

President's Report

H. Eugene Lockhart, President and Chief Executive Officer

Over the past 30 years, MasterCard has evolved from a U.S.-focused credit card company into a powerful global payments organization by fulfilling four critical roles: as a processor, we provide authorization and settlement services; as a marketer, we support global acceptance as well as brand and product delivery; as a manager, we facilitate the fair exchange of value through interchange; and as a guarantor, we stand behind the payments on our family of brands.

In the years ahead, we will continue to fulfill these roles. However, we are reevaluating the best ways to meet our members' needs going forward, as several unprecedented challenges—changing consumer behavior, accelerated industry concentration, and convergence through technology—are intensifying members' profitability pressures, offering new revenue sources, spurring competition from well capitalized players, and increasing the risk that banks could lose the primary customer relationship.

To add value in this evolving environment, we must enhance our role and, in effect, redefine MasterCard to the benefit of our members: as a leader, we can build increased volumes and accelerate the displacement of cash and checks through better acceptance of traditional card products and development of new ones; as a partner, we can assist our members in their efforts to customize products, maximizing performance in support of their individual needs; and as an industry overseer, we can continue to assure global payments integrity anywhere, anytime.

We strive to fulfill these roles every day and in every region. This report presents a summary of our significant accomplishments around the world during the second quarter of 1996. Attachment A details our performance results, and Attachment B highlights findings from research regarding U.S. inbound travelers' acceptance perceptions in selected European destination markets.

Section I: Second Quarter 1996 Performance Highlights

MasterCard's market performance was strong in all product areas. For 2Q'96 year-to-date, MasterCard gross dollar volume grew to \$248.3 billion, 16.1% over 2Q'95, and

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MasterCard cards increased 22.7%, to 367 million. Additionally, live Maestro cards increased 72.8%, to 76.3 million, and live Maestro terminals increased 97.8% to over 1 million. In the U.S. Region, MasterMoney card growth was 84.8%, to 10.2 million. Finally, the MasterCard/Cirrus ATM network grew 18.8% to over 288 thousand machines.

MasterCard's financial performance was also strong. As of second quarter, year-to-date pre-tax profit rose to \$50 million (93% of the year-end target), versus the budgeted figure of \$9.6 million (this is before the realization of proceeds from the MAPP sale). The favorable performance reflects lower than planned Card Products Division expenses, favorable revenue, and favorable subsidiary results.

Section II: Regional Highlights

MasterCard's regions have made significant progress towards achieving the 1996 corporate objectives. The chart below illustrates volume and card growth for all card products (including Maestro) and summarizes key initiatives undertaken around the world in support of our business. Volume figures are adjusted for currency fluctuations.

REGION AND % YAG 2Q'96 vs. 2Q'95	KEY INITIATIVES
<p>Asia/Pacific</p> <p>Adj. S Vol: 12.0% ↑</p> <p>Cards: 47.3% ↑</p>	<ul style="list-style-type: none"> • Contributed significantly to worldwide Maestro cards and volume with 173% growth. • Improved POS signage in Taipei with "We Prefer MasterCard" decaling program at 1,500 merchants. • In Australia, expanded wireless POS acceptance to home repair tradesmen, event merchandisers and exhibitors, and roadside assistance providers, among other new merchant types. • Progressed with Japan regional processing center development. • Launched Global Service with an aggressive awareness campaign; secured exclusive coverage in seven countries.

REGION AND % YAG 2Q'96 vs. 2Q'95	KEY INITIATIVES
<p>Canada</p> <p>Adj. S Vol: 9.4% ↑</p> <p>Cards: 19.8% ↑</p>	<ul style="list-style-type: none"> • Launched Acceptance Excellence initiative leveraging NHL sponsorship; received support from all acquirers. • Expanded deposit access acceptance with nearly 7,900 ATMs and 2,750 Maestro terminals now live. • Grew Cirrus and Maestro card base to 7.3 million and 5.6 million, respectively. • Continued to measure brand awareness; independent research firm tracked unaided awareness at 89%.
<p>Europe (Europay)</p> <p>Adj. S Vol: 16.9% ↑</p> <p>Cards: 13.8% ↑</p>	<ul style="list-style-type: none"> • EPI Board agreed Heads of Agreement for the new Alliance agreement on MasterCard-branded products; contract not yet signed. • Europay signed a deal with a major savings bank-owned network in Spain that enabled MasterCard to secure 65.3% of the debit market, including 211 thousand POS terminals, 15 thousand ATMs, 8.7 million Maestro cards and a to-be-determined portion of 2.6 million credit cards.
<p>Latin America and Caribbean</p> <p>Adj. S Vol: 25.4% ↑</p> <p>Cards: 26.0% ↑</p>	<ul style="list-style-type: none"> • In Brazil, signed the two largest banks to issue MasterCard cards. • Made progress with several Brazilian banks regarding advertising, promotions, sponsorships, card services and co-branding. • Implemented fully localized ISIS debit processing (Cirrus and Maestro) for the first time in Venezuela. • Grew our ATM network significantly with the addition of more than 1,325 terminals. • In Brazil, successfully formulated an acquiring exclusive; re-branding POS MasterCard-only.

