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FIRST DATA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 11: Income Taxes

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Income tax expense	\$ 10	\$ 40	\$ 13	\$ 77
Effective income tax rate	23%	63%	(77)%	(118)%

The effective tax rates for the three and six months ended June 30, 2015 were different from the statutory rate primarily as a result of the Company's inability to recognize tax benefits attributable to its domestic losses while at the same time recording tax expense on its foreign earnings. The Company's tax expense in all quarters was also impacted by the Company not recording tax expense on noncontrolling interests from pass through entities.

The Company's liability for unrecognized tax benefits was approximately \$242 million as of June 30, 2015. The Company anticipates it is reasonably possible that the liability for unrecognized tax benefits may decrease by \$0 to \$124 million over the next twelve months beginning June 30, 2015 as a result of the possible closure of federal tax audits, potential settlements with certain states and foreign countries and the lapse of the statute of limitations in various state and foreign jurisdictions.

Note 12: Investment in Affiliates

Segment results include the Company's proportionate share of income from affiliates, which consist of unconsolidated investments accounted for under the equity method of accounting. The most significant of these affiliates are related to the Company's merchant bank alliance programs.

As of June 30, 2015, the Company has an unconsolidated significant subsidiary that is not required to be consolidated, but represents more than 20% of the Company's pretax loss. This affiliate became significant during the second quarter of 2014 and its summarized financial information is presented below for the periods indicated:

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net operating revenues	\$ 229	\$ 205	\$ 440	\$ 397
Operating expenses	95	87	184	169
Operating income	\$ 134	\$ 118	\$ 256	\$ 228
Net income	\$ 134	\$ 118	\$ 256	\$ 229
FDC equity earnings	43	37	81	72

Note 13: Supplemental Guarantor Condensed Consolidating Financial Statements

As described in Note 6 "Borrowings" in the Company's December 31, 2014 audited consolidated financial statements, the Company's 12.625% senior notes, 11.25% senior notes, 10.625% senior notes, and 11.75% senior subordinated notes are guaranteed by most of the existing and future, direct and indirect, wholly owned, domestic subsidiaries of the Company (Guarantors). The Guarantors guarantee the senior secured revolving credit facility, senior secured term loan facility, the 8.875% senior secured notes, the 7.375% senior secured notes, and the 6.75% senior secured notes, which rank senior in right of payment to all existing and