

VISA INC.
Form 10-Q
July 27, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-33977

VISA INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

26-0267673

(IRS Employer
Identification No.)

P.O. Box 8999

San Francisco, California

(Address of principal executive offices)

94128-8999

(Zip Code)

Registrant's telephone number, including area code: (415) 932-2100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company.)

Smaller Reporting Company

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

As of July 19, 2012, there were 527,426,677 shares of class A common stock, par value \$0.0001 per share, 245,513,385 shares of class B common stock, par value \$0.0001 per share, and 38,225,522 shares of class C common stock, par value \$0.0001 per share, of Visa Inc. outstanding.

VISA INC.
TABLE OF CONTENTS

	Page
PART I. <u>Financial Information</u>	<u>3</u>
Item 1. <u>Financial Statements (unaudited)</u>	<u>3</u>
<u>Consolidated Balance Sheets—June 30, 2012 and September 30, 2011</u>	<u>3</u>
<u>Consolidated Statements of Operations—Three and Nine Months Ended June 30, 2012 and 2011</u>	<u>5</u>
<u>Consolidated Statements of Comprehensive Income—Three and Nine Months Ended June 30, 2012 and 2011</u>	<u>7</u>
<u>Consolidated Statement of Changes in Equity—Nine Months Ended June 30, 2012</u>	<u>8</u>
<u>Consolidated Statements of Cash Flows—Nine Months Ended June 30, 2012 and 2011</u>	<u>9</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>11</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>35</u>
Item 4. <u>Controls and Procedures</u>	<u>35</u>
PART II. <u>Other Information</u>	<u>36</u>
Item 1. <u>Legal Proceedings</u>	<u>36</u>
Item 1A. <u>Risk Factors</u>	<u>36</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>36</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>36</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>36</u>
Item 5. <u>Other Information</u>	<u>36</u>
Item 6. <u>Exhibits</u>	<u>37</u>
<u>Signatures</u>	<u>38</u>
<u>Exhibit Index</u>	<u>39</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

VISA INC.

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2012	September 30, 2011
	(in millions, except par value data)	
Assets		
Cash and cash equivalents	\$1,558	\$2,127
Restricted cash—litigation escrow (Note 2)	4,282	2,857
Investment securities		
Trading	63	57
Available-for-sale	682	1,214
Settlement receivable	443	412
Accounts receivable	793	560
Customer collateral (Note 5)	886	931
Current portion of client incentives	224	278
Deferred tax assets	1,645	489
Prepaid expenses and other current assets	323	265
Total current assets	10,899	9,190
Investment securities, available-for-sale	2,923	711
Client incentives	97	85
Property, equipment and technology, net	1,581	1,541
Other assets	123	129
Intangible assets, net	11,437	11,436
Goodwill	11,681	11,668
Total assets	\$38,741	\$34,760
Liabilities		
Accounts payable	\$111	\$169
Settlement payable	747	449
Customer collateral (Note 5)	886	931
Accrued compensation and benefits	389	387
Client incentives	763	528
Accrued liabilities	574	562
Accrued litigation (Note 10)	4,384	425
Total current liabilities	7,854	3,451
Deferred tax liabilities	3,944	4,205
Other liabilities	785	667
Total liabilities	12,583	8,323

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

Table of Contents

VISA INC.
 CONSOLIDATED BALANCE SHEETS—(Continued)
 (UNAUDITED)

	June 30, 2012	September 30, 2011
	(in millions, except par value data)	
Equity		
Preferred stock, \$0.0001 par value, 25 shares authorized and none issued	\$—	\$—
Class A common stock, \$0.0001 par value, 2,001,622 shares authorized, 527 and 520 shares issued and outstanding at June 30, 2012, and September 30, 2011, respectively (Note 6)	—	—
Class B common stock, \$0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at June 30, 2012, and September 30, 2011 (Note 6)	—	—
Class C common stock, \$0.0001 par value, 1,097 shares authorized, 38 and 47 shares issued and outstanding at June 30, 2012, and September 30, 2011, respectively (Note 6)	—	—
Additional paid-in capital	19,922	19,907
Accumulated income	6,411	6,706
Accumulated other comprehensive income (loss), net		
Investment securities, available-for-sale	1	—
Defined benefit pension and other postretirement plans	(189	) (186
Derivative instruments classified as cash flow hedges	25	18
Foreign currency translation adjustments	(12	) (8
Total accumulated other comprehensive loss, net	(175	) (176
Total equity	26,158	26,437
Total liabilities and equity	\$38,741	\$34,760

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
	(in millions, except per share data)			
Operating Revenues				
Service revenues	\$1,216	\$1,055	\$3,608	\$3,156
Data processing revenues	1,040	886	2,913	2,553
International transaction revenues	748	662	2,229	1,916
Other revenues	175	167	532	484
Client incentives	(614)	(448)	(1,592)	(1,304)
Total operating revenues	2,565	2,322	7,690	6,805
Operating Expenses				
Personnel	435	363	1,255	1,071
Network and processing	102	91	303	251
Marketing	242	251	602	631
Professional fees	99	84	251	222
Depreciation and amortization	84	74	244	211
General and administrative	112	114	320	319
Litigation provision (Note 10)	4,098	—	4,098	6
Total operating expenses	5,172	977	7,073	2,711
Operating (loss) income	(2,607)	1,345	617	4,094
Other Income (Expense)				
Interest expense	(11)	(11)	(28)	(19)
Investment income, net	12	88	31	107
Other	(1)	121	(1)	120
Total other income	—	198	2	208
(Loss) income before income taxes	(2,607)	1,543	619	4,302
Income tax (benefit) provision	(768)	539	139	1,534
Net (loss) income including non-controlling interest	(1,839)	1,004	480	2,768
Loss attributable to non-controlling interest	—	1	2	2
Net (loss) income attributable to Visa Inc.	\$(1,839)	\$1,005	\$482	\$2,770

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

Table of Contents

VISA INC.

CONSOLIDATED STATEMENTS OF OPERATIONS—(Continued)

(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
	(in millions, except per share data)			
Basic (loss) earnings per share (Note 7)				
Class A common stock	\$(2.74)	\$1.43	\$0.71	\$3.90
Class B common stock	\$(1.16)	\$0.70	\$0.32	\$1.97
Class C common stock	\$(2.74)	\$1.43	\$0.71	\$3.90
Basic weighted-average shares outstanding (Note 7)				
Class A common stock	525	521	523	506
Class B common stock	245	245	245	245
Class C common stock	40	59	43	78
Diluted (loss) earnings per share (Note 7)				
Class A common stock	\$(2.74)	\$1.43	\$0.71	\$3.89
Class B common stock	\$(1.16)	\$0.70	\$0.32	\$1.96
Class C common stock	\$(2.74)	\$1.43	\$0.71	\$3.89
Diluted weighted-average shares outstanding (Note 7)				
Class A common stock	672	704	681	712
Class B common stock	245	245	245	245
Class C common stock	40	59	43	78

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,		
	2012	2011	2012	2011	
	(in millions)				
Net (loss) income including non-controlling interest	\$(1,839	) \$1,004	\$480	\$2,768
Other comprehensive income (loss), net of tax:					
Investment securities, available-for-sale					
Net unrealized (loss) gain	(6) (2) 1	(5)
Income tax effect	2	1	—	2	
Defined benefit pension and other postretirement plans	9	1	1	3	
Income tax effect	(3) —	(3) (1)
Derivative instruments classified as cash flow hedges					
Net unrealized gain (loss)	21	(15) 9	(38)
Income tax effect	(9	) 4	(3	) 9
Reclassification adjustment for net (income) loss realized in net income including non-controlling interest	(7	) 21	(3	) 48
Income tax effect	2	(4) 3	(11)
Foreign currency translation adjustments	(8	) (3	) (4	) 8
Other comprehensive income, net of tax	1	3	1	15	
Comprehensive (loss) income including non-controlling interest	\$(1,838	) \$1,007	\$481	\$2,783
Comprehensive loss attributable to non-controlling interest	—	1	2	2	
Comprehensive (loss) income attributable to Visa Inc.	\$(1,838	) \$1,008	\$483	\$2,785

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

Table of Contents

VISA INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)

	Common Stock			Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interests	Total Equity
	Class A	Class B	Class C					
(in millions, except per share data)								
Balance as of September 30, 2011	520	245	47	\$ 19,907	\$ 6,706	\$ (176)	\$ —	\$26,437
Net income attributable to Visa Inc.					482			482
Loss attributable to non-controlling interest							(2)	(2)
Other comprehensive income, net of tax						1		1
Comprehensive income including non-controlling interest								481
Issuance of restricted share awards	1							—
Conversion of class C common stock upon sale into public market (Note 6)	9		(9)					—
Share-based compensation				112				112
Excess tax benefit for share-based compensation				42				42
Cash proceeds from exercise of stock options	2			111				111
Restricted stock instruments settled in cash for taxes ⁽¹⁾				(40)				(40)
Cash dividends declared and paid, at a quarterly amount of \$0.22 per as-converted share (Note 6)					(448)			(448)
Repurchase of class A common stock (Note 6)	(5)			(207)	(329)			(536)
Purchase of non-controlling interest in joint venture				(3)			2	(1)
Balance as of June 30, 2012	527	245	38	\$ 19,922	\$ 6,411	\$ (175)	\$ —	\$26,158

⁽¹⁾ Decrease in class A common stock is less than 1 million shares.