REGION AND % YAG 2Q'96 vs. 2Q'95	KEY INITIATIVES
<p>Middle East/Africa</p> <p>Adj. S Vol: 33.3% ↑</p> <p>Cards: 47.2% ↑</p>	<ul style="list-style-type: none"> • Increased the number of live Maestro terminals to 4,372 and ATMs to 3,869. • Signed 23 members for the Global Service program. • Received approval for "Al Fursan" co-branded program with National Commercial Bank and Saudi Air.
<p>United States</p> <p>Adj. S Vol: 14.7% ↑</p> <p>Cards: 16.4% ↑</p>	<ul style="list-style-type: none"> • Secured exclusive commitments for co-branding programs with Sears, US West, and Wal-Mart. • Continued to make progress in mail share, achieving the highest overall levels since 1Q'94 and highest solo mail share levels since 3Q'92. Our overall mail share is 36%, compared to less than 20% two years ago. • Completed research on Premium Card and continued planning for launch in 1Q'97. • Implemented a new interchange program designed to encourage merchant acceptance in travel-related industries.

Section III: Second Quarter 1996 Performance vs. Objectives

MasterCard's 1996 corporate objectives represent aggressive performance goals that the company is committed to achieve in order to add value to members worldwide. This year's objectives focus on acceptance excellence, member profitability, consumer preference, technology excellence and fine tuning our association processes. During the second quarter, MasterCard delivered strongly against these goals.

Following are details of key achievements completed during 2Q'96.

1. Increase Member Profits from Payment Business (25%)

MasterCard's fundamental objective is to improve member profitability. This is achieved by establishing performance targets designed to increase gross dollar volume, increase issuance, control fraud, and create new products.

We continued successful management of fraud levels during second quarter. Worldwide fraud was 9.3 basis points of gross dollar volume, down 8.8% from 2Q'95. This reduction is due to the near term success of our two CVCs (Card Validation Codes), which directly impact counterfeit fraud, and the success of card activation programs, which continue to impact Never Received Issued (NRI) fraud. Increases in mail order/telephone order fraud, the fastest growing volume segment in the industry, suggest the need to implement CVC2 for this environment. The International Security Committee is currently considering this measure. Our full-year objective is to hold fraud to 10 basis points of worldwide volume.

In addition to fraud reduction, we have made significant progress toward our commitment to provide members with new revenue opportunities through development of new ways to make payments. A major initiative in this area—the development of a premium card product—is progressing steadily. Through 2Q'96, the premium card feature definition has been completed, development of its positioning is near completion, and an Issuer Strategy Council has been established to guide implementation. The launch is scheduled in the U.S. for 1Q'97. Development also progressed toward a new global commercial products strategy, as the "Corporate Payment Solution" was finalized during second quarter. A new card design, collateral, and advertising materials are currently under development and are expected to be launched throughout the fourth quarter.

We also continued to maintain our position as the industry leader in co-branding. A total of 488 co-branded/affinity programs were approved globally in the first half of the year. Among our significant co-branding wins were deals with Wal-Mart and Sears in the U.S.

2. Build Acceptance Excellence (25%)

Unsurpassed acceptance is an integral part of MasterCard's corporate purpose. In order to ensure quality and to create demand for our products we must center our attention in this area. We continue to strive to improve the quality of acceptance, to provide clarity at the point of sale, and to expand acceptance to new categories. Leveraging relationships is

a fundamental component of building acceptance excellence, and several initiatives during the second quarter exemplify both our commitment to progress against this objective.

In June, the MasterCard Global Board approved an agreement between MasterCard and Europay that will capitalize on the strength and value of both the MasterCard and the Eurocard brands. The new agreement calls for the convergence of the two brands in Europe over 3.5 years, with new acceptance signage with a higher profile for MasterCard. The expected result of this convergence is higher brand recognition and better acceptance breadth, depth and end-to-end quality within Europe. We are also working jointly with Europay on analyzing travelers' acceptance perceptions in selected European destination markets. A summary of this effort is discussed in Attachment B to this report.

Also in Europe, MasterCard and Access Brand Limited reached an agreement that will significantly strengthen MasterCard awareness in the U.K. The agreement calls for the removal of the Access credit card brand, both at the point of sale and on cards. The Access symbol removal process is expected to be completed next year. Similarly, in Argentina we are assisting Argencard in the analysis of a transition from a local brand mark (Lider) to the MasterCard mark, and in Brazil we are transitioning from the Credicard mark to the use of MasterCard at the point-of-sale.

These impactful branding developments underscore the need for MasterCard to promulgate acceptance standards. Acceptance quality standards were communicated on a regional basis and presented to the International Operations Committee. Likewise, the principles of acceptance excellence and end-to-end performance standards are major elements in the new agreement with Europay International. Additionally, MasterCard established a new function, Franchise Compliance, with a primary goal to test, implement and support end-to-end acceptance excellence across MasterCard, Cirrus, and Maestro products.

Our industry leadership continues in the deposit access area as well. For example, in an effort to ensure ATM presence in high demand locations, MasterCard has made significant progress with MasterCard/Cirrus airport acceptance and signage. Specifically, we have secured ATMs in 93 of the top 100 airports worldwide and Cirrus signage in 21 of the top 100 airports.

