a change in control, which could harm our stock price. For example, subject to limited exceptions, our amended and restated certificate of incorporation prohibits any person from beneficially owning more than 15% of any of the Class A common stock or any other class or series of our stock with general voting power, or more than 15% of our total voting power. Further, except in limited circumstances, no customer or former customer of MasterCard, or any operator, customer or licensee of any competing general purpose payment card system, or any affiliate of any such person, may beneficially own any share of Class A common stock or any other class or series of our stock entitled to vote generally in the election of directors. In addition:

- our stockholders are not entitled to the right to cumulate votes in the election of directors;
- our stockholders are not entitled to act by written consent;
- a vote of 80% or more of all of the outstanding shares of our stock then entitled to vote is required for stockholders to amend any provision of our bylaws; and
- any representative of a competitor of MasterCard or of the Foundation is disqualified from service on our board of directors.

The Foundation’s substantial stock ownership, and restrictions on its sales, may impact its approval of, or discourage, corporate actions or acquisition proposals favorable to, or favored by, the other public stockholders.

As of February 5, 2015, the Foundation owned 116,918,728 shares of Class A common stock, representing approximately 10.5% of our general voting power. The Foundation may not sell or otherwise transfer its shares of Class A common stock prior to April 26, 2026, except to the extent necessary to satisfy its charitable disbursement requirements, for which purpose earlier sales are permitted. The directors of the Foundation are required to be independent of us and our customers. The ownership of Class A common stock by the Foundation, together with the restrictions on transfer, could discourage or make more difficult acquisition proposals favored by the other holders of the Class A common stock. In addition, because the Foundation is restricted from selling its shares for an extended period of time, it may not have the same interest in short or medium-term movements in our stock price as, or incentive to approve a corporate action that may be favorable to, our other stockholders.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of December 31, 2014, MasterCard and its subsidiaries owned or leased 160 commercial properties. We own our corporate headquarters, a 472,600 square foot building located in Purchase, New York. There is no outstanding debt on this building. Our principal technology and operations center is a 528,000 square foot leased facility located in O’Fallon, Missouri. The term of the lease on this facility is 10 years, which commenced on March 1, 2009. Our leased properties in the United States are located in 10 states and in the District of Columbia. We also lease and own properties in 60 other countries. These facilities primarily consist of corporate and regional offices, as well as our operations centers.

We believe that our facilities are suitable and adequate for the business that we currently conduct. However, we periodically review our space requirements and may acquire or lease new space to meet the needs of our business, or consolidate and dispose of facilities that are no longer required.

Item 3. Legal Proceedings

Refer to Notes 10 (Accrued Expenses and Accrued Litigation) and 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8.

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Item 4. Mine Safety Disclosures
Not applicable.
PART II
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
The number of shares and per share amounts have been retroactively restated to reflect the ten-for-one stock split of the Company's Class A and Class B common shares, which was effected in the form of a common stock dividend distributed on January 21, 2014.
Price Range of Common Stock
Our Class A common stock trades on the New York Stock Exchange under the symbol "MA". The following table sets forth the intra-day high and low sale prices for our Class A common stock for the four quarterly periods in each of 2014 and 2013. At February 5, 2015, the Company had 69 stockholders of record for its Class A common stock. We believe that the number of beneficial owners is substantially greater than the number of record holders because a large portion of our Class A common stock is held in "street name" by brokers.

	2014		2013	
	High	Low	High	Low
First Quarter	$84.75	$71.75	$54.20	$50.10
Second Quarter	77.89	68.68	59.19	51.86
Third Quarter	79.22	73.64	69.50	56.70
Fourth Quarter	89.87	69.64	83.94	64.74

There is currently no established public trading market for our Class B common stock. There were approximately 380 holders of record of our Class B common stock as of February 5, 2015.
Dividend Declaration and Policy
During the years ended December 31, 2014 and 2013, we paid the following quarterly cash dividends per share on our Class A common stock and Class B Common stock:

	Dividend per Share	
	2014	2013
First Quarter	$0.11	$0.03
Second Quarter	0.11	0.06
Third Quarter	0.11	0.06
Fourth Quarter	0.11	0.06

On December 2, 2014, our Board of Directors declared a quarterly cash dividend of $0.16 per share paid on February 9, 2015 to holders of record on January 9, 2015 of our Class A common stock and Class B common stock. On February 3, 2015, our Board of Directors declared a quarterly cash dividend of $0.16 per share payable on May 8, 2015 to holders of record on April 9, 2015 of our Class A common stock and Class B common stock.
Subject to legally available funds, we intend to continue to pay a quarterly cash dividend on our outstanding Class A common stock and Class B common stock. However, the declaration and payment of future dividends is at the sole discretion of our Board of Directors after taking into account various factors, including our financial condition, operating results, available cash and current and anticipated cash needs.
Issuer Purchases of Equity Securities
On December 10, 2013, the Company's Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to $3.5 billion of its Class A common stock (the "December 2013 Share Repurchase Program"). This program became effective at the completion of the Company's previously announced $2 billion share repurchase program, which occurred in January 2014. On December 2, 2014, the Company's Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to $3.75 billion of its Class A common stock (the "December 2014 Share Repurchase Program").

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During the fourth quarter of 2014, MasterCard repurchased a total of approximately 2.1 million shares for $155 million at an average price of $72.95 per share of Class A common stock. The Company's repurchase activity during the fourth quarter of 2014 consisted of open market share repurchases and is summarized in the following table:

Period	Total Number of Shares Purchased	Average Price Paid per Share (including commission cost)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that may yet be Purchased under the Plans or Programs [1]
October 1 – 31	2,045,900	$72.69	2,045,900	$ 281,633,768
November 1 – 30	78,500	$79.86	78,500	$ 275,364,960
December 1 – 31	—	$—	—	$ 4,025,364,960
Total	2,124,400	$72.95	2,124,400	

[1] Dollar value of shares that may yet be purchased under the December 2013 Share Repurchase Program and the December 2014 Share Repurchase Program is as of the end of the period.

Item 6. Selected Financial Data

The statement of operations data presented below for the years ended December 31, 2014, 2013 and 2012, and the balance sheet data as of December 31, 2014 and 2013, were derived from the audited consolidated financial statements of MasterCard Incorporated included in Part II, Item 8 of this Report. The statement of operations data presented below for the years ended December 31, 2011 and 2010, and the balance sheet data as of December 31, 2012, 2011 and 2010, were derived from audited consolidated financial statements not included in this Report. The data set forth below should be read in conjunction with, and are qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Report and our consolidated financial statements and notes thereto included in Part II, Item 8 of this Report.

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(in millions, except per share data)				
Statement of Operations Data:					
Net revenue	$9,473	$8,346	$7,391	$6,714	$5,539
Total operating expenses	4,367	3,843	3,454	4,001	2,787
Operating income	5,106	4,503	3,937	2,713	2,752
Net income	3,617	3,116	2,759	1,906	1,846
Basic earnings per share	3.11	2.57	2.20	1.49	1.41
Diluted earnings per share	3.10	2.56	2.19	1.48	1.41
Balance Sheet Data:					
Total assets	$15,329	$14,242	$12,462	$10,693	$8,837
Long-term debt	1,494	—	—	—	—
Equity	6,824	7,495	6,929	5,877	5,216
Cash dividends declared per share	0.49	0.29	0.12	0.06	0.06

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes of MasterCard Incorporated and its consolidated subsidiaries, including MasterCard International Incorporated ("MasterCard International") (together, "MasterCard" or the "Company"), included elsewhere in this Report. Certain prior period amounts have been reclassified to conform to the 2014 presentation. Percentage changes provided throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations" were calculated on amounts rounded to the nearest thousand.

Non-GAAP Financial Information

Non-GAAP financial information is defined as a numerical measure of a company's performance that excludes or includes amounts so as to be different than the most comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Pursuant to the requirements of Regulation S-K, portions of this "Management's

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Discussion and Analysis of Financial Condition and Results of Operations" include a reconciliation of certain non-GAAP financial measures to the most directly comparable GAAP financial measures. The presentation of non-GAAP financial measures should not be considered in isolation or as a substitute for the Company's related financial results prepared in accordance with GAAP.

MasterCard presents non-GAAP financial measures to enhance an investor's evaluation of MasterCard's ongoing operating results and to facilitate meaningful comparison of its results between periods. MasterCard's management uses these non-GAAP financial measures to, among other things, evaluate its ongoing operations in relation to historical results, for internal planning and forecasting purposes and in the calculation of performance-based compensation. More specifically, the following non-GAAP financial measures are presented in Management's Discussion and Analysis of Financial Condition and Results of Operations:

- Total operating expenses and operating expense growth excluding the provision recorded in 2013 ($95 million) and 2012 ($20 million) for settlements relating to U.S. merchant litigations (collectively referred to as the "MDL Provision"). MasterCard excluded these items because MasterCard's management monitors provisions for material litigation settlements separately from ongoing operations and evaluates ongoing performance without these amounts. See "Operating Expenses" for the table that provides a reconciliation of operating expenses and operating expense growth excluding the MDL Provisions to the most directly comparable GAAP measure.
- Effective income tax rate excluding the 2013 MDL Provision. MasterCard excluded this item because MasterCard's management monitors provisions for material litigation settlements separately from ongoing operations and evaluates ongoing performance without these amounts. See "Income Taxes" for the table that provides a reconciliation of the effective income tax rate excluding the 2013 MDL Provision to the most directly comparable GAAP measure.

Overview

We recorded net income of $3.6 billion, or $3.10 per diluted share in 2014 versus net income of $3.1 billion, or $2.56 per diluted share in 2013, and net income of $2.8 billion, or $2.19 per diluted share in 2012. During 2014, net income growth of 16% was driven by higher net revenue and an improved effective tax rate, partially offset by increased operating expenses.

Our 2014 results were positively impacted by a tax benefit resulting from a repatriation of foreign earnings, which was offset by restructuring expenses and the impact of acquisitions. In 2013 and 2012, net income was impacted by the increased MDL provisions of $95 million ($61 million after tax) and $20 million ($13 million after tax), respectively.

Our net revenue increased 14% and 13% in 2014 and 2013 versus the comparable periods in the prior years, respectively, primarily driven by increases across our revenue categories, partially offset by higher rebates and incentives. Acquisitions contributed 2 percentage points to net revenue growth in 2014. In 2014 and 2013, our processed transactions increased 12% and 13% versus the comparable periods in the prior years, respectively. In 2014 and 2013, our volumes increased 13% and 14%, on a local currency basis, versus the comparable periods in the prior years, respectively.

Operating expenses in 2014 increased $524 million, or 14%, from 2013 and increased $389 million, or 11%, in 2013 from 2012 primarily due to higher general and administrative expenses as a result of investments to support strategic initiatives. Acquisitions contributed 6 percentage points to operating expense growth in 2014.

We generated net cash flows from operations of $3.4 billion for the year ended December 31, 2014, compared to $4.1 billion and $2.9 billion for the years ended December 31, 2013 and 2012, respectively.

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The following table provides a summary of our operating results for the years ended December 31, 2014, 2013 and 2012:

	For the Years Ended December 31,			Percent Increase (Decrease)	
	2014	2013	2012	2014	2013
	(in millions, except per share data and percentages)				
Net revenue	$9,473	$8,346	$7,391	14%	13%
Operating expenses	4,367	3,843	3,454	14%	11%
Operating income	5,106	4,503	3,937	13%	14%
Operating margin	53.9 %	54.0 %	53.3 %	**	**
Income tax expense	1,462	1,384	1,174	6%	18%
Effective income tax rate	28.8 %	30.8 %	29.9 %	**	**
Net income	$3,617	$3,116	$2,759	16%	13%
Diluted earnings per share	$3.10	$2.56	$2.19	21%	17%
Diluted weighted-average shares outstanding	1,169	1,215	1,258	(4)%	(3)%

** Not meaningful.

Business Environment

We process transactions from more than 210 countries and territories and in more than 150 currencies. Net revenue generated in the United States was 39% of total revenue in each of 2014, 2013 and 2012. No individual country, other than the United States, generated more than 10% of total revenue in any such period, but differences in market growth, economic health and foreign exchange fluctuations in certain countries can have an impact on the proportion of revenue generated outside the United States over time. While the global nature of our business helps protect our operating results from adverse economic conditions in a single or a few countries, the significant concentration of our revenue generated in the United States makes our business particularly susceptible to adverse economic conditions in the United States.

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

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

In addition, our business and our customers' businesses are subject to regulation in many countries. Regulatory bodies may seek to impose rules and price controls on certain aspects of our business and the payments industry. For further discussion, see Note 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 and our risk factor in "Risk Factors - Legal and Regulatory Risks" in Part I, Item 1A of this Report. Further, information security risks for global payments and technology companies such as MasterCard have significantly increased in recent years. Although to date we have not experienced any material impacts relating to cyber-attacks or other information security breaches, there can be no assurance that we will be immune to these risks and not suffer such losses in the future. See our risk factor in “Risk Factors - Business Risks” in Part I, Item 1A of this Report related to a failure or breach of our security systems or infrastructure as a result of cyber-attacks.

Impact of Foreign Currency Rates

Our overall operating results can be impacted by changes in foreign currency exchange rates, especially the strengthening or weakening of the U.S. dollar versus the euro and Brazilian real. The functional currency of MasterCard Europe, our principal

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European operating subsidiary, is the euro, and the functional currency of our Brazilian subsidiary is the Brazilian real. Accordingly, the strengthening or weakening of the U.S. dollar versus the euro and Brazilian real impacts the translation of our European and Brazilian subsidiaries' operating results into the U.S. dollar. For 2014 as compared to 2013 and for 2013 compared to 2012, the U.S. dollar strengthened against the Brazilian real but weakened against the euro. The net foreign currency impact of changes in the U.S. dollar average exchange rates against the euro and Brazilian real negatively impacted net income in 2014 by less than 1 percentage point as compared to 2013. Conversely, net income in 2013 was positively impacted by approximately 1 percentage point as compared to 2012.
In addition, changes in foreign currency exchange rates directly impact the calculation of gross dollar volume ("GDV") and gross euro volume ("GEV"), which are used in the calculation of our domestic assessments, cross-border volume fees and volume related rebates and incentives. In most non-European regions, GDV is calculated based on local currency spending volume converted to U.S. dollars using average exchange rates for the period. In Europe, GEV is calculated based on local currency spending volume converted to euros using average exchange rates for the period. As a result, our domestic assessments, cross-border volume fees and volume related rebates and incentives are impacted by the strengthening or weakening of the U.S. dollar versus primarily non-European local currencies and the strengthening or weakening of the euro versus primarily European local currencies. The strengthening or weakening of the U.S. dollar is evident when GDV growth on a U.S. dollar converted basis is compared to GDV growth on a local currency basis. In 2014, GDV on a U.S. dollar converted basis increased 9%, versus GDV growth on a local currency basis of 13%. In 2013, GDV on a U.S. dollar converted basis increased 13%, versus GDV growth on a local currency basis of 14%. The Company attempts to manage these foreign currency exposures through its foreign exchange risk management activities, which are discussed further in Note 20 (Foreign Exchange Risk Management) to the consolidated financial statements included in Part II, Item 8 of this Report.
The Company generates revenue and has financial assets in countries at risk for currency devaluation. While these revenues and financial assets are not material to MasterCard on a consolidated basis, they could be negatively impacted if a devaluation of local currencies occurs relative to the U.S. dollar.

Financial Results

Revenue

Revenue Description

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

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

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

1. Domestic assessments: Domestic assessments are fees charged to issuers and acquirers based primarily on the dollar volume of activity on cards and other devices that carry our brands where the merchant country and the issuer country are the same. Domestic assessments include items such as card assessments, which are fees charged on the number

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of cards issued or assessments for specific purposes, such as acceptance development or market development programs.

2. Cross-border volume fees: Cross-border volume fees are charged to issuers and acquirers based on the dollar volume of activity on cards and other devices that carry our brands where the merchant country and the issuer country are different. In general, a cross-border transaction generates higher revenue than a domestic transaction since cross-border fees are higher than domestic fees, and in most cases also include fees for currency conversion.
3. Transaction processing fees: Transaction processing fees are charged for both domestic and cross-border transactions and are primarily based on the number of transactions. Transaction processing fees include charges to issuers for the following:

- Transaction Switching fees for the following products and services:

Authorization is the process by which a transaction is routed to the issuer for approval. In certain circumstances such as when the issuer's systems are unavailable or cannot be contacted, MasterCard or others, on behalf of the issuer approve in accordance with either the issuer's instructions or applicable rules (also known as "stand-in").

Clearing is the exchange of financial transaction information between issuers and acquirers after a transaction has been successfully conducted at the point of interaction. MasterCard clears transactions among customers through our central and regional processing systems.

Settlement is facilitating the exchange of funds between parties.

- Connectivity fees are charged to issuers and acquirers for network access, equipment and the transmission of authorization and settlement messages. These fees are based on the size of the data being transmitted through and the number of connections to the Company's network.

4. Other revenues: Other revenues consist of other payment-related products and services and are primarily associated with the following:

- Consulting and research fees are primarily generated by MasterCard Advisors, the Company's professional advisory services group.
- Fraud products and services used to prevent or detect fraudulent transactions. This includes fees for warning bulletins provided to issuers and acquirers either electronically or in paper form.
- Loyalty and rewards solutions fees are charged to issuers for benefits provided directly to consumers with MasterCard-branded cards, such as insurance, assistance for lost cards, locating ATMs and rewards programs.
- Program management services provided to prepaid card issuers consist of foreign exchange margin, commissions, load fees, and ATM withdrawal fees paid by cardholders on the sale and encashment of prepaid cards.
- The Company also charges for a variety of other payment-related products and services, including account and transaction enhancement services, rules compliance and publications.

5. Rebates and incentives (contra-revenue): Rebates and incentives are provided to certain MasterCard customers and are recorded as contra-revenue.

Revenue Analysis

Gross revenue in 2014 and 2013 increased $1.5 billion and $1.3 billion, or 13% versus 2013 and 2012, respectively, driven by an increase in dollar volume of activity on cards carrying our brands, transactions, other payment-related products and services and the impact of acquisitions. Rebates and incentives in 2014 and 2013 increased $329 million and $325 million, or 11% and 12%, versus 2013 and 2012, respectively, due to the impact from new and renewed agreements and increased volumes. Our net revenue in 2014 and 2013 increased 14% and 13% versus 2013 and 2012, respectively. Acquisitions contributed 2 percentage points to net revenue growth in 2014. In 2014 and 2013, our GDV increased 13% and 14% on a local currency basis while our processed transactions increased 12% and 13%, respectively.

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

	Years Ended December 31,			
	2014		2013	
	Growth (USD)	Growth (Local)	Growth (USD)	Growth (Local)
MasterCard-branded GDV [1]	9 %	13 %	13 %	14 %
Asia Pacific/Middle East/Africa	13 %	17 %	18 %	22 %
Canada	— %	7 %	3 %	7 %
Europe	9 %	14 %	16 %	14 %
Latin America	5 %	15 %	12 %	16 %
United States	8 %	8 %	7 %	7 %
Cross-border Volume [1]		16 %		18 %
Processed Transactions Growth		12 %		13 %

[1] Excludes volume generated by Maestro and Cirrus cards.