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30,	
	2012	2011
	(in millions)	
Operating Activities		
Net income including non-controlling interest	\$480	\$2,768
Adjustments to reconcile net income including non-controlling interest to net cash provided by (used in) operating activities:		
Amortization of client incentives	1,592	1,304
Fair value adjustment for the Visa Europe put option	—	(122)
Share-based compensation	112	122
Excess tax benefit for share-based compensation	(42)	(12)
Depreciation and amortization of intangible assets and property, equipment and technology	244	211
Litigation provision and accretion (Note 10)	4,099	15
Deferred income taxes	(1,427)	169
Other	(34)	(107)
Change in operating assets and liabilities:		
Trading securities	(6)	(5)
Settlement receivable	(31)	3
Accounts receivable	(231)	(70)
Client incentives	(1,315)	(1,144)
Other assets	(35)	30
Accounts payable	(58)	(47)
Settlement payable	298	52
Accrued compensation and benefits	—	(37)
Accrued and other liabilities	134	74
Accrued litigation (Note 10)	(140)	(200)
Net cash provided by operating activities	3,640	3,004
Investing Activities		
Purchases of property, equipment and technology	(235)	(236)
Proceeds from disposal of property, equipment and technology	2	—
Purchases of intangible assets	(35)	—
Investment securities, available-for-sale:		
Purchases	(3,326)	(50)
Proceeds from sales and maturities	1,640	35
Purchases of/contributions to other investments	(9)	(10)
Proceeds/distributions from other investments	23	104
Acquisitions, net of cash received of \$17 and \$22, respectively	(3)	(268)
Net cash used in investing activities	(1,943)	(425)

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(UNAUDITED)

	Nine Months Ended June 30,	
	2012	2011
	(in millions)	
Financing Activities		
Repurchase of class A common stock (Note 6)	\$ (536)	) \$ (1,600)
Dividends paid (Note 6)	(448)	) (320)
Deposits into litigation escrow account—retrospective responsibility plan (Note 2)	(1,565)	) (1,200)
Payment from litigation escrow account—retrospective responsibility plan (Note 2)	140	) 210
Cash proceeds from exercise of stock options	111	) 63
Excess tax benefit for share-based compensation	42	) 12
Principal payments on debt	—	) (9)
Principal payments on capital lease obligations	(6)	) (10)
Net cash used in financing activities	(2,262)	) (2,854)
Effect of exchange rate changes on cash and cash equivalents	(4)	) 8
Decrease in cash and cash equivalents	(569)	) (267)
Cash and cash equivalents at beginning of year	2,127	) 3,867
Cash and cash equivalents at end of period	\$ 1,558	) \$ 3,600
Supplemental Disclosure of Cash Flow Information		
Income taxes paid, net of refunds	\$ 1,575	) \$ 1,251
Amounts included in accounts payable and accrued and other liabilities related to purchases of intangible assets and property, equipment and technology	\$ 85	) \$ 17
Interest payments on debt	\$ —	) \$ 2

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

(unaudited)

Note 1—Summary of Significant Accounting Policies

Organization. Visa Inc. (“Visa” or the “Company”) is a global payments technology company that connects consumers, businesses, banks and governments around the world, enabling them to use digital currency instead of cash and checks. Visa and its wholly-owned consolidated subsidiaries, including Visa U.S.A. Inc. (“Visa U.S.A.”), Visa International Service Association (“Visa International”), Visa Worldwide Pte. Limited (“VWPL”), Visa Canada Corporation (“Visa Canada”), Inovant LLC (“Inovant”), and CyberSource Corporation (“CyberSource”), operate the world’s largest retail electronic payments network. The Company provides its clients with payment processing platforms that encompass consumer credit, debit, prepaid and commercial payments, and facilitates global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses and government entities. The Company does not issue cards, set fees, or determine the interest rates consumers will be charged on Visa-branded cards, which are the independent responsibility of the Company’s issuing clients.

Consolidation and basis of presentation. The accompanying unaudited consolidated financial statements include the accounts of Visa Inc. and its consolidated entities and are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Company consolidates its majority-owned and controlled entities, including variable interest entities (“VIEs”) for which the Company is the primary beneficiary. The Company’s VIEs have not been material to its consolidated financial statements as of and for the periods presented. Non-controlling interests are reported as a component of equity. All significant intercompany accounts and transactions are eliminated in consolidation.

The accompanying unaudited consolidated financial statements are presented in accordance with the U.S. Securities and Exchange Commission (“SEC”) requirements for Quarterly Reports on Form 10-Q and, consequently, do not include all of the annual disclosures required by U.S. GAAP. Reference should be made to the Visa Inc. Annual Report on Form 10-K for the year ended September 30, 2011, for additional disclosures, including a summary of the Company’s significant accounting policies.

In the opinion of management, the accompanying unaudited consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of the Company's financial position, results of operation and cash flows for the interim period presented.

Recently adopted accounting pronouncements. In September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2011-08, which allows an entity to first assess qualitative factors to determine when it is necessary to perform the two-step quantitative goodwill impairment test. This guidance impacts goodwill impairment testing only and does not impact impairment testing of indefinite-lived intangibles. The Company adopted ASU 2011-08 effective October 1, 2011, and applied the new guidance in its annual impairment review of goodwill as of February 1, 2012. See Note 3—Fair Value Measurements. The adoption did not have a material impact on the consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, which provides common fair value measurement and disclosure requirements in accordance with U.S. GAAP and International Financial Reporting Standards (“IFRS”). The Company adopted ASU 2011-04 effective January 1, 2012. The adoption did not have a material impact on the consolidated financial statements. See Note 3—Fair Value Measurements.

In December 2010, the FASB issued ASU 2010-29, which provides requirements for pro forma revenue and earnings disclosures related to business combinations. The ASU requires disclosure of revenue and earnings of the combined business as if the combination occurred at the start of the prior annual reporting period only. The Company adopted ASU 2010-29 effective October 1, 2011. The adoption did not have an impact on the consolidated financial statements.

Recently issued accounting pronouncements. In June 2011, the FASB issued ASU 2011-05, which impacts the presentation of comprehensive income. The guidance requires components of other comprehensive income to be presented with net income to arrive at total comprehensive income. This ASU impacts presentation only and does not

impact the underlying components of other comprehensive income or net income. In December 2011, the FASB

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

issued ASU 2011-12, which defers a component of ASU 2011-05 that requires the presentation of reclassification adjustments for items that are reclassified from other comprehensive income to net income. All other components of ASU 2011-05 are effective October 1, 2012. Adoption is not expected to have a material impact on the consolidated financial statements.

Note 2—Retrospective Responsibility Plan

Under the terms of the retrospective responsibility plan, the Company maintains an escrow account from which settlements of, or judgments in, covered litigation are paid. See Note 10—Legal Matters. On December 29, 2011, using operating cash on hand, the Company made a deposit of \$1.57 billion into the litigation escrow account. Subsequent to the fiscal third quarter-end, the Company's board of directors approved an additional deposit of \$150 million into the litigation escrow account, which was funded on July 24, 2012. See Note 6—Stockholders' Equity.

The Company recorded an additional accrual of \$4.1 billion for covered litigation during the three months ended June 30, 2012. The accrual related to covered litigation could be either higher or lower than the escrow account balance. See Note 10—Legal Matters. The following table sets forth the changes in the escrow account.

	(in millions)
Balance at October 1, 2011	\$2,857
Deposit into the litigation escrow account	1,565
American Express settlement payment	(140)
Balance at June 30, 2012	\$4,282
Deposit into the litigation escrow account	150
Balance at July 24, 2012	\$4,432

Note 3—Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis.

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Fair Value Measurements Using Inputs Considered as					
	Level 1 June 30, 2012 (in millions)	September 30, 2011	Level 2 June 30, 2012	September 30, 2011	Level 3 June 30, 2012	September 30, 2011
Assets						
Cash equivalents and restricted cash						
Money market funds and time deposits	\$5,121	\$4,225				
U.S. government-sponsored debt securities			\$—	\$175		
Investment securities						
U.S. government-sponsored debt securities			2,777	1,568		
U.S. Treasury securities	817	350				
Equity securities	66	57				
Auction rate securities					\$7	\$7
Prepaid and other current assets						
Foreign exchange derivative instruments			23	30		
	\$6,004	\$4,632	\$2,800	\$1,773	\$7	\$7
Liabilities						
Accrued liabilities						
Visa Europe put option					\$145	\$145
Earn-out related to PlaySpan acquisition					23	24
Foreign exchange derivative instruments			\$4	\$7		

There were no transfers between Level 1 and Level 2 assets during the nine months ended June 30, 2012 and 2011.

Level 1 assets measured at fair value on a recurring basis. Cash equivalents (money market funds), mutual fund equity securities and U.S. Treasury securities are classified as Level 1 within the fair value hierarchy, as fair value is based on quoted prices in active markets.

Level 2 assets and liabilities measured at fair value on a recurring basis. U.S. government-sponsored debt securities and foreign exchange derivative instruments are classified as Level 2 within the fair value hierarchy. The fair value of the government-sponsored debt securities provided by third-party pricing vendors is based on quoted prices in active markets for similar assets. The pricing data obtained from outside sources is reviewed internally for reasonableness and validated against benchmark quotes from additional pricing sources. If they appear unreasonable, the Company will assess the reasonableness of the pricing. Based on the review, the valuation is confirmed or revised. Foreign exchange derivative instruments are valued using inputs that are observable in the market or can be derived principally from or corroborated with observable market data. There were no changes to the valuation techniques and related inputs used to measure fair value during the nine months ended June 30, 2012.

Level 3 assets and liabilities measured at fair value on a recurring basis. Auction rate securities are classified as Level 3 due to a lack of trading in active markets and a lack of observable inputs in measuring fair value. There

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

were no changes to the valuation techniques and related inputs used to measure fair value during the nine months ended June 30, 2012. The earn-out related to the PlaySpan acquisition is classified as Level 3 as inputs are unobservable, such as the likelihood of meeting certain future revenue targets and other milestones. There were no significant changes to the valuation techniques and inputs used to measure fair value during the nine months ended June 30, 2012.

Visa Europe put option agreement. The Company has granted Visa Europe a perpetual put option (the "put option") which, if exercised, will require Visa Inc. to purchase all of the outstanding shares of capital stock of Visa Europe from its members. The put option provides a formula for determining the purchase price of the Visa Europe shares, which, subject to certain adjustments, applies Visa Inc.'s forward price-to-earnings multiple, or the P/E ratio (as defined in the option agreement), at the time the option is exercised, to Visa Europe's projected adjusted sustainable income for the forward 12-month period, or the adjusted sustainable income (as defined in the option agreement). The calculation of Visa Europe's adjusted sustainable income under the terms of the put option agreement includes potentially material adjustments for cost synergies and other negotiated items. Upon exercise, the key inputs to this formula, including Visa Europe's adjusted sustainable income, will be the result of negotiation between the Company and Visa Europe. The put option provides an arbitration mechanism in the event that the two parties are unable to agree on the ultimate purchase price.

The fair value of the put option represents the value of Visa Europe's option, which under certain conditions could obligate the Company to purchase its member equity interest for an amount above fair value. While the put option is in fact non-transferable, its fair value represents the Company's estimate of the amount the Company would be required to pay a third-party market participant to transfer the potential obligation in an orderly transaction at the measurement date. The liability is classified within Level 3, as the assumed probability that Visa Europe will elect to exercise its option, the estimated P/E differential, and other inputs used to value the put option are unobservable. At June 30, 2012 and September 30, 2011, the Company determined the fair value of the put option to be \$145 million. While \$145 million represents the fair value of the put option at June 30, 2012, it does not represent the actual purchase price that the Company may be required to pay if the option is exercised, which could be several billion dollars or more. During fiscal 2012, there were no changes to the valuation methodology used to estimate the fair value of the put option. At June 30, 2012, the key unobservable inputs include a 40% probability of exercise by Visa Europe at some point in the future and an estimated long-term P/E differential of 1.9x. At June 30, 2012, our spot P/E was 17.4x and there was a differential of 1.8x between this ratio and the estimated spot ratio applicable to Visa Europe. These ratios are for reference only and are not necessarily indicative of the ratio or differential that could be applicable if the put option were exercised at any point in the future. The use of an assumed probability of exercise that is 5% higher than the Company's estimate would have resulted in an increase of approximately \$18 million in the value of the put option. An increase of 1.0x in the assumed P/E differential would have resulted in an increase of approximately \$84 million in the value of the put option.