As we continue to solidify our positions in areas such as branding and deposit access, we are also aggressively pursuing a strategy designed to elevate our presence in the corporate

spending arena. To this end, a Global Corporate and Travel & Entertainment (T&E) Strategy was developed and introduced during the second quarter. This strategy targets top travel destinations, airlines, hotels, car rental agencies, travel agencies, and cruise lines to develop programs that will increase MasterCard T&E volume. Our T&E volume worldwide through 2Q'96 was \$93 million and our market share was 27%. The goal of the new strategy is to increase T&E volume share to 30% and T&E gross dollar volume to \$292 million by the year 2000.

3. Increase Consumer Preference for the Brands (15%)

Brand preference is at the heart of MasterCard's ability to expand and thrive in the payments industry. MasterCard recognizes the need to offer valuable new services and to increase the exposure of the brand. MasterCard has targeted these needs with consumer outreach programs and with regional advertising and marketing campaigns.

In keeping with our "secure access anytime, anywhere" positioning, during 2Q'96, we launched "MasterCard Global Service" in all regions with a range of program materials provided to more than 800 members. Early indications find consumers embracing this second-to-none service, as quarterly call volume of 57,000 (i.e., over 620 calls per day) far exceeded the budgeted objective (16,000). The program has been supported by aggressive communications programs. In Asia/Pacific, for example, coverage included prime time television news placements and MasterCard exclusive print media coverage in seven countries.

Sponsorships also continued to provide unsurpassed brand awareness for MasterCard. In addition to the highly visible sponsorships of the Euro '96 soccer tournament and the MasterCard Colonial golf tournament, events leveraging our figure skating, hockey, and auto racing sponsorships served to enhance brand awareness during 2Q'96, as well.

4. Improve Technology and Information-Based Capabilities and Services (15%)

The payments industry is technology driven, and MasterCard recognizes its role in keeping members on the cutting edge of payments systems. Our goal is to improve the regional and global processing systems through leveraging technology, integrating core systems, and supporting new products and services.

In order for MasterCard to fully leverage all of the new payment technologies on the horizon, we must first ensure that our core technology platform is in the best possible

condition. To satisfy this need, progress continues on schedule with our core systems refreshment. MasterCard continued to advance with the MIP replacement program, stand-in and settlement redevelopment work, and initial development for authorization and clearing systems upgrades. INET upgrades have also been implemented on schedule.

Through second quarter, transactions processed by Banknet have increased by 20% year-over-year to 1.47 billion, while average network response time has decreased 20% to 0.64 seconds. Network availability continues at near 100% (99.999%) and member file delivery is in line with agreed upon service levels. Year-to-date issuer authorization activity is 97.75%, up from 95.07% over last year.

With an eye toward the future, MasterCard began an internal test of a biometric technology called finger minutiae (based on fingerprint patterns), which may ultimately be used more broadly in the payments industry to provide positive cardholder identification. The goals of the test, which uses a chip card to store the biometric information, are to determine reliability and efficiency, and to surface issues related to biometric technology. Based on test results, we may pursue pilot programs with members.

Also, MasterCard, together with GTE, launched a broad initiative to deliver the first electronic certification services under the new Secure Electronic Transaction (SET) standard for safe transactions via the Internet. This initiative is expected to produce certificate authority services by year-end.

5. Improve Association Processes (20%)

MasterCard is committed to becoming an increasingly efficient and effective institution in order to be more competitive in the marketplace over the long term. To do this we must develop disciplined internal processes and promote a high degree of employee interaction. We have set aggressive targets for ourselves to develop a productive, team-oriented employee base dedicated to a common set of core objectives.

Through 2Q'96, total revenue increased 17 percent to \$428.8 million from \$365.3 million reported in the same period of 1995. The substantial increase is primarily a result of increased operating fees from authorization, clearing and settlement, and other processing services provided to members. The increase in operations fees from \$151.4 million at June 30, 1995 to \$184.5 million at June 30, 1996 is a result of continued growth in

transaction volumes resulting from global expansion and highly successful U.S. co-branding programs.

MasterCard also continued to improve its productivity in 1996 as measured by a projected 5% decrease in the corporation's costs per \$1,000 of gross dollar volume.

Our internal processes must be managed rigorously in order for the Association at large to operate at peak performance levels. To meet this need, the Franchise Management department launched the Rules Rewrite project, a long-term initiative to re-organize and streamline the rules, policies, and procedures that regulate MasterCard members and their agents. Our objectives are to provide clear documentation to facilitate compliance; ease of use to internal and external users; and centralization of the rules creation, revision and distribution processes.

In order to increase the satisfaction and effectiveness of our people through on-going investment in team and individual employee development, MasterCard delivered Team Excellence at MasterCard (TEAM) training to 457 employees during 2Q'96. We expect to have reached all of the employees through this program by mid-1997.

