

VISA INC.
Form 10-Q
July 23, 2015

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

FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR
o 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 26-0267673
(State or other jurisdiction (IRS Employer
of incorporation or organization) Identification No.)

P.O. Box 8999 94128-8999
San Francisco, California
(Address of principal executive offices) (Zip Code)

(650) 432-3200
(Registrant's telephone number, including area code)

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 17, 2015, there were 1,951,387,285 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 19,208,816 shares of class C common stock, par value \$0.0001 per share, of Visa Inc. outstanding.

Table of ContentsVISA 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, 2015 and September 30, 2014</u>	<u>3</u>
<u>Consolidated Statements of Operations—Three and Nine Months Ended June 30, 2015 and 2014</u>	<u>5</u>
<u>Consolidated Statements of Comprehensive Income—Three and Nine Months Ended June 30, 2015 and 2014</u>	<u>7</u>
<u>Consolidated Statement of Changes in Equity—Nine Months Ended June 30, 2015</u>	<u>8</u>
<u>Consolidated Statements of Cash Flows—Nine Months Ended June 30, 2015 and 2014</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>34</u>
Item 4. <u>Controls and Procedures</u>	<u>34</u>
PART II. <u>Other Information</u>	<u>35</u>
Item 1. <u>Legal Proceedings</u>	<u>35</u>
Item 1A. <u>Risk Factors</u>	<u>35</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>35</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>35</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>35</u>
Item 5. <u>Other Information</u>	<u>35</u>
Item 6. <u>Exhibits</u>	<u>36</u>
<u>Signatures</u>	<u>37</u>
<u>Exhibit Index</u>	<u>38</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

VISA INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	June 30, 2015	September 30, 2014
	(in millions, except par value data)	
Assets		
Cash and cash equivalents	\$2,147	\$1,971
Restricted cash—litigation escrow (Note 2)	1,143	1,498
Investment securities (Note 3):		
Trading	71	69
Available-for-sale	2,504	1,910
Settlement receivable	704	786
Accounts receivable	892	822
Customer collateral (Note 6)	1,068	961
Current portion of client incentives	248	210
Deferred tax assets	834	1,028
Prepaid expenses and other current assets	457	307
Total current assets	10,068	9,562
Investment securities, available-for-sale (Note 3)	3,300	3,015
Client incentives	94	81
Property, equipment and technology, net	1,847	1,892
Other assets	920	855
Intangible assets, net (Note 7)	11,375	11,411
Goodwill (Note 7)	11,825	11,753
Total assets	\$39,429	\$38,569
Liabilities		
Accounts payable	\$89	\$147
Settlement payable	1,237	1,332
Customer collateral (Note 6)	1,068	961
Accrued compensation and benefits	439	450
Client incentives	1,053	1,036
Accrued liabilities	806	624
Accrued litigation (Note 13)	1,097	1,456
Total current liabilities	5,789	6,006
Deferred tax liabilities	4,134	4,145
Other liabilities (Note 8)	879	1,005
Total liabilities	10,802	11,156

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, 2015	September 30, 2014
	(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, 1,951 and 1,978 shares issued and outstanding at June 30, 2015 and September 30, 2014, respectively (Note 9)	—	—
Class B common stock, \$0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at June 30, 2015 and September 30, 2014 (Note 9)	—	—
Class C common stock, \$0.0001 par value, 1,097 shares authorized, 19 and 22 shares issued and outstanding at June 30, 2015 and September 30, 2014, respectively (Note 9)	—	—
Additional paid-in capital	18,008	18,299
Accumulated income	10,623	9,131
Accumulated other comprehensive loss, net:		
Investment securities, available-for-sale	5	31
Defined benefit pension and other postretirement plans	(86) (84
Derivative instruments classified as cash flow hedges	78	38
Foreign currency translation adjustments	(1) (2
Total accumulated other comprehensive loss, net	(4) (17
Total equity	28,627	27,413
Total liabilities and equity	\$39,429	\$38,569

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,	
	2015	2014	2015	2014
	(in millions, except per share data)			
Operating Revenues				
Service revenues	\$1,550	\$1,417	\$4,665	\$4,298
Data processing revenues	1,400	1,321	4,123	3,819
International transaction revenues	1,039	860	2,973	2,622
Other revenues	199	195	607	558
Client incentives	(670)	(638)	(2,059)	(1,824)
Total operating revenues	3,518	3,155	10,309	9,473
Operating Expenses				
Personnel	566	463	1,558	1,379
Marketing	224	228	619	659
Network and processing	117	127	340	379
Professional fees	82	82	229	234
Depreciation and amortization	130	109	375	323
General and administrative	137	126	404	354
Litigation provision (Note 13)	—	—	3	—
Total operating expenses	1,256	1,135	3,528	3,328
Operating income	2,262	2,020	6,781	6,145
Non-operating (expense) income	(94)	10	(69)	29
Income before income taxes	2,168	2,030	6,712	6,174
Income tax provision (Note 12)	471	670	1,896	1,809
Net income	\$1,697	\$1,360	\$4,816	\$4,365