The put option is exercisable at any time at the sole discretion of Visa Europe. As such, the put option liability is included in accrued liabilities on the Company's consolidated balance sheet at June 30, 2012. Classification in current liabilities is not an indication of management's expectation of exercise and simply reflects the fact that the obligation resulting from the exercise of the instrument could become payable within 12 months. Any non-cash changes in fair value are recorded in other income on the consolidated statements of operations.

A separate roll-forward of Level 3 assets and liabilities measured at fair value on a recurring basis is not presented because activity was immaterial during the nine months ended June 30, 2012. Activity in Level 3 liabilities measured at fair value on a recurring basis for the nine months ended June 30, 2011 was primarily related to the decrease of \$122 million in the fair value of the Visa Europe put option.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis.

Non-marketable equity investments and investments accounted for under the equity method. These investments are classified as Level 3 due to the absence of quoted market prices, the inherent lack of liquidity, and the fact that inputs

used to measure fair value are unobservable and require management's judgment. The Company applies fair value measurement to these investments when certain events or circumstances indicate that these investments may be impaired. The Company revalues the investments using various assumptions, including financial metrics and ratios of comparable public companies. There were no events or circumstances that indicated these investments became impaired during the nine months ended June 30, 2012 or 2011. At June 30, 2012, and September 30, 2011, these investments totaled \$89 million and \$100 million, respectively, and were classified as

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

other assets on the consolidated balance sheets.

Non-financial assets and liabilities. Long-lived assets such as goodwill, indefinite-lived intangible assets, finite-lived intangible assets, and property, equipment and technology are considered non-financial assets. The Company does not have any non-financial liabilities. The Company measures the fair value of indefinite-lived intangible assets on a non-recurring basis for the purpose of initial recognition, and testing for and recording impairment, if any. Goodwill fair value measurements are only performed if an impairment test is required. Finite-lived intangible assets primarily consist of customer relationships, reseller relationships and trade names, all of which were obtained through acquisitions.

The Company primarily uses an income approach for estimating the fair value of goodwill and indefinite-lived intangible assets, if such measurement is required. As the assumptions employed to measure these assets on a non-recurring basis are based on management's judgment using internal and external data, these fair value determinations are classified in Level 3 of the fair value hierarchy. The Company completed its annual impairment review of its indefinite-lived intangible assets and goodwill as of February 1, 2012, and concluded that there was no impairment. No recent events or changes in circumstances indicate that impairment existed at June 30, 2012.

Other Financial Instruments Not Measured at Fair Value

The following financial instruments are not measured at fair value on the Company's consolidated balance sheet at June 30, 2012, but require disclosure of their fair values: cash, accounts receivable, customer collateral, accounts payable, and settlement receivable and payable. The estimated fair value of such instruments at June 30, 2012 approximates their carrying value as reported on the consolidated balance sheets except as otherwise disclosed. The fair values of such financial instruments are determined using the income approach based on the present value of estimated future cash flows. There have been no changes in our valuation technique during the nine months ended June 30, 2012. The fair value of all of these instruments would be categorized as Level 2 of the fair value hierarchy, with the exception of cash, which would be categorized as Level 1.

Investments

Available-for-sale investments. The Company had \$2 million in gross unrealized gains and \$1 million in gross unrealized losses on available-for-sale investment securities at June 30, 2012. There were no gross unrealized gains or gross unrealized losses at September 30, 2011. Long-term available-for-sale securities are scheduled to mature by October 2014.

Note 4—Pension and Other Postretirement Benefits

The Company sponsors various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for substantially all employees residing in the United States.

The components of net periodic benefit cost are as follows:

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2012	2011	2012	2011	2012	2011	2012	2011
	(in millions)							
Service cost	\$10	\$10	\$29	\$30	\$—	\$—	\$—	\$—
Interest cost	10	10	30	29	—	—	1	1
Expected return on assets	(14)	(13)	(41)	(40)	—	—	—	—
Amortization of:								
Prior service credit	(2)	(3)	(7)	(7)	—	—	(2)	(2)
Actuarial loss	8	5	24	14	—	(1)	—	(1)
Settlement loss	3	—	3	—	—	—	—	—
Total net periodic benefit cost	\$15	\$9	\$38	\$26	\$—	\$(1)	\$(1)	\$(2)

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 5—Settlement Guarantee Management

The indemnification for settlement losses that Visa provides to its customers creates settlement risk for the Company due to the difference in timing between the date of a payment transaction and the date of subsequent settlement. The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time. The Company requires certain customers that do not meet its credit standards to post collateral to offset potential loss from their estimated unsettled transactions. The Company's estimated maximum settlement exposure was \$48.3 billion at June 30, 2012, compared to \$47.5 billion at September 30, 2011. Of these settlement exposure amounts, \$3.4 billion at June 30, 2012, and \$3.2 billion at September 30, 2011, were covered by collateral.

The Company maintained collateral as follows:

	June 30, 2012	September 30, 2011
	(in millions)	
Cash equivalents	\$886	\$931
Pledged securities at market value	284	296
Letters of credit	966	902
Guarantees	1,996	1,845
Total	\$4,132	\$3,974

The total available collateral balances presented in the table above are greater than the settlement exposure covered by customer collateral due to instances in which the available collateral exceeds the total settlement exposure for certain financial institutions at each date presented.

The fair value of the settlement risk guarantee is estimated based on a proprietary probability-weighted model and was approximately \$2 million at June 30, 2012 and \$1 million at September 30, 2011. These amounts are reflected in accrued liabilities on the consolidated balance sheets.

Note 6—Stockholders' Equity

The number of shares of each class and the number of shares of class A common stock on an as-converted basis at June 30, 2012, are as follows:

(in millions, except conversion rate)	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock ⁽¹⁾
Class A common stock	527	—	527
Class B common stock	245	0.4254	104
Class C common stock	38	1.0000	38
Total			670

(1) Figures may not sum due to rounding. As-converted class A common stock count calculated based on whole numbers.

Reduction in as-converted shares. During the first nine months of fiscal 2012, the Company used \$2.1 billion of its operating cash on hand to reduce total as-converted class A common stock by 20.2 million shares. Of the \$2.1 billion, \$536 million was used to repurchase class A common stock in the open market. In addition, the Company deposited \$1.57 billion of operating cash into the litigation escrow account previously established under the retrospective responsibility plan. This deposit has the same economic effect on earnings per share as repurchasing the Company's class A common stock because it reduces the as-converted class B common stock share count. The December 29, 2011 deposit reduced funds previously allocated to the amended July 2011 share repurchase program. At June 30, 2012, the Company has completed the share repurchase program previously authorized by the board of directors in July 2011.

In February 2012, the Company announced a \$500 million share repurchase program authorized by the board of directors. The authorization will be in effect through February 1, 2013, and the terms of the program are subject

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

to change at the discretion of the board of directors. This share repurchase program had remaining authorized funds of \$39 million at June 30, 2012. In July 2012, the Company announced a new \$1 billion share repurchase program authorized by the board of directors. The authorization will be in effect through July 17, 2013, and the terms of the program are subject to change at the discretion of the board of directors.

The Company repurchased approximately 4 million and 0.8 million shares during the three months ended June 30, 2012 and December 31, 2011, respectively. There was no share repurchase activity during the three months ended March 31, 2012. The following table presents share repurchases in the open market for the three months ended:

(in millions, except per share data)	June 30, 2012	December 31, 2011
Shares repurchased in the open market ⁽¹⁾	4.0	0.8
Weighted-average repurchase price per share	\$ 115.51	\$ 89.81
Total cost	\$461	\$75

⁽¹⁾ All shares repurchased in the open market have been retired and constitute authorized but unissued shares.

Under the terms of the retrospective responsibility plan, when the Company makes a deposit into the escrow account, the shares of class B common stock are subject to dilution through an adjustment to the conversion rate of the shares of class B common stock to shares of class A common stock.

The Company made deposits of \$1.57 billion and \$150 million into the litigation escrow account on December 29, 2011 and July 24, 2012, respectively. The following table presents as-converted class B common stock after these deposits:

(in millions, except per share data)	July 24, 2012	December 29, 2011
Deposit under the retrospective responsibility plan	\$ 150	\$ 1,565
Effective price per share ⁽¹⁾	\$ 125.50	\$ 101.75
Reduction in equivalent number of shares of class A common stock	1.2	15.4
Conversion rate of class B common stock to class A common stock after deposit	0.4206	0.4254
As-converted class B common stock after deposit	103	104

⁽¹⁾ Effective price per share calculated using the volume-weighted average price of the Company's class A common stock over a pricing period in accordance with the Company's amended and restated certificate of incorporation.

Class B common stock. Under the Company's amended and restated certificate of incorporation, shares of class B common stock are subject to transfer restrictions until the date on which certain covered litigation has been finally resolved. See Note 10—Legal Matters.

Accelerated class C share release programs. Of the 152 million shares of class C common stock released from transfer restrictions under the Company's 2009, 2010 and 2011 accelerated class C share release programs, 113 million shares have been converted from class C to class A common stock upon their sale into the public market through June 30, 2012. Approximately 3 million and 9 million of those shares were converted during the three and nine months ended June 30, 2012, respectively.

Dividends. On July 17, 2012, the Company's board of directors declared a dividend in the amount of \$0.22 per share of class A common stock (determined in the case of class B and class C common stock on an as-converted basis), which will be paid on September 4, 2012 to all holders of record of the Company's class A, class B and class C common stock as of August 17, 2012. The Company paid \$448 million in dividends during the nine months ended June 30, 2012.

Note 7—Earnings Per Share

The following table presents basic and diluted loss per share for the three months ended June 30, 2012.

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Basic Earnings (Loss) Per Share (in millions, except per share data)			Diluted Earnings (Loss) Per Share		
	Loss Allocation (A)	Weighted Average Shares Outstanding (B)	Earnings (Loss) per Share = (A)/(B) ⁽¹⁾	Loss Allocation (A)	Weighted Average Shares Outstanding (B)	Earnings (Loss) per Share = (A)/(B) ⁽¹⁾
Class A common stock	\$(1,437)	525	\$(2.74)	\$(1,839)	672	⁽²⁾ \$(2.74)
Class B common stock	(286) ⁽³⁾	245	(1.16)	(286) ⁽³⁾	245	(1.16)
Class C common stock	(109)	40	(2.74)	(109)	40	(2.74)
Participating securities ⁽⁴⁾	(7)	Not presented	Not presented	(7)	Not presented	Not presented
Net loss attributable to Visa Inc.	\$ (1,839)					

The following table presents basic and diluted earnings per share for the nine months ended June 30, 2012.