MasterCard Performance Summary

Worldwide

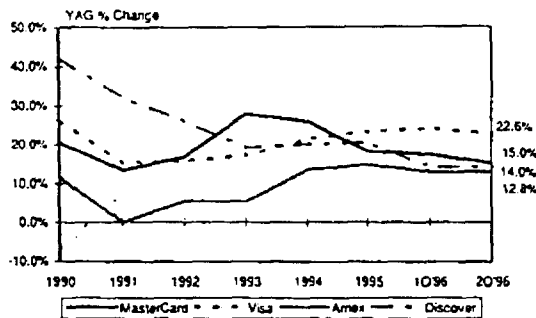
In 2Q'96, MasterCard continued to experience strong gross dollar volume growth, with year-to-date growth in excess of 15%. Card growth worldwide was also strong, generated mainly by Maestro.

Worldwide All Card Products* - 2Qtr '96

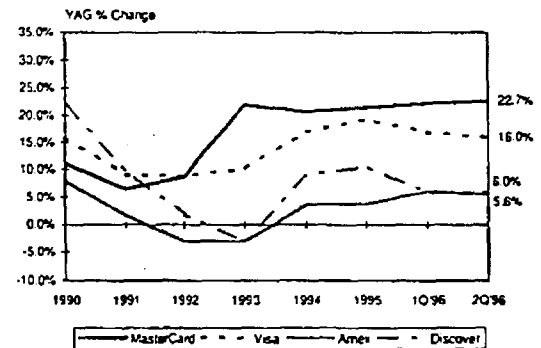
		vs. 2Q'95
Gross \$ Volume	\$135.3 Billion	15.0%
Transactions	1.39 Billion	17.0%
Accounts	304.1 Million	26.4%
Cards	367.0 Million	22.7%

In 2Q'96, MasterCard gross dollar volume performance was the second highest among GPC players. MasterCard continued to lead the industry in card growth.

Worldwide Volume Growth



Worldwide Card Growth



* All Card Products includes MasterCard, MasterMoney, and Maestro.

Sources: MasterCard = Quarterly Member Report, Visa = Visa Exchange Files
Amex = Amex News Release 7/22/96, Discover = Industry Sources

NOTE: Volume growth adjusted for currency fluctuations

Regional Performance - All Card Products*

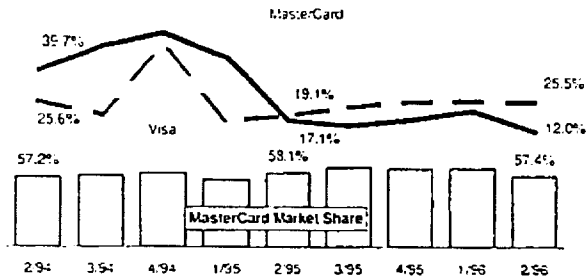
Asia/Pacific

Gross Volume:

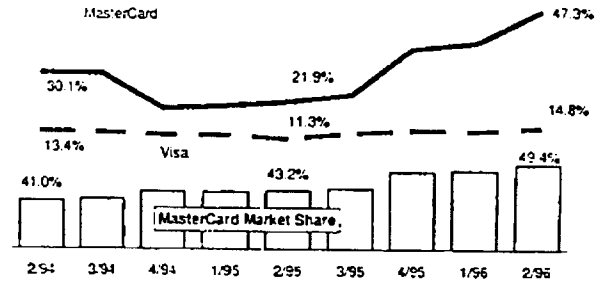
Asia/Pacific MasterCard volume growth was 12% in 2Q'96. This was partially due to increased competitive pressure and other market forces in China, the region's largest country. Visa increased its share in the region by 0.7 ppts from the prior year.

Cards:

MasterCard experienced strong card growth in China and Korea, and has widened the growth gap vs. Visa, mainly driven by Maestro.



Note: Visa figures include estimate for China volume.

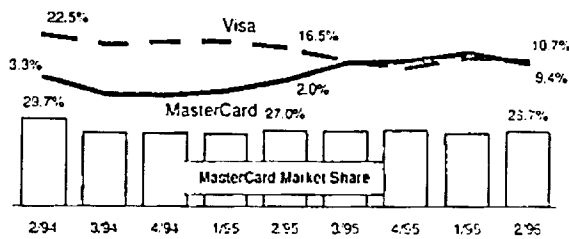


Note: Visa figures include estimate for China cards.

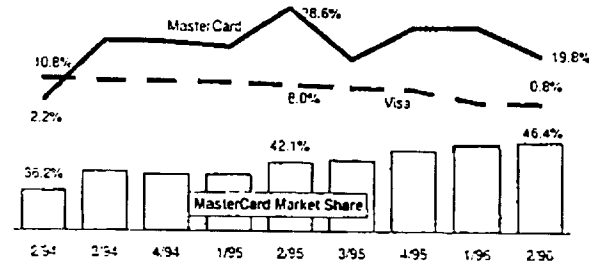
- * All Card Products includes MasterCard, MasterMoney, and Maestro.

Canada

Gross Volume:
MasterCard volume growth increased in 2Q'96 vs. year ago, but lost 0.3 ppt vs. year ago.

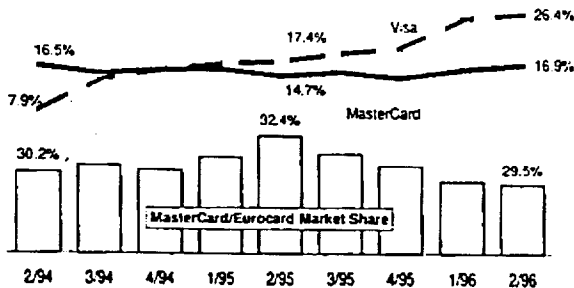


Cards:
With solid Maestro card growth, MasterCard increased its share position by 4.3 ppts vs. year ago.

