

MASTERCARD ASIA/PACIFIC PTE LTD

(Incorporated in Singapore. Registration Number: 199306324E)

ANNUAL REPORT

For the financial year ended 31 December 2020

MASTERCARD ASIA/PACIFIC PTE LTD

(Incorporated in Singapore)

ANNUAL REPORT

For the financial year ended 31 December 2020

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MASTERCARD ASIA/PACIFIC PTE LTD

DIRECTORS' STATEMENT

For the financial year ended 31 December 2020

The directors present their statement to the member together with the audited financial statements of Mastercard Asia/Pacific Pte Ltd ("the Company") for the financial year ended 31 December 2020.

In the opinion of the directors,

- (a) the financial statements as set out on pages 8 to 55 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the financial year then ended;
- (b) the Company is a wholly-owned subsidiary of Mastercard Incorporated, a company incorporated in the United States of America, which prepares consolidated financial statements available for public use, and is therefore exempt from having to prepare one set of consolidated financial statements under Singapore Financial Reporting Standard No. 110, Consolidated Financial Statements; and
- (c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Arijit Ranjan Sarker

Naushaza Molu

Ling Hai

Matthew Selkirk Driver

Raghuvir Rai Malhotra

Mohammed Shafi Shaik (Alternate Director to Arijit Ranjan Sarker, Naushaza Molu, Ling Hai, Matthew Selkirk Driver and Raghuvir Rai Malhotra)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Directors' interests in shares or debentures".

MASTERCARD ASIA/PACIFIC PTE LTD**DIRECTORS' STATEMENT***For the financial year ended 31 December 2020***Directors' interests in shares or debentures**

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | Holdings registered in name of <u>director</u> | | Holdings in which a director is <u>deemed to have an interest</u> | |
|------------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------|
| | At 31 December 2020 | At 1 January 2020 or date of appointment, if later | At 31 December 2020 | At 1 January 2020 or date of appointment, if later |
| Arijit Ranjan Sarker | 12,132 | 8,131 | - | - |
| Ling Hai | 20,779 | 18,035 | - | - |
| Naushaza Molu | 100 | 100 | - | - |
| Mohammed Shafi Shaik | - | - | - | - |
| Matthew Selkirk Driver | - | - | - | - |
| Raghuvir Rai Malhotra (appointed 11 June 2020) | 5,592 | 11,863 | - | - |

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had interests in stock options ("options"), restricted stock units ("RSUs") and performance stock units ("PSUs") to subscribe for ordinary shares of its ultimate holding company, Mastercard Incorporated ("MA"), granted pursuant to the Employee Long-Term Incentive Plan ("LTIP") as set out below, except as follows:

| | No. of unissued ordinary shares of its ultimate holding company under options | |
|---------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------|
| | At 31 December 2020 | At 1 January 2020 or date of appointment, if later |
| Arijit Ranjan Sarker | 21,037 | 37,560 |
| Ling Hai | 75,589 | 75,326 |
| Mohammed Shafi Shaik | 5,107 | 4,094 |
| Matthew Selkirk Driver | 18,218 | 20,179 |
| Raghuvir Rai Malhotra (appointed 11 June 2020) | 22,715 | 22,715 |

| | No. of unissued ordinary shares of its ultimate holding company under RSUs | |
|---------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------|
| | At 31 December 2020 | At 1 January 2020 or date of appointment, if later |
| Arijit Ranjan Sarker | 594 | - |
| Mohammed Shafi Shaik | 1,620 | 3,826 |
| Ling Hai | 3,125 | - |
| Naushaza Molu | 2,107 | 1,478 |
| Matthew Selkirk Driver | 2,737 | 3,702 |
| Raghuvir Rai Malhotra (appointed 11 June 2020) | 594 | 3,466 |

MASTERCARD ASIA/PACIFIC PTE LTD**DIRECTORS' STATEMENT***For the financial year ended 31 December 2020***Directors' interests in shares or debentures (continued)**

| | No. of unissued ordinary shares of its ultimate holding company under PSUs | |
|---------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------|
| | At 31 December 2020 | At 1 January 2020 or date of appointment, if later |
| Arijit Ranjan Sarker | 5,110 | 5,333 |
| Ling Hai | 5,110 | 5,531 |
| Matthew Selkirk Driver | 440 | - |
| Raghuvir Rai Malhotra (appointed 11 June 2020) | 4,845 | 4,845 |

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interests, except as disclosed in the accompanying financial statements and in this statement, and except that certain directors have received remuneration as a result of their employment with related corporations

Share options**(a) Long-Term Incentive Plan (the "LTIP")**

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

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 rateably over four years from the date of grant. For RSUs granted on or after 1 March 2020, the awards generally vest rateably over four years. For RSU's granted before 1 March 2020, the awards generally vest after three years. PSUs vest after three years, however, awards granted on or after 1 March 2019 are subject to a mandatory one-year post-vest hold. A participant's unvested awards are forfeited upon termination of employment. In the event of termination due to job elimination (as defined by the Company), however, a participant will retain a pro-rata portion of unvested awards for services performed through the date of termination. In the event a participant terminates employment due to disability or retirement more than seven months after receiving the award, the participant retains all of the awards without providing additional service to the Company.

The Company granted options to subscribe for 18,223 ordinary shares of the ultimate holding company. Options granted to directors holding office at the end of the financial year are as follows:

MASTERCARD ASIA/PACIFIC PTE LTD**DIRECTORS' STATEMENT***For the financial year ended 31 December 2020***Share options** (continued)(a) Long-Term Incentive Plan (the "LTIP") (continued)

| | Number of unissued ordinary shares of its ultimate holding company under options held by director | | | |
|------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------|
| | Granted in financial year ended 31 December 2020 | Aggregate granted since commencement of scheme to 31 December 2020 | Aggregate exercised since commencement of scheme to 31 December 2020 | Aggregate outstanding as at 31 December 2020 |
| Arijit Ranjan Sarker | 3,073 | 40,633 | 19,596 | 21,037 |
| Ling Hai | 3,073 | 104,389 | 28,800 | 75,589 |
| Mohammed Shafi Shaik | 1,013 | 5,749 | 642 | 5,107 |
| Matthew Selkirk Driver | 1,537 | 56,197 | 37,979 | 18,218 |
| Raghuvir Rai Malhotra | 3,073 | 56,117 | 33,402 | 22,715 |

(b) Share Options outstanding

The number of unissued ordinary shares of Mastercard Incorporated under option in relation to the LTIP outstanding at the end of the financial year is as follows:

| | No. of unissued ordinary shares at 31 December 2020 | Exercise price | Exercise period |
|--------------|--------------------------------------------------------------|----------------|----------------------------------|
| 2012 Options | 4,220 | US\$42.04 | 1 March 2012 to 28 February 2022 |
| 2013 Options | 4,220 | US\$51.83 | 1 March 2013 to 28 February 2023 |
| 2014 Options | 9,972 | US\$77.72 | 1 March 2014 to 28 February 2024 |
| 2015 Options | 10,230 | US\$90.13 | 1 March 2015 to 28 February 2025 |
| 2016 Options | 18,334 | US\$90.10 | 1 March 2016 to 28 February 2026 |
| 2017 Options | 25,316 | US\$112.31 | 1 March 2019 to 28 February 2027 |
| 2018 Options | 27,449 | US\$173.49 | 1 March 2020 to 28 February 2028 |
| 2019 Options | 27,156 | US\$227.25 | 1 March 2020 to 28 February 2029 |
| 2020 Options | 11,769 | US\$290.25 | 1 March 2021 to 28 February 2030 |

25,904 options were exercised during the year.

MASTERCARD ASIA/PACIFIC PTE LTD

DIRECTORS' STATEMENT

For the financial year ended 31 December 2020

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Matthew Driver

Matthew Selkirk Driver
Director

Naushaza Molu

Naushaza Molu
Director

15 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MASTERCARD ASIA/PACIFIC PTE LTD

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of Mastercard Asia/Pacific Pte Ltd (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs"), so as to give a true and fair view of the financial position of the Company as at 31 December 2020, and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the year ended 31 December 2020;
- the balance sheet as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
MASTERCARD ASIA/PACIFIC PTE LTD (continued)**

Responsibilities of Management and Directors for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 15 June 2021

MASTERCARD ASIA/PACIFIC PTE LTD**STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 31 December 2020*

| | Notes | 2020 US\$ | 2019 US\$ |
|--------------------------------------------------------------------------------------------------------------|-------|------------------------|-----------------|
| Revenue | 4 | 3,153,777,830 | 3,597,418,561 |
| Other gains - net | 5 | 122,373,395 | 17,263,901 |
| Expenses | | | |
| - Employee compensation | 6 | (166,570,235) | (152,282,798) |
| - Advertising and marketing | | (600,246,660) | (612,018,327) |
| - Travel and entertainment | | (533,074) | (12,795,607) |
| - Depreciation (property, plant and equipment) | 18 | (9,629,730) | (6,932,315) |
| - Depreciation (right-of-use assets) | 20 | (5,225,611) | (5,285,254) |
| - Interest expense on lease liabilities | 24(a) | (826,549) | (860,629) |
| - Other operating expenses | 7 | (812,578,876) | (866,849,307) |
| Total expenses | | (1,595,610,735) | (1,657,024,237) |
| Profit before income tax | | 1,680,540,490 | 1,957,658,225 |
| Income tax (expense)/credit | 8(a) | (19,601,998) | 34,284,347 |
| Profit after tax | | 1,660,938,492 | 1,991,942,572 |
| Other comprehensive income: Items that will not be reclassified subsequently to profit or loss: | | | |
| Currency translation differences | | (411,597) | (266,109) |
| Financial assets measured at FVOCI | | | |
| - Fair value gains - equity investments | | 15,509,475 | - |
| Total comprehensive income | | 1,676,036,370 | 1,991,676,463 |

The accompanying notes form an integral part of these financial statements.