A significant portion of our revenue is concentrated among our five largest customers. In 2014, the net revenue from these customers was approximately $2.2 billion, or 24%, of total net revenue. 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 this Report for further discussion.

The significant components of our net revenue for the years ended December 31, 2014, 2013 and 2012 were as follows:

	For the Years Ended December 31,			Percent Increase (Decrease)	
	2014	2013 [1]	2012 [1]	2014	2013
	(in millions, except percentages)				
Domestic assessments	$3,967	$3,688	$3,387	8%	9%
Cross-border volume fees	3,054	2,715	2,268	12%	20%
Transaction processing fees	4,035	3,554	3,199	14%	11%
Other revenues	1,688	1,331	1,154	27%	15%
Gross revenue	12,744	11,288	10,008	13%	13%
Rebates and incentives (contra-revenue)	(3,271)	(2,942)	(2,617)	11%	12%
Net revenue	$9,473	$8,346	$7,391	14%	13%

[1] Certain prior period amounts have been reclassified to conform to the 2014 presentation. Net revenue is not impacted.

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The following table summarizes the primary drivers of net revenue growth in 2014 and 2013:

	For the Years Ended December 31,							
	Volume		Foreign Currency [1]		Other		Total	
	2014	2013 [2]	2014	2013 [2]	2014	2013 [2]	2014	2013 [2]
Domestic assessments	12 %	13 %	(1)%	— %	(3)% [3]	(4)% [3]	8 %	9 %
Cross-border volume fees	15 %	15 %	— %	1 %	(3)%	4 %	12 %	20 %
Transaction processing fees	11 %	10 %	— %	— %	3 %	1 %	14 %	11 %
Other revenues	**	**	(1)%	1 %	28 % [4]	14 % [4]	27 %	15 %
Rebates and incentives	9 %	8 %	(1)%	— %	3 % [5]	4 % [5]	11 %	12 %
Net revenue	12 %	12 %	(1)%	— %	3 %	1 %	14 %	13 %

** Not applicable

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

[2] Certain prior period amounts have been reclassified to conform to the 2014 presentation. Net revenue is not impacted.

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

[4] Acquisitions contributed 8 percentage points of growth to the 2014 activity. Additionally there are impacts from consulting fees, fraud service fees and other payment-related products and services.

[5] Includes the impact from timing of new, renewed and expired agreements.

Operating Expenses

Our operating expenses are comprised of general and administrative, advertising and marketing, depreciation and amortization expenses and the respective amounts recorded for the MDL Provision. Operating expenses increased in 2014 by $524 million, or 14%, primarily due to higher general and administrative expenses. Acquisitions contributed 6 percentage points to operating expense growth in 2014. Operating expenses increased in 2013 by $389 million, or 11% compared to 2012, primarily due to higher general and administrative expenses and the $95 million portion of the MDL Provision recorded in 2013. Excluding the impact of the MDL Provision, operating expenses increased 17% in 2014 compared to 2013 and increased 9% in 2013 compared to 2012.

The following table compares and reconciles operating expenses, excluding the MDL Provision, which is a non-GAAP financial measure, to the operating expenses including the MDL Provision, which is the most directly comparable GAAP measurement. Management believes this analysis facilitates understanding of our ongoing operating expenses and allows for a more meaningful comparison between periods.

	For the Years Ended December 31,						
	2014	2013			2012		
	Actual	Actual	MDL Provision	Non-GAAP	Actual	MDL Provision	Non-GAAP
	(in millions)						
General and administrative	$3,184	$2,649	$—	$2,649	$2,429	$—	$2,429
Advertising and marketing	862	841	—	841	775	—	775
Depreciation and amortization	321	258	—	258	230	—	230
Provision for litigation settlement	—	95	(95)	—	20	(20)	—
Total operating expenses	$4,367	$3,843	$(95)	$3,748	$3,454	$(20)	$3,434

	For the Years Ended December 31,			
	2014		2013	
	Actual	Non-GAAP	Actual	Non-GAAP

		MDL Provision			MDL Provision	
	Year-over-year Growth %					
Total operating expenses growth	14 %	(3)%	17 %	11 %	2 %	9 %

General and Administrative

General and administrative expenses increased $535 million, or 20% compared to 2013, primarily due to an increase in personnel costs. Acquisitions contributed 7 percentage points to general and administrative expense growth in 2014. General and administrative expenses increased $220 million, or 9% in 2013 compared to 2012, primarily due to an increase in personnel costs.

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The significant components of our general and administrative expenses for the years ended December 31, 2014, 2013 and 2012 were as follows:

	For the Years Ended December 31,			Percent Increase (Decrease)	
	2014	2013	2012	2014	2013
	(in millions, except percentages)				
Personnel	$2,064	$1,739	$1,565	19%	11%
Professional fees	307	251	237	22%	6%
Data processing and telecommunications	273	226	201	21%	12%
Foreign exchange activity	(30)	2	27	**	**
Other	570	431	399	32%	8%
General and administrative expenses	$3,184	$2,649	$2,429	20%	9%

** Not meaningful

- Personnel expense increased in 2014 compared to 2013 primarily due to an increase in the number of employees from both our acquired businesses and to support the Company's strategic initiatives. Additionally, in the fourth quarter of 2014, the Company recorded a restructuring charge of $87 million. The increase in personnel expenses in 2013 compared to 2012 was due to an increase in the number of employees to support our strategic initiatives.
- Professional fees consist primarily of third-party services, legal costs to defend our outstanding litigation and the evaluation of regulatory developments that impact our industry and brand. Professional fees increased in both 2014 and 2013, primarily due to higher third-party service expenses.
- Data processing and telecommunication expense consists of expenses to support our global payments network infrastructure, expenses to operate and maintain our computer and telecommunication system. These expenses increased in both 2014 and 2013 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 20 (Foreign Exchange Risk Management) to the consolidated financial statements included in Part II, Item 8 of this Report for further discussion. Since the Company does not designate foreign currency derivatives as hedging instruments pursuant to the accounting standards for derivative instruments and hedging activities, it records gains and losses on foreign exchange derivatives on a current basis, with the associated offset being recognized as the exposures materialize.
- Other expenses include loyalty and rewards solutions, travel and entertainment, rental expense for our facilities, litigation settlements not related to the U.S. merchant class litigation, investment related expenses and other miscellaneous operating expenses. The change in other expenses in 2014 compared to 2013 was primarily due to the impact of our current year acquisitions and expenses incurred to support strategic development efforts. The 2013 increase in other expenses versus 2012 was primarily due to increased costs associated with loyalty and rewards programs, investment related expenses and increased meeting and travel expenses.

Advertising and Marketing

Our brands, principally MasterCard, are valuable strategic assets that drive acceptance and usage of our products and facilitate our ability to successfully introduce new service offerings and access new markets globally. Our advertising and marketing strategy is to increase global MasterCard brand awareness, preference and usage through integrated advertising, sponsorship, promotions, interactive media and public relations programs on a global scale. We will continue to invest in marketing programs at the regional and local levels and sponsor diverse events aimed at multiple target audiences. In 2014, advertising and marketing expenses increased $21 million, or 3%, mainly due to new and renewed sponsorships and increased support of our strategic initiatives. Advertising and marketing expenses increased $66 million, or 8%, in 2013 mainly due to new and renewed sponsorships and increased media spend to support our strategic initiatives.

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Depreciation and Amortization

Depreciation and amortization expenses increased $63 million, or 24%, in 2014 and $28 million, or 12%, in 2013. The increase in depreciation and amortization expense in 2014 was primarily due to higher amortization of capitalized software costs and acquisition-related intangible assets. The increase in 2013 was primarily due to higher amortization of capitalized software costs.

Provision for Litigation Settlement

As of December 31, 2014, the accrued litigation related to the MDL Provision was $771 million versus $886 million as of December 31, 2013. The accrued litigation item includes $68 million as of December 31, 2013 related to the timing of MasterCard's administration of the short-term reduction in default credit interchange from U.S. issuers, which expired in April 2014. During 2014, MasterCard executed settlement agreements with a number of opt-out merchants and no adjustments to the amount reserved was deemed necessary. In the fourth quarter of 2013, MasterCard recorded an incremental net pre-tax charge of $95 million related to the opt-out merchants. See Note 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 of this Report for further discussion.

Other Income (Expense)

Other income (expense) is comprised primarily of investment income, interest expense, our share of income (losses) from equity method investments and other gains and losses. Total other expense increased $24 million in 2014 compared to 2013, primarily due to higher interest expense related to our debt issuance in March 2014. Total other expense decreased $1 million in 2013 compared to 2012 primarily related to an adjustment in interest expense due to the reversal of tax reserves, partially offset by increased expenses from investments in joint ventures.

Income Taxes

The effective income tax rates for the years ended December 31, 2014, 2013 and 2012 were 28.8%, 30.8% and 29.9%, respectively. The effective tax rate for 2014 was lower than the effective tax rate for 2013 primarily due to the recognition of a larger repatriation benefit and an increase in the Company's domestic production activity deduction in the U.S. related to the Company's authorization revenue, partially offset by an unfavorable mix of taxable earnings in 2014. The effective tax rate for 2013 was higher than the effective tax rate for 2012 primarily due to the recognition of a discrete benefit relating to additional export incentives in 2012 and a lower benefit related to foreign repatriations in 2013, partially offset by a more favorable mix of earnings in 2013.

During the fourth quarter of 2014, we implemented an initiative to better align our legal entity and tax structure with our operational footprint outside of the U.S. This initiative resulted in a one-time taxable gain in Belgium relating to the transfer of intellectual property to a related foreign entity in the United Kingdom. We believe this improved alignment will result in greater flexibility and efficiency with regard to the global deployment of cash, as well as ongoing benefits in our effective income tax rate. See Note 17 (Income Taxes) to the consolidated financial statements included in Part II, Item 8 of this Report for further discussion.

The provision for income taxes differs from the amount of income tax determined by applying the U.S. federal statutory income tax rate of 35% to pretax income for the years ended December 31, as a result of the following:

	For the Years Ended December 31,					
	2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent
	(in millions, except percentages)					
Income before income taxes	$5,079		$4,500		$3,933	
Federal statutory tax	1,778	35.0 %	1,575	35.0 %	1,376	35.0 %
State tax effect, net of federal benefit	29	0.6 %	19	0.4 %	23	0.6 %
Foreign tax effect	(108)	(2.1)%	(208)	(4.6)%	(175)	(4.4)%
Foreign repatriation	(177)	(3.5)%	(14)	(0.3)%	(27)	(0.7)%
Other, net	(60)	(1.2)%	12	0.3 %	(23)	(0.6)%
Income tax expense	$1,462	28.8 %	$1,384	30.8 %	$1,174	29.9 %

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The Company's GAAP effective tax rates for 2013 was affected by the tax benefits related to the MDL Provision as illustrated in the table below. The effective tax rate was 29.9% in 2012 including and excluding the portion of the MDL Provision recorded in 2012.

	GAAP to Non-GAAP effective tax rate reconciliation		
	For the Year Ended December 31, 2013		
	Actual	MDL Provision	Non-GAAP
	(in millions, except percentages)		
Income before income taxes	$4,500	$95	$4,595
Income tax expense	(1,384)	(34)	(1,418)
Net income	$3,116	$61	$3,177
Effective tax rate	30.8 %		30.9 %

During 2014, the Company's unrecognized tax benefits related to tax positions taken during the current and prior periods increased by $44 million. The increase in the Company's unrecognized tax benefits for 2014 was primarily due to judgments related to current year tax positions. As of December 31, 2014, the Company's unrecognized tax benefits related to positions taken during the current and prior period were $364 million, all of which would reduce the Company's effective tax rate if recognized.

In 2010, in connection with the expansion of the Company's operations in the Asia Pacific, Middle East and Africa region, the Company's subsidiary in Singapore, MasterCard Asia Pacific Pte. Ltd. ("MAPPL"), received an incentive grant from the Singapore Ministry of Finance. See Note 17 (Income Taxes) to the consolidated financial statements included in Part II, Item 8 of this Report for further discussion.

Liquidity and Capital Resources

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

	Years Ended December 31,		
	2014	2013	2012
	(in billions)		
Cash, cash equivalents, time deposits and available-for-sale investment securities [1]	$6.4	$6.3	$5.0
Unused line of credit [2]	3.0	3.0	3.0

[1] Includes $70 million of time deposits included in prepaid expenses and other current assets at December 31,2014. Excludes restricted cash related to the U.S. merchant class litigation settlement of $540 million and $723 million at December 31, 2014 and December 31, 2013, respectively.

[2] The Company did not use any funds from the line of credit during the periods presented, except for business continuity planning and related purposes.

Cash, cash equivalents, time deposits and available-for-sale investment securities held by our foreign subsidiaries (i.e., any entities where earnings would be subject to U.S. tax upon repatriation) was $2.6 billion and $3.6 billion at December 31, 2014 and 2013, respectively, or 42% and 57% of our total cash, cash equivalents and available-for-sale investment securities as of such dates. The decrease in cash, cash equivalents, time deposits and available-for-sale investment securities held by our foreign subsidiaries during 2014 was primarily driven by prepaid tax in Belgium as well as a repatriation of foreign earnings in conjunction with a reorganization undertaken to better align our tax and legal entity structure with our business footprint outside of the U.S. The reorganization occurred in the fourth quarter of 2014. It is our present intention to permanently reinvest the undistributed earnings associated with our foreign subsidiaries as of December 31, 2014 outside of the United States (as disclosed in Note 17 (Income Taxes) to the consolidated financial statements included in Part II, Item 8 of this Report), and our current plans do not require repatriation of these earnings. If these earnings are needed for U.S operations or can no longer be permanently reinvested outside of the United States, the Company would be subject to U.S. tax upon repatriation.

Our liquidity and access to capital could be negatively impacted by global credit market conditions. The Company guarantees the settlement of many MasterCard, Cirrus and Maestro-branded transactions between our issuers and acquirers. See Note 19 (Settlement and Other Risk Management) to the consolidated financial statements in Part II, Item 8 of this Report for a description of these guarantees. Historically, payments under these guarantees have not been significant; however, historical trends may not be an indication of the future. The risk of loss on these guarantees is specific to individual customers, but may also be driven

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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. See our risk factor in “Risk Factors - Legal and Regulatory Risks” in Part I, Item 1A and Note 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 of this Report; and Part II, Item 7 (Business Environment) of this Report for additional discussion of these and other risks facing our business.

Cash Flow

The table below shows a summary of the cash flows from operating, investing and financing activities for the years ended December 31:

	2014	2013	2012
	(in millions)		
Cash Flow Data:			
Net cash provided by operating activities	$3,407	$4,135	$2,948
Net cash provided by (used in) investing activities	690	(4)	(2,839)
Net cash used in financing activities	(2,339)	(2,629)	(1,798)

Net cash provided by operating activities for the year ended December 31, 2014 was $3.4 billion, primarily due to net income. The decrease in the cash flow provided by operating activities is primarily due to prepaid income taxes associated with our legal entity and tax reorganization. Net cash provided by operating activities for the year ended December 31, 2013 was $4.1 billion, primarily due to net income.

Net cash provided by investing activities for the year ended December 31, 2014 was primarily related to the proceeds from sales and maturities of investment securities, partially offset by purchases of investment securities and acquisitions. Net cash used in investing activities for the year ended December 31, 2013 was primarily related to purchases of investment securities and increased property, plant and equipment and capitalized software, partially offset by net proceeds from sales and maturities of investment securities.

Net cash used in financing activities for the year ended December 31, 2014 was primarily related to the repurchase of the Company’s Class A common stock and dividend payments to our stockholders, partially offset by proceeds from the debt offering completed in March 2014. Net cash used in financing activities for the year ended December 31, 2013 was primarily related to the repurchase of the Company’s Class A common stock and dividend payments to our stockholders.

The table below shows a summary of the balance sheet data at December 31:

	2014	2013	2012
	(in millions)		
Balance Sheet Data:			
Current assets	$10,997	$10,950	$9,357
Current liabilities	6,222	6,032	4,906
Long-term liabilities	2,283	715	627
Equity	6,824	7,495	6,929

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

Debt and Credit Availability

In March 2014, MasterCard Incorporated issued $500 million aggregate principal amount of 2.000% Notes due April 1, 2019 (the “2019 Notes”) and $1 billion aggregate principal amount of 3.375% Notes due April 1, 2024 (the “2024 Notes”) (collectively the “Notes”). The effective interest rates were 2.081% and 3.426% on the 2019 Notes and 2024 Notes, respectively. The net proceeds from the issuance of the Notes, after deducting the underwriting discount and offering expenses, were $1,484 million. The Company is not subject to any financial covenants under the Notes. Interest on the Notes is payable semi-annually on April 1 and October 1, commencing on October 1, 2014. The Notes may be redeemed in whole, or in part, at our option at any time for a specified make-whole amount. The Notes are senior unsecured obligations and would rank equally with any future unsecured and unsubordinated indebtedness. The proceeds of the Notes are to be used for general corporate purposes.

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On November 16, 2014, the Company extended its committed unsecured revolving credit facility, dated as of November 16, 2012 (the "Credit Facility"), for an additional year. The expiration date of the Credit Facility is November 14, 2019. The available funding under the Credit Facility will remain at $3 billion through November 16, 2017 and then decrease to $2.95 billion during the final two years of the Credit Facility agreement. Other than immaterial changes to certain representations and warranties, the terms and conditions of the Credit Facility remain unchanged. The option to request that each lender under the Credit Facility extend its commitment was provided pursuant to the terms of the Credit Facility agreement. Borrowings under the Credit Facility are available to provide liquidity for general corporate purposes, including providing liquidity in the event of one or more settlement failures by the Company's customers. In addition, for business continuity planning and related purposes, the Company may borrow and repay amounts under the Credit Facility from time to time. The facility fee and borrowing cost under the Credit Facility are contingent upon the Company's credit rating. At December 31, 2014, the applicable facility fee was 8 basis points on the average daily commitment (whether or not utilized). In addition to the facility fee, interest on borrowings under the Credit Facility would be charged at the London Interbank Offered Rate (LIBOR) plus an applicable margin of 79.5 basis points, or an alternative base rate. MasterCard had no borrowings under the Credit Facility at December 31, 2014 and 2013.

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. MasterCard was in compliance in all material respects with the covenants of the Credit Facility at December 31, 2014 and 2013. The majority of Credit Facility lenders are customers or affiliates of customers of MasterCard.

On August 2, 2012, the Company filed a universal shelf registration statement to provide additional access to capital, if needed. Pursuant to the shelf registration statement, the Company may from time to time offer to sell debt securities, preferred stock, Class A common stock, depository shares, purchase contracts, units or warrants in one or more offerings.