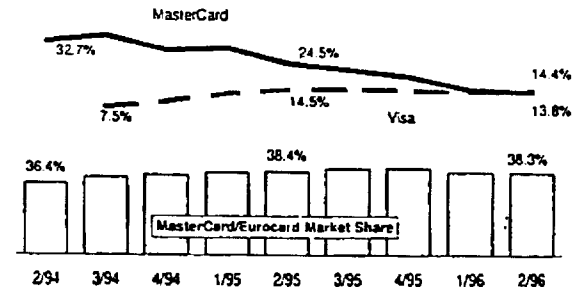


Europe (Europay) **

Gross Volume:
MasterCard/Eurocard volume growth increased in 2Q'96 vs. year ago, but lost 2.9 share ppts to Visa.



Cards:
MasterCard/Eurocard and Maestro share remained virtually at parity vs. year ago.



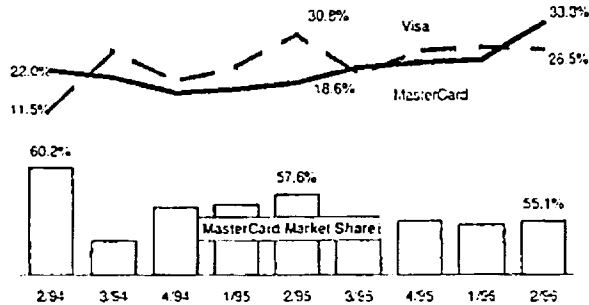
Note: 2Q '94 and prior Visa card growth not available.

* All Card Products includes MasterCard, MasterMoney, and Maestro.
** Restated to reflect MasterCard's European structure, Central Eastern European countries have been excluded from Middle East/Africa and included in Europe.

ME/A **

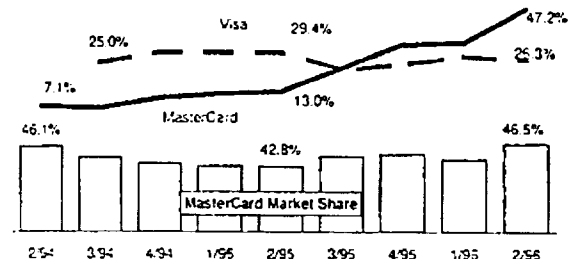
Gross Volume:

MasterCard continued to have strong volume growth in 2Q'96 and gained share vs. year ago.



Cards:

MasterCard continued strong card growth, and share in the region increased to 46.5%.

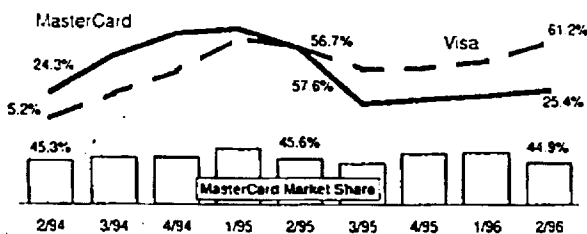


Note: 2Q '94 and prior Visa card growth not available.

Latin America and Caribbean

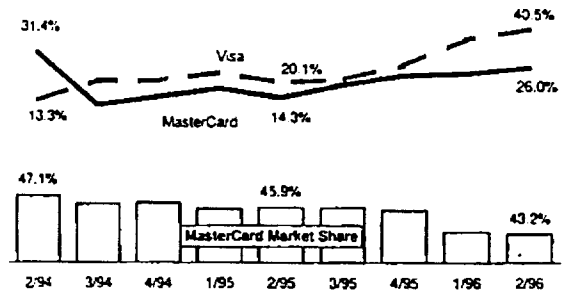
Gross Volume:

MasterCard recorded solid volume growth in 2Q'96 compared to a strong base vs. year ago.



Cards:

Visa's higher card growth increased its market share relative to MasterCard.

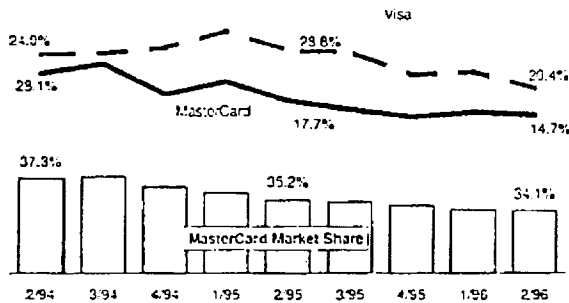


- * All Card Products includes MasterCard, MasterMoney, and Maestro.
- ** Restated to reflect MasterCard's European structure, Central Eastern European countries have been excluded from Middle East/Africa and included in Europe.