	Basic Earnings Per Share (in millions, except per share data)			Diluted Earnings Per Share		
	Income Allocation (A)	Weighted Average Shares Outstanding (B)	Earnings per Share = (A)/(B) ⁽¹⁾	Income Allocation (A)	Weighted Average Shares Outstanding (B)	Earnings per Share = (A)/(B) ⁽¹⁾
Class A common stock	\$372	523	\$0.71	\$482	681	⁽²⁾ \$0.71
Class B common stock	78	⁽³⁾ 245	0.32	78	⁽³⁾ 245	0.32
Class C common stock	30	43	0.71	30	43	0.71
Participating securities ⁽⁴⁾	2	Not presented	Not presented	2	Not presented	Not presented
Net income attributable to Visa Inc.	\$482					

The following table presents basic and diluted earnings per share for the three months ended June 30, 2011.

	Basic Earnings Per Share (in millions, except per share data)			Diluted Earnings Per Share		
	Income Allocation (A)	Weighted Average Shares Outstanding (B)	Earnings per Share = (A)/(B) ⁽¹⁾	Income Allocation (A)	Weighted Average Shares Outstanding (B)	Earnings per Share = (A)/(B) ⁽¹⁾
Class A common stock	\$746	521	\$1.43	\$1,005	704	⁽²⁾ \$1.43
Class B common stock	172	⁽³⁾ 245	0.70	171	⁽³⁾ 245	0.70

Edgar Filing: VISA INC. - Form 10-Q

Class C common stock	84	59	1.43	84	59	1.43
Participating securities ⁽⁴⁾	3	Not presented	Not presented	3	Not presented	Not presented
Net income attributable to Visa Inc.	\$1,005					

The following table presents basic and diluted earnings per share for the nine months ended June 30, 2011.

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Basic Earnings Per Share (in millions, except per share data)			Diluted Earnings Per Share		
	Income Allocation (A)	Weighted Average Shares Outstanding (B)	Earnings per Share = (A)/(B) ⁽¹⁾	Income Allocation (A)	Weighted Average Shares Outstanding (B)	Earnings per Share = (A)/(B) ⁽¹⁾
Class A common stock	\$1,976	506	\$3.90	\$2,770	712	⁽²⁾ \$3.89
Class B common stock	483	⁽³⁾ 245	1.97	481	⁽³⁾ 245	1.96
Class C common stock	302	78	3.90	302	78	3.89
Participating securities ⁽⁴⁾	9	Not presented	Not presented	9	Not presented	Not presented
Net income attributable to Visa Inc.	\$2,770					

⁽¹⁾ Earnings (loss) per share calculated based on whole numbers, not rounded numbers.

The computation of weighted-average dilutive shares outstanding included the effect of 3 million dilutive shares of outstanding stock awards for the nine months ended June 30, 2012 and 3 million and 2 million for the three and nine months ended June 30, 2011, respectively. As the Company had a net loss for the three months ended June 30,

⁽²⁾ 2012, the computation excluded 7 million outstanding stock awards because their effect would have been anti-dilutive. The computation excluded stock options to purchase less than 1 million shares of common stock for the nine months ended June 30, 2012 and 2 million for the three and nine months ended June 30, 2011, respectively, because their effect would have been anti-dilutive.

Net income (loss) attributable to Visa Inc. is allocated to each class of common stock on an as-converted basis. The weighted-average number of shares of as-converted class B common stock used in the (loss) income allocation were 104 million and 110 million for the three and nine months ended June 30, 2012 and 120 million and 124 million for the three and nine months ended June 30, 2011, respectively.

Participating securities are unvested share-based payment awards that contain non-forfeitable rights to dividends or

⁽⁴⁾ dividend equivalents, such as the Company's restricted stock awards, restricted stock units and earned performance-based shares.

Note 8—Share-based Compensation

The Company granted the following awards to employees and non-employee directors under the 2007 Equity Incentive Compensation Plan during the nine months ended June 30, 2012:

	Granted	Weighted-Average Grant Date Fair Value	Weighted-Average Exercise Price
Non-qualified stock options	441,191	\$29.65	\$93.22
Restricted stock awards ("RSA")	937,422	95.10	
Restricted stock units ("RSU")	426,653	96.51	
Performance-based shares ⁽¹⁾	66,114	97.84	

⁽¹⁾ The ultimate number of performance shares to be earned will be between zero and 132,227, depending on a combination of service, performance and market conditions.

The Company's non-qualified stock options, RSAs and RSUs are equity awards with service-only conditions and are accordingly expensed on a straight-line basis over the vesting period. For awards with performance conditions, the Company uses the graded-vesting method of expense attribution. Compensation expense is recorded net of estimated forfeitures, which are adjusted as appropriate.

Note 9—Income Taxes

The effective income tax rates were 29% and 22% for the three and nine months ended June 30, 2012, respectively, and 35% and 36% for the three and nine months ended June 30, 2011, respectively. The effective tax rates for the three and nine months ended June 30, 2012 differ from the effective tax rates in the same periods in fiscal 2011 primarily due to the following:

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

the effective tax rates for the three and nine months ended June 30, 2012 included:

the tax benefit and the offsetting tax reserve associated with the covered litigation provision recorded in the third quarter of fiscal 2012;

a one-time foreign tax credit carryover benefit recognized in the third quarter of fiscal 2012 in conjunction with changes in the geographic mix of the Company's global income; and

the state tax reduction attributable to the changes in California tax apportionment rules adopted in the second quarter of fiscal 2012;

the effective tax rate for the nine months ended June 30, 2012 included a one-time, non-cash benefit of \$208 million from the remeasurement of existing net deferred tax liabilities in the second quarter of fiscal 2012 as a result of the California state apportionment rule changes adopted in that same quarter;

the effective tax rates for the three and nine months ended June 30, 2012 reflected the absence of the following items that occurred in the third quarter of fiscal 2011:

the non-taxable revaluation of the Visa Europe put option; and

the additional foreign tax on the sale of the Company's investment in Companhia Brasileira de Soluções e Serviços.

During the three and nine months ended June 30, 2012, the Company's unrecognized tax benefits increased by \$195 million and \$246 million, respectively, all of which would affect the effective tax rate if recognized. The increase is primarily due to the unrecognized tax benefit associated with the covered litigation provision in the current period, partially offset by the decrease attributable to the effective settlement of various tax examination issues. During the three and nine months ended June 30, 2012, the Company accrued \$1 million and \$15 million of interest, respectively, and no penalties related to uncertain tax positions.

On May 23, 2012, the IRS issued a Notice of Proposed Adjustment to the Company's fiscal 2008 U.S. federal income tax return which would disallow the deduction or otherwise eliminate the tax benefit associated with the settlement of the American Express litigation for that fiscal year. On July 16, 2012, the IRS issued a Revenue Agent's Report to the Company regarding the same. The Company disagrees with the IRS' position and is preparing to appeal the proposed adjustment. The Company estimates that it would owe approximately \$396 million in additional federal and state income tax, excluding interest and penalties, if any, related to fiscal 2008 if the IRS' position is sustained. Based on the Company's assessment of the IRS' position outlined in this Notice of Proposed Adjustment, no changes have been made to any of the Company's tax estimates under U.S. GAAP relating to this deduction or any similar deductions for covered litigation in subsequent fiscal years.

Note 10—Legal Matters

The Company is party to various legal and regulatory proceedings. Some of these proceedings involve complex claims that are subject to substantial uncertainties and unascertainable damages. Accordingly, except as disclosed, the Company has not established reserves or ranges of possible loss related to these proceedings, as at this time in the proceedings, the matters do not relate to a probable loss and/or amounts are not reasonably estimable. Although the Company believes that it has strong defenses for the litigation and regulatory proceedings described below, it could in the future incur judgments or fines or enter into settlements of claims that could have a material adverse effect on the Company's results of operations, financial position or cash flows. From time to time, the Company may engage in settlement discussions or mediations with respect to one or more of its outstanding litigation matters, either on its own behalf or collectively with other parties.

For the quarter ended June 30, 2012, the Company recorded a litigation provision of \$4.1 billion, related to litigation subject to the retrospective responsibility plan. The litigation accrual is an estimate and is based on management's understanding of its litigation profile, the specifics of each case, advice of counsel to the extent appropriate and management's best estimate of incurred loss at the balance sheet date.

The following table summarizes the activity related to accrued litigation for the nine months ended June 30, 2012 and 2011:

20

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	2012	2011
	(in millions)	
Balance at October 1	\$425	\$697
Provision for settled matters	—	6
Provision for unsettled matters	4,098	—
Reclassification of settled matters ⁽¹⁾	—	12
Interest accretion on settled matters	1	9
Payments on settled matters	(140	) (212
Balance at June 30	\$4,384	\$512

⁽¹⁾ Reclassification of amount previously recorded in accrued liabilities.

Visa Inc., Visa U.S.A. and Visa International are parties to certain legal proceedings that are subject to the retrospective responsibility plan, which the Company refers to as the covered litigation. See Note 2—Retrospective Responsibility Plan. An accrual for covered litigation and a charge to the litigation provision are recorded when loss is deemed to be probable and reasonably estimable. In making this determination, the Company evaluates available information, including but not limited to actions taken by the litigation committee.

The American Express Litigation. Visa's settlement obligations were fully satisfied with the January 2012 payment to American Express.

The Interchange Litigation

Multidistrict Litigation Proceedings (MDL). On July 13, 2012, the Company, its wholly-owned subsidiaries Visa U.S.A. and Visa International, MasterCard Incorporated, MasterCard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs signed a memorandum of understanding (the “MOU”) which obligates the parties to enter into a settlement agreement in the form attached to the MOU (together with the MOU, the “Settlement Agreement”) to resolve the class plaintiffs' claims. A final settlement agreement is subject to conditions, including (a) requisite corporate approvals; (b) reaching agreement on certain appendices to the Settlement Agreement regarding class notice, claims, and other procedures; (c) reaching negotiated settlements with the individual plaintiffs whose claims were consolidated with the MDL for coordination of pre-trial proceedings (the “Individual Plaintiffs”); and (d) court approval. There can be no assurances that these conditions will be satisfied.

The terms of the Settlement Agreement include, among other terms:

A comprehensive release from participating class members for liability arising out of claims asserted in the litigation, and a further release to protect against future litigation regarding interchange and the other U.S. rules at issue in the MDL;

Settlement payments from the Company of approximately \$4.0 billion, to be paid from the Company's previously funded litigation escrow account established under the retrospective responsibility plan, see Note 2—Retrospective Responsibility Plan;

Distribution to class merchants of an amount equal to 10 basis points of default interchange across all credit rate categories for a period of eight consecutive months, which otherwise would have been paid to issuers and which effectively reduces credit interchange for that period of time. The eight month period for the reduction would begin within 60 days after completion of the court-ordered period during which individual class members may opt out of this settlement;

Certain modifications to the Company's rules, including modifications to permit surcharging on credit transactions under certain circumstances, subject to a cap and a level playing field with other general purpose card competitors; and

Agreement that the Company will meet with merchant buying groups that seek to negotiate interchange rates collectively.