Dividends and Share Repurchases

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

	Years Ended December 31,		
	2014	2013	2012
	(in millions, except per share data)		
Cash dividend, per share	$0.440	$0.210	$0.105
Cash dividends paid	$515	$255	$132

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

On February 3, 2015, our Board of Directors declared a quarterly cash dividend of $0.16 per share payable on May 8, 2015 to holders of record on April 9, 2015 of our Class A common stock and Class B common stock. The aggregate amount of this dividend is estimated to be $184 million.

Shares in the Company's common stock that are repurchased are considered treasury stock. The timing and actual number of additional shares repurchased will depend on a variety of factors, including the operating needs of the business, legal requirements, price and economic and market conditions. In December 2014, the Company's Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to $3.75 billion of its Class A common stock. As of January 23, 2015, the repurchases by the Company under the December 2013 Share Repurchase Program in 2015 totaled approximately 2.5 million shares of Class A common stock for an aggregate cost of approximately $215 million, at an average price of $84.45 per share of Class A common stock. As of January 23, 2015, the Company had approximately $3.8 billion remaining under the December 2013 Share Repurchase Program and the December 2014 Share Repurchase Program.

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The following table summarizes the Company's share repurchase authorizations of its Class A common stock through December 31, 2014, as well as historical purchases:

	Authorization Dates			
	December 2014	December 2013	February 2013	Total
	(in millions, except average price data)			
Board authorization	$3,750	$3,500	$2,000	$9,250
Remaining authorization at December 31, 2013	$—	$3,500	$161	$3,661
Dollar-value of shares repurchased in 2014	$—	$3,225	$161	$3,386
Remaining authorization at December 31, 2014	$3,750	$275	$—	$4,025
Shares repurchased in 2014	—	42.6	1.9	44.5
Average price paid per share in 2014	$—	$75.81	$83.22	$76.14

See Note 13 (Stockholders' Equity) to the consolidated financial statements included in Part II, Item 8 of this Report for further discussion.

Off-Balance Sheet Arrangements

MasterCard has no off-balance sheet debt, other than lease arrangements and other commitments as presented in the Future Obligations table that follows.

Future Obligations

The following table summarizes our obligations as of December 31, 2014 that are expected to impact liquidity and cash flow in future periods. We believe we will be able to fund these obligations through cash generated from operations and our cash balances.

	Payments Due by Period				
	Total	2015	2016 - 2017	2018 - 2019	2020 and thereafter
			(in millions)		
Debt	$1,541	$41	$—	$500	$1,000
Interest on debt	372	49	88	83	152
Capital leases	10	4	6	—	—
Operating leases	171	30	53	35	53
Other long-term obligations [1]					
Sponsorship, licensing and other [2]	540	326	172	36	6
Employee benefits [3]	184	83	20	23	58
Total [4]	$2,818	$533	$339	$677	$1,269

[1] The table does not include the $771 million provision as of December 31, 2014 related to the merchant opt outs and the U.S. merchant class litigation since the opt outs are not fixed and determinable and the Company has made a payment into escrow to fund the U.S. merchant class litigation. See Note 18 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 of this Report for further discussion.

[2] Amounts primarily relate to sponsorships to promote the MasterCard brand. Future cash payments that will become due to our customers under agreements which provide pricing rebates on our standard fees and other incentives in exchange for transaction volumes are not included in the table because the amounts due are contingent on future performance. MasterCard has accrued $1.7 billion as of December 31, 2014 related to customer and merchant agreements.

[3] Amounts relate to committed severance, minimum funding requirements for defined benefit plans and unfunded postemployment benefits. U.S. employees hired before July 1, 2007 participate in a non-contributory, qualified, defined benefit pension plan (the "Qualified Plan") with a cash balance feature. In 2014, the Company began to evaluate whether to terminate the Qualified Plan. We continue to account for the Qualified Plan on an ongoing basis in our financial statements. If we terminate the plan, we would be obligated to pay the underfunded status of the plan and take a settlement charge for the portion of the liability that has not been recognized in our Statement of Operations.

[4] The Company has recorded a liability for unrecognized tax benefits of $364 million at December 31, 2014 and estimates that approximately $1 million of this liability is expected to be settled within the next 12 months. These amounts have been excluded from the table since the settlement period for the non-current portion of this liability cannot be reasonably estimated. The timing of these payments will ultimately depend on the progress of tax examinations with the various authorities.

Seasonality

The Company does not experience meaningful seasonality. No individual quarter in 2014, 2013 or 2012 accounted for more than 30% of net revenue.

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Critical Accounting Estimates

The application of U.S. GAAP requires the Company to make estimates and assumptions about certain items and future events that directly affect the Company's reported financial condition. We have established detailed policies and control procedures to provide reasonable assurance that the methods used to make estimates and assumptions are well controlled and are applied consistently from period to period. The accounting estimates and assumptions discussed in this section are those that the Company considers to be the most critical to its financial statements. An accounting estimate is considered critical if both (a) the nature of the estimate or assumption is material due to the levels of subjectivity and judgment involved, and (b) the impact within a reasonable range of outcomes of the estimate and assumption is material to the Company's financial condition. Senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of the Company's Board of Directors. The Company's significant accounting policies, including recent accounting pronouncements, are described in Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements included in Part II, Item 8 of this Report.

A quantitative sensitivity analysis is provided where that information is reasonably available, can be reliably estimated and provides material information to investors. The amounts used to assess sensitivity (e.g., 10 percent) are included to allow users of this Report to understand a general direction cause and effect of changes in the estimates and do not represent management's predictions of variability. For all of these estimates, it should be noted that future events rarely develop exactly as forecasted, and estimates require regular review and adjustment.

Revenue Recognition

Application of the various accounting principles in U.S. GAAP related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Specifically, complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. Domestic assessment revenue requires an estimate of our customers' performance in order to recognize this revenue. Rebates and incentives are recorded as a reduction to gross revenue based on these estimates. We consider various factors in estimating customer performance, including a review of specific transactions, historical experience with that customer and market and economic conditions. Differences between actual results and the Company's estimates are adjusted in the period the customer reports actual performance. If our customers' actual performance is not consistent with our estimates of their performance, net revenue may be materially different.

Loss Contingencies

The Company is currently involved in various claims and legal proceedings. The Company regularly reviews the status of each significant matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. Significant judgment is required in both the determination of probability and whether an exposure is reasonably estimable. Our judgments are subjective based on the status of the legal or regulatory proceedings, the merits of our defenses and consultation with in-house and outside legal counsel. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, the Company reassesses the potential liability related to its pending claims and litigation and may revise its estimates. Due to the inherent uncertainties of the legal and regulatory process in the multiple jurisdictions in which we operate, our judgments may be materially different than the actual outcomes. See Note 18 (Legal and Regulatory Proceedings) for further discussion.

Income Taxes

In calculating our effective tax rate, we need to make estimates regarding the timing and amount of taxable and deductible items which will adjust the pretax income earned in various tax jurisdictions. Through our interpretation of local tax regulations, adjustments to pretax income for income earned in various tax jurisdictions are reflected within various tax filings. Although we believe that our estimates and judgments discussed herein are reasonable, actual results may be materially different than the estimated amounts.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. Significant judgment is required in determining the valuation allowance. We consider projected future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance. If it is determined that we are able to realize deferred tax assets in excess of the net carrying value or to the extent we are unable to realize a deferred tax asset, we would adjust the valuation allowance in the period in which such a determination is made, with a corresponding increase or decrease to earnings.

We record tax liabilities for uncertain tax positions taken, or expected to be taken, which may not be sustained or may only be partially sustained, upon examination by the relevant taxing authorities. We consider all relevant facts and current authorities in the tax law in assessing whether any benefit resulting from an uncertain tax position is more likely than not to be sustained and,

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if so, how current law impacts the amount reflected within these financial statements. If upon examination, we realize a tax benefit which is not fully sustained or is more favorably sustained, this would decrease or increase earnings in the period. In certain situations, the Company will have offsetting tax credits or taxes in other jurisdictions.

We do not record U.S. income tax expense for foreign earnings which we intend to reinvest indefinitely to expand our international operations. We consider business plans, planning opportunities, and expected future outcomes in assessing the needs for future expansion and support of our international operations. If our business plans change or our future outcomes differ from our expectations, U.S. income tax expense and our effective tax rate could increase or decrease in that period.

Valuation of Assets

The valuation of assets acquired in a business combination and asset impairment reviews require the use of significant estimates and assumptions. The acquisition method of accounting for business combinations requires the Company to estimate the fair value of assets acquired, liabilities assumed, and any non-controlling interest in the acquiree to properly allocate purchase price consideration between assets that are depreciated and amortized from goodwill. Impairment testing for assets, other than goodwill and indefinite-lived intangible assets, requires the allocation of cash flows to those assets or group of assets and if required, an estimate of fair value for the assets or group of assets. The Company's estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management's assumptions, which would not reflect unanticipated events and circumstances that may occur.

We evaluate goodwill and indefinite-lived intangible assets for impairment on an annual basis or sooner if indicators of impairment exist. Goodwill is tested for impairment at the reporting unit level. The impairment evaluation utilizes a quantitative assessment using a two-step impairment test. The first step is to compare the reporting unit's carrying value, including goodwill, to the fair value. The Company uses a market approach for estimating the fair value of its reporting unit. If the fair value exceeds the carrying value, then no potential impairment is considered to exist. If the carrying value exceeds the fair value, the second step is performed to determine if the implied fair value of the reporting unit's goodwill exceeds the carrying value of the reporting unit. An impairment charge would be recorded if the carrying value exceeds the implied fair value. The impairment test for indefinite-lived intangible assets consists of a qualitative assessment to evaluate all relevant events and circumstances that could affect the significant inputs used to determine the fair value of indefinite-lived intangible assets. In performing the qualitative assessment, we consider relevant events and conditions, including but not limited to, macroeconomic trends, industry and market conditions, overall financial performance, cost factors, company-specific events, and legal and regulatory factors. If the qualitative assessment indicates that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than their carrying amounts, the Company must perform a quantitative impairment test.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential for economic losses to be incurred on market risk sensitive instruments arising from adverse changes in market factors such as interest rates, foreign currency exchange rates and equity price risk. Our exposure to market risk from changes in interest rates, foreign exchange rates and equity price risk is limited. Management establishes and oversees the implementation of policies governing our funding, investments and use of derivative financial instruments. We monitor risk exposures on an ongoing basis. The effect of a hypothetical 10% adverse change in foreign currency rates could result in a fair value loss of approximately $74 million on our foreign currency derivative contracts outstanding at December 31, 2014 related to the hedging program. A 100 basis point adverse change in interest rates would not have a material impact on the Company's financial assets or liabilities at December 31, 2014 and 2013. In addition, there was no material equity price risk at December 31, 2014 or 2013.

Foreign Exchange Risk

We enter into forward contracts to manage risk associated with anticipated receipts and disbursements which are either transacted in a non-functional currency or valued based on a currency other than our functional currency. We also enter into foreign currency derivative contracts to offset possible changes in value due to foreign exchange fluctuations of earnings, assets and liabilities denominated in currencies other than the functional currency of the entity. The objective of these activities is to reduce our exposure to transaction gains and losses resulting from fluctuations of foreign currencies against our functional and reporting currencies, principally the U.S. dollar and euro.

The terms of the forward contracts are generally less than 18 months.

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As of December 31, 2014, all forward contracts to purchase and sell foreign currency had been entered into with customers of MasterCard. MasterCard's derivative contracts are summarized below:

	December 31, 2014		December 31, 2013	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
	(in millions)			
Commitments to purchase foreign currency	$47	$4	$23	$(1)
Commitments to sell foreign currency	614	27	1,722	1

Our settlement activities are subject to foreign exchange risk resulting from foreign exchange rate fluctuations. This risk is typically limited to the one business day between setting the foreign exchange rates and clearing the financial transactions.

Interest Rate Risk

Our interest rate sensitive assets are our investments in debt securities, which we generally hold as available-for-sale investments. Our general policy is to invest in high quality securities, while providing adequate liquidity and maintaining diversification to avoid significant exposure. The fair value and maturity distribution of the Company's available for sale investments for debt securities as of December 31 was as follows:

			Maturity					
Financial Instrument	Summary Terms	Fair Market Value at December 31, 2014 (in millions)	2015	2016	2017	2018	2019	2020 and there-after
Municipal securities	Fixed / Variable Interest	$135	$82	$48	$2	$—	$—	$3
Corporate securities	Fixed / Variable Interest	618	325	211	82	—	—	—
U.S. government and agency securities	Fixed / Variable Interest	199	132	52	2	—	—	13
Asset-backed securities	Fixed / Variable Interest	178	4	59	75	28	7	5
Other	Fixed / Variable Interest	25	15	5	1	—	—	4
Total		$1,155	$558	$375	$162	$28	$7	$25

			Maturity					
Financial Instrument	Summary Terms	Fair Market Value at December 31, 2013 (in millions)	2014	2015	2016	2017	2018	2019 and there-after
Municipal securities	Fixed / Variable Interest	$267	$200	$57	$10	$—	$—	$—
Corporate securities	Fixed / Variable Interest	1,426	646	464	290	9	15	2
U.S. government and agency securities	Fixed / Variable Interest	560	376	122	31	12	9	10
Asset-backed securities	Fixed / Variable Interest	364	307	49	8	—	—	—
Other		90	33	37	7	2	—	11

	Fixed / Variable Interest							
Total		$2,707	$1,562	$729	$346	$23	$24	$23

At December 31, 2014, we have a credit facility which provides liquidity for general corporate purposes, including providing liquidity in the event of one or more settlement failures by the Company's customers. This credit facility has variable rates, which are applied to the borrowing based on terms and conditions set forth in the agreement. See Note 12 (Debt) to the consolidated financial statements in Part II, Item 8 of this Report for additional information on the Company's current and prior credit facilities. We had no borrowings under the current or prior credit facilities at December 31, 2014 and 2013.

Equity Price Risk

The Company did not have significant equity price risk as of December 31, 2014 and 2013.

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Item 8. Financial Statements and Supplementary Data

MASTERCARD INCORPORATED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of MasterCard Incorporated ("MasterCard") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. As required by Section 404 of the Sarbanes-Oxley Act of 2002, management has assessed the effectiveness of MasterCard's internal control over financial reporting as of December 31, 2014. In making its assessment, management has utilized the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has concluded that, based on its assessment, MasterCard's internal control over financial reporting was effective as of December 31, 2014. The effectiveness of MasterCard's internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on the next page.

[PRICEWATERHOUSECOOPERS letterhead]

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of MasterCard Incorporated:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of MasterCard Incorporated and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

New York, New York
February 13, 2015

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MASTERCARD INCORPORATED
CONSOLIDATED BALANCE SHEET

	December 31, 2014	December 31, 2013
	(in millions, except share data)	
ASSETS		
Cash and cash equivalents	$5,137	$3,599
Restricted cash for litigation settlement	540	723
Investment securities available-for-sale, at fair value	1,168	2,696
Accounts receivable	1,109	966
Settlement due from customers	1,052	1,351
Restricted security deposits held for customers	950	911
Prepaid expenses and other current assets	741	471
Deferred income taxes	300	233
Total Current Assets	10,997	10,950
Property, plant and equipment, net	615	526
Deferred income taxes	96	70
Goodwill	1,522	1,122
Other intangible assets, net	714	672
Other assets	1,385	902
Total Assets	$15,329	$14,242
LIABILITIES AND EQUITY		
Accounts payable	$419	$338
Settlement due to customers	1,142	1,433
Restricted security deposits held for customers	950	911
Accrued litigation	771	886
Accrued expenses	2,439	2,101
Other current liabilities	501	363
Total Current Liabilities	6,222	6,032
Long-term debt	1,494	—
Deferred income taxes	115	117
Other liabilities	674	598
Total Liabilities	8,505	6,747
Commitments and Contingencies		
Stockholders' Equity		
Class A common stock, $0.0001 par value; authorized 3,000,000,000 shares, 1,352,378,383 and 1,341,541,110 shares issued and 1,115,369,640 and 1,148,838,370 outstanding, respectively	—	—
Class B common stock, $0.0001 par value; authorized 1,200,000,000 shares, 37,192,165 and 45,350,070 issued and outstanding, respectively	—	—
Additional paid-in-capital	3,876	3,762
Class A treasury stock, at cost, 237,008,743 and 192,702,740 shares, respectively	(9,995)	(6,577)
Retained earnings	13,169	10,121
Accumulated other comprehensive income (loss)	(260)	178
Total Stockholders' Equity	6,790	7,484
Non-controlling interests	34	11
Total Equity	6,824	7,495

Total Liabilities and Equity	$15,329	$14,242

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

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MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS

	For the Years Ended December 31,		
	2014	2013	2012
	(in millions, except per share data)		
Net Revenue	$9,473	$8,346	$7,391
Operating Expenses			
General and administrative	3,184	2,649	2,429
Advertising and marketing	862	841	775
Depreciation and amortization	321	258	230
Provision for litigation settlement	—	95	20
Total operating expenses	4,367	3,843	3,454
Operating income	5,106	4,503	3,937
Other Income (Expense)			
Investment income	28	38	37
Interest expense	(48)	(14)	(20)
Other income (expense), net	(7)	(27)	(21)
Total other income (expense)	(27)	(3)	(4)
Income before income taxes	5,079	4,500	3,933
Income tax expense	1,462	1,384	1,174
Net Income	$3,617	$3,116	$2,759
Basic Earnings per Share	$3.11	$2.57	$2.20
Basic Weighted-Average Shares Outstanding	1,165	1,211	1,253
Diluted Earnings per Share	$3.10	$2.56	$2.19
Diluted Weighted-Average Shares Outstanding	1,169	1,215	1,258

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

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MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2014	2013	2012
	(in millions)		
Net Income	$3,617	$3,116	$2,759
Other comprehensive income (loss):			
Foreign currency translation adjustments	(436)	113	63
Defined benefit pension and postretirement plans	4	13	(8)
Income tax effect	(1)	(5)	3
Defined benefit pension and other postretirement plans, net of income tax effect	3	8	(5)
Investment securities available-for-sale	(5)	(3)	9
Income tax effect	1	2	(3)
Investment securities available-for-sale, net of income tax effect	(4)	(1)	6
Reclassification adjustment for investment securities available-for-sale	(1)	(5)	(2)
Income tax effect	—	2	1
Reclassification adjustment for investment securities available-for-sale, net of income tax effect	(1)	(3)	(1)
Other comprehensive income (loss), net of tax	(438)	117	63
Comprehensive Income	$3,179	$3,233	$2,822