United States

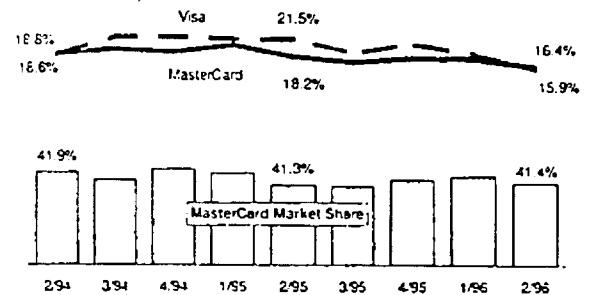
Gross Volume:

The rate of growth of gross volume for MasterCard slowed vs. year ago. Visa's higher growth rate resulted in a MasterCard share loss of 1.1 ppt vs. year ago.



Cards:

Both MasterCard and Visa grew at virtual parity with little change in share vs. year ago.



* All Card Products includes MasterCard, MasterMoney, and Maestro.

NOTES:

1. MasterCard and Visa figures include 1Q and 2Q'96 Maestro/Cirrus and Electron cash withdrawals in Latin America for market share comparisons.
2. Volume growth rates in Latin America do not include Maestro/Cirrus and Electron cash withdrawal figures.
3. Prior to 1Q'96, Visa Electron cash withdrawals in Latin America are excluded for consistency.
4. Global Planning and Analysis will be focusing over the next six months on the collection of worldwide Maestro/Cirrus cash withdrawal figures. This will translate into increased accuracy of comparisons against Visa and its Electron product.

**Analysis of U.S. International Traveler's Acceptance Perceptions
In Selected European Destination Markets
Joint MasterCard and Europay Project**

Background

Both MasterCard and Europay are committed to improving domestic and international acceptance. As a first step in this process, several research studies were initiated to determine U.S. cardholder perceptions regarding acceptance in three key European destination markets: France, Italy, and Spain. Project results were initially presented at a joint MasterCard and Europay meeting held in Waterloo in December 1995.

Research Objectives

The pilot acceptance research initiatives within these countries were to determine:

- The quality of MasterCard POS transactions relative to Visa in France, Italy, and Spain
- U.S. consumer perceptions toward acceptance in Europe
- Key factors affecting acceptance behavior

Four separate research studies were used to assess acceptance.

1. *Destination Market Study*: Conducted among U.S. consumers who had just completed travel to France, Italy, and Spain. The sample sizes were designed to obtain readable samples of U.S. MasterCard owners, U.S. Visa owners, and U.S. American Express owners. (Joint Europay and MasterCard commissioned research)
2. *POS Testing*: U.S. issued MasterCard cards, U.S. issued Visa cards, and European Eurocard/MasterCard cards were tested at POS in tourist areas of France, Italy, and Spain. (Joint Europay and MasterCard commissioned research)
3. *Global Merchant Audits*: Auditors visited a random sample of approximately 4,000 retail establishments in each country. The sample was drawn to represent the entire country, not just urban areas. Retail establishments were defined as all retail and service establishments open to the public. Audits took place in the first quarter of 1995. (MasterCard commissioned research)

4. *INET Data Analysis:* Data from key issuers for the second and third quarters of 1995 was examined to determine levels of successful transaction completion.

Findings

Cards Carried by U.S. Cardholders to France, Italy, and Spain

U.S. consumers carry all major brands owned when traveling abroad. They do not “pre-select” cards before leaving home. These levels are consistent regardless of the destination market (France, Italy, or Spain).

Cards Carried on International Trip
(Among General Purpose U.S. Card Owners Who Travel Internationally)

	MasterCard	Visa	American Express
• Own Card	58%	80%	50%
• Carry Card on Trip	57%	79%	50%

Source: *Destination Market Study*

Cards Used by U.S. Cardholders in France, Italy, and Spain

Not only are all major cards carried on trips to France, Italy, and Spain, they are also generally used at some point during the trip. American Express activation is slightly higher than the bankcards.

Card Usage on Trip
(Among General Purpose U.S. Card Owners Who Travel Internationally)

	MasterCard	Visa	American Express
• Carry Card on Trip	57%	79%	50%
• Use Card on Trip	40%	60%	40%

Source: *Destination Market Study*

Acceptance Perceptions Among U.S. Cardholders

U.S. consumers seem to export domestic acceptance perceptions when traveling to France, Italy, or Spain, albeit at lower relative levels for the bankcard brands.

Acceptance Perceptions Among U.S. Travelers: % Accepted in All or Most Places
(Among Owners of Indicated Card)

	MasterCard	Visa	American Express
• U.S. Acceptance Perception	83%	88%	35%
• Destination Market Perception	61%	69%	35%

Source: *Destination Market Study*

Role of Exterior Signage

Signage is a key driver of brand usage at POS for international travelers. Generally, four out of five U.S. travelers to France, Italy, or Spain look for signage when determining what payment brand to use when overseas. This is consistent across all destination markets studied.