MASTERCARD ASIA/PACIFIC PTE LTD**BALANCE SHEET***As at 31 December 2020*

| | Notes | 2020 US\$ | 2019 US\$ |
|---------------------------------------------|-------|----------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 1,616,946,515 | 1,121,255,268 |
| Trade receivables | 10 | 510,937,156 | 400,849,389 |
| Due from intermediate holding company | 11 | 18,224,353 | 24,020,007 |
| Due from related companies and subsidiaries | 11 | 83,286,410 | 102,370,445 |
| Intercompany loans | 12 | - | 3,000,000 |
| Other receivables | 13 | 385,398,664 | 312,097,306 |
| Other investments, at FVPL | 14 | 156,638,216 | 26,125,779 |
| | | 2,771,431,314 | 1,989,718,194 |
| Non-current assets | | | |
| Investments in subsidiaries | 15 | 104,604,994 | 264,871,842 |
| Investment in joint venture | 16 | 74,256,002 | 3,632,552 |
| Other investments, at FVOCI | 17 | 174,888,733 | 47,962,245 |
| Property, plant and equipment | 18 | 28,957,278 | 24,080,066 |
| Deferred income tax assets | 19 | 842,161 | 541,518 |
| Club memberships | | 222,690 | 455,402 |
| Other receivables | 13 | 1,377,878,388 | 1,215,411,669 |
| Right-of-use assets | 20 | 33,533,425 | 37,113,239 |
| | | 1,795,183,671 | 1,594,068,533 |
| Total assets | | 4,566,614,985 | 3,583,786,727 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Due to intermediate holding company | 21 | 66,044,756 | 85,475,985 |
| Due to related companies and subsidiaries | 21 | 61,509,075 | 57,604,033 |
| Tax payables | 8(b) | 27,375,389 | 26,892,560 |
| Trade payables | 22 | 1,268,232,900 | 1,213,950,540 |
| Other payables | 23 | 189,266,894 | 226,384,174 |
| Intercompany loans | 12 | 53,000,000 | - |
| Lease liabilities | 24 | 4,403,531 | 3,967,962 |
| | | 1,669,832,545 | 1,614,275,254 |
| Non-current liabilities | | | |
| Provision for reinstatement | | 778,079 | 815,886 |
| Trade payables | 22 | 523,870,408 | 375,658,921 |
| Lease liabilities | 24 | 31,149,379 | 33,659,978 |
| | | 555,797,866 | 410,134,785 |
| Total liabilities | | 2,225,630,411 | 2,024,410,039 |
| NET ASSETS | | 2,340,984,574 | 1,559,376,688 |
| Capital and reserves | | | |
| Share capital | 25 | 28,852,416 | 28,852,416 |
| Translation reserve | | (829,398) | (417,801) |
| Equity compensation reserve | | 23,677,660 | 18,106,144 |
| Fair value reserve | | 15,509,475 | - |
| Retained profits | | 2,273,774,421 | 1,512,835,929 |
| | | 2,340,984,574 | 1,559,376,688 |

The accompanying notes form an integral part of these financial statements.

MASTERCARD ASIA/PACIFIC PTE LTD**STATEMENT OF CHANGES IN EQUITY***For the financial year ended 31 December 2020*

| | Share capital US\$ | Translation reserve US\$ | Equity compensation reserve US\$ | Fair value reserve US\$ | Retained profits US\$ | Total equity US\$ |
|-----------------------------------------------------------------|--------------------------|--------------------------------|-------------------------------------------|-------------------------------|-----------------------------|-------------------------|
| 2020 | | | | | | |
| Balance at 1 January 2020 | 28,852,416 | (417,801) | 18,106,144 | - | 1,512,835,929 | 1,559,376,688 |
| Share-based compensation for the year (Note 6) | - | - | 25,319,973 | - | - | 25,319,973 |
| Reversal upon settlement with intermediate holding company | - | - | (19,748,457) | - | - | (19,748,457) |
| Dividend distribution to immediate holding company (Note 29) | - | - | - | - | (900,000,000) | (900,000,000) |
| Total comprehensive income | - | (411,597) | - | 15,509,475 | 1,660,938,492 | 1,676,036,370 |
| Balance at 31 December 2020 | 28,852,416 | (829,398) | 23,677,660 | 15,509,475 | 2,273,774,421 | 2,340,984,574 |
| 2019 | | | | | | |
| Balance at 1 January 2019 | 28,852,416 | (151,692) | 13,975,400 | - | 1,521,694,729 | 1,564,370,853 |
| Share-based compensation for the year (Note 6) | - | - | 22,898,557 | - | - | 22,898,557 |
| Reversal upon settlement with intermediate holding company | - | - | (18,767,813) | - | - | (18,767,813) |
| Dividend distribution to immediate holding company (Note 29) | - | - | - | - | (2,000,801,372) | (2,000,801,372) |
| Total comprehensive income | - | (266,109) | - | - | 1,991,942,572 | 1,991,676,463 |
| Balance at 31 December 2019 | 28,852,416 | (417,801) | 18,106,144 | - | 1,512,835,929 | 1,559,376,688 |

The accompanying notes form an integral part of these financial statements.

MASTERCARD ASIA/PACIFIC PTE LTD**STATEMENT OF CASH FLOWS***For the financial year ended 31 December 2020*

| | Notes | 2020 US\$ | 2019 US\$ |
|--------------------------------------------------------------------------------|-------|----------------------|------------------------|
| Cash flows from operating activities | | | |
| Profit after tax | | 1,660,938,492 | 1,991,942,572 |
| Adjustments for: | | | |
| - Income tax expense | 8(a) | 19,601,998 | (34,284,347) |
| - Depreciation of property, plant and equipment | 18 | 9,629,730 | 6,932,315 |
| - Depreciation of right-of-use assets | 20 | 5,225,611 | 5,285,254 |
| - Gain on disposal of property, plant and equipment | 5 | (2,987) | (83,201) |
| - Loss on disposal of investments in subsidiaries | 5 | 4,809,032 | - |
| - Interest income | 5 | (3,874,234) | (49,740,075) |
| - Interest expense | 24(a) | 826,549 | 860,629 |
| - Currency translation differences | | (417,477) | (649,059) |
| - Share-based compensation expense | 6 | 25,319,973 | 22,898,557 |
| - Changes in fair value of equity investments | 5 | (130,512,437) | 30,264,221 |
| | | 1,591,544,250 | 1,973,426,866 |
| Change in working capital | | | |
| - Other receivables | | (235,668,029) | (248,932,067) |
| - Trade receivables | | (110,087,767) | (65,929,544) |
| - Due from/to intermediate holding company, related companies and subsidiaries | | (10,394,955) | (213,053,996) |
| - Trade payables | | 202,493,847 | 332,429,441 |
| - Other payables | | (37,155,087) | (33,722,719) |
| Cash generated from operations | | 1,400,732,259 | 1,744,217,981 |
| Income tax paid | 8(b) | (19,210,359) | (31,126,195) |
| Net cash provided by operating activities | | 1,381,521,900 | 1,713,091,786 |
| Cash flows from investing activities | | | |
| Repayment of loan to related company | 12 | 3,000,000 | 80,880,320 |
| Purchase of property, plant and equipment | 18 | (15,788,009) | (12,785,106) |
| Proceeds from disposal of property, plant and equipment | | 1,771,294 | 83,201 |
| Proceeds from disposal of and capital repatriation from subsidiaries | 15 | 155,457,816 | - |
| Addition in investments in subsidiaries | 15 | - | (6,000,000) |
| Capital injection in joint venture | 16 | (70,623,450) | (3,632,552) |
| Purchase of other investments, at FVPL | 14 | - | (56,390,000) |
| Purchase of other investments, at FVOCI | 17 | (111,417,013) | (1,938,019) |
| Interest received | | 3,874,234 | 49,740,075 |
| Net cash provided by investing activities | | (33,725,128) | 49,957,919 |
| Cash flows from financing activities | | | |
| Dividend distribution to immediate holding company | 29 | (900,000,000) | (1,200,000,000) |
| Loan from related company | 12 | 53,000,000 | - |
| Repayment of loans from related companies | | - | (184,468,287) |
| Interest paid on lease liabilities | | (826,549) | (860,629) |
| Principal repayment of lease liabilities | | (4,278,976) | (4,082,303) |
| Net cash used in financing activities | | (852,105,525) | (1,389,411,219) |
| Net increase in cash and cash equivalents | | 495,691,247 | 373,638,486 |
| Cash and cash equivalents at beginning of financial year | 9 | 1,121,255,268 | 747,616,782 |
| Cash and cash equivalents at end of financial year | 9 | 1,616,946,515 | 1,121,255,268 |

The accompanying notes form an integral part of these financial statements.

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 3 Fraser Street DUO Tower Level #17-21/28, Singapore 189352. The Company has registered branches in Malaysia and Thailand and a representative office in Vietnam.

The principal activities of the Company are those relating to the payment technology that connects consumers, financial institutions, merchants, and businesses worldwide, enabling them to use electronic forms of payment and investment holding. The Company earns fees from customers in the Asia Pacific, Middle East and Africa (“APMEA”) region for providing transaction processing and other payment-related services to customers.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRSs”). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRSs requires management to exercise its judgement in the process of applying the Company’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

Impact of COVID-19

The outbreak of coronavirus (COVID-19) has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions both within Singapore and around the world.