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,	
	2015	2014	2015	2014
	(in millions, except per share data)			
Basic earnings per share (Note 10)				
Class A common stock	\$0.69	\$0.54	\$1.96	\$1.73
Class B common stock	\$1.14	\$0.91	\$3.23	\$2.91
Class C common stock	\$2.78	\$2.17	\$7.84	\$6.91
Basic weighted-average shares outstanding (Note 10)				
Class A common stock	1,955	1,982	1,964	2,001
Class B common stock	245	245	245	245
Class C common stock	20	26	21	26
Diluted earnings per share (Note 10)				
Class A common stock	\$0.69	\$0.54	\$1.96	\$1.72
Class B common stock	\$1.14	\$0.91	\$3.22	\$2.90
Class C common stock	\$2.77	\$2.17	\$7.82	\$6.89
Diluted weighted-average shares outstanding (Note 10)				
Class A common stock	2,448	2,511	2,462	2,533
Class B common stock	245	245	245	245
Class C common stock	20	26	21	26

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,	
	2015	2014	2015	2014
	(in millions)			
Net income	\$1,697	\$1,360	\$4,816	\$4,365
Other comprehensive (loss) income, net of tax:				
Investment securities, available-for-sale:				
Net unrealized loss	(2)	(30)	(21)	(2)
Income tax effect	1	11	8	1
Reclassification adjustment for net gain realized in net income	—	—	(21)	—
Income tax effect	—	—	8	—
Defined benefit pension and other postretirement plans:				
Net unrealized actuarial loss and prior service credit	—	—	—	(7)
Income tax effect	—	—	—	3
Amortization of actuarial gain and prior service credit realized in net income	(3)	—	(3)	(7)
Income tax effect	1	—	1	3
Derivative instruments classified as cash flow hedges:				
Net unrealized (loss) gain	(10)	(14)	118	3
Income tax effect	4	3	(33)	—
Reclassification adjustment for net gain realized in net income	(35)	(16)	(61)	(39)
Income tax effect	9	4	16	8
Foreign currency translation adjustments	—	—	1	—
Other comprehensive (loss) income, net of tax	(35)	(42)	13	(37)
Comprehensive income	\$1,662	\$1,318	\$4,829	\$4,328

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	Total Equity
	Class A	Class B	Class C				
	(in millions, except per share data)						
Balance as of September 30, 2014	1,978	245	22	\$ 18,299	\$ 9,131	\$ (17)	\$27,413
Net income					4,816		4,816
Other comprehensive income, net of tax						13	13
Comprehensive income							4,829
Issuance of restricted stock awards	2						—
Conversion of class C common stock upon sale into public market	12		(3)				—
Share-based compensation				139			139
Excess tax benefit for share-based compensation				78			78
Cash proceeds from issuance of common stock under employee equity plans	2			68			68
Restricted stock and performance-based shares settled in cash for taxes	1			(105)			(105)
Cash dividends declared and paid, at a quarterly amount of \$0.12 per as-converted share (Note 9)					(885)		(885)
Repurchase of class A common stock (Note 9)	(44)			(471)	(2,439)		(2,910)
Balance as of June 30, 2015	1,951	245	19	\$ 18,008	\$ 10,623	\$ (4)	\$28,627

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,	
	2015	2014
	(in millions)	
Operating Activities		
Net income	\$4,816	\$4,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of client incentives	2,059	1,824
Fair value adjustment for the Visa Europe put option	110	—
Share-based compensation	139	130
Excess tax benefit for share-based compensation	(78)	(82)
Depreciation and amortization of property, equipment, technology and intangible assets	375	323
Deferred income taxes	196	(358)
Other	18	10
Change in operating assets and liabilities:		
Settlement receivable	82	24
Accounts receivable	(64)	(55)
Client incentives	(2,093)	(1,775)
Other assets	(342)	(318)
Accounts payable	(52)	(86)
Settlement payable	(95)	82
Accrued and other liabilities	141	273
Accrued litigation (Note 13)	(362)	1,055
Net cash provided by operating activities	4,850	5,412
Investing Activities		
Purchases of property, equipment, technology and intangible assets	(276)	(326)
Proceeds from sales of property, equipment and technology	10	—
Investment securities, available-for-sale:		
Purchases	(2,315)	(1,842)
Proceeds from sales and maturities	1,410	1,863
Acquisition, net of cash received (Note 7)	(93)	(134)
Purchases of / contributions to other investments	(22)	(3)
Proceeds / distributions from other investments	10	—
Net cash used in investing activities	(1,276)	(442)