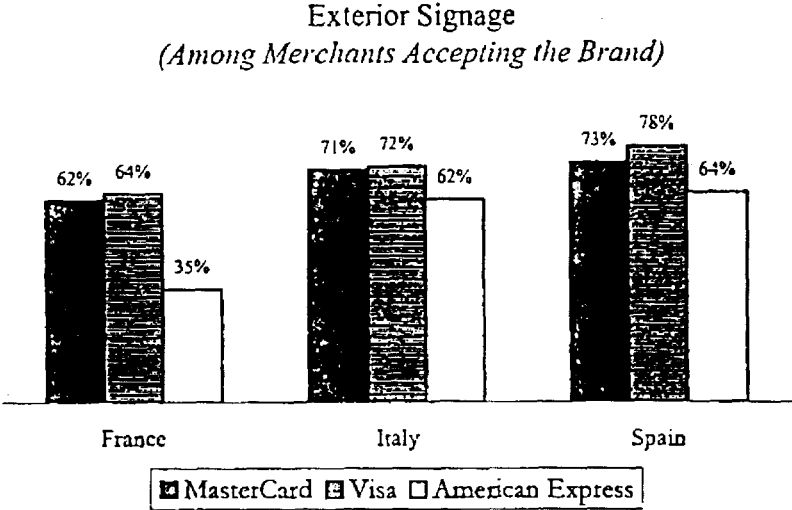
How U.S. Travelers Determine Destination Market Card Acceptance
(Among General Purpose U.S. Card Owners)

	All Three Markets	France	Italy	Spain
• Exterior Signage	80%	82%	79%	79%
• Interior Signage	45%	42%	44%	56%
• Ask Merchant	55%	55%	54%	59%
• Other Method	13%	14%	11%	12%

Source: *POS Testing*

Presence of Exterior Signage

On average, 30% of merchants do not display external decals. Given the importance of exterior signage in determining card usage, it should be improved.

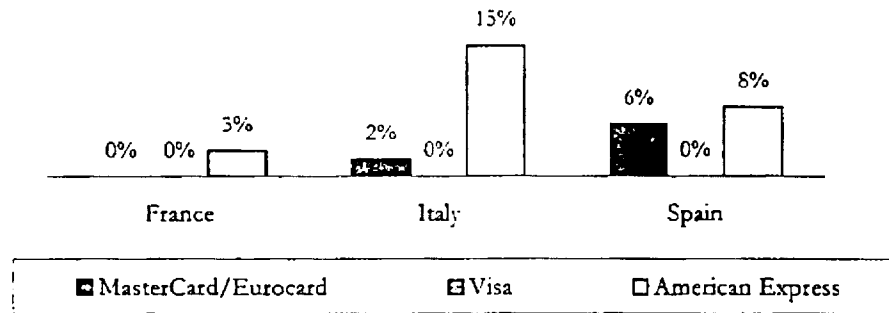


Source: Global Merchant Audit

Merchant Preference

Merchants in France, Italy, and Spain do not have a strong global brand preference for the bankcards. However, merchants in Italy have a clear preference for American Express.

Preferred Payment Card
(Among Merchants Accepting Payment Cards)



Source: *Global Merchant Audit*

Transaction Quality – Relative to Competition

The transaction quality during the point of sale testing for Eurocard/MasterCard cards and U.S. issued MasterCard cards are virtually identical in France, Italy, and Spain. Furthermore, MasterCard is at parity with Visa. Overall, excluding “forced” referrals, 96% of transactions were successful in France, Italy, and Spain.

Successful Transactions
(U.S. Issued MasterCard Cards, U.S. Issued Visa Cards, Eurocard-MasterCard Cards)

	Europe-Issued Eurocard/ MasterCard	U.S.-Issued MasterCard	U.S.-Issued Visa
• % Successful Transactions	92%	94%	93%
• % Referral Failures	4%	2%	3%
• % Non-Referral Failures	4%	4%	4%

Source: POS Testing

Transaction Quality – Actual U.S. Issued MasterCard

The international norms for U.S. issued MasterCard cards are in the expected range but can be improved based on U.S. domestic performance.

U.S. Issued MasterCard Cards
(POS Transactions)

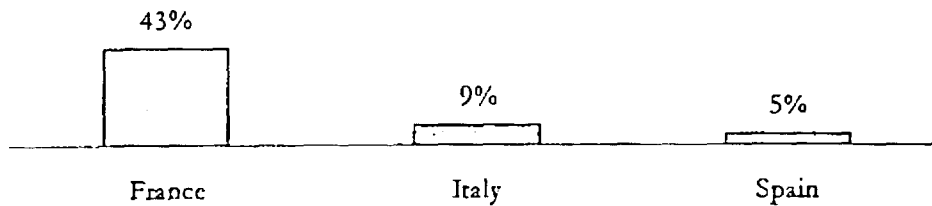
Acquiring Region →	U.S.	Europe	A/P	Canada	LA&C	ME/A
• % Successful Transactions	99.8%	98.8%	98.2%	98.7%	98.4%	97.1%
• % Referral Failures	0.2%	1.2%	1.7%	1.3%	1.5%	2.9%
• % Non-Referral Failures	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%

Source: INET Data 2&3Q'95, Top 10 Issuers

Minimum Purchase Requirements

Minimum purchase requirements for plastic payment cards is a problem, particularly in France. Efforts to correct this problem will be beneficial for all major global cards.