Set out below is the impact of COVID-19 on the Company’s financial performance reflected in this set of financial statements for the year ended 31 December 2020:

- (a) The Company has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.1 Basis of preparation** (continued)***Impact of COVID-19*** (continued)

- (b) In 2020, border and workplace closures have negatively impacted consumer spending and business spending habits, the Company's workforce and operations as well as the operations of the Company's customers. These resulted in a negative impact on the Company's financial performance for 2020.
- (c) In 2020, the Company has received rent concessions for its leased office space. The effects of such rent concessions received are disclosed in Note 24.
- (d) The Company has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgements on the recoverability of assets as at 31 December 2020. The significant estimates and judgement applied on impairment losses are disclosed in Notes 2.8 and 2.9.

As the global COVID-19 situation remains fluid as at the date these financial statements were authorized for issuance, the Company cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021. If the situation persists beyond management's current expectations, the Company's assets may be subject to write downs in the subsequent financial periods.

Interpretations and amendments to published standards effective in 2020

On 1 January 2020, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.1 Basis of preparation** (continued)**Interpretations and amendments to published standards effective in 2020**
(continued)**Early adoption of amendment to FRS 116 Leases**

The Company has elected to early adopt the amendments to FRS 116 which introduced a practical expedient for a lessee to elect not to assess whether a rent concession is a lease modification, if all the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Company has elected to apply this practical expedient to all property leases. As a result of applying the practical expedient, rent concessions of US\$296,700 (Note 24) was recognised as negative variable lease payments (i.e. reduction in the rental expenses) in the profit or loss during the year.

2.2 Revenue recognition

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

The Company classifies its net revenue into the following categories:

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

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.2 Revenue recognition** (continued)

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

Transaction processing revenue is recognised for both domestic and cross-border transactions in the period in which the related transactions occur. Revenue is recognised at point in time.

Other revenues consist of value added service offerings that are typically sold with the Company's payment service offerings and are recognised in the period in which the related services are performed or transactions occur. Revenue is recognised at point in time. Other revenues include the following:

- Consulting, data analytic and research fees.
- Safety and security services fees are for products and services offered to prevent, detect and respond to fraud and to ensure the safety of transactions made primarily on Mastercard products.
- Other payment-related products and services, including account and transaction enhancement services, rules compliance and publications.

Service fee income is for services rendered to the Company's immediate holding company and related companies. It is calculated based on cost plus a percentage mark-up adjusted for selected items in accordance with the service agreement and recognised as revenue in the same period as the services are rendered.

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

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received, and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are deducted in reporting the related expense.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.4 Group accounting***(a) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(b) Joint ventures

Joint ventures are entities over which the Company has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

These financial statements are separate financial statements of the Company. The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of Mastercard Incorporated, a United States-incorporated company which produces consolidated financial statements available for public use. The significant subsidiaries and joint ventures of the Company are disclosed in Note 15 and Note 16 respectively. The registered office of Mastercard Incorporated is 2000 Purchase Street, Purchase NY 10577-2509, United States of America.

2.5 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

| | <u>Useful lives</u> |
|------------------------|----------------------------------------------|
| Leasehold improvements | Shorter of 5 years or remaining lease period |
| Motor vehicles | 5 years |
| Furniture and fixtures | 5 years |
| Office equipment | 3 - 5 years |
| Software | 3 years |
| Building | 10 years |

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.5 Property, plant and equipment** (continued)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the profit or loss when the changes arise.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or losses within "Other gains - net".

2.6 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.7 Investment in joint venture

Investment in joint venture is carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of an investment in joint venture, the difference between disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2.8 Impairment of non-financial assets

Property, plant and equipment

Right-of-use assets

Investments in subsidiaries

Investment in joint venture

Property, plant and equipment, right-of-use assets, investment in subsidiaries and investment in joint venture are reviewed for impairment whenever there is any indication that these assets may be impaired.

If the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.8 Impairment of non-financial assets** (continued)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit or loss.

2.9 Financial assets*(a) Classification and measurement*

The Company classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL)

The classification depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.9 Financial assets** (continued)*(a) Classification and measurement* (continued)At subsequent measurement

1. Debt instruments

Debt instruments of the Company mainly comprise of cash and cash equivalents, trade receivables, other receivables, intercompany loans, due from intermediate holding company, due from related companies and subsidiaries.

There are three prescribed subsequent measurement categories, depending on the Institute's business model in managing the assets and the cash flow characteristic of the assets.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in "Other gains - net" using the effective interest rate method.

2. Equity investments

The Company subsequently measures all its equity investments at their fair values. Equity instruments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "Other gains - net", except for those equity securities which are not held for trading.

The Company has elected to recognise the changes in fair value of equity investments not held for trading in other comprehensive income as these are strategic investments and the Company considered this to be more relevant. Movement in fair values of investments classified as FVOCI are presented as "fair value gain/(losses) – equity investments" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "other gains - net".

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.9 Financial assets** (continued)*(b) Impairment*

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

For trade receivables, the Company applied the simplified approach permitted by the FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For cash and cash equivalents, other receivables, intercompany loans, due from intermediate holding company and due from related companies, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the differences between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and the sale proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.10 Fair value estimation of financial assets and financial liabilities**

The fair values of current financial assets and financial liabilities carried at amortised cost approximate their fair values.

The fair values of non-current financial assets and financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

2.11 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.12 Provisions for other liabilities and charges**

Provisions for other liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed.

Reinstatement

Provisions for asset dismantlement, removal or restoration are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

The Company recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value of money.

Changes in the estimated timing or amount of expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

2.13 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.13 Employee compensation** (continued)*(b) Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) Equity-settled share-based compensation

The Company's ultimate holding company operates an equity-based share-based compensation plan and grants various types of equity awards to the Company's employees. The fair value of the employee services received in exchange for the grant of equity awards is recognised as an expense in the profit or loss with a corresponding increase in equity compensation reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of equity awards granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under equity awards that are expected to become exercisable on the vesting date.

At each balance sheet date, the Company revises its estimates of the number of shares under equity awards that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the profit or loss with a corresponding adjustment to the equity compensation reserve over the remaining vesting period.

2.14 Currency translation*(a) Functional and presentation currency*

The financial statements are presented in United States Dollars ("US\$" or "USD"), which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the US\$ ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.14 Currency translation** (continued)*(c) Translation of the Company's overseas branches' and representative office's financial statements*

The results and financial position of all the Company's overseas branches and representative office (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

2.15 Leases

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- **Right-of-use assets**

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.15 Leases** (continued)

- Lease liabilities

The lease liability is initially measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Company shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

For contracts that contain both lease and non-lease components, the Company allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

Lease liabilities are measured at amortised cost using the effective interest method. Lease liabilities shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Company's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liabilities are remeasured with a corresponding adjustment to the right-of-use asset or recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short-term and low value leases

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

2. Significant accounting policies (continued)**2.16 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.18 Dividends to Company's shareholder

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.19 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates or assumptions that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Rebates and incentives

The Company has business agreements with certain customers that provide for fee rebates 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 in the same period as the revenue is earned or performance has occurred. Rebates and incentives are calculated on a monthly basis based upon estimated performance and the terms of the related business agreements. In addition, the Company may incur costs directly related to the acquisition of the contract, which are deferred and amortised over the life of the contract.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***3. Critical accounting estimates, assumptions and judgements (continued)***(a) Rebates and incentives (continued)*

In addition, certain incentives are prepaid and amortised over the life of the agreement or based on the terms of the related agreements. In the event of customer or merchant business failure, these prepayment and incentives may not have future economic benefits for the business. Impairment analysis is performed quarterly or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

(b) Income taxes

The Company is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses at each tax jurisdiction. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

4. Revenue

| | 2020 | 2019 |
|--------------------------------|------------------------|-----------------|
| | US\$ | US\$ |
| Fees for services rendered to: | | |
| - Immediate holding company | 7,354,328 | 13,621,192 |
| - Related companies | 18,976,722 | 55,719,115 |
| | 26,331,050 | 69,340,307 |
| Revenue from customers | | |
| - Domestic assessment fees | 1,012,017,231 | 971,048,443 |
| - Cross-border volume fees | 1,070,335,132 | 1,712,541,230 |
| - Transaction processing fees | 1,703,483,334 | 1,681,311,934 |
| - Other revenues | 875,500,017 | 677,363,116 |
| - Rebates and incentives | (1,533,888,934) | (1,514,186,469) |
| | 3,127,446,780 | 3,528,078,254 |
| | 3,153,777,830 | 3,597,418,561 |

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***5. Other gains - net**

| | 2020 | 2019 |
|----------------------------------------------------|--------------------|--------------|
| | US\$ | US\$ |
| Gains on disposal of property, plant and equipment | 2,987 | 83,201 |
| Interest income from intercompany loans | 91,142 | 38,787,259 |
| Fair value gains/ (losses) on equity investments | 130,512,437 | (30,264,221) |
| Interest income from cash and cash equivalents | 3,783,092 | 10,952,816 |
| Loss on disposal of investment in subsidiaries | (4,809,032) | - |
| Net foreign exchange gains / losses | (6,719,090) | (4,291,562) |
| Other | (488,141) | 1,996,408 |
| | 122,373,395 | 17,263,901 |

6. Employee compensation

| | 2020 | 2019 |
|----------------------------------------------------------------------------------------|--------------------|-------------|
| | US\$ | US\$ |
| Wages and salaries ^(a) | 78,576,202 | 72,177,761 |
| Employer's contribution to defined contribution plans including Central Provident Fund | 6,256,101 | 5,311,498 |
| Share-based compensation expense | 25,319,973 | 22,898,557 |
| Bonus and other variable incentives | 21,113,457 | 25,239,181 |
| Relocation and allowances | 7,490,351 | 9,274,153 |
| Insurance | 5,349,637 | 3,071,165 |
| Other benefits | 22,464,514 | 14,310,483 |
| | 166,570,235 | 152,282,798 |

(a) Included within wages and salaries is US\$4,903,418 of government grant in relation to the Jobs Support Scheme (the "JSS"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

Key management personnel compensation is disclosed in Note 30.