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,		
	2015	2014	
	(in millions)		
Financing Activities			
Repurchase of class A common stock (Note 9)	\$(2,910)) \$(3,362)
Dividends paid (Note 9)	(885)) (758)
Payments from (return to) litigation escrow account—retrospective responsibility plan (Note 2 and Note 13)	355	(1,056)
Cash proceeds from issuance of common stock under employee equity plans	68	81	
Restricted stock and performance-based shares settled in cash for taxes	(105)) (85)
Excess tax benefit for share-based compensation	78	82	
Net cash used in financing activities	(3,399)) (5,098)
Effect of exchange rate changes on cash and cash equivalents	1	—	
Increase (decrease) in cash and cash equivalents	176	(128)
Cash and cash equivalents at beginning of year	1,971	2,186	
Cash and cash equivalents at end of period	\$2,147	\$2,058	
Supplemental Disclosure			
Income taxes paid, net of refunds	\$1,892	\$1,943	
Accruals related to purchases of property, equipment, technology and intangible assets	\$67	\$42	

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, 2015

(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, financial institutions and governments in more than 200 countries and territories to fast, secure and reliable electronic payments. 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, Visa Canada Corporation, Inovant LLC and CyberSource Corporation (“CyberSource”), operate one of the world’s most advanced processing networks — VisaNet — which facilitates authorization, clearing and settlement of payment transactions worldwide. VisaNet also offers fraud protection for account holders and assured payment for merchants. Visa is not a bank and does not issue cards, extend credit or set rates and fees for account holders on Visa-branded cards and payment products. In most cases, account holder and merchant relationships belong to, and are managed by, Visa’s financial institution clients. Visa provides a wide variety of payment solutions that support payment products that issuers can offer to their account holders: pay now with debit, pay ahead with prepaid or pay later with credit products. Visa also offers a growing suite of innovative digital, eCommerce and mobile products and services. These services facilitate transactions on Visa’s network among account holders, merchants, financial institutions and governments in mature and emerging markets globally.

Consolidation and basis of presentation. The accompanying unaudited consolidated financial statements include the accounts of Visa 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 investments in VIEs have not been material to its consolidated financial statements as of and for the periods presented. All significant intercompany accounts and transactions are eliminated in consolidation.

On March 18, 2015, the Company completed a four-for-one split of its class A common stock effected in the form of a stock dividend. All per share amounts and number of shares outstanding in these unaudited consolidated financial statements and accompanying notes are presented on a post-split basis. See Note 9—Stockholders' Equity.

Certain prior period amounts within the accompanying unaudited consolidated financial statements have been reclassified to conform to current period presentation. These reclassifications did not affect the Company's financial position, total operating revenues, net income, comprehensive income, or cash flows as of and for the periods presented.

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 Annual Report on Form 10-K for the year ended September 30, 2014 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 operations and cash flows for the interim periods presented.

Recently Issued and Adopted Accounting Pronouncements.

In February 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2013-04, which provides guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The Company adopted the standard effective October 1, 2014. The adoption did not have a material impact on the consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, which clarifies guidance for the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity, or

no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The Company adopted the standard effective October 1, 2014. The adoption did not have a material impact on the consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, which provides guidance for the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The standard impacts presentation only. The Company adopted the standard effective October 1, 2014. The adoption did not have a material impact on the consolidated financial statements.

In November 2014, the FASB issued ASU 2014-17, which permits an acquired entity to elect the option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtained control of the acquired entity. The Company adopted the standard prospectively effective November 18, 2014. The adoption did not have a material impact on the consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, which simplifies the classification, presentation and disclosure requirements for extraordinary events and unusual transactions by eliminating the concept of extraordinary items from U.S. GAAP. The Company will adopt the standard effective October 1, 2016. The adoption is not expected to have a material impact on the consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, which amends guidance relating to the assessment for determining when an entity should consolidate variable interest entities and limited partnerships. The Company will adopt the standard effective October 1, 2016. The adoption is not expected to have a material impact on the consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, which simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The standard impacts presentation only. The Company will adopt the standard effective October 1, 2016. The adoption is not expected to have a material impact on the consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, which provides guidance about a customer's accounting for fees paid in a cloud computing arrangement. The amendment will help entities evaluate whether such an arrangement includes a software license, which should be accounted for consistent with the acquisition of other software licenses; otherwise, it should be accounted for as a service contract. The Company will adopt the standard effective October 1, 2016. The 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, the covered litigation are paid. At June 30, 2015 and September 30, 2014, the balance of the escrow account was \$1.1 billion and \$1.5 billion, respectively. The Company paid \$355 million to opt-out merchants from the litigation escrow account during the nine months ended June 30, 2015 to settle their claims associated with the interchange multidistrict litigation. See Note 13—Legal Matters.

The accrual related to the covered litigation could be either higher or lower than the litigation escrow account balance. The Company did not record an additional accrual for the covered litigation during the nine months ended June 30, 2015. See Note 13—Legal Matters.