In addition, the Company and the Individual Plaintiffs have reached an agreement in principle to resolve the Individual Plaintiffs' claims against the Company for approximately \$350 million. The agreement in principle must be

reduced to a written settlement agreement that is agreeable to all parties, and that settlement agreement will be subject to customary conditions, including all requisite corporate approvals. Until this agreement in principle is

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

reduced to a written settlement agreement and the appropriate conditions are satisfied, no assurance can be provided that the Company will be able to resolve the Individual Plaintiffs' claims as contemplated by the agreement in principle.

For the quarter ended June 30, 2012, the Company recorded a litigation provision of \$4.1 billion, which increased its total reserve for litigation subject to the retrospective responsibility plan from \$285 million to approximately \$4.4 billion, to reflect the class plaintiffs' Settlement Agreement and management's current estimate of the resolution of the Individual Plaintiffs' claims.

Other Litigation

“Indirect Purchaser” Actions. On January 9, 2012, the Court of Appeal of the State of California reversed the judgment approving the settlement agreement in the Credit/Debit Tying Cases. The case was remanded to the trial court for reconsideration of the fairness and adequacy of the settlement in light of the inclusion of the Attridge claims in the release. Attridge filed a motion to disqualify the trial judge, which was granted. On June 4, 2012, the court issued an order reassigning the case to the Honorable John E. Munter.

In New Mexico, on April 18, 2012, the state appellate court affirmed the trial court's dismissal of the case.

Vale Canjeable. Visa filed extraordinary appeals of the two August 10 rulings with the Supreme Court.

Canadian Competition Proceedings

Competition Bureau. Document production and examinations for discovery are complete. The hearing before the Competition Tribunal on the merits of the case was held from May 8, 2012 through June 21, 2012.

Merchant Litigation. On April 10, 2012, the court permitted the plaintiff to revise its complaint to effectively mirror the Watson case, and to add the same ten financial institutions as co-defendants. On June 13, 2012, at plaintiff's request and in light of the proceedings in the Watson case, the court entered an order staying the case until June 21, 2013.

As a result of plaintiff's unopposed request on January 10, 2012, the Bancroft-Snell case is being held in abeyance pending further proceedings in the Watson case.

Call Center Litigation. On November 30, 2011, the court entered a final order approving the settlement and entering judgment in the case.

U.S. ATM Access Fee Litigation.

National ATM Council class action. On January 10, 2012, plaintiffs filed an amended class action complaint against the same defendants. Like the original complaint, the amended complaint alleges that the ATM access fee rule prevents non-bank ATM operators from attracting customers to use other networks in violation of Section 1 of the Sherman Act. The amended complaint also alleges that Visa's rule has enabled Visa to charge artificially high network fees for ATM transactions, to compensate ATM operators inadequately, and to compensate member banks excessively. Plaintiffs request injunctive relief, attorneys' fees, and treble damages.

Consumer class actions. On December 1, 2011, the plaintiff in the Stoumbos case filed a corrected complaint, asserting the same claims as in the original complaint.

On January 10, 2012, the Bartron and Genese complaints were combined into a single amended complaint, now captioned Mackmin. The amended complaint challenges the same ATM access fee rules and names Visa, MasterCard, and three financial institutions as defendants, but the putative class representatives are different from those in the original Bartron and Genese complaints. Mackmin purports to represent classes and sub-classes of consumers in claims brought under Section 1 of the Sherman Act and the antitrust and/or consumer protection statutes in certain states and the District of Columbia. The amended complaint seeks injunctive relief, attorneys' fees, treble damages, and restitution where available under state law.

On January 30, 2012, Visa, MasterCard, and the defendant financial institutions filed motions to dismiss the complaints in the National ATM Council class action and the consumer class actions.

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

U.S. Department of Justice Civil Investigative Demand. On March 13, 2012, the Antitrust Division of the United States Department of Justice (the “Division”) issued a Civil Investigative Demand, or “CID,” to Visa Inc. seeking documents and information regarding a potential violation of Section 1 or 2 of the Sherman Act, 15 U.S.C. §§ 1, 2. The CID focuses on PIN-Authenticated Visa Debit and Visa's competitive responses to the Reform Act, including Visa's Fixed Acquirer Network Fee. In March, Visa met with the Division twice and provided materials in response to the CID. Visa is continuing to provide materials and cooperate with the Division in connection with the CID.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis provides a review of the results of operations, financial condition and the liquidity and capital resources of Visa Inc. and its subsidiaries ("Visa," "we," "our" or the "Company") on a historical basis and outlines the factors that have affected recent earnings, as well as those factors that may affect future earnings. The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and related notes included elsewhere in this report.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements can be identified by the terms "believe," "continue," "could," "estimate," "expect," "intend," "may," "potential," "project," "should," "will," and similar references to the future.

Examples of such forward-looking statements include, but are not limited to, statements we make about the settlement of the multi-district interchange litigation; our response to the U.S. Wall Street Reform and Consumer Protection Act, or the Reform Act; our pricing strategy; the number of transactions we process; the shift to electronic payments and our growth in the category; the growth rate of consumer and commercial spending; our liquidity needs and our ability to meet them; our online payment, fraud and security management capabilities; the relative strength of the U.S. dollar; dividend payments; and earnings per share, cash flow, revenue, incentive payments, expenses, operating margin, tax rate and capital expenditures and the growth of those items.

By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are neither statements of historical fact nor guarantees of future performance and (iii) are subject to risks, uncertainties, assumptions and changes in circumstances that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements because of a variety of factors, including the following:

- the impact of new laws, regulations and marketplace barriers, including:
 - rules capping debit interchange reimbursement fees promulgated under the Reform Act;
 - rules under the Reform Act expanding issuers' and merchants' choice among debit payment networks;
 - U.S. government and other parties' reactions to the changes we have made to our business in response to the Reform Act;
 - increased regulation outside the United States and in other product categories; and
 - rules about consumer privacy and data use and security;
- developments in current or future litigation or government enforcement, including interchange, antitrust and tax disputes and also including our failure to satisfy the conditions necessary to make the multi-district litigation settlements effective;
- economic factors, such as:
 - an increase or spread of the current European crisis involving sovereign debt and the euro;
 - other global economic, political and health conditions;
 - cross-border activity and currency exchange rates; and
 - material changes in our clients' performance compared to our estimates;
- industry developments, such as competitive pressure, rapid technological developments and disintermediation from the payments value stream;
- system developments, such as:

- disruption of our transaction processing systems or the inability to process transactions efficiently;
- account data breaches or increased fraudulent or other illegal activities involving our cards; and
- issues arising at Visa Europe, including failure to maintain interoperability between our systems;
- costs arising if Visa Europe were to exercise its right to require us to acquire all of its outstanding stock;
- loss of organizational effectiveness or key employees;
- failure to integrate recent acquisitions successfully or to effectively launch new products and businesses;
- changes in accounting principles or treatments; and

the other factors discussed under the heading "Risk Factors" in our Annual Report on Form 10-K on file with the Securities and Exchange Commission. You should not place undue reliance on such statements. Unless required to do so by law, we do not intend to update or revise any forward-looking statement because of new information or future developments or otherwise.

Overview

Visa is a global payments technology company that connects consumers, businesses, banks and governments around the world, enabling them to use digital currency instead of checks and cash. We provide our clients with payment processing platforms that encompass consumer credit, debit, prepaid and commercial payments. We facilitate global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses and government entities. Each of these constituencies has played a key role in the ongoing worldwide migration from paper-based to electronic forms of payment, and we believe that this transformation continues to yield significant growth opportunities, particularly outside the United States. We continue to explore additional opportunities to enhance our competitive position by expanding the scope of payment services to benefit our existing clients and to position Visa to serve more and different constituencies.

Multidistrict Litigation Proceedings (MDL). Visa, MasterCard, various U.S. financial institution defendants, and the class plaintiffs have signed a memorandum of understanding to enter into a settlement agreement to resolve the class plaintiffs' claims in the interchange MDL. The Company also has reached an agreement in principle to resolve the claims brought by a group of individual merchants which were consolidated with the MDL for coordination of pre-trial proceedings. See Note 2—Retrospective Responsibility Plan and Note 10—Legal Matters to our unaudited consolidated financial statements.

Adjusted financial results. During the third quarter of fiscal 2012, we recorded a provision related to litigation subject to the retrospective responsibility plan of \$4.1 billion and related tax benefits ("litigation provision adjustment"). Settlements of, or judgments in, covered litigation will be paid from the litigation escrow account. See Note 2—Retrospective Responsibility Plan and Note 10—Legal Matters to our unaudited consolidated financial statements. We believe the resulting net loss recorded is not indicative of Visa's performance in this or future periods, and therefore, we believe the presentation of adjusted financial results excluding this item and related tax benefits provides a clearer understanding of our operating performance for the period.

Additionally, our reported financial results for the nine months ended June 30, 2012 benefited from a one-time non-cash adjustment of \$208 million related to the remeasurement of our net deferred tax liabilities ("deferred tax adjustment") recorded in our income tax provision during the three months ended March 31, 2012. The deferred tax adjustment has no cash impact to us. We therefore believe that this non-cash benefit related to the deferred tax adjustment is not indicative of our financial performance in fiscal 2012 or any period therein and the presentation of adjusted financial results excluding this item provides a clearer understanding of our operating performance for the period.

During the third quarter of fiscal 2011, we recorded a decrease of \$122 million in the fair value of the Visa Europe put option ("revaluation of the Visa Europe put option"), which resulted in the recognition of non-cash, non-operating other income in our financial results. These amounts are not subject to income tax and therefore have no impact on our reported income tax provision. The reduction in the fair value of the put option was the result of declines in our estimated long-term price-to-earnings ratio as compared to the estimated ratio applicable to Visa Europe and did not reflect any change in the likelihood that Visa Europe will exercise its option. We believe the presentation of adjusted financial results excluding this item provides a clearer understanding of our operating performance for the respective period.

Table of Contents

The following table presents our adjusted financial results for the three and nine months ended June 30, 2012 and 2011, which excludes the litigation provision adjustment, the deferred tax adjustment and the revaluation of the Visa Europe put option.