Long Term Incentive Plan (the "LTIP")

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

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***6. Employee compensation (continued)**Long Term Incentive Plan (the "LTIP") (continued)

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 rateably over four years from the date of grant. For RSUs granted on or after March 1, 2020, the awards generally vest rateably over four years. For RSUs granted before March 1, 2020, the awards generally vest after three years. PSUs vest after three years, however, awards granted on or after March 1, 2019 are subject to a mandatory one-year post-vest hold. A participant's unvested awards are forfeited upon termination of employment. In the event of termination due to job elimination (as defined by the Company), however, a participant will retain a pro-rata portion of unvested awards for services performed through the date of termination. In the event a participant terminates employment due to disability or retirement more than seven months after receiving the award, the participant retains all of the awards without providing additional service to the Company.

The Company uses the straight-line method of attribution for expensing equity awards. Share-based compensation expense is recorded net of estimated forfeitures. Estimates are adjusted as appropriate.

The summary of RSUs, PSUs and options as of 31 December 2020 and changes during the year are presented below:

| | Restricted Stock Units | | Performance Stock Units | | Options | |
|--------------------------------------|------------------------|------------------------------|-------------------------|------------------------------|----------------|---------------------------------|
| | No. of Shares | Weighted Average Share Price | No. of Shares | Weighted Average Grant Price | No. of Shares | Weighted Average Exercise Price |
| | US\$ | | US\$ | | US\$ | |
| 2020 | | | | | | |
| Outstanding at the beginning of year | 114,941 | | 18,019 | | 293,770 | |
| Granted during the year | 37,370 | 283.7 | 7,902 | 291.2 | 18,223 | 290.3 |
| Exercised/vested during the year | (48,104) | 114.8 | (9,310) | 126.3 | (54,181) | 86.4 |
| Cancelled/forfeited during the year | (3,251) | 230.1 | - | - | - | - |
| Shares Transferred in | 4,264 | 232.4 | - | - | - | - |
| Shares Transferred out | (326) | 199.7 | - | - | - | - |
| Outstanding at the end of year | <u>104,894</u> | | <u>16,611</u> | | <u>257,812</u> | |

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***6. Employee compensation (continued)**Long Term Incentive Plan (the "LTIP") (continued)

| | Restricted Stock Units | | Performance Stock Units | | Options | |
|--------------------------------------|------------------------|------------------------------|-------------------------|------------------------------|----------------|---------------------------------|
| | No. of Shares | Weighted Average Share Price | No. of Shares | Weighted Average Grant Price | No. of Shares | Weighted Average Exercise Price |
| | US\$ | | US\$ | | US\$ | |
| 2019 | | | | | | |
| Outstanding at the beginning of year | 130,399 | | 4,182 | | 296,026 | |
| Granted during the year | 38,234 | 222.0 | 5,062 | 229.9 | 41,624 | 227.3 |
| Exercised/vested during the year | (64,030) | 90.9 | (10,086) | 91.7 | (38,035) | 75.3 |
| Cancelled/forfeited during the year | (7,194) | 151.7 | - | - | - | - |
| Shares Transferred in | 22,816 | 151.7 | 14,206 | 127.2 | - | - |
| Shares Transferred out | (5,284) | 144.0 | - | - | (5,845) | 97.1 |
| Shares Changes due to Performance | | | 4,655 | 126.3 | | |
| Outstanding at the end of year | <u>114,941</u> | | <u>18,019</u> | | <u>293,770</u> | |

Out of the unexercised options for 257,812 (2019: 293,770) shares, options for 172,392 (2019: 175,261) shares are exercisable at the balance sheet date.

Restricted Stock Units

The fair value of each RSU is the closing stock price on the New York Stock Exchange of MA Class A common stock on the date of grant.

Performance Stock Units

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 contain performance conditions based on MA'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 MA'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. 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.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***6. Employee compensation (continued)**Long Term Incentive Plan (the "LTIP") (continued)*Stock Options*

The fair value of each stock option is estimated on the date of grant using a Black-Scholes option pricing model with the following assumptions:

| | 2020 | 2019 |
|--------------------------|-------------|-------|
| Risk-free rate of return | 0.96% | 2.6% |
| Expected term (in years) | 6.00 | 6.00 |
| Expected volatility | 19.3% | 19.6% |
| Expected dividend yield | 0.6% | 0.6% |

The options outstanding at year end are exercisable at US\$42.04 – US\$290.25 (2019: US\$10.63 – US\$227.25 and have a weighted average remaining contractual life of 5.76 years (2019: 6.26 years).

7. Other operating expenses

The following items have been included in other operating expenses:

| | 2020 | 2019 |
|----------------------------------------------|--------------------|-------------|
| | US\$ | US\$ |
| Royalty fees to intermediate holding company | 313,976,220 | 357,617,646 |
| Service fee expenses | 226,441,692 | 224,143,909 |
| Data processing fees | 220,129,783 | 215,008,598 |
| Cardholders' expenses | 5,409,766 | 15,699,354 |
| Professional fees expense | 16,843,543 | 24,495,054 |
| Rental expense (a) | 609,407 | 863,046 |
| Telecommunications | 786,475 | 1,056,250 |
| Hologram expenses | 3,268,915 | 3,448,861 |
| Administrative expenses | 766,535 | 1,108,608 |
| Other | 24,346,540 | 23,407,981 |
| | 812,578,876 | 866,849,307 |

(a) Included within Rental expense are COVID-19 related rent concessions received from lessor of US\$296,700 to which the Company applied the practical expedient as disclosed in Note 2.1.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***8. Income taxes**

| | | |
|------------------------------------------------------------|--------------------|--------------|
| (a) Income tax expense | | |
| | 2020 | 2019 |
| | US\$ | US\$ |
| Tax expense/(credit) attributable to profit is made up of: | | |
| Current income tax | | |
| - Singapore | 20,454,299 | 24,147,341 |
| - Foreign | 347,391 | 1,683,152 |
| Foreign withholding tax | 124,356 | 12,482,617 |
| Deferred income tax (Note 19) | (167,980) | (91,309) |
| | 20,758,066 | 38,221,801 |
| (Over)/Under provision in preceding financial years | | |
| - Current income tax | (1,156,068) | 1,216,271 |
| - Foreign withholding tax | - | (73,722,419) |
| | 19,601,998 | (34,284,347) |

In 2011, the Company received an incentive grant from the Singapore Ministry of Finance, at the recommendation of the Singapore Economic Development Board. The incentive had provided the Company with, among other benefits, a reduced income tax rate on excess taxable income of a fixed base amount commencing 1 July 2011.

The tax expense on profit (excluding foreign income tax and foreign withholding tax) differs from the amount that would arise using the Singapore standard rate of income tax as follows:

| | | |
|----------------------------------------------------|----------------------|---------------|
| | 2020 | 2019 |
| | US\$ | US\$ |
| Profit before tax | 1,680,540,490 | 1,957,658,225 |
| Tax calculated at a tax rate of 17% (2019:17%) | 285,691,883 | 332,801,898 |
| Effects of: | | |
| - Profits being taxed at a concessionary rate | (263,796,597) | (308,008,712) |
| - Expenses not deductible for tax purposes | 1,045,468 | 902,791 |
| - Non-taxable income | (2,251,775) | (1,260,126) |
| - Other | (402,660) | (379,819) |
| - (Over)/Under provision in respect of prior years | (1,156,068) | 1,216,271 |
| Tax charge | 19,130,251 | 25,272,303 |

The Company's tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***8. Income taxes (continued)**

(b) Movements in current income tax liabilities

| | 2020 | 2019 |
|------------------------------------------------------|--------------------------|-------------------|
| | US\$ | US\$ |
| Beginning of financial year | 26,892,560 | 24,547,330 |
| Currency translation differences | (76,790) | (100,542) |
| Income tax paid | (19,210,359) | (31,126,195) |
| Tax payable on profit for the current financial year | 20,926,046 | 38,313,110 |
| (Over)/Under provision in preceding financial year | | |
| - Current income tax | (1,156,068) | 1,216,271 |
| - Foreign withholding tax | - | (5,957,414) |
| End of financial year | <u>27,375,389</u> | <u>26,892,560</u> |

9. Cash and cash equivalents

| | 2020 | 2019 |
|--------------------------|-----------------------------|----------------------|
| | US\$ | US\$ |
| Cash at bank and on hand | 86,292,719 | 141,171,312 |
| Short-term bank deposits | 1,530,653,796 | 980,083,956 |
| | <u>1,616,946,515</u> | <u>1,121,255,268</u> |

The carrying value of cash and cash equivalents approximates its fair value.

10. Trade receivables

Trade receivables comprise domestic assessment fees, cross-border volume fees and transaction processing fees receivable from customers.