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 3—Fair Value Measurements and Investments

Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value Measurements Using Inputs Considered as					
	Level 1		Level 2		Level 3	
	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014
	(in millions)					
Assets						
Cash equivalents and restricted cash:						
Money market funds	\$2,239	\$2,277				
Commercial paper			\$45	\$37		
Investment securities, trading:						
Equity securities	71	69				
Investment securities, available-for-sale:						
U.S. government-sponsored debt securities						
U.S. Treasury securities	2,756	2,176				
Equity securities	12	58				
Corporate debt securities			548	522		
Auction rate securities					\$7	\$7
Prepaid and other current assets:						
Foreign exchange derivative instruments			71	40		
Total	\$5,078	\$4,580	\$3,146	\$2,761	\$7	\$7
Liabilities						
Accrued liabilities:						
Visa Europe put option					\$255	\$145
Foreign exchange derivative instruments			\$8	\$6		
Total	\$—	\$—	\$8	\$6	\$255	\$145

There were no significant transfers between Level 1 and Level 2 assets during the nine months ended June 30, 2015 and 2014.

Level 1 assets measured at fair value on a recurring basis. Money market funds, publicly-traded 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. The fair value of U.S. government-sponsored debt securities and corporate debt securities, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. The pricing data obtained from outside sources is reviewed internally for reasonableness, compared against benchmark quotes from independent pricing sources, then confirmed or revised accordingly. Commercial paper and foreign exchange derivative instruments are valued

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

using inputs that are observable in the market or can be derived principally from or corroborated by observable market data. There were no substantive changes to the valuation techniques and related inputs used to measure fair value during the nine months ended June 30, 2015.

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 were no substantive changes to the valuation techniques and related inputs used to measure fair value during the nine months ended June 30, 2015.

Visa Europe put option agreement. The Company has granted Visa Europe a perpetual put option, or 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 (as defined in the put option agreement), or the P/E ratio, at the time the option is exercised, to Visa Europe's adjusted net income for the forward 12-month period (as defined in the put option agreement), or the adjusted sustainable income. 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 valuation of the put option therefore requires substantial judgment. The most subjective estimates applied in valuing the put option are the assumed probability that Visa Europe will elect to exercise its option and the estimated differential between the P/E ratio and the P/E ratio applicable to Visa Europe on a standalone basis at the time of exercise, or the P/E differential. 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, 2015, the Company determined the fair value of the put option to be \$255 million compared to \$145 million at September 30, 2014. While \$255 million represents the fair value of the put option at June 30, 2015, it does not represent the actual purchase price that the Company may be required to pay if the option is exercised. Given current economic conditions, the purchase price under the terms of the put option would likely be in excess of \$15 billion. During the nine months ended June 30, 2015, there were no changes to the valuation methodology used to estimate the fair value of the put option. The increase in value was primarily driven by an increase in estimated Visa Europe adjusted sustainable income partially offset by a decrease in the P/E differential. At June 30, 2015 and September 30, 2014, the key unobservable inputs included a 40% probability of exercise by Visa Europe at some point in the future and an estimated P/E differential of 1.4x and 1.9x, respectively. At June 30, 2015, the Company's spot P/E was 22.5x, and there was a differential of 1.6x 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 was 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 \$32 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 \$259 million in the value of the put option.

Both the Company's estimate of the probability of exercise and the option purchase price discussed above are based on Visa Europe's exercise of the put option on its existing terms. The Company and Visa Europe, however, remain free to structure a business combination on terms that could be substantially different from the existing terms of the put

option. Therefore, the above estimates should not be understood to represent the Company's estimate of the overall likelihood of a business combination transaction with Visa Europe, or of the potential purchase price to be paid by the Company in any such transaction.

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, 2015. Classification in current liabilities is not an indication of management's expectation of exercise and simply reflects the fact that the

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

obligation resulting from the exercise of the instrument could become payable within 12 months. Changes in fair value are recorded as non-cash, non-operating expense on the consolidated statements of operations.

We believe there is compelling logic for both Visa Inc. and Visa Europe to consummate a business combination and therefore regularly engage in such discussions and are currently in such discussions. There is no assurance, however, that any transaction will be ultimately agreed or implemented.

Assets 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. When certain events or circumstances indicate that impairment may exist, the Company revalues the investments using various assumptions, including the 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, 2015 or 2014. At June 30, 2015 and September 30, 2014, these investments totaled \$43 million and \$35 million, respectively. These assets are classified in 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 measured at fair value on a non-recurring basis. Finite-lived intangible assets primarily consist of customer relationships, tradenames and reseller relationships, all of which were obtained through acquisitions.

If the Company were required to perform a quantitative assessment for impairment testing of goodwill and indefinite-lived intangible assets, the fair values would generally be estimated using an income approach. 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 as Level 3 in the fair value hierarchy. The Company completed its annual impairment review of its indefinite-lived intangible assets and goodwill as of February 1, 2015, and concluded that there was no impairment. No recent events or changes in circumstances indicate that impairment existed at June 30, 2015.

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, 2015, but require disclosure of their fair values: time deposits recorded in prepaid expenses and other current assets, settlement receivable and payable, and customer collateral. The estimated fair value of such instruments at June 30, 2015 approximates their carrying value due to their generally short maturities. If measured at fair value in the financial statements, these financial instruments would be classified as Level 2 in the fair value hierarchy.