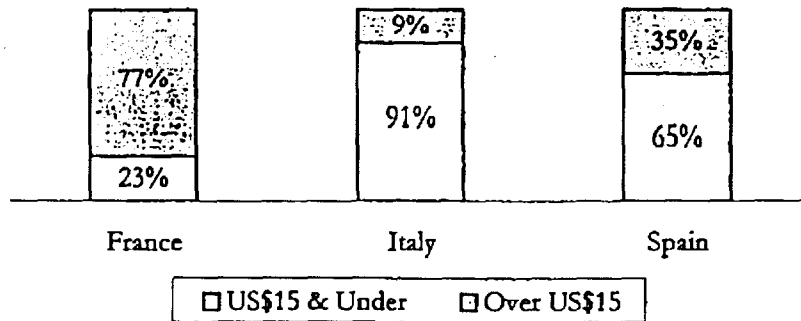
% Merchants with Minimum Purchase Requirements
(Among Merchants Accepting Payment Cards)



Source: Global Merchant Audit

In addition, the majority of minimum purchases in France must be over US\$15. This is considerably higher than in Italy or Spain. (Note: Imposing a minimum purchase value restriction is against global rules.)

Amount of Minimum Purchase Requirement
(Among Merchants With a Minimum Purchase Requirement)



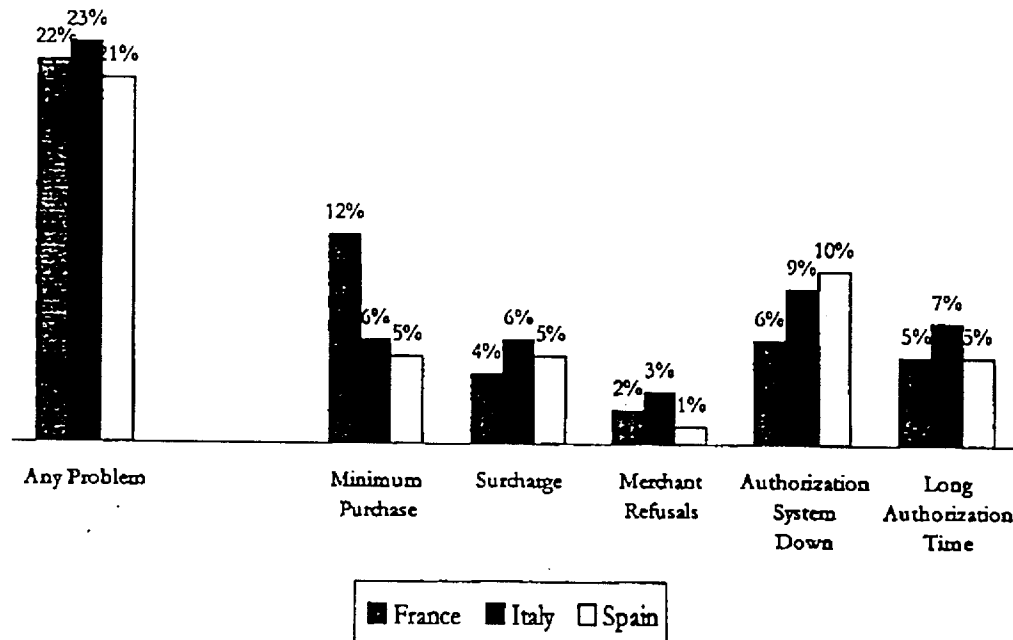
Source: Global Merchant Audit

POS Issues

The level of POS problems experienced by U.S. travelers to France, Italy, and Spain are similar. In addition, these problems are brand neutral. The type of problem encountered varied by country:

- Minimum purchases are a bigger problem in France (due to Carte Bancaire policy)
- Authorization problems are more frequent in Italy and Spain where more on-line authorizations occur.

POS Problems Encountered By U.S. Travelers in France, Italy, and Spain
(Among General Purpose Card Owners)



Source: Destination Market Study

Research Summary

- U.S. domestic brand positioning and brand perceptions can influence destination market perceptions and usage as well. Visa maintains an acceptance perception and usage advantage relative to MasterCard both domestically and internationally.
- MasterCard and Visa have similar merchant acceptance perceptions in France, Italy, and Spain. However, there is opportunity to improve actual acceptance at POS and U.S. cardholder perception of acceptance in these European markets.
- External decals are the primary method used by U.S. cardholders to determine brand acceptance in these destination markets. About 30% of merchant outlets display no external MasterCard signage.
- Transaction success rates and POS problems are similar across the global payment brands in France, Italy, and Spain.
- Some specific POS problems exist for the major brands within a country, resulting in transaction "failures".
 - Minimum payment requirements in France
 - Authorization system problems in Italy and Spain

Next Steps

Based on the results of this research, MasterCard will implement the following key initiatives:

- International travelers will have enhanced visibility of the MasterCard brand through joint signage initiatives with Europay using the new MasterCard mark at POS.
- A consistent global brand positioning, "secure access to money, products and services anytime, anywhere", will be launched in January 1997. This positioning should elevate domestic cardholder perceptions regarding MasterCard's worldwide acceptance.
- Global media opportunities for increasing MasterCard's perception as a brand for international travelers are being explored.
- U.S. Region issuers will be brought up to speed on improvements in European acceptance
- The End-to-End Quality Strategy will be presented at the IOC; subsequently, actions will be taken to ensure the highest end-to-end quality.
- The Acceptance Excellence document will be presented at the Europay Business and Marketing Committee (BMAC) and next steps will be agreed.