The carrying value of trade receivables approximates their fair value.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***11. Due from intermediate holding company, related companies and subsidiaries**

| | 2020 | 2019 |
|---------------------------------------------|--------------------|-------------|
| | US\$ | US\$ |
| Due from intermediate holding company | 18,224,353 | 24,020,007 |
| Due from related companies and subsidiaries | 83,286,410 | 102,370,445 |
| | 101,510,763 | 126,390,452 |

The amounts due from intermediate holding company, related companies and subsidiaries are unsecured, interest-free and repayable upon demand.

12. Intercompany loans

| | 2020 | 2019 |
|-------------------------------------------|-------------------|-----------|
| | US\$ | US\$ |
| <i>Intercompany loans provided</i> | | |
| <i>Current</i> | | |
| Loan to subsidiary | - | 3,000,000 |
| <i>Intercompany loan received</i> | | |
| <i>Current</i> | | |
| Loan from related company | 53,000,000 | - |

Intercompany loans provided

In 2018, the Company provided a loan to a subsidiary, PT Mastercard Indonesia of US\$3,000,000, subject to fixed interest rate of 3.32% per annum, unsecured and to be paid on annual basis. The loan was extended in 2019 under the same terms and was due on 30 November 2020. The loan was subsequently fully repaid.

Intercompany loans received

In 2020, the Company received a loan from a related company, Global Mastercard Holdings LP of US\$53,000,000, subject to a fixed rate of 1.43% per annum, unsecured and initially due on 15 December 2020. The loan was subsequently extended and is due on 15 December 2021, unsecured and interest-free.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***13. Other receivables**

| | 2020 | 2019 |
|------------------------------------------|-----------------------------|----------------------|
| | US\$ | US\$ |
| <i>Current</i> | | |
| Rental and other deposits | 1,618,198 | 1,528,137 |
| Prepaid expenses | 22,244,480 | 16,305,612 |
| Prepaid customer and merchant incentives | 346,993,206 | 284,197,300 |
| Interest receivables | 45,280 | 1,870,894 |
| Input tax receivables | 5,011,102 | 5,746,966 |
| Other | 9,486,398 | 2,448,397 |
| | <u>385,398,664</u> | <u>312,097,306</u> |
| <i>Non-current</i> | | |
| Prepaid customer incentives | 1,065,547,107 | 988,035,062 |
| Foreign tax receivable | 307,955,208 | 225,447,092 |
| Other | 4,376,073 | 1,929,515 |
| | <u>1,377,878,388</u> | <u>1,215,411,669</u> |
| Total | <u>1,763,277,052</u> | <u>1,527,508,975</u> |

The carrying amounts of other receivables (except prepayments) approximate their fair value.

14. Other investments, at FVPL

| | 2020 | 2019 |
|-----------------------------------------------------|---------------------------|-------------------|
| | US\$ | US\$ |
| Beginning of financial year | 26,125,779 | - |
| Purchases in the year | - | 56,390,000 |
| Changes in fair values | 130,512,437 | (30,264,221) |
| End of financial year | <u>156,638,216</u> | <u>26,125,779</u> |
| Other investments, at FVPL are analysed as follows: | | |
| - Listed equity securities | 156,638,216 | 26,125,779 |
| | <u>156,638,216</u> | <u>26,125,779</u> |

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***15. Investments in subsidiaries**

| | 2020 US\$ | 2019 US\$ |
|------------------------------------|----------------------|--------------|
| <i>Equity investments at cost</i> | | |
| Beginning of financial year | 363,511,842 | 357,511,842 |
| Additions | - | 6,000,000 |
| Disposal | (43,219,890) | - |
| Capital repatriation | (143,686,958) | - |
| End of financial year | 176,604,994 | 363,511,842 |
| <i>Accumulated impairment loss</i> | | |
| Beginning of financial year | (98,640,000) | (98,640,000) |
| Disposal | 26,640,000 | - |
| End of financial year | (72,000,000) | (98,640,000) |
| Net book value | 104,604,994 | 264,871,842 |

Details of the subsidiaries are as follows:

| <u>Subsidiaries</u> | <u>Principal activities</u> | <u>Country of incorporation and business</u> | <u>Equity holding</u> | |
|------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------|-----------------------|-------------------|
| | | | <u>2020 %</u> | <u>2019 %</u> |
| Mastercard International Korea Ltd | Providing services to its related companies | Korea | 100 | 100 |
| Mastercard Japan KK | Providing services to its related companies | Japan | 100 | 100 |
| Mastercard New Zealand Limited | Providing services to its related companies | New Zealand | 100 | 100 |
| Mastercard Asia/Pacific (Hong Kong) Limited | Providing services to its related companies | Hong Kong | 100 | 100 |
| Mastercard West Africa Limited | Providing services to its related companies | Nigeria | 99.9 | 99.9 |
| PT Mastercard Indonesia | Providing card based payment products and services to customers | Indonesia | 99 | 99 |
| Mastercard Southern Africa Proprietary Limited | Providing services to its related companies | South Africa | 100 | 100 |
| Mastercard East Africa Limited | Providing services to its related companies | Kenya | 99.9 | 99.9 |
| Mastercard Middle East Africa FZ-LLC | Providing services to its related companies | Dubai, UAE | 100 | 100 |
| Mastercard Egypt LLC | Providing services to its related companies | Egypt | 99.9 | 99.9 |
| Mastercard Gulf LLC | Providing services to its related companies | Qatar | 100 | 100 |
| Mastercard India Services Private Limited | Providing services to its related companies | India | 99 | 99 |
| Mobile Payment Solutions Pte Ltd | Providing mobile payment solutions to financial institutions and mobile network operators | Singapore | - | 100 |
| Mastercard Technology Private Limited | Providing software solutions for electronic payment and credit card processing | India | 99.5 | 99.5 |

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***15. Investments in subsidiaries (continued)**

Details of the subsidiaries are as follows: (continued)

| <u>Subsidiaries</u> | <u>Principal activities</u> | <u>Country of incorporation and business</u> | <u>Equity holding</u> | |
|------------------------------------------------|---------------------------------------------|----------------------------------------------|-----------------------|------------------|
| | | | <u>2020</u> % | <u>2019</u> % |
| Mastercard Asia/ Pacific Pte Limited / Jordan | Providing services to its related companies | Jordan | 100 | 100 |
| APT Technology Consulting (Shanghai) Co Ltd | Providing business analysis services | China | 100 | 100 |
| Mastercard Services Sub-Saharan Africa Limited | Providing services to its related companies | Nigeria | 99 | 99 |
| Mastercard (Thailand) Limited | Providing services to its related companies | Thailand | 99.9 | 99.9 |
| Mastercard Shanghai Business Consulting Ltd* | Providing services to its related companies | China | 99 | 99 |

*The Company holds 100% (2019: 100%) of voting rights in Mastercard Shanghai Business Consulting Ltd.

16. Investment in joint venture

| | 2020 US\$ | 2019 US\$ |
|------------------------------------|----------------------------|----------------------------|
| <i>Equity investments at cost</i> | | |
| Beginning of financial year | 3,632,552 | - |
| Capital injection in joint venture | 70,623,450 | 3,632,552 |
| End of financial year | 74,256,002 | 3,632,552 |

Details of the joint venture is as follows:

| <u>Joint Venture</u> | <u>Principal activities</u> | <u>Country of incorporation and business</u> | <u>Equity holding</u> | |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------|------------------|
| | | | <u>2020</u> % | <u>2019</u> % |
| MC Netsunion Information Tech JV | Technology consulting, technology development, technology service, software development, data processing, organizing computer technology training, sale of computer software. | China | 50 | 50 |

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***17. Other investments, at FVOCI**

| | 2020 | 2019 |
|-----------------------------|--------------------|------------|
| | US\$ | US\$ |
| Beginning of financial year | 47,962,245 | 46,024,226 |
| Purchases in the year | 111,417,013 | 1,938,019 |
| Changes in fair values | 15,509,475 | - |
| End of financial year | 174,888,733 | 47,962,245 |

Other investments, at FVOCI are analysed as follows:

| | | |
|------------------------------|--------------------|------------|
| - Unlisted equity securities | 174,888,733 | 47,962,245 |
| | 174,888,733 | 47,962,245 |

Other investments, at FVOCI comprise:

- Equity securities which are not held for trading, and which the Company has elected at initial recognition to recognise the changes in fair value in other comprehensive income; and
- These are strategic investments and the Company considers this classification to be more relevant.