Investments

Available-for-sale investment securities

The Company had \$9 million in gross unrealized gains and \$3 million in gross unrealized losses at June 30, 2015. There were \$48 million gross unrealized gains and no gross unrealized losses at September 30, 2014. The gross unrealized gains at September 30, 2014 primarily relate to the Company's available-for-sale equity securities. A majority of the Company's available-for-sale investment securities with stated maturities are due within one to two years.

Note 4—Debt

Credit facility. On January 28, 2015, the Company entered into an unsecured \$3.0 billion revolving credit facility (the "Credit Facility"). The Credit Facility, which expires on January 27, 2016, replaced the Company's previous \$3.0 billion credit facility, which expired on January 28, 2015. The Credit Facility contains covenants and events of default customary for facilities of this type. The participating lenders in the Credit Facility include affiliates of certain holders of the Company's class B and class C common stock and some of the Company's clients or affiliates of its clients. This facility is maintained to provide liquidity in the event of settlement failures by the Company's clients, to back up the

commercial paper program and for general corporate purposes.

15

Interest on borrowings under the Credit Facility would be charged at the London Interbank Offered Rate or an alternative base rate, in each case plus applicable margins that fluctuate based on the applicable credit rating of the Company's senior unsecured long-term debt. Visa also agreed to pay a commitment fee, which will fluctuate based on the credit rating of the Company's senior unsecured long-term debt. Currently, the applicable margin is 0.00% to 0.75% depending on the type of the loan, and the commitment fee is 0.07%. There were no borrowings under either facility and the Company was in compliance with all related covenants during the nine months ended June 30, 2015.

Note 5—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 Company also sponsors other pension benefit plans that provide benefits for internationally-based employees at certain non-U.S. locations, which are not presented below as they are not material.

The components of net periodic benefit cost are as follows:

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended June 30,		Nine Months Ended June 30,		Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
	(in millions)							
Service cost	\$12	\$11	\$35	\$34	\$—	\$—	\$—	\$—
Interest cost	10	10	30	31	—	—	—	—
Expected return on assets	(18)	(17)	(54)	(51)	—	—	—	—
Amortization of:								
Prior service credit	(2)	(2)	(5)	(6)	—	—	(2)	(2)
Actuarial loss (gain)	—	1	—	1	(1)	(1)	(1)	(1)
Curtailment gain	—	—	—	(3)	—	—	—	—
Settlement loss	1	2	5	3	—	—	—	—
Total net periodic benefit cost	\$3	\$5	\$11	\$9	\$(1)	\$(1)	\$(3)	\$(3)

Note 6—Settlement Guarantee Management

The Company indemnifies its financial institution clients for settlement losses suffered due to failure of any other clients to fund its settlement obligations in accordance with Visa's operating regulations. The indemnification 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 exposure to settlement losses through Visa's settlement indemnification is accounted for as a settlement risk guarantee. The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time. The Company requires certain financial institution clients 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 \$43.9 billion for the quarter ended June 30, 2015, compared to \$56.9 billion for the quarter ended September 30, 2014. The decrease in the Company's estimated maximum settlement exposure for the quarter ended June 30, 2015 is due to recent changes in Visa's operating regulations that reduced the number of transactions covered by its settlement indemnification. Of these settlement exposure amounts, \$2.2 billion and \$3.2 billion were covered by collateral at June 30, 2015 and September 30, 2014, respectively.

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company maintained collateral as follows:

	June 30, 2015	September 30, 2014
	(in millions)	
Cash equivalents	\$1,068	\$961
Pledged securities at market value	155	148
Letters of credit	1,165	1,242
Guarantees	1,213	1,554
Total	\$3,601	\$3,905

The total available collateral balances presented in the table above were greater than the settlement exposure covered by customer collateral held due to instances in which the available collateral exceeded 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, 2015 and September 30, 2014. These amounts are reflected in accrued liabilities on the consolidated balance sheets.

Note 7—Goodwill and Intangible Assets

In April 2015, the Company acquired a business in which it previously held a minority interest. The total purchase consideration was approximately \$116 million, excluding the Company's previously held minority interest, paid primarily with cash on hand. Total purchase consideration has been allocated to the tangible and identifiable intangible assets acquired, and to liabilities assumed based on their respective fair values on the acquisition date. Related finite-lived intangible assets recorded totaled \$13 million with a weighted-average useful life of 6.7 years. Goodwill of \$72 million was recorded to reflect the excess purchase consideration over net assets acquired.

The consolidated financial statements include the operating results of the acquired business from the date of acquisition. Pro forma information related to the acquisition has not been presented as the impact is not material to the Company's financial results.

Note 8—Other Liabilities

Other non-current liabilities consisted of the following:

	June 30, 2015	September 30, 2014
	(in millions)	
Accrued income taxes ⁽¹⁾	\$716	\$855
Employee benefits	86	92
Other	77	58
Total	\$879	\$1,005

⁽¹⁾ The decrease in non-current accrued taxes is primarily due to a decrease in liabilities for uncertain tax positions. See Note 12—Income Taxes.