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

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MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Class A	Common Stock Class B	Additional Paid-In Capital	Class A Treasury Stock	Non-Controlling Interests
	(in millions, except per share data)							
Balance at December 31, 2011	$5,877	$4,745	$ (2)	$—	$—	$3,519	$(2,394)	$ 9
Net income	2,759	2,759	—	—	—	—	—	—
Activity related to non-controlling interests	3	—	—	—	—	—	—	3
Other comprehensive income (loss), net of tax	63	—	63	—	—	—	—	—
Cash dividends declared on Class A and Class B common stock, $0.12 per share	(150)	(150)	—	—	—	—	—	—
Purchases of treasury stock	(1,748)	—	—	—	—	—	(1,748)	—
Share-based payments	125	—	—	—	—	122	3	—
Conversion of Class B to Class A common stock	—	—	—	—	—	—	—	—
Balance at December 31, 2012	6,929	7,354	61	—	—	3,641	(4,139)	12
Net income	3,116	3,116	—	—	—	—	—	—
Activity related to non-controlling interests	(1)	—	—	—	—	—	—	(1)
Other comprehensive income (loss), net of tax	117	—	117	—	—	—	—	—
Cash dividends declared on Class A and Class B common stock, $0.29 per share	(349)	(349)	—	—	—	—	—	—
Purchases of treasury stock	(2,443)	—	—	—	—	—	(2,443)	—
Share-based payments	126	—	—	—	—	121	5	—
Conversion of Class B to Class A common stock	—	—	—	—	—	—	—	—
Balance at December 31, 2013	7,495	10,121	178	—	—	3,762	(6,577)	11
Net income	3,617	3,617	—	—	—	—	—	—
Activity related to non-controlling interests	23	—	—	—	—	—	—	23
Other comprehensive income (loss), net of tax	(438)	—	(438)	—	—	—	—	—
Cash dividends declared on Class A and Class B common stock, $0.49 per share	(569)	(569)	—	—	—	—	—	—
Purchases of treasury stock	(3,424)	—	—	—	—	—	(3,424)	—

Share-based payments	120	—	—	—	—	114	6	—
Conversion of Class B to Class A common stock	—	—	—	—	—	—	—	—
Balance at December 31, 2014	$6,824	$13,169	$ (260)	$—	$—	$3,876	$(9,995)	$ 34

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

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MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Years Ended December 31,		
	2014	2013	2012
	(in millions)		
Operating Activities			
Net income	$3,617	$3,116	$2,759
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of customer and merchant incentives	691	603	519
Depreciation and amortization	321	258	230
Share-based payments	(15)	63	—
Deferred income taxes	(91)	(119)	241
Other	52	67	52
Changes in operating assets and liabilities:			
Accounts receivable	(164)	(42)	(121)
Income taxes receivable	(8)	153	(185)
Settlement due from customers	185	(194)	(500)
Prepaid expenses	(1,316)	(598)	(573)
Accrued litigation and legal settlements	(115)	160	(44)
Accounts payable	61	(20)	(2)
Settlement due to customers	(165)	322	348
Accrued expenses	389	315	221
Net change in other assets and liabilities	(35)	51	3
Net cash provided by operating activities	3,407	4,135	2,948
Investing Activities			
Purchases of investment securities available-for-sale	(2,385)	(2,526)	(2,981)
Acquisition of businesses, net of cash acquired	(525)	—	(70)
Purchases of property, plant and equipment	(175)	(155)	(96)
Capitalized software	(159)	(144)	(122)
Proceeds from sales of investment securities available-for-sale	2,477	1,488	390
Proceeds from maturities of investment securities available-for-sale	1,358	1,321	891
Decrease (increase) in restricted cash for litigation settlement	183	3	(726)
Proceeds from maturities of investment securities held-to-maturity	—	36	—
Other investing activities	(84)	(27)	(125)
Net cash provided by (used in) investing activities	690	(4)	(2,839)
Financing Activities			
Purchases of treasury stock	(3,386)	(2,443)	(1,748)
Proceeds from debt	1,530	35	—
Dividends paid	(515)	(255)	(132)
Tax benefit for share-based payments	54	19	47
Cash proceeds from exercise of stock options	28	26	31
Other financing activities	(50)	(11)	4
Net cash used in financing activities	(2,339)	(2,629)	(1,798)
Effect of exchange rate changes on cash and cash equivalents	(220)	45	7
Net increase (decrease) in cash and cash equivalents	1,538	1,547	(1,682)
Cash and cash equivalents - beginning of period	3,599	2,052	3,734
Cash and cash equivalents - end of period	$5,137	$3,599	$2,052

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

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MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Note 1. Summary of Significant Accounting Policies
Organization
MasterCard Incorporated and its consolidated subsidiaries, including MasterCard International Incorporated ("MasterCard International" and together with MasterCard Incorporated, "MasterCard" or the "Company"), is a technology company in the global payments industry that connects consumers, financial institutions, merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks. The Company facilitates the processing of payment transactions including authorization, clearing and settlement, and delivers related products and services. The Company makes payments easier and more efficient by creating a wide range of payment solutions and services through a family of well-known brands, including MasterCard, Maestro and Cirrus. The Company also provides value-added offerings such as loyalty and reward programs, information services and consulting. The Company's network is designed to ensure safety and security for the global payments system. A typical transaction on the Company's network involves four participants in addition to the Company: cardholder, merchant, issuer (the cardholder's financial institution) and acquirer (the merchant's financial institution). The Company's customers encompass a vast array of entities, including financial institutions and other entities that act as "issuers" and "acquirers", as well as merchants, governments, telecommunication companies and other businesses. The Company does not issue cards, extend credit, determine or receive revenue from interest rates or other fees charged to cardholders by issuers, or establish the rates charged by acquirers in connection with merchants' acceptance of the Company's branded cards.
Significant Accounting Policies
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. Investments in VIEs for which the Company is not considered the primary beneficiary are not consolidated and are accounted for as equity method or cost method investments and recorded in other assets on the consolidated balance sheet. At December 31, 2014 and 2013, there were no VIEs which required consolidation and the investments were not considered material to the consolidated financial statements. Intercompany transactions and balances have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the 2014 presentation. The Company follows accounting principles generally accepted in the United States of America ("GAAP").
Non-controlling interests represent the equity interest not owned by the Company and are recorded for consolidated entities in which the Company owns less than 100% of the interests. Changes in a parent's ownership interest while the parent retains its controlling interest are accounted for as equity transactions, and upon loss of control, retained ownership interests are remeasured at fair value, with any gain or loss recognized in earnings. For each of the years ended December 31, 2014, 2013 and 2012, income from non-controlling interests was de minimis and, as a result, amounts are included in the consolidated statement of operations within other income (expense).
The Company accounts for investments in common stock or in-substance common stock under the equity method of accounting when it has the ability to exercise significant influence over the investee, generally when it holds between 20% and 50% ownership in the entity. In addition, investments in flow-through entities such as limited partnerships and limited liability companies are also accounted for under the equity method when the Company has the ability to exercise significant influence over the investee, generally when the investment ownership percentage is equal to or greater than 5% of the outstanding ownership interest. The excess of the cost over the underlying net equity of investments accounted for under the equity method is allocated to identifiable tangible and intangible assets and liabilities based on fair values at the date of acquisition. The amortization of the excess of the cost over the underlying net equity of investments and MasterCard's share of net earnings or losses of entities accounted for under the equity method of accounting is included in other income (expense) on the consolidated statement of operations.
The Company accounts for investments in common stock or in-substance common stock under the cost method of accounting when it does not exercise significant influence, generally when it holds less than 20% ownership in the entity or when the interest in a limited partnership or limited liability company is less than 5% and the Company has

no significant influence over the operation of the investee. Investments in companies that MasterCard does not control, but that are not in the form of common stock or in-substance common stock, are also accounted for under the cost method of accounting. Investments for which the equity method or cost method of accounting is used are recorded in other assets on the consolidated balance sheet.

Use of estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the Company's consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Actual results may differ from these estimates.

Revenue recognition - Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectibility is reasonably assured. Revenue is generally derived from transactional information accumulated by our systems or reported by our customers. The Company's revenue is based on the volume of activity on cards that carry the Company's brands, the number of transactions processed or the nature of other payment-related products and services.

Volume-based revenue (domestic assessments and cross-border volume fees) is recorded as revenue in the period it is earned, which is when the related volume is generated on the cards. Certain revenue is based upon information reported to us by our customers. Transaction-based revenue (transaction processing fees) is primarily based on the number and type of transactions and is recognized as revenue in the same period as the related transactions occur. Other payment-related products and services are recognized as revenue in the same period as the related transactions occur or services are rendered.

MasterCard has business agreements with certain customers that provide for rebates or other support when the customers meet certain volume hurdles as well as other support incentives such as marketing, which are tied to performance. Rebates and incentives are recorded as a reduction of revenue either when the revenue is recognized by the Company or at the time the rebate or incentive is earned by the customer. Rebates and incentives are calculated based upon estimated performance and the terms of the related business agreements. In addition, MasterCard may make payments to a customer directly related to entering into an agreement, which are generally deferred and amortized over the life of the agreement on a straight-line basis.

Business combinations - The Company accounts for business combinations under the acquisition method of accounting. The Company measures the tangible and intangible identifiable assets acquired, liabilities assumed, and any non-controlling interest in the acquiree, at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred and are included in general and administrative expenses. Any excess of purchase price over the fair value of net assets acquired, including identifiable intangible assets, is recorded as goodwill.

Intangible assets - Intangible assets consist of capitalized software costs, trademarks, tradenames, customer relationships and other intangible assets, which have finite lives, and customer relationships which have indefinite lives. Intangible assets with finite useful lives are amortized over their estimated useful lives, on a straight-line basis, which range from one to ten years. Capitalized software includes internal and external costs incurred directly related to the design, development and testing phases of each capitalized software project.

Impairment of assets - Long-lived assets, other than goodwill and indefinite-lived intangible assets, are tested for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. If the carrying value of the asset cannot be recovered from estimated future cash flows, undiscounted and without interest, the fair value of the asset is calculated using the present value of estimated net future cash flows. If the carrying amount of the asset exceeds its fair value, an impairment is recorded.

Goodwill and indefinite-lived intangible assets are not amortized and are tested annually for impairment in the fourth quarter, or sooner when circumstances indicate an impairment may exist. Goodwill is tested for impairment at the reporting unit level. The impairment evaluation utilizes a quantitative assessment using a two-step impairment test. The first step is to compare the reporting unit's carrying value, including goodwill, to the fair value. If the fair value exceeds the carrying value, then no potential impairment is considered to exist. If the carrying value exceeds the fair value, the second step is performed to determine if the implied fair value of the reporting unit's goodwill exceeds the carrying value of the reporting unit. An impairment charge would be recorded if the carrying value exceeds the implied fair value. Impairment charges, if any, are recorded in general and administrative expenses.

The impairment test for indefinite-lived intangible assets consists of a qualitative assessment to evaluate all relevant events and circumstances that could affect the significant inputs used to determine the fair value of indefinite-lived intangible assets. If the qualitative assessment indicates that it is more likely than not that indefinite-lived intangible assets are impaired, then a quantitative assessment is required. Based on the qualitative assessment performed in 2014, it was determined that the Company's indefinite-lived intangible asset was not impaired.

Litigation - The Company is a party to certain legal and regulatory proceedings with respect to a variety of matters. The Company evaluates the likelihood of an unfavorable outcome of all legal or regulatory proceedings to which it is a party and accrues a loss contingency when the loss is probable and reasonably estimable. These judgments are subjective based on the status of the legal or regulatory proceedings, the merits of its defenses and consultation with in-house and external legal counsel. Legal costs are expensed as incurred and recorded in general and administrative expenses.

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 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. 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 also 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. 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. The Company accounts for each of its guarantees by recording the guarantee at its fair value at the inception or modification date through earnings.

Income taxes - The Company follows an asset and liability based approach in accounting for income taxes as required under GAAP. Deferred income tax assets and liabilities are recorded to reflect the tax consequences on future years of temporary differences between the financial statement carrying amounts and income tax bases of assets and liabilities. Deferred income taxes are displayed as separate line items or are included in other current liabilities on the consolidated balance sheet. Valuation allowances are provided against assets which are not more likely than not to be realized. The Company recognizes all material tax positions, including uncertain tax positions in which it is more likely than not that the position will be sustained based on its technical merits and if challenged by the relevant taxing authorities. At each balance sheet date, unresolved uncertain tax positions are reassessed to determine whether subsequent developments require a change in the amount of recognized tax benefit. The allowance for uncertain tax positions is recorded in other current and noncurrent liabilities on the consolidated balance sheet.

The Company records interest expense related to income tax matters as interest expense in its statement of operations. The Company includes penalties related to income tax matters in the income tax provision. The Company does not provide for U.S. federal income tax and foreign withholding taxes on undistributed earnings from non-U.S. subsidiaries when such earnings are intended to be reinvested indefinitely outside of the U.S.

Cash and cash equivalents - 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 approximates fair value.

Restricted cash - The Company classifies cash as restricted when the cash is unavailable for withdrawal or usage for general operations. Restrictions may include legally restricted deposits, contracts entered into with others, or the Company's statements of intention with regard to particular deposits. In December 2012, the Company made a payment into a qualified cash settlement fund related to its U.S. merchant class litigation. The Company has presented these funds as restricted cash for litigation settlement since the use of the funds under the qualified cash settlement fund is restricted for payment under the settlement agreement.

Fair value - The Company measures certain financial assets and liabilities at fair value on a recurring basis by estimating the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The Company classifies these recurring fair value measurements into a three-level hierarchy (“Valuation Hierarchy”).

The Valuation Hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the Valuation Hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of the Valuation Hierarchy are as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in inactive markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and cannot be directly corroborated by observable market data.

Certain assets are measured at fair value on a nonrecurring basis. The Company's assets measured at fair value on a nonrecurring basis include property, plant and equipment, nonmarketable equity investments, 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 valuation methods for goodwill and other intangible assets involve assumptions concerning comparable company multiples, discount rates, growth projections and other assumptions of future business conditions. The Company uses an income approach for estimating the fair value of its intangible assets and a market approach for estimating the fair value of its reporting unit, when necessary. As the assumptions employed to measure these assets and liabilities on a nonrecurring basis are based on management's judgment using internal and external data, these fair value determinations are classified in Level 3 of the Valuation Hierarchy.

Investment securities - The Company classifies investments in debt and equity securities as available-for-sale. Available-for-sale securities that are available to meet the Company's current operational needs are classified as current assets. Available-for-sale securities that are not available to meet the Company's current operational needs are classified as non-current assets.

The investments in debt and equity securities are carried at fair value, with unrealized gains and losses, net of applicable taxes, recorded as a separate component of other comprehensive income on the consolidated statement of comprehensive income. Net realized gains and losses on debt and equity securities are recognized in investment income on the consolidated statement of operations. The specific identification method is used to determine realized gains and losses.

Derivative financial instruments - The Company records all derivatives at fair value. The Company's foreign exchange forward contracts are included in Level 2 of the Valuation Hierarchy as the fair value of these contracts are based on broker quotes for the same or similar instruments. Changes in the fair value of derivative instruments are reported in current-period earnings. These derivative contracts hedge foreign exchange risk and were not entered into for trading or speculative purposes. The Company did not have any derivative contracts accounted for under hedge accounting as of December 31, 2014 and 2013.

Settlement due from/due to customers - The Company operates systems for clearing and settling payment transactions among MasterCard customers. Net settlements are generally cleared daily among customers through settlement cash accounts by wire transfer or other bank clearing means. However, some transactions may not settle until subsequent business days, resulting in amounts due from and due to MasterCard customers.

Restricted security deposits held for MasterCard customers - MasterCard 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 balance sheet. Additionally, MasterCard holds cash deposits and certificates of deposit from certain customers of MasterCard as collateral for settlement of their transactions. These assets are fully offset by corresponding liabilities included on the consolidated balance sheet.

Property, plant and equipment - Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Depreciation of leasehold improvements and amortization of capital leases is included in depreciation and amortization expense.

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The useful lives of the Company’s assets are as follows:

Asset Category	Estimated Useful Life
Buildings	30 years
Building equipment	10 - 15 years
Furniture and fixtures and equipment	2 - 5 years
Leasehold improvements	Shorter of life of improvement or lease term
Capital leases	Lease term

Leases - The Company enters into operating and capital leases for the use of premises, software and equipment. Rent expense related to lease agreements that contain lease incentives is recorded on a straight-line basis over the term of the lease.

Pension and other postretirement plans - The Company recognizes the overfunded or underfunded status of its single-employer defined benefit plans or postretirement plans as assets or liabilities on its balance sheet and recognizes changes in the funded status in the year in which the changes occur through other comprehensive income. The funded status is measured as the difference between the fair value of plan assets and the benefit obligation at December 31, the measurement date. The fair value of plan assets represents the current market value of the pension assets. Overfunded plans are aggregated and recorded in long-term other assets, while underfunded plans are aggregated and recorded as accrued expenses and long-term other liabilities.

Net periodic pension and postretirement benefit cost/(income) is recognized in general and administrative expenses in the consolidated statement of operations. These costs include service costs, interest cost, expected return on plan assets, amortization of prior service costs or credits and gains or losses previously recognized as a component of other comprehensive income or loss.

Defined contribution savings plans - The Company’s contributions to defined contribution savings plans are recorded when the employee renders service to the Company. The charge is recorded in general and administrative expenses.

Advertising and marketing - The cost of media advertising is expensed when the advertising takes place. Advertising production costs are expensed as incurred. Promotional items are expensed at the time the promotional event occurs. Sponsorship costs are recognized over the period of benefit.

Foreign currency remeasurement and translation - Monetary assets and liabilities are remeasured to functional currencies using current exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are recorded at historical exchange rates. Revenue and expense accounts are remeasured at the weighted-average exchange rate for the period. Resulting exchange gains and losses related to remeasurement are included in general and administrative expenses on the consolidated statement of operations.

Where a non-U.S. currency is the functional currency, translation from that functional currency to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted-average exchange rate for the period. Resulting translation adjustments are reported as a component of other comprehensive income (loss).

Treasury stock - The Company records the repurchase of shares of its common stock at cost on the settlement date of the transaction. These shares are considered treasury stock, which is a reduction to stockholders’ equity. Treasury stock is included in authorized and issued shares but excluded from outstanding shares.

Share-based payments - The Company measures share-based compensation expense at the grant date, based on the estimated fair value of the award and uses the straight-line method of attribution, net of estimated forfeitures, for expensing awards over the requisite employee service period. The Company estimates the fair value of its non-qualified stock option awards using a Black-Scholes valuation model. The fair value of restricted stock units (“RSUs”), including performance stock units (“PSUs”) granted prior to 2013, is determined and fixed on the grant date based on the Company’s 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 PSUs granted since 2013. All share-based compensation expenses are recorded in general and administrative expenses.

Earnings per share - The Company calculates basic earnings per share (“EPS”) by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted EPS is calculated by dividing net income by the weighted-average number of common shares outstanding during the year, adjusted for the potentially dilutive effect of stock options and unvested stock units using the treasury stock method.

Recent accounting pronouncements

Revenue Recognition - In May 2014, the Financial Accounting Standards Board ("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 guidance is effective for fiscal years beginning after December 15, 2016. Early application is not permitted. The Company is in the process of evaluating the potential effects of this guidance.