18. Property, plant and equipment

| | <u>Leasehold improvements</u> | <u>Motor vehicles</u> | <u>Furniture and fixtures</u> | <u>Office equipment</u> | <u>Software</u> | <u>Building</u> | <u>Total</u> |
|----------------------------------|-------------------------------|-----------------------|-------------------------------|-------------------------|-------------------|-----------------|-------------------|
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| 2020 | | | | | | | |
| <u>Cost</u> | | | | | | | |
| Beginning of financial year | 9,624,129 | 1,185,454 | 1,927,980 | 7,062,475 | 19,775,741 | 237,463 | 39,813,242 |
| Additions | 1,070,392 | - | 25,882 | 838,967 | 13,852,768 | - | 15,788,009 |
| Disposals | (13,883) | (209,041) | (161,674) | (2,031,565) | - | - | (2,416,163) |
| Currency translation differences | (7,127) | (165,134) | 17,098 | 432,098 | - | - | 276,935 |
| End of financial year | <u>10,673,511</u> | <u>811,279</u> | <u>1,809,286</u> | <u>6,301,975</u> | <u>33,628,509</u> | <u>237,463</u> | <u>53,462,023</u> |
| <u>Accumulated depreciation</u> | | | | | | | |
| Beginning of financial year | 4,618,767 | 579,772 | 1,152,804 | 3,865,791 | 5,514,723 | 1,319 | 15,733,176 |
| Disposals | (13,883) | (209,041) | (161,674) | (263,258) | - | - | (647,856) |
| Depreciation charge | 2,004,294 | 178,365 | 363,447 | 1,590,140 | 5,477,653 | 15,831 | 9,629,730 |
| Currency translation differences | 17,101 | (177,306) | 22,832 | 436,117 | (509,049) | - | (210,305) |
| End of financial year | <u>6,626,279</u> | <u>371,790</u> | <u>1,377,408</u> | <u>5,628,790</u> | <u>10,483,327</u> | <u>17,150</u> | <u>24,504,745</u> |
| Net book value | | | | | | | |
| End of financial year | 4,047,232 | 439,489 | 431,877 | 673,185 | 23,145,182 | 220,313 | 28,957,278 |

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***18. Property, plant and equipment (continued)**

| | <u>Leasehold improvements</u> US\$ | <u>Motor vehicles</u> US\$ | <u>Furniture and fixtures</u> US\$ | <u>Office equipment</u> US\$ | <u>Software</u> US\$ | <u>Building</u> US\$ | <u>Total</u> US\$ |
|----------------------------------|---------------------------------------|-------------------------------|---------------------------------------|---------------------------------|-------------------------|-------------------------|----------------------|
| 2019 | | | | | | | |
| <u>Cost</u> | | | | | | | |
| Beginning of financial year | | | | | | | |
| Additions | 7,583,747 | 806,992 | 1,892,283 | 6,542,488 | 11,150,113 | - | 27,975,623 |
| Disposals | 2,254,333 | 547,439 | 114,513 | 1,005,730 | 8,625,628 | 237,463 | 12,785,106 |
| Currency translation differences | (296,505) | (135,680) | (105,288) | (592,566) | - | - | (1,130,039) |
| End of financial year | 82,554 | (33,297) | 26,472 | 106,823 | - | - | 182,552 |
| | 9,624,129 | 1,185,454 | 1,927,980 | 7,062,475 | 19,775,741 | 237,463 | 39,813,242 |
| <u>Accumulated depreciation</u> | | | | | | | |
| Beginning of financial year | | | | | | | |
| Disposals | 2,802,494 | 488,386 | 914,065 | 3,085,675 | 2,757,284 | - | 10,047,904 |
| Depreciation charge | (296,505) | (135,680) | (105,288) | (592,566) | - | - | (1,130,039) |
| Currency translation differences | 2,109,887 | 178,536 | 316,085 | 1,307,111 | 3,019,377 | 1,319 | 6,932,315 |
| End of financial year | 2,891 | 48,530 | 27,942 | 65,571 | (261,938) | - | (117,004) |
| | 4,618,767 | 579,772 | 1,152,804 | 3,865,791 | 5,514,723 | 1,319 | 15,733,176 |
| <u>Net book value</u> | | | | | | | |
| End of financial year | 5,005,362 | 605,682 | 775,176 | 3,196,684 | 14,261,018 | 236,144 | 24,080,066 |

19. Deferred income taxes

Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

| | 2020 US\$ | 2019 US\$ |
|---------------------------------|----------------------------|----------------------------|
| Deferred income tax assets | 842,161 | 615,970 |
| Deferred income tax liabilities | - | (74,452) |
| Net deferred income tax assets | 842,161 | 541,518 |

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***19. Deferred income taxes** (continued)

The movement in the deferred income tax assets and deferred income liabilities, prior to offsetting of balances, during the financial year is as follows:

Deferred Income tax assets

| | <u>Provisions</u> US\$ | <u>Accelerated tax depreciation</u> US\$ | <u>Other</u> US\$ | <u>Total</u> US\$ |
|-------------------------------------------|---------------------------|-----------------------------------------------------|----------------------|----------------------|
| 2020 | | | | |
| Beginning of financial year | 283,482 | - | 332,488 | 615,970 |
| Credited to income statement (Note 8a) | 38,033 | 60,806 | (5,311) | 93,528 |
| Other | - | - | 132,663 | 132,663 |
| End of financial year | <u>321,515</u> | <u>60,806</u> | <u>459,840</u> | <u>842,161</u> |
| 2019 | | | | |
| Beginning of financial year | 236,452 | - | 277,772 | 514,224 |
| Credited to income statement (Note 8a) | 47,030 | - | 47,342 | 94,372 |
| Other | - | - | 7,374 | 7,374 |
| End of financial year | <u>283,482</u> | <u>-</u> | <u>332,488</u> | <u>615,970</u> |

Deferred income tax liabilities

| | <u>Accelerated tax depreciation</u> US\$ | <u>Others</u> US\$ | <u>Total</u> US\$ |
|----------------------------------------|-----------------------------------------------------|-----------------------|----------------------|
| 2020 | | | |
| Beginning of financial year | (74,452) | - | (74,452) |
| Credited to income statement (Note 8a) | 74,452 | - | 74,452 |
| End of financial year | <u>-</u> | <u>-</u> | <u>-</u> |
| 2019 | | | |
| Beginning of financial year | (71,389) | - | (71,389) |
| Charged to income statement (Note 8a) | (3,063) | - | (3,063) |
| End of financial year | <u>(74,452)</u> | <u>-</u> | <u>(74,452)</u> |

At 31 December 2020 and 2019, no deferred tax liability has been recognised for taxes that would be payable on the interest income of the Company's intercompany loans and the investment activities related to other investments. The Company has no intention of remitting the investment gains and interest income of these intercompany loans to Singapore.

Such temporary differences for which no deferred tax liability has been recognised amount to approximately US\$3,286,600 (2019: US\$49,054,444). The deferred tax liability is estimated to be approximately US\$558,722 (2019: US\$8,339,255).

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***20. Right-of-use assets**

| | Property leases | |
|----------------------------------|------------------------|-------------|
| | 2020 | 2019 |
| | US\$ | US\$ |
| <u>Cost</u> | | |
| Beginning of financial year | 42,405,987 | 41,661,684 |
| Additions | 1,408,436 | 718,627 |
| Currency translation differences | 238,310 | 25,676 |
| End of financial year | 44,052,733 | 42,405,987 |
| <u>Accumulated depreciation</u> | | |
| Beginning of financial year | 5,292,748 | - |
| Depreciation charge | 5,225,611 | 5,285,254 |
| Currency translation differences | 949 | 7,494 |
| End of financial year | 10,519,308 | 5,292,748 |
| Net book value | | |
| End of financial year | 33,533,425 | 37,113,239 |

Details of such leased assets are disclosed in Note 24.

21. Due to intermediate holding company, related companies and subsidiaries

| | 2020 | 2019 |
|-------------------------------------------|--------------------|-------------|
| | US\$ | US\$ |
| Due to intermediate holding company | 66,044,756 | 85,475,985 |
| Due to related companies and subsidiaries | 61,509,075 | 57,604,033 |
| | 127,553,831 | 143,080,018 |

The balances due to the intermediate holding company, related companies and subsidiaries are unsecured, interest-free and repayable upon demand.

22. Trade payables

| | 2020 | 2019 |
|------------------------------------------|----------------------|---------------|
| | US\$ | US\$ |
| <u>Current</u> | | |
| Customer and merchant incentive payables | 1,268,232,900 | 1,213,950,540 |
| <u>Non-current</u> | | |
| Customer and merchant incentive payables | 523,870,408 | 375,658,921 |
| | 1,792,103,308 | 1,589,609,461 |

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***23. Other payables**

| | 2020 | 2019 |
|--------------------------------------------|--------------------|-------------|
| | US\$ | US\$ |
| <i>Current</i> | | |
| Accrual for advertising | 16,215,310 | 20,242,450 |
| Customer contributions for card activities | 78,288,746 | 87,921,500 |
| Accrual for other operating expenses | 94,762,838 | 118,220,224 |
| | 189,266,894 | 226,384,174 |

24. LeasesNature of the Company's leasing activities**Property**

The Company leases office space. Information about the leases for which the Company is a lessee is presented below.

Lease liabilities

| | 2020 | 2019 |
|----------------------------------|--------------------|-------------|
| | US\$ | US\$ |
| Beginning of financial year | 37,627,940 | 41,661,684 |
| Additions | 1,408,437 | - |
| Payments made | (5,105,525) | (4,942,932) |
| Interest charge | 826,549 | 860,629 |
| Currency translation differences | 795,509 | 48,559 |
| End of financial year | 35,552,910 | 37,627,940 |
| Current | 4,403,531 | 3,967,962 |
| Non-current | 31,149,379 | 33,659,978 |
| | 35,552,910 | 37,627,940 |

(a) Amount recognised in profit or loss

| | 2020 | 2019 |
|---------------------------------------------------|----------------|---------|
| | US\$ | US\$ |
| Interest expense on lease liabilities | 826,549 | 860,629 |
| Lease expense on low value assets not capitalised | 609,407 | 863,046 |

Included within lease expense are COVID-19 related rent concessions received from lessor of US\$296,700 to which the Company applied the practical expedient as disclosed in Note 2.1.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***24. Leases** (continued)**Property** (continued)

(b) Total cash outflow for all leases in 2020 was US\$5,105,525 (2019: US\$4,942,932).

(c) Future cash outflow which are not capitalised in lease liabilities

Extension options

The leases for certain property contain extension periods, for which the related lease payments had not been included in lease liabilities as the Company is not reasonably certain to exercise these extension option. The Company negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Company's operations. The majority of the extension options are exercisable by the Company and not by the lessor.