Note 9—Stockholders' Equity

Class A common stock split. In January 2015, Visa's board of directors declared a four-for-one split of its class A common stock. Each class A common stockholder of record at the close of business on February 13, 2015 ("Record Date"), received a dividend of three additional shares on March 18, 2015 for every share held as of the Record Date. Trading began on a split-adjusted basis on March 19, 2015. Holders of class B and C common stock did not receive a stock dividend. Instead, the conversion rate for class B common stock increased to 1.6483 shares of class A common stock per share of class B common stock, and the conversion rate for class C common stock increased to 4.0 shares of class A common stock per share of class C common stock. Immediately following the split, the class A, B and C stockholders retained the same relative ownership percentages that they had prior to the

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

stock split. All per share amounts and number of shares outstanding in these unaudited consolidated financial statements and accompanying notes are presented on a post-split basis. As a result of the stock split, all historical per share data and number of shares outstanding presented have been retroactively adjusted.

As-Converted Class A Common Stock. 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, 2015, are as follows:

(in millions, except conversion rates)	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock ⁽¹⁾
Class A common stock	1,951	—	1,951
Class B common stock	245	1.6483	(2) 405
Class C common stock	19	4.0000	77
Total			2,433

(1) Figures in the table may not recalculate exactly due to rounding. As-converted class A common stock is calculated based on unrounded numbers.

(2) The class B to class A common stock conversion rate is presented on a rounded basis. Conversion calculations for dividend payments are based on a conversion rate rounded to the tenth decimal.

Reduction in as-converted class A common stock. The following table presents share repurchases in the open market.

(in millions, except per share data)	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2015
Shares repurchased in the open market ⁽¹⁾	15	44
Average repurchase price per share ⁽²⁾	\$68.05	\$65.98
Total cost	\$1,055	\$2,910

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

(2) Figures in the table may not recalculate exactly due to rounding. Average repurchase price per share is calculated based on unrounded numbers.

As of June 30, 2015, the October 2014 program had remaining authorized funds of \$2.8 billion for share repurchase. All share repurchase programs authorized prior to October 2014 have been completed.

Dividends. In July 2015, the Company's board of directors declared a quarterly cash dividend of \$0.12 per share of class A common stock (determined in the case of class B and class C common stock on an as-converted basis). The cash dividend will be paid on September 1, 2015, to all holders of record of the Company's class A, B and C common stock as of August 14, 2015. The Company declared and paid \$885 million in dividends during the nine months ended June 30, 2015.

Note 10—Earnings Per Share

The following table presents earnings per share for the three months ended June 30, 2015.⁽¹⁾

	Basic Earnings Per Share			Diluted Earnings Per Share		
	(in millions, except per share data)					
	Income Allocation (A) ⁽²⁾	Weighted- Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A) ⁽²⁾	Weighted- Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
Class A common stock	\$1,358	1,955	\$0.69	\$1,697	2,448	(3) \$0.69
Class B common stock ⁽⁴⁾	281	245	\$1.14	\$281	245	\$1.14
Class C common stock ⁽⁴⁾	54	20	\$2.78	\$54	20	\$2.77
Participating securities ⁽⁵⁾	4	Not presented	Not presented	\$4	Not presented	Not presented
Net income		\$1,697				

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents earnings per share for the nine months ended June 30, 2015.⁽¹⁾

	Basic Earnings Per Share (in millions, except per share data)			Diluted Earnings Per Share		
	Income Allocation (A) ⁽²⁾	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A) ⁽²⁾	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
Class A common stock	\$3,850	1,964	\$1.96	\$4,816	2,462	⁽³⁾ \$1.96
Class B common stock ⁽⁴⁾	793	245	\$3.23	\$792	245	\$3.22
Class C common stock ⁽⁴⁾	161	21	\$7.84	\$161	21	\$7.82
Participating securities ⁽⁵⁾	12	Not presented	Not presented	\$12	Not presented	Not presented
Net income	\$4,816					

The following table presents earnings per share for the three months ended June 30, 2014.⁽¹⁾

	Basic Earnings Per Share (in millions, except per share data)			Diluted Earnings Per Share		
	Income Allocation (A) ⁽²⁾	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A) ⁽²⁾	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
Class A common stock	\$1,076	1,982	\$0.54	\$1,360	2,511	⁽³⁾ \$0.54
Class B common stock ⁽⁴⁾	224	245	\$0.91	\$224	245	\$0.91
Class C common stock ⁽⁴⁾	56	26	\$2.17	\$56	26	\$2.17
Participating securities ⁽⁵⁾	4	Not presented	Not presented	\$4	Not presented	Not presented
Net income	\$1,360					

The following table presents earnings per share for the nine months ended June 30, 2014.⁽¹⁾

	Basic Earnings Per Share (in millions, except per share data)			Diluted Earnings Per Share		
	Income Allocation (A) ⁽²⁾	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A) ⁽²⁾	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
Class A common stock	\$3,458	2,001	\$1.73	\$4,365	2,533	⁽³⁾ \$1.72
Class B common stock ⁽⁴⁾	714	245	\$2.91	\$712	245	\$2.90
Class C common stock ⁽⁴⁾	180	26	\$6.91	\$180	26	\$6.89
Participating securities ⁽⁵⁾	13	Not presented	Not presented	\$13	Not presented	Not presented
Net income	\$4,365					

Figures in the table may not recalculate exactly due to rounding. Earnings per share is calculated based on unrounded numbers. The number of shares and per share amounts for the prior periods presented have been retroactively adjusted to reflect the four-for-one stock split effected in the fiscal second quarter of 2015. See Note 9—Stockholders' Equity.