Income taxes - In July 2013, the FASB issued accounting guidance that requires entities to present an unrecognized tax benefit net with certain deferred tax assets when specific requirements are met. The Company adopted the revised accounting guidance effective January 1, 2014. This new accounting guidance did not have a material impact on the Company's consolidated financial statements.

Foreign currency - In March 2013, the FASB issued clarifying accounting guidance on the release of cumulative translation adjustment into net income when an entity ceases to have a controlling financial interest in a subsidiary or a group of assets that is a business within a foreign entity. The revised accounting guidance became effective January 1, 2014 and did not have an impact on the Company's consolidated financial statements.

Note 2. Acquisitions

In 2014, the Company acquired eight businesses. Two of the business combinations were achieved in stages, with non-controlling interests acquired in previous years. One of the business combinations was a transaction for less than 100 percent of the equity interest. The total consideration transferred was $575 million, paid in cash. The Company's final and preliminary estimates of the aggregate excess of the purchase consideration over the fair value of net assets acquired of $525 million was recorded as goodwill. A portion of the goodwill is expected to be deductible for local tax purposes. The Company made no acquisitions in 2013. In 2012, the Company completed three acquisitions for an aggregate cost of $70 million. The consolidated financial statements include the operating results of the acquired businesses from the dates of their respective acquisition. Pro forma information related to acquisitions was not included because the impact on the Company's consolidated results of operations was not considered to be material.

Note 3. Earnings Per Share

The components of basic and diluted EPS for common shares for each of the years ended December 31 were as follows:

	2014	2013	2012
	(in millions, except per share data)		
Numerator:			
Net income	$3,617	$3,116	$2,759
Denominator:			
Basic weighted-average shares outstanding	1,165	1,211	1,253
Dilutive stock options and stock units	4	4	4
Diluted weighted-average shares outstanding [1]	1,169	1,215	1,258
Earnings per Share			
Basic	$3.11	$2.57	$2.20
Diluted	$3.10	$2.56	$2.19

* Table may not sum due to rounding.

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

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Note 4. Supplemental Cash Flows

The following table includes supplemental cash flow disclosures for each of the years ended December 31:

	2014	2013	2012
	(in millions)		
Cash paid for income taxes, net of refunds	$2,036	$1,215	$1,046
Cash paid for interest	24	2	—
Cash paid for legal settlements [1]	28	—	65
Non-cash investing and financing activities:			
Dividends declared but not yet paid	184	131	37
Assets recorded pursuant to capital lease	8	7	11
Fair value of assets acquired, net of cash acquired	768	—	77
Fair value of liabilities assumed related to acquisitions	141	—	2

[1] Amounts primarily represent payments under settlement agreements related to the U.S. merchant litigations. Amounts paid into escrow related to the U.S. merchant class litigation are not included in this table.

Note 5. Fair Value and Investment Securities

The Company classifies its fair value measurements of financial instruments into a three-level hierarchy (the "Valuation Hierarchy"). No transfers were made among the three levels in the Valuation Hierarchy during the years ended December 31, 2014 and 2013.

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

	December 31, 2014			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
	(in millions)			
Municipal securities	$—	$135	$—	$135
U.S. government and agency securities [1]	—	199	—	199
Corporate securities	—	618	—	618
Asset-backed securities	—	178	—	178
Other	13	56	—	69
Total	$13	$1,186	$—	$1,199

	December 31, 2013			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
	(in millions)			
Municipal securities	$—	$267	$—	$267
U.S. government and agency securities [1]	—	560	—	560
Corporate securities	—	1,426	—	1,426
Asset-backed securities	—	364	—	364
Other [2]	—	79	11	90
Total	$—	$2,696	$11	$2,707

[1] Excludes amounts, recorded as restricted cash, held in escrow related to the U.S. merchant class litigation settlement of $540 million and $723 million at December 31, 2014 and 2013, respectively, which would be included in Levels 1 and 2 of the Valuation Hierarchy. See Note 10 (Accrued Expenses and Accrued Litigation) and Note 18 (Legal and Regulatory Proceedings) for further details.
[2] The amounts classified within Level 3 of the Valuation Hierarchy at December 31, 2013, included within other assets, represented auction rate securities (ARS), which were called at par during 2014.

The fair value of the Company's available-for-sale municipal securities, U.S. government and agency securities, corporate securities, asset-backed securities and other fixed income securities included in the Other category are based on quoted prices for similar assets in active markets and are therefore included in Level 2 of the Valuation Hierarchy. The Company's foreign currency derivative contracts have also been classified within Level 2 in the Other category of the Valuation Hierarchy, as the fair value is based on broker quotes for the same or similar derivative instruments. See Note 20 (Foreign Exchange Risk Management) for further details.

Financial Instruments - Non-Recurring Measurements

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

Debt

The Company estimates the fair value of its long-term debt using the market pricing approach which applies market assumptions for relevant though not directly comparable undertakings. Long-term debt is classified as Level 2 of the Valuation Hierarchy. At December 31, 2014, the carrying value and fair value of long-term debt was $1.5 billion. The Company did not have any long-term debt at December 31, 2013. See Note 12 (Debt).

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Settlement and Other Guarantee Liabilities

The Company estimates the fair value of its settlement and other guarantees using the market pricing approach which applies market assumptions for relevant though not directly comparable undertakings, as the latter are not observable in the market given the proprietary nature of such guarantees. At December 31, 2014 and 2013, the carrying value and fair value of settlement and other guarantee liabilities were not material. Settlement and other guarantee liabilities are classified as Level 3 of the Valuation hierarchy as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market. For additional information regarding the Company's settlement and other guarantee liabilities, see Note 19 (Settlement and Other Risk Management).

Non-Financial Instruments

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

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

The major classes of the Company's available-for-sale investment securities, for which unrealized gains and losses are recorded as a separate component of other comprehensive income on the consolidated statement of comprehensive income, and their respective amortized cost basis and fair values as of December 31, 2014 and 2013 were as follows:

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

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions)			
Municipal securities	$267	$—	$—	$267
U.S. government and agency securities	560	—	—	560
Corporate securities	1,425	2	(1)	1,426
Asset-backed securities	364	—	—	364
Other	91	—	(1)	90
Total	$2,707	$2	$(2)	$2,707

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

Investment Maturities:
The maturity distribution based on the contractual terms of the Company’s investment securities at December 31, 2014 was as follows:

	Available-For-Sale Amortized Cost	Fair Value
	(in millions)	
Due within 1 year	$558	$558
Due after 1 year through 5 years	571	572
Due after 5 years through 10 years	7	6
Due after 10 years	19	19
No contractual maturity [1]	17	13
Total	$1,172	$1,168

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

Investment Income:
Components of investment income for each of the years ended December 31 were as follows:

	2014	2013	2012
	(in millions)		
Interest income	$26	$33	$36
Investment securities available-for-sale:			
Gross realized gains	3	7	2
Gross realized losses	(1)	(2)	(1)
Total investment income	$28	$38	$37

Interest income primarily consists of interest income generated from cash, cash equivalents and investment securities available-for-sale.

Note 6. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets consisted of the following at December 31:

	2014	2013
	(in millions)	
Customer and merchant incentives	$260	$239
Prepaid income taxes	237	36
Other	244	196
Total prepaid expenses and other current assets	$741	$471

Other assets consisted of the following at December 31:

	2014	2013
	(in millions)	
Customer and merchant incentives	$556	$531
Nonmarketable equity investments	245	229
Prepaid income taxes	407	—
Income taxes receivable	89	78
Other	88	64
Total other assets	$1,385	$902

Certain customer and merchant business agreements provide incentives upon entering into the agreement. Customer and merchant incentives represent payments made or amounts to be paid to customers and merchants under business agreements. Amounts to

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be paid for these incentives and the related liability were included in accrued expenses and other liabilities. Costs directly related to entering into such an agreement are generally deferred and amortized over the life of the agreement. Prepaid income taxes primarily consists of taxes paid relating to the deferred charge resulting from the reorganization of our legal entity and tax structure to better align with our business footprint of our non-U.S. operations.

Note 7. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31:

	2014	2013
	(in millions)	
Building and land	$510	$451
Equipment	398	344
Furniture and fixtures	53	48
Leasehold improvements	91	77
Property, plant and equipment	1,052	920
Less: accumulated depreciation and amortization	(437)	(394)
Property, plant and equipment, net	$615	$526

As of December 31, 2014 and 2013, capital leases of $29 million and $30 million, respectively, were included in equipment. Accumulated amortization of these capital leases was $17 million and $21 million as of December 31, 2014 and 2013, respectively.

Depreciation and amortization expense for the above property, plant and equipment was $107 million, $92 million and $84 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Note 8. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
	(in millions)	
Beginning balance	$1,122	$1,092
Goodwill acquired during the year	525	—
Foreign currency translation	(106)	30
Other	(19)	—
Ending balance	$1,522	$1,122

The Company had no accumulated impairment losses for goodwill at December 31, 2014 or 2013. Based on annual impairment testing, the Company’s goodwill is not impaired.

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Note 9. Other Intangible Assets
The following table sets forth net intangible assets, other than goodwill, at December 31:

	2014 Gross Carrying Amount (in millions)	Accumulated Amortization	Net Carrying Amount	2013 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:						
Capitalized software	$839	$(496)	$343	$699	$(404)	$295
Trademarks and tradenames	48	(38)	10	49	(38)	11
Customer relationships	292	(115)	177	237	(84)	153
Other	20	(14)	6	20	(8)	12
Total	1,199	(663)	536	1,005	(534)	471
Unamortized intangible assets:						
Customer relationships	178	—	178	201	—	201
Total	$1,377	$(663)	$714	$1,206	$(534)	$672

The increase in the net carrying amount of amortized intangible assets in 2014 was primarily related to our acquired businesses. The increase in the net carrying amount of amortized intangible assets in 2013 was primarily related to additions in internally developed software and purchased software. Certain intangible assets, including amortizable and unamortizable customer relationships and trademarks and tradenames, are denominated in foreign currencies. As such, the change in intangible assets includes a component attributable to foreign currency translation.
Amortization and impairment expense on the assets above amounted to $214 million, $166 million and $149 million in 2014, 2013 and 2012, respectively. The following table sets forth the estimated future amortization expense on amortizable intangible assets on the balance sheet at December 31, 2014 for the years ending December 31:

	(in millions)
2015	$216
2016	159
2017	92
2018	26
2019 and thereafter	43
	$536

Note 10. Accrued Expenses and Accrued Litigation
Accrued expenses consisted of the following at December 31:

	2014 (in millions)	2013
Customer and merchant incentives	$1,433	$1,286
Personnel costs	531	413
Advertising	154	149
Income and other taxes	105	95
Other	216	158
Total accrued expenses	$2,439	$2,101

Personnel costs as of December 31, 2014 include an accrual related to a severance charge of $87 million, recorded in the fourth quarter of 2014, in general and administrative expenses on the consolidated statement of operations. The Company has restructured its organization to align with its strategic priorities and to best meet the Company's continued growth. The Company expects to be substantially complete with these restructuring activities by the second quarter of 2015.

As of December 31, 2014 and December 31, 2013, the Company's provision related to U.S. merchant litigations was $771 million and $886 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. The accrued litigation item at December 31, 2013 includes $68 million related to the timing of MasterCard's administration of the short-term reduction in default credit interchange from U.S. issuers which expired in April 2014. During 2014, MasterCard executed settlement agreements with a number of opt-out merchants and no adjustment to the amount previously recorded was deemed necessary. See Note 18 (Legal and Regulatory Proceedings) for further discussion of the U.S. merchant class litigation.

Note 11. Pension, Postretirement and Savings Plans

The Company maintains various pension, postretirement, savings and other postemployment benefit plans that cover substantially all employees worldwide.

U.S. employees hired before July 1, 2007 participate in a non-contributory, qualified, defined benefit pension plan (the "Qualified Plan") with a cash balance feature. In 2010, the Company amended the Qualified Plan to phase out participant pay credit percentages in the years 2011 and 2012 and eliminate the pay credit effective January 1, 2013. Plan participants continue to earn interest credits. The Company recorded a $2 million partial settlement charge from lump sum distribution activity in the Qualified Plan in each of the years ended December 31, 2014 and 2013. The Company also recognized corresponding effects in accumulated other comprehensive income and deferred taxes.

The Company also has an unfunded non-qualified supplemental executive retirement plan (the "Non-qualified Plan") that provides certain key employees with supplemental retirement benefits in excess of limits imposed on qualified plans by U.S. tax laws.

Internationally-based employees of the Company participate in plans that cover various pension and postemployment benefits specific to their country of employment. These benefits are incorporated into the disclosures below as they are not a material component of the total benefit obligations, fair value of plan assets, or plan funded status. The term "Pension Plans" includes the Qualified Plan, the Non-qualified Plan and these international defined benefit pension plans.

The Company maintains a postretirement plan providing health coverage and life insurance benefits for substantially all of its U.S. employees hired before July 1, 2007. The U.S. postretirement plan and the various international postemployment benefit plans are collectively referred to as the "Postretirement Plans".

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The Company uses a December 31 measurement date for its Pension Plans and its Postretirement Plans (collectively the "Plans"). The following table sets forth the Plans' funded status, key assumptions and amounts recognized in the Company's consolidated balance sheet at December 31:

	Pension Plans		Postretirement Plans	
	2014	2013	2014	2013
	(in millions, except percentages)			
Change in benefit obligation				
Benefit obligation at beginning of year	$281	$268	$80	$93
Service cost	11	10	4	3
Interest cost	12	10	3	3
Plan participants' contributions	—	—	1	1
Actuarial (gain) loss	(5)	6	7	(16)
Benefits paid	(18)	(13)	(5)	(4)
Transfers in	10	—	4	—
Benefit obligation at end of year	291	281	94	80
Change in plan assets				
Fair value of plan assets at beginning of year	275	267	—	—
Actual return on plan assets	10	11	—	—
Employer contributions	12	10	4	3
Plan participants' contributions	—	—	1	1
Benefits paid	(18)	(13)	(5)	(4)
Transfers in	4	—	—	—
Fair value of plan assets at end of year	283	275	—	—
Funded status at end of year	$(8)	$(6)	$(94)	$(80)
Amounts recognized on the consolidated balance sheet consist of:				
Prepaid expenses, long-term	$3	$—	$—	$—
Accrued expenses	—	(2)	(4)	(4)
Other liabilities, long-term	(11)	(4)	(90)	(76)
	$(8)	$(6)	$(94)	$(80)
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial loss (gain)	$42	$52	$(1)	$(8)
Weighted-average assumptions used to determine end of year benefit obligations				
Discount rate	3.40%	4.45%	4.00%	4.75%
Rate of compensation increase				
Qualified Plan	*	*	*	*
Non-qualified Plan	5.00%	5.00%	*	*
International pension plans	2.90%	2.80%	*	*
Postretirement Plans	*	*	3.00%	3.00%

* Not applicable

The accumulated benefit obligation of the Pension Plans was $290 million and $280 million at December 31, 2014 and 2013, respectively.

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The benefit obligations and plan assets of the Pension Plans that had benefit obligations in excess of plan assets were as follows at December 31, 2014 and 2013:

	2014	2013
	(in millions)	
Projected benefit obligation	$33	$281
Accumulated benefit obligation	33	280
Fair value of plan assets	22	275

The assumed health care cost trend rates at December 31 for the Postretirement Plans were as follows:

	2014	2013
Health care cost trend rate assumed for next year	7.00 %	7.50 %
Rate to which the cost trend rate is expected to decline (the ultimate trend rate)	5.00 %	5.00 %
Year that the rate reaches the ultimate trend rate	2019	2019

Components of net periodic benefit cost recorded in general and administrative expenses were as follows for the Plans for each of the years ended December 31:

	Pension Plans			Postretirement Plans		
	2014	2013	2012	2014	2013	2012
	(in millions)					
Service cost	$11	$10	$11	$4	$3	$2
Interest cost	12	10	10	3	3	3
Expected return on plan assets	(11)	(13)	(14)	—	—	—
Settlement loss	2	2	—	—	—	—
Amortization of actuarial loss	4	3	4	—	—	—
Amortization of prior service credit	—	—	(2)	—	—	—
Net periodic benefit cost	$18	$12	$9	$7	$6	$5

Other changes in plan assets and benefit obligations recognized in other comprehensive income for the years ended December 31 were as follows:

	Pension Plans			Postretirement Plans		
	2014	2013	2012	2014	2013	2012
	(in millions)					
Settlement loss	$(2)	$(2)	$—	$—	$—	$—
Current year actuarial (gain) loss	(4)	7	4	6	(15)	6
Amortization of actuarial loss	(4)	(3)	(4)	—	—	—
Amortization of prior service credit	—	—	2	—	—	—
Total recognized in other comprehensive income (loss)	$(10)	$2	$2	$6	$(15)	$6
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$8	$14	$11	$13	$(9)	$11

The estimated amounts that are expected to be amortized from accumulated other comprehensive income into net periodic benefit cost in 2015 are as follows:

	Pension Plans	Postretirement Plans
	(in millions)	
Actuarial loss	$2	$—

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Weighted-average assumptions used to determine net periodic benefit cost were as follows for the years ended December 31:

	Pension Plans			Postretirement Plans		
	2014	2013	2012	2014	2013	2012
Discount rate	3.80 %	3.30 %	4.25 %	4.75 %	3.75 %	4.25 %
Expected return on plan assets	3.30 %	3.30 %	6.00 %	*	*	*
Rate of compensation increase:						
Qualified Plan	*	*	5.35 %	*	*	*
Non-qualified Plan	5.00 %	5.00 %	5.00 %	*	*	*
International pension plans	2.85 %	2.25 %	*	*	*	*
Postretirement Plans	*	*	*	3.00 %	5.35 %	5.35 %

* Not applicable

The assumed health care cost trend rates have a significant effect on the amounts reported for the Postretirement Plans. A one-percentage point change in assumed health care cost trend rates for 2014 would have the following effects:

	1% increase	1% decrease
	(in millions)	
Effect on postretirement obligation	$8	$(7)

The effect on total service and interest cost components would be less than $1 million.

The Company's discount rate assumptions are based on a yield curve derived from high quality corporate bonds, which are matched to the expected cash flows to each of the respective Plans.

For the Qualified Plan, the Company considered the following to determine the assumption for the expected weighted-average return on plan assets: (1) historical return data for both the equity and fixed income markets over the past ten-, twenty- and thirty-year periods; (2) projected returns for both equity and fixed income; and (3) the weighting of assets within our portfolio at December 31, 2014 by class.

Plan assets are managed with a long-term perspective intended to ensure that there is an adequate level of assets to support benefit payments to participants over the life of the Qualified Plan. Plan assets are managed within asset allocation ranges, towards targets of 80% fixed income, 12% large/medium cap U.S. equity, 4% small cap U.S. equity, and 4% non-U.S. equity. Considering the asset allocation along with intent to maintain a majority of Plan assets in fixed income securities, the Company reduced the 2014 expected return on plan assets assumption from 5% to 4% for the Qualified Plan.