25. Share capital

| | Issued ordinary <u>shares</u> US\$ | Issued redeemable non-convertible preference shares US\$ | Total share <u>capital</u> US\$ |
|-------------------------------------|---------------------------------------------|-------------------------------------------------------------------------|------------------------------------------|
| 2020 | | | |
| Beginning and end of financial year | 17,468,523 | 11,383,893 | 28,852,416 |
| 2019 | | | |
| Beginning and end of financial year | 17,468,523 | 11,383,893 | 28,852,416 |

The Company's share capital comprises 19,919,077 (2019: 19,919,077) ordinary shares and 19,741,795 (2019: 19,741,795) redeemable non-convertible preference shares.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally regard to the Company's residual assets.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

25. Share capital (continued)

The holders of the redeemable non-convertible preference shares shall not be entitled to any dividend. In the event of a reduction of capital or the winding up of the Company, the holders of the redeemable non-convertible preference shares shall be entitled to a preferential return of the capital paid up on the redeemable non-convertible preference shares, such preferential return to be paid in priority to the ordinary shares, and thereafter shall not participate with the holders of the ordinary shares in any return of capital or surplus assets. The Company may at any time by resolution of the Directors and upon 24 hours' written notice to the holders of the redeemable non-convertible preference shares redeem all or any of the redeemable non-convertible preference shares at par value.

26. Commitments*Undrawn commitment*

On 16 December 2019, the Company entered into a contract to borrow US\$ 500,000,000 from intermediate holding company, Mastercard International Incorporated, subject to Effective Federal Funds Rate as of first business day of such quarter +0.88% on a quarterly basis, unsecured and to be paid on annual basis. There were no changes to the contract during 2020. There were no new commitments entered into in 2020.

27. Financial risk management

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's financial performance.

(a) Currency risk

The Company's business during the financial year is exposed to currency risk arising from various currency exposures primarily with respect to the Indian rupees and Japanese yen. This risk is managed by the intermediate holding company.

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

27. Financial risk management (continued)

(a) Currency risk (continued)

The intermediate holding company enters into foreign currency derivative contracts to offset possible changes in value of assets and liabilities due to foreign exchange fluctuations. The objective of these activities is to reduce the exposure to transaction gains and losses resulting from fluctuations of foreign currencies against functional and reporting currencies.

The Company is also subject to foreign exchange risk as part of its daily settlement activities. To manage this risk, the intermediate holding company enters into foreign exchange contracts based upon anticipated receipts and disbursements for respective currency position. The risk is typically limited to a few days between the timing of when a payment transaction takes place and the subsequent settlement with our customers.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***27. Financial risk management (continued)****(a) Currency risk (continued)**

The Company's currency exposure is as follows:

| | <u>USD</u> | <u>SGD</u> | <u>THB</u> | <u>AUD</u> | <u>JPY</u> | <u>MYR</u> | <u>NZD</u> | <u>INR</u> | <u>KRW</u> | <u>Other</u> | <u>Total</u> |
|------------------------------------------------------------------------------|------------------------|---------------------|--------------------|----------------------|----------------------|---------------------|---------------------|--------------------|--------------------|--------------------|------------------------|
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| 2020 | | | | | | | | | | | |
| Financial assets | | | | | | | | | | | |
| Cash and cash equivalents | 1,291,381,259 | 20,446,332 | 12,140,693 | 254,420,205 | - | 3,718,282 | 26,032,809 | - | - | 8,806,935 | 1,616,946,515 |
| Other investments | 329,206,409 | 1,854,848 | - | - | - | - | - | 465,692 | - | - | 331,526,949 |
| Trade receivables | 435,461,315 | 49,254,067 | - | 11,322,371 | 209,135 | - | 776,485 | - | - | 13,913,783 | 510,937,156 |
| Other receivables* | 13,475,847 | 1,072,831 | 1,732,371 | 2,218,736 | 879,992 | 19,782 | - | 206,210,069 | 91,266,256 | 879,977 | 317,755,861 |
| Due from intermediate holding company, related companies and subsidiaries | 101,510,763 | - | - | - | - | - | - | - | - | - | 101,510,763 |
| | <u>2,171,035,593</u> | <u>72,628,078</u> | <u>13,873,064</u> | <u>267,961,312</u> | <u>1,089,127</u> | <u>3,738,064</u> | <u>26,809,294</u> | <u>206,675,761</u> | <u>91,266,256</u> | <u>23,600,695</u> | <u>2,878,677,244</u> |
| Financial liabilities | | | | | | | | | | | |
| Due to intermediate holding company, related companies and subsidiaries | (127,553,831) | - | - | - | - | - | - | - | - | - | (127,553,831) |
| Trade payables | (1,244,180,461) | (7,692,765) | (1,243,292) | (341,895,588) | (124,116,419) | (23,349,147) | (43,266,593) | (1,611,262) | (2,076,757) | (2,671,024) | (1,792,103,308) |
| Other payables | (135,912,328) | (39,964,454) | (3,721,078) | (1,541,931) | (180,595) | (1,054,774) | (255,978) | (3,746,218) | (192,563) | (2,696,975) | (189,266,894) |
| Intercompany loans | (53,000,000) | - | - | - | - | - | - | - | - | - | (53,000,000) |
| Lease liabilities | - | (34,263,977) | (52,995) | - | - | (423,953) | - | - | - | (811,985) | (35,552,910) |
| | <u>(1,560,646,620)</u> | <u>(81,921,196)</u> | <u>(5,017,365)</u> | <u>(343,437,519)</u> | <u>(124,297,014)</u> | <u>(24,827,874)</u> | <u>(43,522,571)</u> | <u>(5,357,480)</u> | <u>(2,269,320)</u> | <u>(6,179,984)</u> | <u>(2,197,476,943)</u> |
| Net currency position | <u>610,388,973</u> | <u>(9,293,118)</u> | <u>8,855,699</u> | <u>(75,476,207)</u> | <u>(123,207,887)</u> | <u>(21,089,810)</u> | <u>(16,713,277)</u> | <u>201,318,281</u> | <u>88,996,936</u> | <u>17,420,711</u> | <u>681,200,301</u> |

* Excluding prepayments

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***27. Financial risk management (continued)****(a) Currency risk (continued)**

The Company's currency exposure is as follows: (continued)

| | <u>USD</u> | <u>SGD</u> | <u>THB</u> | <u>AUD</u> | <u>JPY</u> | <u>MYR</u> | <u>NZD</u> | <u>INR</u> | <u>KRW</u> | <u>Other</u> | <u>Total</u> |
|-------------------------------------------------------------------------|------------------------|---------------------|--------------------|----------------------|----------------------|---------------------|---------------------|--------------------|---------------------|---------------------|------------------------|
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| 2019 | | | | | | | | | | | |
| Financial assets | | | | | | | | | | | |
| Cash and cash equivalents | 800,230,321 | 43,099,461 | 5,316,963 | 201,472,532 | - | 29,125,643 | 24,697,052 | - | - | 17,313,296 | 1,121,255,268 |
| Other investments | 72,241,234 | 1,846,790 | - | - | - | - | - | - | - | - | 74,088,024 |
| Trade receivables | 338,679,291 | 36,454,658 | - | 14,795,713 | 265,895 | 14,451 | 3,226,865 | - | - | 7,412,516 | 400,849,389 |
| Other receivables* | 10,072,937 | 2,704,068 | 534,599 | 3,433,750 | 501,431 | - | - | 142,121,197 | 77,137,109 | 17,511 | 236,522,602 |
| Intercompany loans | 3,000,000 | - | - | - | - | - | - | - | - | - | 3,000,000 |
| Due from intermediate holding company and related companies | 126,390,452 | - | - | - | - | - | - | - | - | - | 126,390,452 |
| | <u>1,350,614,235</u> | <u>84,104,977</u> | <u>5,851,562</u> | <u>219,701,995</u> | <u>767,326</u> | <u>29,140,094</u> | <u>27,923,917</u> | <u>142,121,197</u> | <u>77,137,109</u> | <u>24,743,323</u> | <u>1,962,105,735</u> |
| Financial liabilities | | | | | | | | | | | |
| Due to intermediate holding company, subsidiaries and related companies | (143,080,018) | - | - | - | - | - | - | - | - | - | (143,080,018) |
| Trade payables | (1,093,262,856) | (4,305,743) | (653,186) | (304,149,704) | (105,476,019) | (18,444,056) | (37,698,423) | - | (21,972,312) | (3,647,162) | (1,589,609,461) |
| Other payables | (174,130,356) | (37,905,123) | (2,896,580) | (2,963,897) | (388,775) | (1,069,492) | (359,535) | (322,210) | 43,837 | (6,392,043) | (226,384,174) |
| Lease liabilities | - | (37,459,702) | (108,993) | - | - | (41,718) | - | - | - | (17,527) | (37,627,940) |
| | <u>(1,410,473,230)</u> | <u>(79,670,568)</u> | <u>(3,658,759)</u> | <u>(307,113,601)</u> | <u>(105,864,794)</u> | <u>(19,555,266)</u> | <u>(38,057,958)</u> | <u>(322,210)</u> | <u>(21,928,475)</u> | <u>(10,056,732)</u> | <u>(1,996,701,593)</u> |
| Net currency position | <u>(59,858,995)</u> | <u>4,434,409</u> | <u>2,192,803</u> | <u>(87,411,606)</u> | <u>(105,097,468)</u> | <u>9,584,828</u> | <u>(10,134,041)</u> | <u>141,798,987</u> | <u>55,208,634</u> | <u>14,686,591</u> | <u>(34,595,858)</u> |

* Excluding prepayments

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***27. Financial risk management** (continued)

(a) Foreign exchange risk

At 31 December 2020, if the INR or JPY had changed by 6% (2019: 5%) against the US\$ with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset positions will be as follows:

| | ← Increase/(decrease) → | |
|------------------|-------------------------|------------------|
| | 2020 | 2019 |
| | US\$ | US\$ |
| | Profit | Profit |
| | <u>after tax</u> | <u>after tax</u> |
| INR against US\$ | | |
| - strengthened | 10,025,650 | 5,884,658 |
| - weakened | (10,025,650) | (5,884,658) |
| JPY against US\$ | | |
| - strengthened | (6,135,753) | (4,361,545) |
| - weakened | 6,135,753 | 4,361,545 |

(b) Interest rate risk

Interest rate risk is the risk to earning and value of financial instruments caused by fluctuation in interest rates. Interest rate risk arises primarily from the differences in the maturities and re-pricing dates of financial assets and financial liabilities.