Net income is allocated based on proportional ownership on an as-converted basis. The weighted-average number of shares of as-converted class B common stock used in the income allocation was 405 million for the three and nine months ended June 30, 2015, and 413 million for the three and nine months ended June 30, 2014. The weighted-average number of shares of as-converted class C common stock used in the income allocation was 78 million and 82 million for the three and nine months ended June 30, 2015, respectively, and 103 million and 104 million for the three and nine months ended June 30, 2014, respectively.

Weighted-average diluted shares outstanding are calculated on an as-converted basis, and include incremental common stock equivalents, as calculated under the treasury stock method. The computation includes (3) approximately 5 million common stock equivalents for the three and nine months ended June 30, 2015, and 6 million and 7 million common stock equivalents for the three and nine months ended June 30, 2014, respectively, because their effect would be dilutive. The calculation excludes 1 million of common stock equivalents for the three

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

months ended June 30, 2015 and 2014, and 2 million of common stock equivalents for the nine months ended June 30, 2015 and 2014, because their effect would have been anti-dilutive.

The outstanding number of shares of class B and C common stock were not impacted by the stock split as these (4) stockholders received an adjustment to their respective conversion ratios instead of stock dividends. See Note 9—Stockholders' Equity. Weighted-average basic and diluted shares outstanding for class B and C common stock are calculated based on the common shares outstanding of each respective class rather than on an as-converted basis.

Participating securities are unvested share-based payment awards that contain non-forfeitable rights to dividends or (5) dividend equivalents, such as the Company's restricted stock awards, restricted stock units and earned performance-based shares.

Note 11—Share-based Compensation

The Company granted the following equity awards to employees and non-employee directors under the 2007 Equity Incentive Compensation Plan during the nine months ended June 30, 2015. The amounts presented below reflect the four-for-one stock split that was effected in the second quarter of fiscal 2015. See Note 9—Stockholders' Equity.

	Granted	Weighted-Average Grant Date Fair Value	Weighted-Average Exercise Price
Non-qualified stock options	1,415,310	\$12.00	\$62.60
Restricted stock awards ("RSAs")	2,033,977	\$63.04	
Restricted stock units ("RSUs")	736,702	\$62.58	
Performance-based shares ⁽¹⁾	785,884	\$69.78	

(1) Represents the maximum number of performance-based shares which could be earned.

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. The Company's performance-based shares are equity awards with service, market and performance conditions that are accounted for using the graded-vesting method. Compensation cost is recorded net of estimated forfeitures, which are adjusted as appropriate.

Employee Stock Purchase Plan. In January 2015, the Company's class A stockholders approved the Visa Inc. Employee Stock Purchase Plan (the "ESPP"), under which substantially all employees are eligible to participate. The ESPP permits eligible employees to purchase the Company's class A common stock at a 15% discount of the stock price on the purchase date, subject to certain restrictions. A total of 20 million shares of class A common stock have been reserved for issuance under the ESPP. The first offering date was April 1, 2015. The ESPP does not have a material impact on the consolidated financial statements.

Note 12—Income Taxes

The effective income tax rates were 22% and 28% for the three and nine months ended June 30, 2015, respectively, and 33% and 29% for the three and nine months ended June 30, 2014, respectively.

The effective tax rate for the three months ended June 30, 2015 differs from the effective tax rate in the same period in fiscal 2014 primarily due to a \$280 million tax benefit resulting from the resolution of uncertain tax positions with taxing authorities in the third quarter of fiscal 2015. Of the \$280 million, \$239 million relates to prior fiscal years and \$24 million relates to the first and second quarters of fiscal 2015.

The effective tax rate for the nine months ended June 30, 2015 differs from the effective tax rate in the same period in fiscal 2014 primarily due to:

- the aforementioned \$280 million tax benefit resulting from the resolution of uncertain tax positions with taxing authorities in the third quarter of fiscal 2015; and
- the absence of a one-time \$189 million tax benefit recorded in the second quarter of fiscal 2014 related to a deduction for U.S. domestic production activities for years prior to fiscal 2014.