	Three Months Ended June 30, 2012 (in millions, except margin ratio and per share data)				Three Months Ended June 30, 2011			
	Operating Expenses	Operating Margin ⁽¹⁾	Net (Loss) Income Attributable to Visa Inc.	Diluted (Loss) Earnings Per Share ⁽²⁾	Operating Expenses	Operating Margin ⁽¹⁾	Net Income Attributable to Visa Inc.	Diluted Earnings Per Share ⁽²⁾
As reported	\$5,172	(102)%	\$ (1,839)	\$ (2.74)	\$977	58 %	\$ 1,005	\$ 1.43
Litigation provision	(4,098)	NM	2,894	⁽³⁾ 4.30	—	—	—	—
Revaluation of Visa Europe put option	—	—	—	—	—	—	(122)	(0.17)
Adjusted	\$1,074	58 %	\$ 1,055	\$ 1.56	\$977	58 %	\$ 883	\$ 1.26
Diluted weighted-average shares outstanding ⁽⁴⁾				675				704

	Nine Months Ended June 30, 2012 (in millions, except margin ratio and per share data)				Nine Months Ended June 30, 2011			
	Operating Expenses	Operating Margin ⁽¹⁾	Net Income Attributable to Visa Inc.	Diluted Earnings Per Share ⁽²⁾	Operating Expenses	Operating Margin ⁽¹⁾	Net Income Attributable to Visa Inc.	Diluted Earnings Per Share ⁽²⁾
As reported	\$7,073	8 %	\$ 482	\$ 0.71	\$2,711	60 %	\$ 2,770	\$ 3.89
Litigation provision	(4,098)	53 %	2,894	⁽³⁾ 4.25	—	—	—	—
Impact of deferred tax adjustment	—	—	(208)	(0.30)	—	—	—	—
Revaluation of Visa Europe put option	—	—	—	—	—	—	(122)	(0.17)
Adjusted	\$2,975	61 %	\$ 3,168	\$ 4.66	\$2,711	60 %	\$ 2,648	\$ 3.72
Diluted weighted-average shares outstanding (as reported)				681				712

⁽¹⁾ Operating margin is calculated as operating (loss) income divided by total operating revenues.

⁽²⁾ Diluted (loss) earnings per share figures calculated based on whole numbers, not rounded numbers.

The litigation provision adjustment to net (loss) income attributable to Visa Inc. is shown net of tax. The tax impact ⁽³⁾ is determined by applying applicable federal and state tax rates to the litigation provision and applying related reserves for uncertain tax positions.

⁽⁴⁾

For the three months ended June 30, 2012, the computation of adjusted diluted earnings per share included the effect of 3 million incremental dilutive shares, which were excluded from the computation of reported diluted loss per share as they are considered anti-dilutive when applied to a net loss.

Overall economic conditions and regulatory environment. Our business is affected by overall economic conditions and consumer spending. Our business performance during the first three quarters of fiscal 2012 reflects the impact of a modest global economic recovery.

Table of Contents

The Reform Act. As of October 1, 2011, in accordance with the Reform Act, the Federal Reserve capped the maximum U.S. debit interchange reimbursement fee assessed for cards issued by large financial institutions at twenty-one cents plus five basis points, before applying an interim fraud adjustment up to an additional one cent. This amounted to a significant reduction from the average system-wide fees charged previously. The Federal Reserve has also promulgated regulations requiring issuers to make at least two unaffiliated networks available for processing debit transactions on each debit card. The rules also prohibit us and issuers from restricting a merchant's ability to direct the routing of electronic debit transactions over any of the networks that an issuer has enabled to process those transactions.

We expect the interchange, exclusivity and routing regulations to adversely affect our pricing, reduce the number and volume of U.S. debit payments we process and decrease associated revenues. A number of our clients have sought or may seek fee reductions or increased incentives from us to offset their own lost revenue. Some have announced that they may reduce the number of debit cards they issue and reduce investments they make in marketing and rewards programs. Some have imposed or may impose new or higher fees on debit cards or demand-deposit account relationships. Some have elected or may elect to issue fewer cards enabled with Visa-affiliated networks. We expect many merchants to use the routing regulations to redirect transactions or steer cardholders to other networks based on lowest cost or other factors.

We have had to re-examine and renegotiate certain of our client contracts to ensure that their terms comply with new regulations and will continue to do so with others. As a result, our clients have sought and will continue to seek to renegotiate terms relating to fees, incentives and routing. In some cases, we may lose placement completely on issuers' debit cards.

During the third quarter of fiscal 2012, we began implementation of our strategy designed to mitigate the negative impacts from the Reform Act to some extent through pricing modifications and working with our clients and other business partners to win merchant preference to route transactions over our network. For the third quarter of fiscal 2012, we estimate that the overall net impact of the Reform Act, including restructured pricing, incentives, other mitigation strategies and volume loss was a decrease of approximately \$0.04 in diluted earnings per class A common share. We expect a similar, or slightly higher, negative impact in the next few quarters, as more of our debit volume is exposed to lower variable fees and incentive agreements.

Our broad platform of payment products continues to provide substantial value to both merchants and consumers. We believe that the continuing worldwide secular shift to digital currency may help buffer the impacts of the Reform Act, as reflected in our overall payments volume growth, particularly outside the United States. As a leader in the U.S. debit industry, we continue to develop and refine our competitive business models to adapt to the Reform Act and mitigate some of the negative impacts the Reform Act would have on our current business models. We remain committed and prepared to adapt to and compete effectively under this new U.S. debit regulatory environment. We expect operating revenue to grow in the low double-digits for the full 2012 fiscal year.

Reduction in as-converted shares. During the first nine months of fiscal 2012, we used \$2.1 billion of our operating cash on hand to reduce total as-converted class A common stock by 20.2 million shares. Of the \$2.1 billion, \$536 million was used to repurchase class A common stock in the open market. In addition, we deposited \$1.57 billion of operating cash into the litigation escrow account previously established under the retrospective responsibility plan. This deposit has the same economic effect on earnings per share as repurchasing our class A common stock because it reduces the as-converted class B common stock share count. The deposit reduced funds previously allocated to the amended July 2011 share repurchase program, which had no remaining authorized funds as of June 30, 2012. Subsequent to the fiscal third quarter end, on July 24, 2012, we deposited an additional \$150 million into the litigation escrow account. See Note 2—Retrospective Responsibility Plan and Note 6—Stockholders' Equity to our unaudited consolidated financial statements.

In February 2012, we announced a \$500 million share repurchase program authorized by the board of directors. The authorization will be in effect through February 1, 2013, and the terms of the program are subject to change at the discretion of the board of directors. At June 30, 2012, the share repurchase program had remaining authorized funds of \$39 million. See Note 6—Stockholders' Equity to our unaudited consolidated financial statements.

In July 2012, we announced a new \$1 billion share repurchase program authorized by the board of directors. The authorization will be in effect through July 17, 2013, and the terms of the program are subject to change at the discretion of the board of directors. See Note 6—Stockholders' Equity to our unaudited consolidated financial statements.

Table of Contents

Nominal payments volume and transaction counts. Payments volume is the primary driver for our service revenues, and processed transactions are the primary driver for our data processing revenues. Compared to the same prior year period, overall nominal payments volume increased as a result of double-digit growth in consumer credit and commercial, and single-digit growth in debit. The number of processed transactions continues to increase at a moderate pace, reflecting the continuing worldwide shift to digital currency.

The following table sets forth nominal payments volume for the periods presented in nominal dollars.⁽¹⁾

	U.S.			Rest of World			Visa Inc.			
	3 months ended March 31, 2012 ⁽²⁾	3 months ended March 31, 2011 ⁽²⁾	% Change	3 months ended March 31, 2012 ⁽²⁾	3 months ended March 31, 2011 ⁽²⁾	% Change	3 months ended March 31, 2012 ⁽²⁾	3 months ended March 31, 2011 ⁽²⁾	% Change	
(in billions, except percentages)										
Nominal Payments Volume										
Consumer credit	\$168	\$149	13 %	\$337	\$292	15 %	\$505	\$442	14 %	
Consumer debit ⁽³⁾	264	259	2 %	83	65	26 %	346	324	7 %	
Commercial and other ⁽³⁾	76	68	11 %	31	27	11 %	106	96	11 %	
Total Nominal Payments Volume	\$508	\$477	7 %	\$450	\$385	17 %	\$958	\$862	11 %	
Cash volume	108	99	9 %	476	418	14 %	584	517	13 %	
Total Nominal Volume ⁽⁴⁾	\$615	\$576	7 %	\$926	\$803	15 %	\$1,541	\$1,379	12 %	

	U.S.			Rest of World			Visa Inc.			
	9 months ended March 31, 2012 ⁽²⁾	9 months ended March 31, 2011 ⁽²⁾	% Change	9 months ended March 31, 2012 ⁽²⁾	9 months ended March 31, 2011 ⁽²⁾	% Change	9 months ended March 31, 2012 ⁽²⁾	9 months ended March 31, 2011 ⁽²⁾	% Change	
(in billions, except percentages)										
Nominal Payments Volume										
Consumer credit	\$523	\$472	11 %	\$1,024	\$869	18 %	\$1,547	\$1,341	15 %	
Consumer debit ⁽³⁾	801	764	5 %	248	192	29 %	1,049	957	10 %	
Commercial and other ⁽³⁾	229	207	11 %	96	84	15 %	325	291	12 %	
Total Nominal Payments Volume	\$1,554	\$1,443	8 %	\$1,368	\$1,146	19 %	\$2,922	\$2,589	13 %	
Cash volume	323	298	9 %	1,435	1,240	16 %	1,759	1,538	14 %	
Total Nominal Volume ⁽⁴⁾	\$1,877	\$1,741	8 %	\$2,803	\$2,385	18 %	\$4,680	\$4,127	13 %	

(1) Figures may not sum due to rounding. Percentage change calculated based on whole numbers, not rounded numbers.

(2) Service revenues in a given quarter are assessed based on payments volume in the prior quarter. Therefore, service revenues reported for the three and nine months ended June 30, 2012 and 2011, were based on payments volume reported by our financial institution clients for the three and nine months ended March 31, 2012 and 2011, respectively.

(3) Includes prepaid volume.

(4)

Edgar Filing: VISA INC. - Form 10-Q

Total nominal volume is the sum of total nominal payments volume and cash volume. Total nominal payments volume is the total monetary value of transactions for goods and services that are purchased. Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks. Total nominal volume is provided by our financial institution clients, subject to verification by Visa. From time to time, previously submitted volume information may be updated. Prior year volume information presented in these tables has not been updated, as subsequent adjustments were not material.

The table below provides the number of transactions processed by our VisaNet system and billable

Table of Contents

transactions processed by CyberSource's network during the periods presented.

	Three months ended June 30,			Nine months ended June 30,			
	2012	2011	% Change ⁽¹⁾	2012	2011	% Change ⁽¹⁾	
	(in millions, except percentages)						
Visa processed transactions ⁽²⁾	13,113	13,038	1	% 39,751	37,659	6	%
CyberSource billable transactions ⁽³⁾	1,303	1,045	25	% 3,819	3,050	25	%

⁽¹⁾ Percentage change calculated based on whole numbers, not rounded numbers.

⁽²⁾ Represents transactions involving Visa, Visa Electron, Interlink and PLUS cards processed on Visa's networks.

⁽³⁾ Transactions include, but are not limited to, authorization, settlement payment network connectivity, fraud management, payment security management, tax services and delivery address verification.

Results of Operations

Operating Revenues

The following table sets forth our operating revenues earned in the United States, in the rest of the world and from Visa Europe. Revenues earned from Visa Europe are a result of our contractual arrangement with Visa Europe, as governed by the framework agreement that provides for trademark and technology licenses and bilateral services.

