

## Shareholder Letter 2017

It was another great year to be in the payments industry. With our customers and partners alongside us every step of the way, we continued to redraw the lines of what's possible with safe, simple and smart payments enabled by our cutting-edge technology. That's a pretty exciting place to be.

How did we do it? First and foremost, we did it together, not so much as a collection of individuals who comprise an outstanding workforce—although that's certainly true, but as members of a larger Mastercard family, who are dedicated to bringing our hearts and minds to everything we do, every day. That's the single, biggest reason for our success as a company and what we're most proud of. This Shareholder letter—like those in years past—is the story of what we've been able to accomplish together.



**Richard Haythornthwaite**  
Chairman of the  
Board of Directors

It's a story where we strengthened and deepened our partnerships in both public and private sectors. Whether it's with our merchants, banks, credit unions, governments, digital players and others, our partners helped us drive innovation in how people pay and get paid. We maintained our relentless focus on safety and security. And we continued doing well while also doing tremendous good. All 12,000 of us take pride in using our technology and data to help drive inclusive growth.

Along our journey, we've remained true to who we are and what we stand for as a company. We've demonstrated to markets around the globe that the *business of business* must increasingly be *business in society*.



**Ajay Banga**  
President and  
Chief Executive Officer

### Our Commitment to Partnerships

We grew our core credit, debit, prepaid and commercial payments businesses. That core growth delivers value to and reflects the business strategies of the merchants who accept our cards and the banks and credit unions that issue them.

Of course, what drives that growth—besides the quality of our products and services—is the depth of the partnerships and our commitment to them. Take Singapore's public transportation as an example. Our contactless technology is making commuting life easier for millions. It's also helping the Singapore government leverage technology to develop their country as a Smart Nation. That's a double-win in our book.

Then there are our partnerships with governments to help them overcome identification challenges, most notably in countries like Egypt, Nigeria and South Africa. It's this work

with governments, as well as with banks, NGOs and private sector companies that is key to delivering on our financial inclusion goal of connecting 500 million unbanked consumers by 2020. Already we've been able to connect more than 300 million people to the financial mainstream. And we're working to bring 40 million small merchants and micro-entrepreneurs into the financial fold as well.

## Driving Innovation, Safety & Security

Our shared commitment to innovation transformed Masterpass™ from a new platform to a one-word mindset that's driving both user adoption and acceptance. We believe Masterpass will continue to be the digital embodiment of our brand as it pairs with our bank and merchant partners' efforts to deliver new features and functionality with the ultimate goal to provide consumers with a seamless shopping experience, whether it's online, in-store or in-app.

Masterpass added 80,000 merchants in 2016, bringing the total to nearly 340,000 for online and in-app purchases, as well as more than six million locations in nearly 80 countries that allow contactless payments. With more than 80 million Masterpass-enabled accounts, we expect our digital by default strategy to help drive scale in user adoption.

And for those markets where Internet access and connectivity are not necessarily prevalent, Masterpass QR will help deliver this same convenience and access. Launched in several markets, including India, Pakistan and Nigeria, this mobile-driven, person-to-merchant (P2M) payment solution gives us the capacity to reach 100 million new consumers by 2020. And the best part? Merchants can now accept secure digital payments, quickly and without the expense of a traditional point-of-sale terminal.

The promise of digital opens up enormous opportunities and challenges. Fulfilling that promise begins with the integrity of systems and platforms. For more than 50 years, we've led our industry in driving safety and security, creating standards that provide a common foundation across the globe. That legacy of leadership continues today with efforts like the Mastercard Digital Enablement Service (MDES), our activation of the industry tokenization standard.

MDES enables tokens into digital wallet solutions such as Android Pay, Apple Pay, Samsung Pay and Masterpass across 17 markets to safeguard payment information. We rolled

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out Mastercard Identity Check Mobile to more than 16 markets, helping to verify cardholder identity with biometrics—eliminating the need for a code or password. In addition, our new Decision Intelligence™ service is strengthening the layers of security that the consumer never sees, using artificial intelligence to increase the accuracy of real-time approvals and reduce false declines.

## Pairing Products and Services

Our focus on innovation extends to how we're pairing our products and services. Those efforts begin with our dedication to leveraging services that use data respectfully to help drive insights for our customers. The power of that combination remains integral to our value proposition. That's why we're packing the insights generated by our payment solutions to drive a wide range of merchant and consumer experiences.

We're proud that our services help our customers make better decisions. As one example, consumer debit and credit card use goes up when it's part of a loyalty program. For the issuer, this yields higher activation, higher usage and higher retention. Or, it could be the data-driven insights generated across our Advisors and Applied Predictive Technologies businesses that help merchants quickly identify and work with trends that drive seasonal strategies and/or activate test and learn scenarios.

At the outset, we talked about redrawing the lines of what's possible in payments. Whether it's through our Mastercard Send product or the acquisition of VocaLink, we can expand our ongoing efforts to shift global payments from cash to electronic and provide more choice for consumers, merchants, corporations and governments.

## Community Driven

We've earned many awards for our brand, our diversity, our training and for being a fantastic place to work. But it's the dedication and passion of our employees that continue to drive the heart of who we are. One of our greatest competitive advantages is having employees who are empowered to think like owners. Just look at 2Kuze and the work coming out of our Lab for Inclusive Growth. When a farmer in Kenya can sell her produce and receive her payment via her phone, without having to walk for hours to the market, there's a Mastercard employee thinking about how to improve market access and her ability to receive fair market price.

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From our *Master Your Card* financial literacy program to our Center for Inclusive Growth, our goal is to have an enduring impact on the communities where we live and work. And here's one more example: Three years ago, we launched our first global employee volunteer initiative, Girls4Tech™ and so far, we've reached more than 19,000 girls in 15 countries. Yes indeed, doing well and doing good go hand in hand.

### The Journey Continues

As significant as these milestones are, we recognize that we've only begun to touch upon the potential of our business. We will continue to identify and work with the trends happening around us. And we'll continue to push the envelope in terms of the partnerships and technologies that we need to develop for the benefit of our customers and shareholders.

This past year, we delivered on our commitment to driving change and innovation at all levels. We're disrupting from within, creating new opportunities to benefit our partners, customers and consumers as we continue to grow our business. At the same time our employees remain grounded in their communities and care deeply about the brand and the role they play. It's with these opportunities that we will find on-going, long-term success.

Thank you for your continued support.



**Richard Haythornthwaite**

Chairman of the Board of Directors



**Ajay Banga**

President and Chief Executive Officer



Mastercard Board of Directors