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Other than cash and cash equivalents, the Company has no significant interest-bearing assets. The impact of interest rate movement on the other investments is not material. The Company has no significant interest-bearing liabilities.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

27. Financial risk management (continued)**(c) Credit risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The Company relies on the credit risk policies and procedures of Mastercard Group as a whole. Mastercard's rules guarantee the settlement of many of the transactions between its customers ("settlement risk"). Settlement exposure is the 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 payment volume during the three months ended 31 December 2020 multiplied by the estimated number of days of exposure. The Company has global risk management policies and procedures, which include risk standards, to provide a framework for managing the Company's settlement risk and exposure. In the event of a failed customer, Mastercard Incorporated may pursue one or more remedies available under its rules to recover potential losses. Historically, the Company has experienced a low level of losses from customer failures.

As part of its policies, Mastercard Incorporated requires certain customers that are not in compliance with the Company's risk standards to post collateral, typically in the form of cash, letters of credit, or guarantees. This requirement is based on a review of the individual risk circumstances for each customer. Mastercard Incorporated 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 maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet.

The expected credit losses on the Company's financial assets are assessed to be immaterial.

(d) Liquidity risk

The Company has access to funding from its ultimate holding company and related companies in order to manage its liquidity.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***27. Financial risk management (continued)****(d) Liquidity risk (continued)**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The contractual undiscounted cash flows were not materially different from their carrying amount as the impact of discounting is not significant.

| | Less than <u>1 year</u> US\$ | More than <u>1 year</u> US\$ | <u>Total</u> US\$ |
|-------------------------------------------|------------------------------------|------------------------------------|----------------------|
| At 31 December 2020 | | | |
| Due to intermediate holding company | 66,044,756 | - | 66,044,756 |
| Due to related companies and subsidiaries | 61,509,075 | - | 61,509,075 |
| Trade payables | 1,268,232,900 | 523,870,408 | 1,792,103,308 |
| Other payables | 189,266,894 | - | 189,266,894 |
| Lease liabilities | 6,564,766 | 31,627,340 | 38,192,106 |
| | <u>1,591,618,391</u> | <u>555,497,748</u> | <u>2,147,116,139</u> |
| | | | |
| | Less than <u>1 year</u> US\$ | More than <u>1 year</u> US\$ | <u>Total</u> US\$ |
| At 31 December 2019 | | | |
| Due to intermediate holding company | 85,475,985 | - | 85,475,985 |
| Due to related companies and subsidiaries | 57,604,033 | - | 57,604,033 |
| Trade payables | 1,213,950,540 | 375,658,921 | 1,589,609,461 |
| Other payables | 226,384,174 | - | 226,384,174 |
| Lease liabilities | 5,105,448 | 38,192,034 | 43,297,482 |
| | <u>1,588,520,180</u> | <u>413,850,955</u> | <u>2,002,371,135</u> |

(e) Capital risk

The Company's objectives when managing capital are to ensure that the Company is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

The Company is not subject to any externally imposed capital requirement.

(f) Fair value measurements

The following table presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***27. Financial risk management (continued)**

(f) Fair value measurements (continued)

The following table presents assets and liabilities measured at fair value and classified by level of fair value measurement hierarchy as follows:

| | <u>Level 1</u> US\$ | <u>Level 2</u> US\$ | <u>Level 3</u> US\$ | <u>Total</u> US\$ |
|-------------------------------|------------------------|------------------------|------------------------|----------------------|
| As at 31 December 2020 | | | | |
| Other investments, at FVOCI | - | - | 174,888,733 | 174,888,733 |
| Other investments, at FVPL | 156,638,216 | - | - | 156,638,216 |
| As at 31 December 2019 | | | | |
| Other investments, at FVOCI | - | - | 47,962,245 | 47,962,245 |
| Other investments, at FVPL | 26,125,779 | - | - | 26,125,779 |

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy level as at the end of the reporting period.

There were no transfers between Levels 1 and 2 during the year (2019: none).

The fair value of financial instruments traded in active markets (financial assets, at FVPL) are determined based on quoted current bid prices at the balance sheet date. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***27. Financial risk management (continued)**

(f) Fair value measurements (continued)

The following table presents changes in Level 3 instruments:

| | Financial assets, at FVOCI | |
|-----------------------------------------|-----------------------------------|-------------|
| | 2020 | 2019 |
| | US\$ | US\$ |
| Beginning of financial year | 47,962,245 | 46,024,226 |
| Purchases | 111,417,013 | 1,938,019 |
| Fair value gains recognised in | | |
| -Other comprehensive income (line item: | | |
| fair value gains - equity instruments) | 15,509,475 | - |
| End of financial year | 174,888,733 | 47,962,245 |

The following table shows the valuation techniques and inputs used Level 3 fair value measurements.

| Description | Fair value at 31 December 2020 (US\$) | Valuation technique | Significant unobservable inputs ^(a) | Relationship of significant unobservable inputs to fair value measurement |
|----------------------------|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Unlisted equity securities | 174,888,733 (2019: 47,962,245) | Discounted cash flows method was used to consider the present value of the expected future economic benefits from the ownership of these investees | Budgeted revenue growth rates, taking into account management's experience and knowledge of market conditions of the industry at 3%-8% (2019: 3%-8%) per annum | Increase / decrease in budgeted revenue growth rates would result in an increase / decrease in the estimated fair value |

(a) There were no significant inter-relationships between unobservable inputs.

There were no transfers to/from Level 3 during the year (2019: none).

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***27. Financial risk management (continued)**

(g) Financial instruments by category

The aggregate carrying amounts of different categories of financial instruments are as follows:

| | 2020 | 2019 |
|------------------------------------------|-----------------------------|----------------------|
| | US\$ | US\$ |
| Financial assets, at amortised cost | 2,547,150,295 | 1,888,017,711 |
| Financial assets, at FVPL | 156,638,216 | 26,125,779 |
| Financial assets, at FVOCI | 174,888,733 | 47,962,245 |
| Financial liabilities, at amortised cost | <u>2,197,476,943</u> | <u>1,996,701,593</u> |

28. Immediate, intermediate and ultimate holding companies

The Company's immediate holding company is Mastercard Singapore Holding Pte Ltd, incorporated in Singapore. The intermediate holding company is Mastercard International Incorporated, incorporated in the United States of America. The ultimate holding company is Mastercard Incorporated, which is also incorporated in the United States of America.

29. Dividends

| | 2020 | 2019 |
|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------|
| | US\$ | US\$ |
| <u>Ordinary dividends paid or proposed</u> | | |
| <i>Interim dividends</i> | | |
| Tax exempt 1-tier dividend paid in respect of the current financial year of US\$51.52 (2019: US\$68.69) per US\$1 of ordinary share | 900,000,000 | 1,200,000,000 |
| <i>Restructuring dividends</i> | | |
| Tax exempt 1-tier dividend paid in respect of the current financial year of US\$ Nil (2019: US\$45.84) per US\$1 of ordinary share | - | 800,801,372 |
| | <u>900,000,000</u> | <u>2,000,801,372</u> |

On 31 May 2019, the Company restructured its outstanding loan to Mastercard Holdings LP as a non-cash dividend for an amount of US\$72,170,844.

On 18 November 2019, the Company restructured its outstanding loan to Mastercard Holdings LP as a non-cash dividend for an amount of US\$728,130,528.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

29. Dividends (continued)

On 5 March 2021, the Company's Board of Directors declared an interim dividend of US\$68.69 per US\$1 of ordinary share amounting to US\$1,200,000,000, which was paid on the same date.

On 3 May 2021, the Company's Board of Directors declared an interim dividend of US\$34.35 per US\$1 of ordinary share amounting to US\$600,000,000, which was paid on the same date.

These financial statements do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2021.

30. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

Key management personnel compensation

The key management personnel compensation includes salary, fees, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Company.

The key management personnel compensation is analysed as follows:

| | 2020 | 2019 |
|----------------------------------------------------------------------------------------|-------------------|------------|
| | US\$ | US\$ |
| <u>Directors of the Company</u> | | |
| Salaries and other short-term employee benefits | 5,387,477 | 5,773,102 |
| Employer's contribution to defined contribution plans including Central Provident Fund | 110,641 | 89,950 |
| Share-based compensation expense | 9,305,525 | 4,629,815 |
| | 14,803,643 | 10,492,867 |

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. New or revised accounting Standards and Interpretations

The Company has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Company's accounting periods beginning on or after 1 January 2021. However, management anticipates that the adoption of these standards, amendments, and interpretations will not have a material impact on the financial statements of the Company in the current or future reporting periods and on foreseeable future transactions.

32. Authorisation of financial statements

These financial statements were authorised for issue in accordance with resolution of the Board of Directors of Mastercard Asia/Pacific Pte Ltd on 15 June 2021.