	Three Months Ended June 30,		2012 vs. 2011		Nine Months Ended June 30,		2012 vs. 2011		
	2012	2011	\$ Change	% Change ⁽¹⁾	2012	2011	\$ Change	% Change ⁽¹⁾	
	(in millions, except percentages)								
U.S.	\$1,449	\$1,303	\$146	11	% \$4,199	\$3,825	\$374	10	%
Rest of world	1,058	966	92	10	% 3,323	2,826	497	18	%
Visa Europe	58	53	5	9	% 168	154	14	9	%
Total Operating Revenues	\$2,565	\$2,322	\$243	10	% \$7,690	\$6,805	\$885	13	%

⁽¹⁾ Percentage change calculated based on whole numbers, not rounded numbers.

The increase in operating revenues primarily reflects continued growth in our underlying business drivers: nominal payments volume; processed transactions; and cross-border payments volume. These benefits were partially offset by increases to client incentives as part of our strategy to mitigate the impacts of the Reform Act. We expect operating revenue to grow in the low double-digits for the full 2012 fiscal year.

Our operating revenues, primarily service revenues and international transaction revenues, are impacted by the overall strengthening or weakening of the U.S. dollar as payments volume and related revenues denominated in local or regional currencies are converted to U.S. dollars. There was no significant impact on results for the three or nine months ended June 30, 2012 compared to prior year as the effect of exchange rate movements was substantially mitigated through our hedging program.

The following table sets forth the components of our total operating revenues.

Table of Contents

	Three Months Ended June 30,		2012 vs. 2011		Nine Months Ended June 30,		2012 vs. 2011			
	2012	2011	\$ Change	% Change ⁽¹⁾	2012	2011	\$ Change	% Change ⁽¹⁾		
	(in millions, except percentages)									
Service revenues	\$1,216	\$1,055	\$161	15	%	\$3,608	\$3,156	\$452	14	%
Data processing revenues	1,040	886	154	17	%	2,913	2,553	360	14	%
International transaction revenues	748	662	86	13	%	2,229	1,916	313	16	%
Other revenues	175	167	8	7	%	532	484	48	10	%
Client incentives	(614)	(448)	(166)	37	%	(1,592)	(1,304)	(288)	22	%
Total Operating Revenues	\$2,565	\$2,322	\$243	10	%	\$7,690	\$6,805	\$885	13	%

⁽¹⁾ Percentage change calculated based on whole numbers, not rounded numbers.

Service revenues increased due to 11% and 13% growth in nominal payments volume during the three and nine month comparable periods, respectively. The growth in service revenues was greater than the growth in nominal payments volume primarily reflecting differences in geography-specific pricing strategies.

Data processing revenues increased primarily as a result of the implementation of our strategy designed to mitigate the negative impacts from the Reform Act to some extent through pricing modifications and working with our clients and other business partners to win merchant preference to route transactions over our network. While data processing fees for the third quarter of fiscal 2012 benefited from the price restructuring that became effective in the quarter, increased merchant and acquirer incentives executed as part of this strategy resulted in a partially offsetting increase in client incentives. This price restructuring associated with data processing revenue included the implementation of the Fixed Acquirer Network Fee, which was partially offset by reductions in certain variable fees.

Data processing revenues also benefited from the overall growth in processed transactions. Total Visa processed transaction growth of 1% and 6% during the three and nine month comparable periods, respectively, reflected the anticipated decline in U.S. debit processed transactions in the third quarter of fiscal 2012, as a result of the Reform Act. This decline was led by Interlink payment volume, one of our lowest yielding products, which decreased 54%. This negative impact was more than offset by solid growth in CyberSource billable transactions, Visa transactions processed outside of the U.S., U.S. credit transactions and Visa Debit, which excludes Interlink.

International transaction revenues increased primarily reflecting 10% and 19% growth in nominal cross-border payments volume during the three and nine month comparable periods, respectively, combined with strategic pricing modifications.

Other revenues increased primarily due to an increase in licensing fees as a result of payments volume growth. Client incentives increased reflecting incentives incurred on long-term client contracts that were initiated or renewed after the third quarter of fiscal 2011, including a number of significant long-term merchant and acquirer contracts executed as part of our strategy to mitigate the impact of the Reform Act. Client incentives also increased as a result of certain one-time incentives incurred outside the U.S. during the third quarter of fiscal 2012 and overall growth in global payments volume. We expect incentives as a percentage of gross revenues to be in the range of 17% to 18% for the full 2012 fiscal year. The amount of client incentives we record in future periods will vary based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Operating Expenses

The following table sets forth components of our total operating expenses for the periods presented.

Table of Contents

	Three months ended June 30, 2012 vs. 2011				Nine months ended June 30, 2012 vs. 2011			
	2012	2011	\$ Change	% Change ⁽¹⁾	2012	2011	\$ Change	% Change ⁽¹⁾
	(in millions, except percentages)							
Personnel	\$435	\$363	\$72	20 %	\$1,255	\$1,071	\$184	17 %
Network and processing	102	91	11	13 %	303	251	52	21 %
Marketing	242	251	(9)	(3)%	602	631	(29)	(5)%
Professional fees	99	84	15	17 %	251	222	29	13 %
Depreciation and amortization	84	74	10	14 %	244	211	33	16 %
General and administrative	112	114	(2)	(3)%	320	319	1	— %
Litigation provision	4,098	—	4,098	NM	4,098	6	4,092	NM
Total Operating Expenses	\$5,172	\$977	\$4,195	NM	\$7,073	\$2,711	\$4,362	NM

(1) Percentage change calculated based on whole numbers, not rounded numbers.

Personnel increased primarily due to increases in headcount throughout the organization combined with higher employee incentive-related costs in fiscal 2012. The increase in headcount reflects our strategy to invest for future growth, particularly outside the U.S., in support of our core businesses, as well as our e-commerce and mobile initiatives.

- Network and processing increased primarily due to higher fees paid for the operation of our electronic payments network, including maintenance, equipment rental and other data processing services.

Marketing decreased compared to the prior year primarily due to the planned timing of our marketing spend in fiscal 2012. We anticipate an increase in spending during the fourth quarter of fiscal 2012 associated with our sponsorship of the 2012 Summer Olympics and in support of our growth strategies and new product initiatives.

Professional fees increased, primarily reflecting greater investment in technology projects to support our e-commerce and mobile initiatives.

Depreciation and amortization increased primarily due to additional depreciation from our ongoing investments in technology assets and infrastructure to support our core business as well as our e-commerce and mobile initiatives.

Litigation provision increase reflects a \$4.1 billion accrual made in the current quarter related to the covered litigation. See Note 2—Retrospective Responsibility Plan and Note 10—Legal Matters to our unaudited consolidated financial statements.

Other Income (Expense)

The following table sets forth the components of our other income (expense) for the periods presented.

	Three months ended June 30, 2012 vs. 2011				Nine months ended June 30, 2012 vs. 2011			
	2012	2011	\$ Change	% Change ⁽¹⁾	2012	2011	\$ Change	% Change ⁽¹⁾
	(in millions, except percentages)							
Interest Expense	\$(11)	\$(11)	\$—	(4)%	\$(28)	\$(19)	\$(9)	45 %
Investment income, net	12	88	(76)	(87)%	31	107	(76)	(71)%
Other	(1)	121	(122)	NM	(1)	120	(121)	NM
Total Other (Expense) Income	\$—	\$198	\$(198)	NM	\$2	\$208	\$(206)	(99)%

(1) Percentage change calculated based on whole numbers, not rounded numbers.

Interest expense increased during the nine months ended June 30, 2012 compared to the prior year primarily due to the absence of a non-recurring benefit recognized upon the effective settlement of uncertainties

Table of Contents

surrounding the timing of certain deductions for income tax purposes during the first quarter of fiscal 2011.

Investment Income, net decreased primarily due to the absence of a pre-tax gain of \$85 million recognized during the third quarter of fiscal 2011 upon the sale of our investment in Visa Vale issuer Companhia Brasileira de Soluções e Serviços, or CBSS. The decrease was partially offset by a pre-tax gain recognized upon acquiring the remaining interest in a joint venture in the third quarter of fiscal 2012.

Other non-operating income decreased due to the absence of a non-cash adjustment to the fair value of the Visa Europe put option, which is not subject to tax, recorded in the third quarter of fiscal 2011.

Effective Income Tax Rate

Our effective income tax rate is a combination of federal, state and foreign statutory rates and certain required adjustments to taxable income. Our effective income tax rates were 29% and 22% for the three and nine months ended June 30, 2012, respectively, and 35% and 36% for the three and nine months ended June 30, 2011, respectively. The effective tax rates for the three and nine months ended June 30, 2012 differ from the effective tax rates in the same periods in fiscal 2011 primarily due to:

the effective tax rates for the three and nine months ended June 30, 2012 included:

the tax benefit and the offsetting tax reserve associated with the covered litigation provision recorded in the third quarter of fiscal 2012;

a one-time foreign tax credit carryover benefit recognized in the third quarter of fiscal 2012 in conjunction with changes in the geographic mix of our global income; and

the state tax reduction attributable to the changes in California tax apportionment rules adopted in the second quarter of fiscal 2012;

the effective tax rate for the nine months ended June 30, 2012 included a one-time, non-cash benefit of \$208 million from the remeasurement of existing net deferred tax liabilities in the second quarter of fiscal 2012 as a result of the California state apportionment rule changes adopted in that same quarter. The remeasurement of deferred taxes primarily consisted of the remeasurement of deferred tax liabilities associated with \$11 billion of indefinite-lived intangible assets previously recorded to reflect our reorganization in 2007;

the effective tax rates for the three and nine months ended June 30, 2012 reflected the absence of the following items that occurred in the third quarter of fiscal 2011:

the nontaxable revaluation of the Visa Europe put option; and

the additional foreign tax on the sale of our investment in Companhia Brasileira de Soluções e Serviços.

The following table presents our adjusted effective income tax rates for the three and nine months ended June 30, 2012, which excludes the impact of the covered litigation provision of \$4.1 billion recorded in the third quarter of fiscal 2012, and the one-time, non-cash benefit, of \$208 million, resulting from the remeasurement of our net deferred tax liabilities in the second quarter of fiscal 2012. We believe the presentation of our adjusted effective income tax rates provides a clearer understanding of our operating performance for these periods. We believe the covered litigation provision and the one-time non-cash adjustment to remeasure our deferred taxes recorded in our effective income tax rates are not indicative of our financial performance in the current or future periods.

	Three Months Ended June 30, 2012 ⁽¹⁾	%	Nine Months Ended June 30, 2012 ⁽¹⁾	%
As reported	29.5	%	22.4	%
Litigation provision	(0.3)	)%	6.1	%
Remeasurement of deferred tax liabilities	—		4.4	%
Adjusted	29.2	%	32.9	%

⁽¹⁾ Effective income tax rate calculated based on whole numbers, not rounded numbers.