The Valuation Hierarchy of the Pension Plans' assets is determined using a consistent application of the categorization measurements for the Company's financial instruments. See Note 1 (Summary of Significant Accounting Policies). Mutual funds (including small cap U.S. equity securities and non-U.S. equity securities) are public investment vehicles valued at quoted market prices, which represent the net asset value of the shares held by the Qualified Plan and are therefore included in Level 1 of the Valuation Hierarchy. Commingled funds (including large/medium cap U.S. equity securities and fixed income securities) are valued at unit values provided by investment managers, which are based on the fair value of the underlying investments utilizing public information, independent external valuation from third-party services or third-party advisors, and are therefore included in Level 2 of the Valuation Hierarchy.

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The following tables set forth by level, within the Valuation Hierarchy, the Pension Plans’ assets at fair value as of December 31, 2014 and 2013:

	December 31, 2014			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
	(in millions)			
Mutual funds:				
Money market / certificates of deposit	$99	$—	$—	$99
Domestic small cap equity	11	—	—	11
International equity	9	—	—	9
Common and collective funds:				
Domestic large cap equity	—	35	—	35
Domestic fixed income	—	107	—	107
Insurance contracts	—	22	—	22
Total	$119	$164	$—	$283

	December 31, 2013			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
	(in millions)			
Mutual funds:				
Money market	$115	$—	$—	$115
Domestic small cap equity	10	—	—	10
International equity	9	—	—	9
Common and collective funds:				
Domestic large cap equity	—	31	—	31
Domestic fixed income	—	101	—	101
Insurance contracts	—	9	—	9
Total	$134	$141	$—	$275

Pursuant to the requirements of the Pension Protection Act of 2006, the Company did not have a mandatory contribution to the Qualified Plan in 2014, 2013 and 2012. The Company is not required to contribute to the Qualified Plan in 2015 and does not intend to make a contribution in 2015. The international defined benefit pension plans are subject to statutory regulations for funding and the Company estimates it will contribute approximately $10 million to these plans in 2015. The Company does not make any contributions to the Non-qualified Plan or to its Postretirement Plans, other than funding benefit payments.

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The following table summarizes expected benefit payments through 2024 for the Pension Plans and the Postretirement Plans, including those payments expected to be paid from the Company’s general assets. Since the majority of the benefit payments for the Pension Plans are made in the form of lump-sum distributions, actual benefit payments may differ from expected benefit payments.

		Postretirement Plans		
	Pension Plans	Benefit Payments	Expected Subsidy Receipts	Net Benefit Payments
	(in millions)			
2015	$27	$4	$—	$4
2016	21	4	—	4
2017	20	4	—	4
2018	27	4	—	4
2019	19	4	—	4
2020 - 2024	80	24	1	23

Savings Plans

Substantially all of the Company’s U.S. employees are eligible to participate in a defined contribution savings plan (the “Savings Plan”) sponsored by the Company. The Savings Plan allows employees to contribute a portion of their base compensation on a pre-tax and after-tax basis in accordance with specified guidelines. The Company matches a percentage of employees’ contributions up to certain limits. In addition, the Company has several defined contribution plans outside of the United States. The Company’s contribution expense related to all of its defined contribution plans was $57 million, $51 million and $41 million for 2014, 2013 and 2012, respectively.

Note 12. Debt

Long-term debt at years ended December 31, 2014 and 2013 was as follows:

	2014	2013
	(in millions)	
2.000% Notes due 2019	$500	$—
3.375% Notes due 2024	1,000	—
	1,500	—
Less: Unamortized discount	(6)	—
Long-term debt	$1,494	$—

In March 2014, MasterCard Incorporated issued $500 million aggregate principal amount of 2.000% Notes due April 1, 2019 (the “2019 Notes”) and $1 billion aggregate principal amount of 3.375% Notes due April 1, 2024 (the “2024 Notes”) (collectively the “Notes”). The effective interest rates were 2.081% and 3.426% on the 2019 Notes and 2024 Notes, respectively. The net proceeds from the issuance of the Notes, after deducting the underwriting discount and offering expenses, were $1,484 million. The Company is not subject to any financial covenants under the Notes. Interest on the Notes is payable semi-annually on April 1 and October 1, commencing on October 1, 2014. The Notes may be redeemed in whole, or in part, at the Company’s option at any time for a specified make-whole amount. The Notes are senior unsecured obligations and would rank equally with any future unsecured and unsubordinated indebtedness.

On November 16, 2014, the Company extended its committed unsecured revolving credit facility, dated as of November 16, 2012 (the “Credit Facility”), for an additional year. The expiration date of the Credit Facility is November 14, 2019. The available funding under the Credit Facility will remain at $3 billion through November 16, 2017 and then decrease to $2.95 billion during the final two years of the Credit Facility agreement. Other than immaterial changes to certain representations and warranties, the terms and conditions of the Credit Facility remain unchanged. The option to request that each lender under the Credit Facility extend its commitment was provided pursuant to the terms of the Credit Facility agreement. Borrowings under the Credit Facility are available to provide liquidity for general corporate purposes, including providing liquidity in the event of one or more settlement failures by the Company's customers. In addition, for business continuity planning and related purposes, the Company may borrow and repay amounts under the Credit Facility from time to time. The facility fee and borrowing cost under the Credit Facility are contingent upon the Company's credit rating. At December 31, 2014, the applicable facility fee was 8 basis points on the average daily commitment (whether or not utilized). In addition to the facility fee, interest on borrowings under the Credit Facility would be charged at the London Interbank Offered Rate (LIBOR) plus an applicable margin of 79.5 basis points, or an alternative base rate. MasterCard had no borrowings under the Credit Facility at December 31, 2014 and 2013.

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. MasterCard was in compliance in all material respects with the covenants of the Credit Facility at December 31, 2014 and 2013. The majority of Credit Facility lenders are customers or affiliates of customers of MasterCard.

On August 2, 2012, the Company filed a universal shelf registration statement to provide additional access to capital, if needed. Pursuant to the shelf registration statement, the Company may from time to time offer to sell debt securities, preferred stock, Class A common stock, depository shares, purchase contracts, units or warrants in one or more offerings.

The Company also has $41 million and $35 million in debt outside the United States that is included in other current liabilities on the consolidated balance sheet at December 31, 2014 and 2013.

Note 13. Stockholders' Equity

Classes of Capital Stock

MasterCard's amended and restated certificate of incorporation authorizes the following classes of capital stock:

Class	Par Value Per Share	Authorized Shares (in millions)	Dividend and Voting Rights
A	$0.0001	3,000	One vote per share Dividend rights
B	$0.0001	1,200	Non-voting Dividend rights
Preferred	$0.0001	—	No shares issued or outstanding at December 31, 2014 and 2013, respectively. Dividend and voting rights are to be determined by the Board of Directors of the Company upon issuance.

Ownership and Governance Structure

Equity ownership and voting power of the Company's shares were allocated as follows as of December 31:

	2014 Equity Ownership		General Voting Power		2013 Equity Ownership		General Voting Power	
Public Investors (Class A stockholders)	86.6	%	89.4	%	86.1	%	89.5	%
Principal or Affiliate Customers (Class B stockholders)	3.2	%	—	%	3.8	%	—	%
The MasterCard Foundation (Class A stockholders)	10.2	%	10.6	%	10.1	%	10.5	%

Class B Common Stock Conversions

Shares of Class B common stock are convertible on a one-for-one basis into shares of Class A common stock. Entities eligible to hold MasterCard's Class B common stock are defined in the Company's amended and restated certificate of incorporation (generally the Company's principal or affiliate customers), and they are restricted from retaining ownership of shares of Class A common stock. Class B stockholders are required to subsequently sell or otherwise transfer any shares of Class A common stock received pursuant to such a conversion.

The MasterCard Foundation

In connection and simultaneously with its 2006 initial public offering (the "IPO"), the Company issued and donated 135 million newly authorized shares of Class A common stock to The MasterCard Foundation (the "Foundation"). The Foundation is a private charitable foundation incorporated in Canada that is controlled by directors who are independent of the Company and its principal customers. Under the terms of the donation, the Foundation became able to resell the donated shares in May 2010 and to the extent necessary to meet charitable disbursement requirements dictated by Canadian tax law. Under Canadian tax law, the Foundation is generally required to disburse at least 3.5% of its assets not used in administration each year for qualified charitable disbursements. However, the Foundation obtained permission from the Canadian tax authorities to defer the giving requirements for up to ten years, which was extended in 2011 to 15 years. The Foundation, at its discretion, may decide to meet its disbursement obligations on an annual basis or to settle previously accumulated obligations during any given year. The Foundation will be permitted to sell all of its remaining shares beginning twenty years and eleven months after the consummation of the IPO.

Stock Repurchase Programs

In June 2012, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to $1.5 billion of its Class A common stock (the "June 2012 Share Repurchase Program"). This program became effective in June 2012 at the completion of the Company's previously announced $2 billion Class A share repurchase program. (This $2 billion repurchase program consisted of $1 billion authorized in September 2010 and $1 billion authorized in April 2011.)

On February 5, 2013, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to $2 billion of its Class A common stock (the "February 2013 Share Repurchase Program"). This program became effective at the completion of the Company's June 2012 Share Repurchase Program, which occurred in March 2013.

On December 10, 2013, the Company's Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to $3.5 billion of its Class A common stock (the "December 2013 Share Repurchase Program"). This program became effective at the completion of the Company's February 2013 Share Repurchase Program, which occurred in January 2014.

On December 2, 2014, the Company's Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to $3.75 billion of its Class A common stock (the "December 2014 Share Repurchase Program").

The following table summarizes the Company's share repurchase authorizations of its Class A common stock through December 31, 2014, as well as historical purchases:

	Authorization Dates					
	December 2014	December 2013	February 2013	June 2012	April 2011	Total
	(in millions, except average price data)					
Board authorization	$3,750	$3,500	$2,000	$1,500	$2,000	$12,750
Dollar-value of shares repurchased in 2012	$—	$—	$—	$896	$852	$1,748
Remaining authorization at December 31, 2012	$—	$—	$—	$604	$—	$604
Dollar-value of shares repurchased in 2013	$—	$—	$1,839	$604	$—	$2,443
Remaining authorization at December 31, 2013	$—	$3,500	$161	$—	$—	$3,661
Dollar-value of shares repurchased in 2014	$—	$3,225	$161	$—	$—	$3,386
Remaining authorization at December 31, 2014	$3,750	$275	$—	$—	$—	$4,025
Shares repurchased in 2012	—	—	—	19.5	21.1	40.6
Average price paid per share in 2012	$—	$—	$—	$46.02	$40.35	$43.07
Shares repurchased in 2013	—	—	29.2	11.7	—	40.9
Average price paid per share in 2013	$—	$—	$63.01	$51.72	$—	$59.78
Shares repurchased in 2014	—	42.6	1.9	—	—	44.5
Average price paid per share in 2014	$—	$75.81	$83.22	$—	$—	$76.14
Cumulative shares repurchased through December 31, 2014	—	42.6	31.1	31.1	65.4	170.2
Cumulative average price paid per share	$—	$75.81	$64.26	$48.16	$30.56	$51.25

Note 14. Accumulated Other Comprehensive Income (Loss)

The changes in the balances of each component of accumulated other comprehensive income (loss) for the years ended December 31, 2014 and 2013 were as follows:

	Foreign Currency Translation Adjustments	Defined Benefit Pension and Other Postretirement Plans, Net of Tax	Investment Securities Available-for-Sale, Net of Tax	Accumulated Other Comprehensive Income (Loss)
	(in millions)			
Balance at December 31, 2012	$93	$(37)	$ 5	$ 61
Current period other comprehensive income (loss) [1]	113	8	(4)	117
Balance at December 31, 2013	206	(29)	1	178
Current period other comprehensive income (loss) [1]	(436)	3	(5)	(438)
Balance at December 31, 2014	$(230)	$(26)	$ (4)	$ (260)

[1] During the years ended December 31, 2014 and 2013, $7 million and $6 million, respectively, of deferred costs related to the Company's defined benefit pension and other postretirement plans were reclassified from accumulated

other comprehensive income (loss) to general and administrative expense. In addition, $1 million and $5 million of net gains on available-for-sale investment securities were reclassified from accumulated other comprehensive income (loss) to investment income during the years ended December 31, 2014 and 2013, respectively. Tax amounts related to these items are insignificant.

Note 15. Share-Based Payment and Other Benefits

In May 2006, the Company implemented the MasterCard Incorporated 2006 Long-Term Incentive Plan, which was amended and restated as of June 5, 2012 (the “LTIP”). The LTIP is a shareholder-approved omnibus plan that permits the grant of various types of equity awards to employees.

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The Company has granted non-qualified stock options (“Options”), restricted stock units (“RSUs”) and performance stock units (“PSUs”) under the LTIP. The options, which expire ten years from the date of grant, generally vest ratably over four years from the date of grant. The RSUs and PSUs generally vest after three years. The Company uses the straight-line method of attribution for expensing equity awards. Compensation expense is recorded net of estimated forfeitures. Estimates are adjusted as appropriate.

Upon termination of employment, a participant’s unvested awards are forfeited. However, when a participant terminates employment due to disability or retirement more than six months after receiving the award, the participant retains all of their awards without providing additional service to the Company. Retirement eligibility is dependent upon age and years of service. Compensation expense is recognized over the shorter of the vesting periods stated in the LTIP or the date the individual becomes eligible to retire but not less than six months.

There are approximately 116 million shares of Class A common stock authorized for equity awards under the LTIP. Although the LTIP permits the issuance of shares of Class B common stock, no such shares have been authorized for issuance. Shares issued as a result of option exercises and the conversions of RSUs and PSUs were funded primarily with the issuance of new shares of Class A common stock.

Stock Options

The fair value of each option is estimated on the date of grant using a Black-Scholes option pricing model. The following table presents the weighted-average assumptions used in the valuation and the resulting weighted-average fair value per option granted for the years ended December 31:

	2014	2013	2012
Risk-free rate of return	1.5 %	0.8 %	1.2 %
Expected term (in years)	5.00	5.00	6.25
Expected volatility	19.1 %	27.1 %	35.2 %
Expected dividend yield	0.6 %	0.5 %	0.3 %
Weighted-average fair value per option granted	$14.29	$12.33	$14.85

The risk-free rate of return was based on the U.S. Treasury yield curve in effect on the date of grant. In 2014 and 2013, the expected term and the expected volatility were based on historical MasterCard information. In 2012, the Company utilized the simplified method for calculating the expected term of the option based on the vesting terms and the contractual life of the option. The expected volatility in 2012 was based on the average of the implied volatility of MasterCard and a blend of the historical volatility of MasterCard and the historical volatility of a group of comparable companies. The expected dividend yields were based on the Company’s expected annual dividend rate on the date of grant.

The following table summarizes the Company’s option activity for the year ended December 31, 2014:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in millions)
Outstanding at January 1, 2014	6,960	$ 33		
Granted	1,685	$ 78		
Exercised	(1,127)	$ 25		
Forfeited/expired	(43)	$ 56		
Outstanding at December 31, 2014	7,475	$ 44	6.9	$318
Exercisable at December 31, 2014	3,435	$ 26	5.4	$205
Options vested and expected to vest at December 31, 2014	7,354	$ 43	6.9	$315

As of December 31, 2014, there was $26 million of total unrecognized compensation cost related to non-vested options. The cost is expected to be recognized over a weighted-average period of 2.4 years.

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Restricted Stock Units
The following table summarizes the Company’s RSU activity for the year ended December 31, 2014:

	Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in millions)
Outstanding at January 1, 2014	5,330	$ 38		
Granted	1,353	$ 76		
Converted	(2,240)	$ 25		
Forfeited/expired	(211)	$ 52		
Outstanding at December 31, 2014	4,232	$ 56	1.2	$364
RSUs vested and expected to vest at December 31, 2014	4,077	$ 55	1.2	$351

The fair value of each RSU is the closing stock price on the New York Stock Exchange of the Company’s Class A common stock on the date of grant, adjusted for the exclusion of dividend equivalents. Upon vesting, a portion of the RSU award may be withheld to satisfy the minimum statutory withholding taxes. The remaining RSUs will be settled in shares of the Company’s Class A common stock after the vesting period. As of December 31, 2014, there was $92 million of total unrecognized compensation cost related to non-vested RSUs. The cost is expected to be recognized over a weighted-average period of 1.8 years.
Performance Stock Units
The following table summarizes the Company’s PSU activity for the year ended December 31, 2014:

	Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in millions)
Outstanding at January 1, 2014	787	$ 37 [1]		
Granted	133	$ 78		
Performance	19	$ 86		
Converted	(358)	$ 82		
Forfeited/expired	—	$ —		
Outstanding at December 31, 2014	581	$ 74	0.9	$50
PSUs vested and expected to vest at December 31, 2014	568	$ 74	0.9	$49

[1] For PSUs issued in 2012, the grant date was not established as of January 1, 2014 and thus issue-date fair value was used.
Since 2013, PSUs containing performance and market conditions have been issued. Performance measures used to determine the actual number of shares that vest after three years include net revenue growth, EPS growth, and relative total shareholder return (“TSR”). Relative TSR is considered a market condition, while net revenue and EPS growth are considered performance conditions. The Monte Carlo simulation valuation model is used to determine the grant-date fair value.
The PSUs issued in 2012 contain performance conditions based on the Company’s performance against an annually predetermined return on equity goal, with an average return on equity per year over the three-year period commencing on January 1 of the grant year. The initial fair value of each PSU is the closing price on the New York Stock Exchange of the Company’s Class A common stock on the date of issuance. Given that the performance conditions are subjective and not fixed on the date of issuance, these PSUs will be remeasured at the end of each reporting period, at

fair value, until the time the performance conditions are fixed and the ultimate number of shares to be issued is determined. The grant-date fair value for each PSU issued in 2012 is $83.

Compensation expenses for PSUs are recognized over the requisite service period if it is probable that the performance target will be achieved and subsequently adjusted if the probability assessment changes. As of December 31, 2014, there was $8 million of total unrecognized compensation cost related to non-vested PSUs. The cost is expected to be recognized over a weighted-average period of 1.6 years.

Additional Information

On July 18, 2006, the Company's stockholders approved the MasterCard Incorporated 2006 Non-Employee Director Equity Compensation Plan, which was amended and restated as of June 5, 2012 (the "Director Plan"). The Director Plan provides for awards of Deferred Stock Units ("DSUs") to each director of the Company who is not a current employee of the Company.

The following table includes additional share-based payment information for each of the years ended December 31:

	2014	2013	2012
	(in millions, except weighted-average fair value)		
Share-based compensation expense: Options, RSUs and PSUs	$111	$121	$88
Income tax benefit recognized for equity awards	37	42	30
Income tax benefit related to options exercised	20	16	27
Options:			
Total intrinsic value of options exercised	60	48	77
RSUs:			
Weighted-average grant-date fair value of awards granted	76	52	42
Total intrinsic value of RSUs converted into shares of Class A common stock	173	78	91
PSUs:			
Weighted-average grant-date fair value of awards granted	78	56	83
Total intrinsic value of PSUs converted into shares of Class A common stock	28	29	27
DSUs:			
General and administrative expense	2	2	1
Total intrinsic value of DSUs converted into shares of Class A common stock	3	2	2

Note 16. Commitments

At December 31, 2014, the Company had the following future minimum payments due under non-cancelable agreements:

	Total	Capital Leases	Operating Leases	Sponsorship, Licensing & Other
	(in millions)			
2015	$360	$4	$30	$326
2016	157	4	29	124
2017	74	2	24	48
2018	39	—	19	20
2019	32	—	16	16
Thereafter	59	—	53	6
Total	$721	$10	$171	$540

Included in the table above are capital leases with a net present value of minimum lease payments of $11 million. In addition, at December 31, 2014, $62 million of the future minimum payments in the table above for sponsorship, licensing and other agreements was accrued. Consolidated rental expense for the Company’s leased office space was $48 million, $38 million and $36 million for the years ended December 31, 2014, 2013 and 2012, respectively. Consolidated lease expense for automobiles, computer equipment and office equipment was $17 million, $14 million and $11 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Note 17. Income Taxes

The total income tax provision for the years ended December 31 is comprised of the following components:

	2014	2013	2012
		(in millions)	
Current			
Federal	$977	$1,010	$524
State and local	47	33	24
Foreign	528	456	390
	1,552	1,499	938
Deferred			
Federal	(81)	(100)	248
State and local	(3)	(4)	7
Foreign	(6)	(11)	(19)
	(90)	(115)	236
Income tax expense	$1,462	$1,384	$1,174

The domestic and foreign components of income before income taxes for the years ended December 31 are as follows:

	2014	2013	2012
		(in millions)	
United States	$3,378	$2,741	$2,508
Foreign	1,701	1,759	1,425
Income before income taxes	$5,079	$4,500	$3,933

MasterCard has not provided for U.S. federal income and foreign withholding taxes on approximately $3.3 billion of undistributed earnings from non-U.S. subsidiaries as of December 31, 2014 because such earnings are intended to be reinvested indefinitely outside of the United States. If these earnings were distributed, foreign tax credits may become available under current law to reduce the resulting U.S. income tax liability. However, it is not practicable to determine the amount of the tax and credits.

The provision for income taxes differs from the amount of income tax determined by applying the U.S. federal statutory income tax rate of 35% to pretax income for the years ended December 31, as a result of the following:

	2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent
	(in millions, except percentages)					
Income before income taxes	$5,079		$4,500		$3,933	
Federal statutory tax	1,778	35.0 %	1,575	35.0 %	1,376	35.0 %
State tax effect, net of federal benefit	29	0.6 %	19	0.4 %	23	0.6 %
Foreign tax effect	(108)	(2.1)%	(208)	(4.6)%	(175)	(4.4)%
Foreign repatriation	(177)	(3.5)%	(14)	(0.3)%	(27)	(0.7)%
Other, net	(60)	(1.2)%	12	0.3 %	(23)	(0.6)%
Income tax expense	$1,462	28.8 %	$1,384	30.8 %	$1,174	29.9 %

Effective Income Tax Rate

The effective income tax rates for the years ended December 31, 2014, 2013 and 2012 were 28.8%, 30.8% and 29.9%, respectively. The effective tax rate for 2014 was lower than the effective tax rate for 2013 primarily due to the recognition of a larger repatriation benefit and an increase in the Company's domestic production activity deduction in the U.S. related to the Company's authorization revenue, partially offset by an unfavorable mix of taxable earnings in 2014. The effective tax rate for 2013 was higher than the effective tax rate for 2012 primarily due to the recognition of a discrete benefit relating to additional export incentives in 2012 and a lower benefit related to foreign repatriations in

2013, which was partially offset by a more favorable mix of taxable earnings in 2013.
During the fourth quarter of 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. Management believes this improved alignment will result

in greater flexibility and efficiency with regard to the global deployment of cash, as well as ongoing benefits in the Company’s effective 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 is deferred and amortized utilizing a 25-year life. This deferred charge is included in other current assets and other assets on our consolidated balance sheet at December 31, 2014 in the amounts of $18 million and $407 million, respectively.

In 2010, in connection with the expansion of the Company’s operations in the Asia Pacific, Middle East and Africa region, the Company’s subsidiary in Singapore, MasterCard Asia Pacific Pte. Ltd. (“MAPPL”) received an incentive grant from the Singapore Ministry of Finance. The incentive had provided MAPPL with, among other benefits, a reduced income tax rate for the 10-year period commencing January 1, 2010 on taxable income in excess of a base amount. The Company continued to explore business opportunities in this region, resulting in an expansion of the incentives being granted by the Ministry of Finance, including a further reduction to the income tax rate on taxable income in excess of a revised fixed base amount commencing July 1, 2011 and continuing through December 31, 2025. Without the incentive grant, MAPPL would have been subject to the statutory income tax rate on its earnings. For 2014, 2013 and 2012, the impact of the incentive grant received from the Ministry of Finance resulted in a reduction of MAPPL’s income tax liability of $38 million, or $0.03 per diluted share, $76 million, or $0.06 per diluted share, and $64 million, or $0.05 per diluted share, respectively.

Deferred Taxes

Deferred tax assets and liabilities represent the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The components of deferred tax assets and liabilities at December 31 are as follows:

	2014	2013
	(in millions)	
Deferred Tax Assets		
Accrued liabilities	$177	$124
Compensation and benefits	262	201
State taxes and other credits	65	99
Net operating losses	56	39
Other items	38	46
Less: Valuation allowance	(41)	(28)
Total Deferred Tax Assets	557	481
Deferred Tax Liabilities		
Prepaid expenses and other accruals	58	50
Intangible assets	92	97
Property, plant and equipment	115	116
Other items	18	37
Total Deferred Tax Liabilities	283	300
Net Deferred Tax Assets [1]	$274	$181

[1] $7 million and $5 million of current deferred tax liabilities have been included in other current liabilities on the balance sheet at December 31, 2014 and 2013, respectively.

The 2014 and 2013 valuation allowances relate primarily to the Company’s ability to recognize tax benefits associated with certain foreign net operating losses. The recognition of these benefits is dependent upon the future taxable income in such foreign jurisdictions and the ability under tax law in these jurisdictions to utilize net operating losses following a change in control.

A reconciliation of the beginning and ending balance for the Company's unrecognized tax benefits for the years ended December 31, is as follows:

	2014	2013	2012
		(in millions)	
Beginning balance	$320	$257	$214
Additions:			
Current year tax positions	61	80	58
Prior year tax positions	19	12	15
Reductions:			
Prior year tax positions	(6)	(8)	(21)
Settlements with tax authorities	—	(2)	(2)
Expired statute of limitations	(30)	(19)	(7)
Ending balance	$364	$320	$257

The entire unrecognized tax benefits of $364 million, if recognized, would reduce the effective tax rate. The Company is subject to tax in the United States, Belgium, Singapore 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 limited exception, the Company is no longer subject to state and local or foreign examinations by tax authorities for years before 2006.

It is the Company's policy to account for interest expense related to income tax matters as interest expense in its statement of operations, and to include penalties related to income tax matters in the income tax provision. For the years ended December 31, 2014, 2013 and 2012, the Company recorded tax-related interest income of $4 million, $4 million and $1 million, respectively, in its consolidated statement of operations. At December 31, 2014 and 2013, the Company had a net income tax-related interest payable of $15 million and $17 million, respectively, in its consolidated balance sheet. At December 31, 2014 and 2013, the amounts the Company had recognized for penalties payable in its consolidated balance sheet were not significant.

Note 18. Legal and Regulatory Proceedings

MasterCard is a party to legal and regulatory proceedings with respect to a variety of matters in the ordinary course of business. Some of these proceedings are based on complex claims involving substantial uncertainties and unascertainable damages. Accordingly, except as discussed below, it is not possible to determine the probability of loss or estimate damages, and therefore, MasterCard has not established reserves for any of these proceedings. When the Company determines that a loss is both probable and estimable, MasterCard records a liability and discloses the amount of the liability if it is material. When a material loss contingency is only reasonably possible, MasterCard does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. Unless otherwise stated below with respect to these matters, MasterCard cannot provide an estimate of the possible loss or range of loss based on one or more of the following reasons: (1) actual or potential plaintiffs have not claimed an amount of monetary damages or the amounts are unsupportable 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 existing legal or regulatory proceedings to which it is a party will have a material adverse effect on its results of operations, financial condition or overall business. However, with respect to the matters discussed below, an adverse judgment or other outcome or settlement with respect to any such proceedings 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 damage awards in amounts that could be significant. 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.

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

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

In October 2012, the parties entered into a definitive settlement agreement with respect to the merchant class litigation (including with respect to the claims related to the IPO) and the defendants separately entered into a settlement agreement with the individual merchant plaintiffs. The settlements included cash payments that were apportioned among the defendants pursuant to the omnibus judgment sharing and settlement sharing agreement described above. MasterCard also agreed to provide class members with a short-term reduction in default credit interchange rates and to modify certain of its business practices, including its No Surcharge Rule. Objections to the settlement were filed by both merchants and certain competitors, including Discover. Discover's objections include a challenge to the settlement on the grounds that certain of the rule changes agreed to in the settlement constitute a restraint of trade in violation of Section 1 of the Sherman Act. The court granted final approval of the settlement in December 2013, which has been appealed by objectors to the settlement.

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

MasterCard recorded a pre-tax charge of $770 million in the fourth quarter of 2011 and an additional $20 million pre-tax charge in the second quarter of 2012 relating to the settlement agreements described above. In 2012, MasterCard paid $790 million with respect to the settlements, of which $726 million was paid into a qualified cash settlement fund related to the merchant class litigation. At December 31, 2014 and December 31, 2013, MasterCard had $540 million and $723 million, respectively, in the qualified cash settlement fund classified as restricted cash on its balance sheet. The class settlement agreement provided for a return to the defendants of a portion of the class cash settlement fund, based upon the percentage of purchase volume represented by the opt-out merchants. This resulted in $164 million from the cash settlement fund being returned to MasterCard in January 2014 and reclassified at that time from restricted cash to cash and cash equivalents. In the fourth quarter of 2013, MasterCard recorded an incremental net pre-tax charge of $95 million related to the opt-out merchants, representing a change in its estimate of probable losses relating to these matters. During 2014, MasterCard executed settlement agreements with a number of opt-out merchants and no adjustment to the amount previously recorded was deemed necessary. As of December 31, 2014, MasterCard had accrued a liability of $771 million as a reserve for both the merchant class litigation and the filed and anticipated opt-out merchant cases.

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

Canada. In December 2010, a proposed class action complaint was commenced against MasterCard in Quebec on behalf of Canadian merchants. That suit essentially repeated the allegations and arguments of a previously filed application by the Canadian Competition Bureau to the Canadian Competition Tribunal (dismissed in MasterCard's favor) related to certain MasterCard rules related to point-of-sale acceptance, including the "honor all cards" and "no surcharge" rules. The suit sought compensatory and punitive damages in unspecified amounts, as well as injunctive relief. In the first half of 2011, additional purported class action lawsuits containing similar allegations to the Quebec class action were commenced in British Columbia and Ontario against MasterCard, Visa and a number of large Canadian financial institutions. The British Columbia suit seeks compensatory damages in unspecified amounts, and the Ontario suit seeks compensatory damages of $5 billion. The British Columbia and Ontario suits also seek punitive damages in unspecified amounts, as well as injunctive relief, interest and legal costs. In April 2012, the Quebec suit was amended to include the same defendants and similar claims as in the British Columbia and Ontario suits. With respect to the status of the proceedings: (1) the Quebec suit has been stayed, (2) the Ontario suit is being temporarily suspended while the British Columbia suit proceeds, and (3) the British Columbia court issued an order in March 2014 certifying a number of the merchants' causes of action. The parties have appealed the certification decision. Additional proposed class action complaints have been filed in Saskatchewan and Alberta with claims that largely mirror those in the British Columbia and Ontario suits. If the class action lawsuits are ultimately successful, negative decisions could have a significant adverse impact on the revenue of MasterCard's Canadian customers and on MasterCard's overall business in Canada and could result in substantial damage awards.

European Union. In December 2007, the European Commission announced a decision concluding that MasterCard's default cross-border interchange fees for MasterCard and Maestro branded consumer payment card transactions in the European Economic Area ("EEA") violated European Union competition law. MasterCard appealed that decision. In March 2009, MasterCard agreed to establish new default cross-border consumer card interchange fees such that the weighted average interchange fee does not exceed 30 basis points for credit card transactions and 20 basis points for debit card transactions. MasterCard continued to act consistently with the terms of the agreement. In September 2014, the European Union Court of Justice rejected MasterCard's appeal and upheld the European Commission's decision. The European Commission decision increases the possibility of an adverse outcome for the Company in related and pending matters (such as the interchange proceedings in Hungary, Italy and Poland referenced below). In addition, the European Commission's decision could lead, and in the case of the United Kingdom and Belgium (as described below) has led, to the filing of private actions against MasterCard Europe by merchants and/or consumers that could result in MasterCard owing substantial damages.

In April 2013, the European Commission announced that it has opened proceedings to investigate: (1) MasterCard's interregional interchange fees that apply when a card issued outside the EEA is used at a merchant location in the EEA, (2) central acquiring rules, which apply when a merchant uses the services of an acquirer established in another country and (3) other business rules and practices (including the "honor all cards" rule).

Additional Litigations in Europe. In the United Kingdom, beginning in May 2012, a number of retailers filed claims against MasterCard seeking damages for alleged anti-competitive conduct with respect to MasterCard's cross-border interchange fees and its U.K. and Ireland domestic interchange fees. More than 20 different retailers have filed claims or notice of claims. An additional 13 potential claimant retailers have agreed to delay filing their claims in exchange for MasterCard agreeing to suspend the running of the time limitations on their damages claims. Although the claimants have not quantified the full extent of their compensatory and punitive damages, their purported damages exceed $2 billion. MasterCard has submitted statements of defense to the retailers’ claims disputing liability and damages. Courts in two of the actions will address preliminary issues before addressing issues concerning any liability and damages. The court in one of the other actions has scheduled a trial for January 2016. Similarly, in Belgium, a retailer filed claims in December 2012 for unspecified damages with respect to MasterCard’s cross-border and domestic interchange fees paid in Belgium, Greece and Luxembourg.

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MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Additional Interchange Proceedings. In February 2007, the Office for Fair Trading of the United Kingdom (the "OFT") commenced an investigation of MasterCard's current U.K. default credit card interchange fees and so-called "immediate debit" cards to determine whether such fees contravene U.K. and European Union competition law. The OFT informed MasterCard that it did not intend to issue a Statement of Objections or otherwise commence formal proceedings prior to the completion of the appeal to the ECJ of the December 2007 cross-border interchange fee decision. In November 2014, the Competition and Markets Authority (the successor to the OFT) announced that it had decided not to progress its investigation of MasterCard's domestic interchange fees in light of the European Commission's proposed interchange fee regulation.

Regulatory authorities in a number of other jurisdictions around the world, including Hungary, Italy and Poland, have commenced competition-related proceedings or inquiries into interchange fees and acceptance practices. In some of these jurisdictions, fines have been or could be assessed against MasterCard. These matters could have a negative impact on MasterCard's business in the specific country where the regulatory authority is located but would not be expected to have a material impact on MasterCard's overall revenue.

Private Litigations Related to 1998 Department of Justice Antitrust Litigation

In April 2005, a complaint was filed in California state court on behalf of a putative class of consumers under California unfair competition law (Section 17200) and the Cartwright Act (the "Attridge action"). The claims in this action seek to leverage a 1998 action by the U.S. Department of Justice against MasterCard International, Visa U.S.A., Inc. and Visa International Corp. In that action, a federal district court concluded that both MasterCard's Competitive Programs Policy and a Visa bylaw provision that prohibited financial institutions participating in the respective associations from issuing competing proprietary payment cards (such as American Express or Discover) constituted unlawful restraints of trade under the federal antitrust laws. The state court in the Attridge action granted the defendants' motion to dismiss the plaintiffs' state antitrust claims but denied the defendants' motion to dismiss the plaintiffs' Section 17200 unfair competition claims. In September 2009, MasterCard executed a settlement agreement that received final approval by the court in the California consumer actions in August 2010 (see "Consumer Litigations Related to 2003 U.S. Merchant Settlement"). The agreement includes a release that the parties believe encompasses the claims asserted in the Attridge action. In January 2012, the Appellate Court reversed the trial court's settlement approval and remanded the matter to the trial court for further proceedings. In April 2013, the trial court granted final approval of a revised settlement agreement, to which the plaintiff from the Attridge action and three other objectors appealed. In October 2014, the appeals court affirmed the trial court's approval order and the California Supreme Court subsequently denied the objectors' request to appeal that ruling.

Consumer Litigations Related to 2003 U.S. Merchant Settlement

Individual or multiple complaints have been brought in 19 states and the District of Columbia alleging state unfair competition, consumer protection and common law claims against MasterCard International (and Visa) on behalf of putative classes of consumers. The claims in these actions largely mirror the allegations made in several class action suits brought by a number of U.S. merchants against MasterCard International and Visa U.S.A., Inc., which were settled in 2003, and assert that merchants, faced with excessive interchange fees, have passed these overhead charges to consumers in the form of higher prices on goods and services sold. MasterCard has successfully resolved the cases in all of the jurisdictions except California, where there continue to be outstanding cases. As discussed above under "Private Litigations Related to 1998 Department of Justice Antitrust Litigation," in September 2009, the parties to the California state court actions executed a settlement agreement that received final approval from the California state trial court in August 2010, subsequent to which MasterCard made a required payment of $6 million. As noted above in more detail, the plaintiff from the Attridge action and three other objectors filed appeals of the trial court's final approval in April 2013 of a revised settlement. In October 2014, the appeals court affirmed the trial court's approval order and the California Supreme Court subsequently denied the objectors' request to appeal that ruling.

ATM Non-Discrimination Rule Surcharge Complaints

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

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

In January 2012, the plaintiffs in the ATM Operators Complaint and the ATM Consumer Complaints filed amended class action complaints that largely mirror their prior complaints. In February 2013, the district court granted MasterCard's motion to dismiss the complaints for failure to state a claim. The plaintiffs' motion seeking approval to amend their complaints was denied by the district court in December 2013. The plaintiffs have appealed the dismissal of both their complaints and their motion to amend their complaints.

Note 19. Settlement and Other Risk Management

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

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

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

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

	December 31, 2014	December 31, 2013
	(in millions)	

Gross settlement exposure	$41,729	$40,657
Collateral held for settlement exposure	(3,415)	(3,167)
Net uncollateralized settlement exposure	$38,314	$37,490

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

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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 $465 million and $503 million at December 31, 2014 and 2013, respectively, of which $370 million and $403 million at December 31, 2014 and 2013, respectively, is mitigated by collateral arrangements. In addition, the Company enters into business agreements in the ordinary course of business under which the Company agrees to indemnify third parties against damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with the Company. Certain indemnifications do not provide a stated maximum exposure. As the extent of the Company's obligations under these agreements depends entirely upon the occurrence of future events, the Company's potential future liability under these agreements is not determinable. Historically, payments made by the Company under these types of contractual arrangements have not been material.