During the three and nine months ended June 30, 2012, our unrecognized tax benefits increased by \$195 million and \$246 million, respectively, all of which would affect the effective tax rate if recognized. The increase is primarily due to the unrecognized tax benefit associated with the covered litigation provision in the current period,

Table of Contents

partially offset by the decrease attributable to the effective settlement of various tax examination issues. During the three and nine months ended June 30, 2012, we accrued \$1 million and \$15 million of interest, respectively, and no penalties related to uncertain tax positions.

On May 23, 2012, the IRS issued a Notice of Proposed Adjustment to our fiscal 2008 U.S. federal income tax return which would disallow the deduction or otherwise eliminate the tax benefit associated with the settlement of the American Express litigation for that fiscal year. On July 16, 2012, the IRS issued a Revenue Agent's Report to us regarding the same. We disagree with the IRS' position and are preparing to appeal the proposed adjustment. We estimate that we would owe approximately \$396 million in additional federal and state income tax, excluding interest and penalties, if any, related to fiscal 2008 if the IRS' position is sustained. Based on our assessment of the IRS' position outlined in this Notice of Proposed Adjustment, no changes have been made to any of our tax estimates under U.S. GAAP relating to this deduction or any similar deductions for covered litigation in subsequent fiscal years. For the full year, we anticipate that our annual adjusted effective income tax rate will be between 33% and 34%.

Liquidity and Capital Resources

Cash Flow Data

The following table summarizes our cash flow activity for the periods presented.

	Nine Months Ended	
	June 30,	
	2012	2011
	(in millions)	
Total cash provided by (used in):		
Operating activities	\$3,640	\$3,004
Investing activities	(1,943	) (425
Financing activities	(2,262	) (2,854
Effect of exchange rate changes on cash and cash equivalents	(4	) 8
Decrease in cash and cash equivalents	\$(569	) \$(267

Cash provided by operating activities for the nine months ended June 30, 2012 was \$3.6 billion. This amount was higher than income provided by operations, primarily due to the provision related to covered litigation of \$4.1 billion and related tax benefits recorded in the third quarter of fiscal 2012. See Note 10—Legal Matters to our unaudited consolidated financial statements. Both periods also contain other significant operational payments including those related to client incentives, settlement transactions and our annual incentive compensation payments, which were broadly consistent year over year. Although the new U.S. debit regulations moderated the pace of our growth in operating cash in fiscal 2012, we believe that cash flow generated from operating activities will be more than sufficient to meet our ongoing operational needs.

Cash used in investing activities was higher compared to the prior year, primarily reflecting net purchases of investment securities of \$1.7 billion and purchases of intangible assets of \$35 million during the nine months ended June 30, 2012. Cash used in investing activities during the nine months ended June 30, 2011 primarily reflects the acquisition of PlaySpan and Fundamo for \$268 million, net of \$22 million in cash received, and purchases of property, equipment and technology. This use of cash was partially offset by gross proceeds of \$103 million from the sale of our 10 percent investment in CBSS in January 2011.

Cash used in financing activities primarily reflects a deposit of approximately \$1.57 billion into the litigation escrow account, \$536 million in repurchases of our class A common stock in the open market and dividend payments of \$448 million. Comparatively, in the prior year, we repurchased \$1.6 billion of our class A common stock in the open market, deposited \$1.2 billion into the litigation escrow account, and paid quarterly dividends of \$320 million.

Liquidity

Our primary sources of liquidity are cash on hand, cash flow from our operations, an investment portfolio and

Table of Contents

access to various equity and borrowing arrangements. Funds from operations are maintained in cash and cash equivalents, short-term or long-term available-for-sale investment securities based upon our funding requirements, access to liquidity from these holdings and returns that these holdings provide.

Cash, cash equivalents and available-for-sale investment securities, both short and long-term, held by our foreign subsidiaries was \$3.0 billion and \$2.1 billion at June 30, 2012 and September 30, 2011, respectively. If these funds are needed for our operations in the U.S., we would be required to accrue and pay U.S. income taxes to repatriate these funds. However, our intent is to indefinitely reinvest these funds outside of the U.S., and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations.

There has been no significant change to our primary uses of liquidity since September 30, 2011, except as discussed below. Based on our current cash flow budgets and forecasts of our short-term and long-term liquidity needs, we believe that our projected sources of liquidity will be sufficient to meet our projected liquidity needs for more than the next 12 months. We will continue to assess our liquidity position and potential sources of supplemental liquidity in view of our operating performance, current economic and capital market conditions and other relevant circumstances. Reduction in as-converted shares. During the first nine months of fiscal 2012, we used \$2.1 billion of operating cash on hand to reduce total as-converted class A common stock by 20.2 million shares. Of the \$2.1 billion, \$536 million was used to repurchase class A common stock in the open market. In addition, we deposited \$1.57 billion of operating cash into the litigation escrow account previously established under the retrospective responsibility plan. This deposit has the same economic effect on earnings per share as repurchasing our class A common stock because it reduces the as-converted class B common stock share count. The deposit reduced funds previously allocated to the amended July 2011 share repurchase program, which had no remaining authorized funds as of June 30, 2012. Subsequent to the fiscal third quarter end, on July 24, 2012, we deposited an additional \$150 million into the litigation escrow account. See Note 2—Retrospective Responsibility Plan and Note 6—Stockholders' Equity to our unaudited consolidated financial statements.

In February 2012, we announced a \$500 million share repurchase program authorized by the board of directors. The authorization will be in effect through February 1, 2013, and the terms of the program are subject to change at the discretion of the board of directors. At June 30, 2012, the share repurchase program had remaining authorized funds of \$39 million. See Note 6—Stockholders' Equity to our unaudited consolidated financial statements.

In July 2012, we announced a new \$1 billion share repurchase program authorized by the board of directors. The authorization will be in effect through July 17, 2013, and the terms of the program are subject to change at the discretion of the board of directors. See Note 6—Stockholders' Equity to our unaudited consolidated financial statements.

Dividends. During the nine months ended June 30, 2012, we paid \$448 million in dividends. On July 17, 2012, our board of directors declared a dividend in the amount of \$0.22 per share of class A common stock (determined in the case of class B and class C common stock on an as-converted basis), which will be paid on September 4, 2012. See Note 6—Stockholders' Equity to our unaudited consolidated financial statements. We expect to continue paying quarterly dividends in cash, subject to approval by the board of directors.

Visa Europe put option agreement. We have granted Visa Europe a perpetual put option which, if exercised, will require us to purchase all of the outstanding shares of capital stock of Visa Europe from its members. Visa Europe may exercise the put option at any time. At June 30, 2012, we determined the fair value of the put option liability to be approximately \$145 million. While this amount represents the fair value of the put option at June 30, 2012, it does not represent the actual purchase price that we may be required to pay if the option is exercised. The purchase price we could be obligated to pay 285 days after exercise will represent a substantial financial obligation, which could be several billion dollars or more. We may need to obtain third-party financing, either by borrowing funds or by undertaking a subsequent equity offering in order to fund this payment. The amount of this potential obligation could vary dramatically based on, among other things, Visa Europe's adjusted sustainable income and our P/E ratio at the date of exercise.

Fair Value Measurements—Financial Instruments

As of June 30, 2012, our financial instruments measured at fair value on a recurring basis included \$8.8 billion of assets and \$172 million of liabilities, of which \$175 million, or less than 2% of total financial instruments held, had

significant unobservable inputs. For these instruments, we lacked observable market data to corroborate either the

34

Table of Contents

non-binding market consensus prices or the non-binding broker quotes. At June 30, 2012, debt instruments in this category included auction rate securities. See Note 3—Fair Value Measurements to our unaudited consolidated financial statements.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes to our market risks during the nine months ended June 30, 2012, compared to September 30, 2011.

ITEM 4. Controls and Procedures

Disclosure controls and procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) of Visa Inc. at the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures of Visa Inc. were effective, at the reasonable assurance level as of the end of the period covered by this report.

Changes in internal control over financial reporting. There has been no change in the internal control over financial reporting of Visa Inc. that occurred during the fiscal period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

Refer to Note 10—Legal Matters to the unaudited consolidated financial statements included in this Form 10-Q for a description of the Company's current material legal proceedings.

ITEM 1A. Risk Factors.

For a discussion of the Company's risk factors, see the information under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended September 30, 2011, filed with the SEC on November 18, 2011.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

ISSUER PURCHASES OF EQUITY SECURITIES

The table below sets forth the information with respect to purchases of the Company's common stock made by or on behalf of the Company during the quarter ended June 30, 2012.

Period	(a) Total Number of Shares Purchased ⁽¹⁾	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
April 1-30, 2012	—	\$—	—	\$500,000,000
May 1-31, 2012	2,784,758	\$116.40	2,777,933	\$176,585,277
June 1-30, 2012	1,210,382	\$113.47	1,210,382	\$39,218,694
Total	3,995,140	\$115.51	3,988,315	

Includes 6,825 shares of class A common stock withheld at an average price of \$115.59 per share (per the terms of (1) grants under the Company's equity incentive compensation plan) to offset tax withholding obligations that occur upon vesting and release of restricted shares.

During the three months ended June 30, 2012, the Company repurchased 4 million shares of its class A common stock at an average price of \$115.51 per share for a total cost of \$461 million under the February 2012 share (2) repurchase program previously authorized by the board of directors. The figures in the table reflect transactions according to the trade dates. For purposes of the Company's consolidated financial statements included in this Form 10-Q, the impact of these repurchases is recorded according to the settlement dates.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information.

None.

Table of Contents

ITEM 6. Exhibits.

The list of exhibits required to be filed as exhibits to this report is listed under the “Exhibit Index,” which is incorporated herein by reference.

37

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VISA INC.

Date: July 27, 2012

By: /s/ Joseph W. Saunders
Name: Joseph W. Saunders
Title: Chief Executive Officer
(Principal Executive Officer)

Date: July 27, 2012

By: /s/ Byron H. Pollitt
Name: Byron H. Pollitt
Title: Chief Financial Officer
(Principal Accounting Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description of Documents
10.1	Visa Inc. 2007 Equity Incentive Compensation Plan, as Amended and Restated (incorporated by reference to Exhibit 10.1 to the Periodic Report on Form 8-K filed by Visa Inc. on January 31, 2012)
31.1*	Certification of Joseph W. Saunders, Chief Executive Officer and Chairman of the Board of Directors, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Byron H. Pollitt, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Joseph W. Saunders, Chief Executive Officer and Chairman of the Board of Directors, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Byron H. Pollitt, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*+	The following materials from the Visa Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed on July 27, 2012, formatted in Extensible Business Reporting Language (XBRL): <ul style="list-style-type: none"> (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statement of Changes in Equity, (v) Consolidated Statements of Cash Flows and (vi) related notes.

* Filed or furnished herewith.

XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.