Note 20. Foreign Exchange Risk Management

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

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

As of December 31, 2014, all forward contracts to purchase and sell foreign currency had been entered into with customers of MasterCard. MasterCard's derivative contracts are summarized below:

	December 31, 2014		December 31, 2013	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
	(in millions)			
Commitments to purchase foreign currency	$47	$4	$23	$(1)
Commitments to sell foreign currency	614	27	1,722	1
Balance sheet location:				
Accounts receivable *		$35		$13
Other current liabilities *		(4)		(13)

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

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

	Year Ended December 31,		
	2014	2013	2012
	(in millions)		
Foreign currency derivative contracts			
General and administrative	$(78)	$48	$22
Net revenue	—	4	(6)
Total	$(78)	$52	$16

The fair value of the foreign currency forward contracts generally reflects the estimated amounts that the Company would receive (or pay), on a pre-tax basis, to terminate the contracts at the reporting date based on broker quotes for the same or similar instruments. The terms of the foreign currency forward contracts are generally less than 18 months. The Company had no deferred gains or losses related to foreign exchange contracts in accumulated other comprehensive income as of December 31, 2014 and 2013 as there were no derivative contracts accounted for under hedge accounting.

The Company’s derivative financial instruments are subject to both market and counterparty credit risk. Market risk is the risk of loss due to the potential change in an instrument’s value caused by fluctuations in interest rates and other variables related to currency exchange rates. The effect of a hypothetical 10% adverse change in foreign currency rates could result in a fair value loss of approximately $74 million on the Company’s foreign currency derivative contracts outstanding at December 31, 2014 related to the hedging program. Counterparty credit risk is the risk of loss due to failure of the counterparty to perform its obligations in accordance with contractual terms. To mitigate counterparty credit risk, the Company enters into derivative contracts with selected financial institutions based upon their credit ratings and other factors. Generally, the Company does not obtain collateral related to derivatives because of the high credit ratings of the counterparties.

Note 21. Segment Reporting

MasterCard has concluded it has one operating and reportable segment, “Payment Solutions.” MasterCard’s President and Chief Executive Officer has been identified as the chief operating decision-maker. All of the Company’s activities are interrelated, and each activity is dependent upon and supportive of the other. Accordingly, all significant operating decisions are based upon analysis of MasterCard at the consolidated level.

Revenue by geographic market is based on the location of the Company’s customer that issued the card, as well as the location of the merchant acquirer where the card is being used. Revenue generated in the U.S. was approximately 39% of net revenue in 2014, 2013 and 2012. No individual country, other than the U.S., generated more than 10% of total revenue in those periods.

MasterCard did not have any one customer that generated greater than 10% of net revenue in 2014, 2013 or 2012. The following table reflects the geographical location of the Company’s property, plant and equipment, net, as of December 31:

	2014	2013	2012
	(in millions)		
United States	$450	$410	$394
Other countries	165	116	78
Total	$615	$526	$472

MASTERCARD INCORPORATED
SUMMARY OF QUARTERLY DATA (Unaudited)

	2014 Quarter Ended				
	March 31	June 30	September 30	December 31	2014 Total
	(in millions, except per share data)				
Net revenue	$2,177	$2,377	$2,503	$2,416	$9,473
Operating income	1,285	1,383	1,420	1,018	5,106
Net income	870	931	1,015	801	3,617
Basic earnings per share	$0.73	$0.80	$0.88	$0.70	$3.11
Basic weighted-average shares outstanding	1,185	1,165	1,157	1,153	1,165
Diluted earnings per share	$0.73	$0.80	$0.87	$0.69	$3.10
Diluted weighted-average shares outstanding	1,189	1,169	1,160	1,157	1,169

	2013 Quarter Ended				
	March 31	June 30	September 30	December 31	2013 Total
	(in millions, except per share data)				
Net revenue	$1,906	$2,096	$2,218	$2,126	$8,346
Operating income	1,107	1,228	1,248	920	4,503
Net income	766	848	879	623	3,116
Basic earnings per share	$0.62	$0.70	$0.73	$0.52	$2.57
Basic weighted-average shares outstanding	1,226	1,214	1,205	1,201	1,211
Diluted earnings per share	$0.62	$0.70	$0.73	$0.52	$2.56
Diluted weighted-average shares outstanding	1,230	1,217	1,209	1,205	1,215

* Tables may not sum due to rounding.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. 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 required to be disclosed in the reports that we file or submit 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 December 31, 2014 and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

Internal Control over Financial Reporting

In addition, MasterCard Incorporated’s management assessed the effectiveness of MasterCard’s internal control over financial reporting as of December 31, 2014. Management’s report on internal control over financial reporting is included in Part II, Item 8. PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

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 December 31, 2014 that has materially affected, or is reasonably likely to materially affect, MasterCard’s internal control over financial reporting.

Item 9B. Other Information

Not applicable.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item with respect to our directors and executive officers, code of ethics, procedures for recommending nominees, audit committee, audit committee financial experts and compliance with Section 16(a) of the Exchange Act will appear in our definitive proxy statement to be filed with the SEC and delivered to stockholders in connection with the Annual Meeting of Stockholders to be held on June 9, 2015 (the “Proxy Statement”).

The aforementioned information in the Proxy Statement is incorporated by reference into this Report.

Item 11. Executive Compensation

The information required by this Item with respect to executive officer and director compensation will appear in the Proxy Statement and is incorporated by reference into this Report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item with respect to security ownership of certain beneficial owners and management equity and compensation plans will appear in the Proxy Statement and is incorporated by reference into this Report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item with respect to transactions with related persons, the review, approval or ratification of such transactions and director independence will appear in the Proxy Statement and is incorporated by reference into this Report.

Item 14. Principal Accounting Fees and Services

The information required by this Item with respect to auditors’ services and fees will appear in the Proxy Statement and is incorporated by reference into this Report.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Report:

1 Consolidated Financial Statements

See Index to Consolidated Financial Statements in Part II, Item 8 of this Report.

2 Consolidated Financial Statement Schedules

None.

3 The following exhibits are filed as part of this Report or, where indicated, were previously filed and are hereby incorporated by reference:

Refer to the Exhibit Index included herein.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

MASTERCARD INCORPORATED
(Registrant)

Date: February 13, 2015	By:	/s/ AJAY BANGA Ajay Banga President and Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Date: February 13, 2015	By:	/s/ AJAY BANGA Ajay Banga President and Chief Executive Officer; Director (Principal Executive Officer)
Date: February 13, 2015	By:	/s/ MARTINA HUND-MEJEAN Martina Hund-Mejean Chief Financial Officer (Principal Financial Officer)
Date: February 13, 2015	By:	/s/ ANDREA FORSTER Andrea Forster Corporate Controller (Principal Accounting Officer)
Date: February 13, 2015	By:	/s/ SILVIO BARZI Silvio Barzi Director
Date: February 13, 2015	By:	/s/ DAVID R. CARLUCCI David R. Carlucci Director
Date: February 13, 2015	By:	/s/ STEVEN J. FREIBERG Steven J. Freiberg Director
Date: February 13, 2015	By:	/s/ JULIUS GENACHOWSKI Julius Genachowski Director
Date: February 13, 2015	By:	/s/ RICHARD HAYTHORNTHWAITE Richard Haythornthwaite Chairman of the Board; Director

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Date: February 13, 2015	By:	/s/ MERIT E. JANOW Merit E. Janow Director
Date: February 13, 2015	By:	/s/ NANCY J. KARCH Nancy J. Karch Director
Date: February 13, 2015	By:	/s/ MARC OLIVIÉ Marc Olivié Director
Date: February 13, 2015	By:	/s/ RIMA QURESHI Rima Qureshi Director
Date: February 13, 2015	By:	/s/ JOSÉ OCTAVIO REYES LAGUNES José Octavio Reyes Lagunes Director
Date: February 13, 2015	By:	/s/ JACKSON P. TAI Jackson P. Tai Director

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EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1(a)	Amended and Restated Certificate of Incorporation of MasterCard Incorporated (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed September 23, 2010 (File No. 001-32877)).
3.1(b)	Amended and Restated Bylaws of MasterCard Incorporated (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed September 23, 2010 (File No. 001-32877)).
3.2(a)	Amended and Restated Certificate of Incorporation of MasterCard International Incorporated (incorporated by reference to Exhibit 3.2 (a) to the Company's Quarterly Report on Form 10-Q filed August 2, 2006 (File No. 001-32877)).
3.2(b)	Amended and Restated Bylaws of MasterCard International Incorporated (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed November 3, 2009 (File No. 001-32877)).
4.1	Indenture, dated as of March 31, 2014, between the Company and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on March 31, 2014 (File No. 001-32877)).
4.2	Officer's Certificate of the Company, dated as of March 31, 2014 (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on March 31, 2014 (File No. 001-32877)).
4.3	Form of Global Note representing the Company's 2.000% Notes due 2019 (included in Exhibit 4.2) (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed on March 31, 2014 (File No. 001-32877)).
4.4	Form of Global Note representing the Company's 3.375% Notes due 2024 (included in Exhibit 4.2) (incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K filed on March 31, 2014 (File No. 001-32877)).
10.1	$3,000,000,000 Credit Agreement, dated as of November 16, 2012, among MasterCard Incorporated, the several lenders from time to time parties thereto, Citibank, N.A., as managing administrative agent, and JPMorgan Chase Bank, N.A. as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 21, 2012 (File No. 001-32877)).
10.1.1*	First Amendment to $3,000,000,000 Credit Agreement, dated as of November 14, 2014, among MasterCard Incorporated, the several lenders from time to time parties thereto, Citibank, N.A., as managing administrative agent, and JPMorgan Chase Bank, N.A. as administrative agent.

10.2+	Employment Agreement between MasterCard International Incorporated and Ajay Banga, dated as of July 1, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 8, 2010 (File No. 001-32877)).
10.3+	Employment Agreement between Chris A. McWilton and MasterCard International, amended and restated as of December 24, 2012 (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed February 14, 2013 (File No. 001-32877)).
10.4+	Employment Agreement between Martina Hund-Mejean and MasterCard International, amended and restated as of December 24, 2012 (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K filed February 14, 2013 (File No. 001-32877)).
10.5+	Description of Employment Arrangement with Gary Flood (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed February 18, 2010 (File No. 001-32877)).
10.6+	Offer Letter between Ann Cairns and MasterCard International Incorporated, dated June 15, 2011 (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed February 16, 2012 (File No. 001-32877)).

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10.6.1+	Contract of Employment between MasterCard UK Management Services Limited and Ann Cairns, dated July 6, 2011 (incorporated by reference to Exhibit 10.8.1 to the Company's Annual Report on Form 10-K filed February 16, 2012 (File No. 001-32877)).
10.6.2+	Deed of Employment between MasterCard UK Management Services Limited and Ann Cairns, dated July 6, 2011 (incorporated by reference to Exhibit 10.8.2 to the Company's Annual Report on Form 10-K filed February 16, 2012 (File No. 001-32877)).
10.7+	MasterCard International Incorporated Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K filed February 19, 2009 (File No. 001-32877)).
10.8+	MasterCard International Senior Executive Annual Incentive Compensation Plan, as amended and restated effective September 21, 2010 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 2, 2010 (File No. 001-32877)).
10.9+	MasterCard International Incorporated Restoration Program, as amended and restated January 1, 2007 unless otherwise provided (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed February 19, 2009 (File No. 001-32877)).
10.10+	MasterCard Incorporated Deferral Plan, as amended and restated effective December 1, 2008 for account balances established after December 31, 2004 (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K filed February 19, 2009 (File No. 001-32877)).
10.11+	MasterCard Incorporated 2006 Long Term Incentive Plan, amended and restated effective June 5, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed August 1, 2012 (File No. 001-32877)).
10.12+	Form of Restricted Stock Unit Agreement for awards under 2006 Long Term Incentive Plan (effective for awards granted on and subsequent to March 1, 2014) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed May 1, 2014 (File No. 001-32877)).
10.13+	Form of Stock Option Agreement for awards under 2006 Long Term Incentive Plan (effective for awards granted on and subsequent to March 1, 2014) (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed May 1, 2014 (File No. 001-32877)).
10.14+	Form of Performance Unit Agreement for awards under 2006 Long Term Incentive Plan (effective for awards granted on and subsequent to March 1, 2014) (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed May 1, 2014 (File No. 001-32877)).
10.15+	Form of MasterCard Incorporated Long-Term Incentive Plan Non-Competition and Non-Solicitation Agreement for named executive officers (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed February 16, 2012 (File No. 001-32877)).

10.16+	Amended and Restated MasterCard International Incorporated Executive Severance Plan, amended and restated as of June 5, 2012 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed August 1, 2012 (File No. 001-32877)).
10.17+	Amended and Restated MasterCard International Incorporated Change in Control Severance Plan, amended and restated as of June 5, 2012 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed August 1, 2012 (File No. 001-32877)).
10.18+	Schedule of Non-Employee Directors' Annual Compensation effective as of June 18, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed July 31, 2013 (File No. 001-32877)).
10.19+	2006 Non-Employee Director Equity Compensation Plan, amended and restated effective as of June 5, 2012 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed August 1, 2012 (File No. 001-32877)).

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10.20+	Form of Restricted Stock Agreement for awards under 2006 Non-Employee Director Equity Compensation Plan, amended and restated effective June 5, 2012 (effective for awards granted on and subsequent to June 3, 2014) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed July 31, 2014 (File No. 001-32877)).
10.21+	Form of Deferred Stock Unit Agreement for awards under 2006 Non-Employee Director Equity Compensation Plan, amended and restated effective June 5, 2012 (effective for awards granted on and subsequent to June 3, 2014) (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed July 31, 2014 (File No. 001-32877)).
10.22	Form of Indemnification Agreement between MasterCard Incorporated and certain of its directors (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed May 2, 2006 (File No. 000-50250)).
10.23	Form of Indemnification Agreement between MasterCard Incorporated and certain of its director nominees (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed May 2, 2006 (File No. 000-50250)).
10.24	Deed of Gift between MasterCard Incorporated and The MasterCard Foundation (incorporated by reference to Exhibit 10.28 to Pre-Effective Amendment No. 5 to the Company's Registration Statement on Form S-1 filed May 3, 2006 (File No. 333-128337)).
10.25	Settlement Agreement, dated as of June 4, 2003, between MasterCard International Incorporated and Plaintiffs in the class action litigation entitled In Re Visa Check/MasterMoney Antitrust Litigation (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed August 8, 2003 (File No. 000-50250)).
10.26	Stipulation and Agreement of Settlement, dated July 20, 2006, between MasterCard Incorporated, the several defendants and the plaintiffs in the consolidated federal class action lawsuit titled In re Foreign Currency Conversion Fee Antitrust Litigation (MDL 1409), and the California state court action titled Schwartz v. Visa Int'l Corp., et al. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 1, 2006 (File No. 001-32877)).
10.27	Release and Settlement Agreement, dated June 24, 2008, by and among MasterCard Incorporated, MasterCard International Incorporated and American Express (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed August 1, 2008. (File No. 001-32877)).
10.28**	Judgment Sharing Agreement between MasterCard and Visa in the Discover Litigation, dated July 29, 2008, by and among MasterCard Incorporated, MasterCard International Incorporated, Visa Inc., Visa U.S.A. Inc. and Visa International Service Association (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed August 1, 2008. (File No. 001-32877)).
10.29	Release and Settlement Agreement dated as of October 27, 2008 by and among MasterCard, Discover and Visa (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 4, 2008. (File No. 001-32877)).

10.30	Agreement dated as of October 27, 2008, by and among MasterCard International Incorporated, MasterCard Incorporated, Morgan Stanley, Visa Inc., Visa U.S.A. Inc. and Visa International Association (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 4, 2008. (File No. 001-32877)).
10.31	Agreement to Prepay Future Payments at a Discount, dated as of July 1, 2009, by and between MasterCard International incorporated and Co-lead Counsel, acting collectively as binding representative and agent of the Plaintiffs (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 2, 2009 (File No. 001-32877)).
10.32	Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing, dated as of February 7, 2011, by and among MasterCard Incorporated, MasterCard International Incorporated, Visa Inc., Visa U.S.A. Inc., Visa International Service Association and MasterCard's customer banks that are parties thereto (incorporated by reference to Exhibit 10.33 to Amendment No.1 to the Company's Annual Report on Form 10-K/A filed on November 23, 2011).

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10.32.1	Amendment to Omnibus Agreement Regarding Interchange Litigation Judgment Sharing and Settlement Sharing, dated as of August 25, 2014, by and among MasterCard Incorporated, MasterCard International Incorporated, Visa Inc., Visa U.S.A Inc., Visa International Service Association and MasterCard's customer banks that are parties thereto (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed October 30, 2014 (File No. 001-32877)).
10.33**	MasterCard Settlement and Judgment Sharing Agreement, dated as of February 7, 2011, by and among MasterCard Incorporated, MasterCard International Incorporated and MasterCard's customer banks that are parties thereto (incorporated by reference to Exhibit 10.34 to Amendment No.1 to the Company's Annual Report on Form 10-K/A filed on November 23, 2011).
10.33.1	Amendment to MasterCard Settlement and Judgment Sharing Agreement, dated as of August 26, 2014, by and among MasterCard Incorporated, MasterCard International Incorporated and MasterCard's customer banks that are parties thereto (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed October 30, 2014 (File No. 001-32877)).
10.34	Memorandum of Understanding, dated July 13, 2012, by and among Counsel for MasterCard Incorporated and MasterCard International Incorporated; Counsel for Visa, Inc., Visa U.S.A. Inc. and Visa International Service Association; Co-Lead Counsel for Class Plaintiffs; and Attorneys for the Defendant Banks (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 16, 2012 (File No. 001-32877)).
10.35	Class Settlement Agreement, dated October 19, 2012, by and among MasterCard Incorporated and MasterCard International Incorporated; Visa, Inc., Visa U.S.A. Inc. and Visa International Service Association; the Class Plaintiffs defined therein; and the Customer Banks defined therein (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed October 31, 2012 (File No. 001-32877)).
12.1*	Computation of Ratio of Earnings to Fixed Charges.
21*	List of Subsidiaries of MasterCard Incorporated.
23.1*	Consent of PricewaterhouseCoopers LLP.
31.1*	Certification of Ajay Banga, President and Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Martina Hund-Mejean, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Ajay Banga, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Martina Hund-Mejean, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

+Management contracts or compensatory plans or arrangements.
*Filed or furnished herewith.

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** Exhibit omits certain information that has been filed separately with the U.S. Securities and Exchange Commission and has been granted confidential treatment.

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.