Table of Contents

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the three and nine months ended June 30, 2015, the Company's gross unrecognized tax benefits decreased by \$245 million and \$254 million, respectively. The decrease in gross unrecognized tax benefits is primarily due to the recognition of previously recorded unrecognized tax benefits as a result of the resolution of uncertain tax positions with taxing authorities in the third quarter of fiscal 2015. During the three and nine months ended June 30, 2015, the Company's accrued interest on unrecognized tax benefits decreased by \$8 million and \$4 million, respectively, as a result of the decrease in unrecognized tax benefits. During the three and nine months ended June 30, 2015, there were no significant changes in penalties related to uncertain tax positions.

The Company's tax filings are subject to examination by the U.S. federal, state and foreign taxing authorities. The timing and outcome of the final resolutions of the various ongoing income tax examinations are highly uncertain. It is not reasonably possible to estimate the increase or decrease in unrecognized tax benefits within the next twelve months.

Note 13—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 the amount or range of losses 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 financial position, results of operations 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.

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 as of the balance sheet date.

The following table summarizes activity related to accrued litigation.

	Fiscal 2015 (in millions)	Fiscal 2014
Balance at October 1	\$1,456	\$5
Reestablishment of obligation related to interchange multidistrict litigation	—	1,056
Additional provision for legal matters	3	—
Payments on legal matters	(362)	(1)
Balance at June 30	\$1,097	\$1,060

Covered Litigation

Visa Inc., Visa U.S.A. and Visa International are parties to certain legal proceedings that are covered by the retrospective responsibility plan, which the Company refers to as the covered litigation. See Note 2—Retrospective Responsibility Plan. An accrual for the 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 total accrual related to the covered litigation could be either higher or lower than the escrow account balance.

The following table summarizes the activity related to covered litigation.

	Fiscal 2015 (in millions)	Fiscal 2014
Balance at October 1	\$1,449	\$—
Payments on covered litigation	(355) —
Reestablishment of obligation related to interchange multidistrict litigation	—	1,056
Balance at June 30	\$1,094	\$1,056

The Attridge Litigation

At plaintiff's request, the court dismissed the case with prejudice on June 3, 2015.

Interchange Multidistrict Litigation (MDL)

On January 14, 2015, following a court-approved process to give class members who previously opted out of the damages portion of the class settlement an option to rejoin it, the class administrator submitted a report stating that it had received 1,179 requests by merchants to rejoin the cash settlement class, some of which may include multiple merchants.

Consumer Interchange Litigation

On November 26, 2014, in the putative class action filed on behalf of an alleged class of Visa and MasterCard payment cardholders, the court dismissed plaintiffs' federal law claim and declined to exercise jurisdiction over plaintiffs' state law claim. Both sides have asked the court to reconsider aspects of its decision, and have filed notices of appeal.

Interchange Opt-out Litigation

Beginning in May 2013, more than 45 opt-out cases have been filed by hundreds of merchants in various federal district courts, generally pursuing damages claims on allegations similar to those raised in MDL 1720. A number of the cases also include allegations that Visa has monopolized, attempted to monopolize, and/or conspired to monopolize debit card-related market segments, and one of the cases seeks an injunction against the fixed acquirer network fee. The cases name as defendants Visa Inc., Visa U.S.A., Visa International, MasterCard Incorporated, and MasterCard International Incorporated, although some also include certain U.S. financial institutions as defendants. Wal-Mart Stores Inc. and its subsidiaries filed an opt-out complaint that also added Visa Europe Limited and Visa Europe Services Inc. as defendants. Visa Europe Limited and Visa Europe Services Inc. filed a motion to dismiss Wal-Mart's claims against them.

As of the date of filing this quarterly report, Visa has reached settlement agreements with a number of merchants representing approximately 27% of the Visa-branded payment card sales volume of merchants who opted out.

On December 23, 2014, a similar case was filed in New Mexico state court by New Mexico's attorney general on behalf of the state, state agencies, and citizens of the state, generally pursuing claims on allegations similar to those raised in MDL 1720. On May 15, 2015, defendants filed a partial motion to dismiss. If this case is transferred to or otherwise included in MDL 1720, it will be covered litigation for purposes of the retrospective responsibility plan. See Note 2—Retrospective Responsibility Plan.

In the Texas state court case filed by merchants, which generally pursues claims on allegations similar to those raised in MDL 1720, the parties entered into a settlement agreement, and, on May 19, 2015, the court entered an agreed final judgment.

Other Litigation

"Indirect Purchaser" Actions

In early December 2014, objectors to the settlement in the consolidated Credit/Debit Card Tying Cases petitioned for review by the California Supreme Court, which the court denied on February 11, 2015.

European Competition Proceedings

U.K. Merchant Litigation. On defendants' application for summary judgment, the court has limited the potential damages of most merchants who have commenced proceedings to 6 years prior to the filing of their claims. The claimants have been granted permission to appeal the court's ruling.

Visa Inc. and Visa International have learned that several additional European merchants have indicated that they may bring claims against Visa Europe, Visa Inc. and/or Visa International with respect to interchange rates in Europe. We anticipate that similar such claims may be asserted by additional merchants in the future.

Data Pass Litigation

On January 9, 2015, Webloyalty.com, GameStop, and Visa each filed motions to dismiss the second amended class action complaint.

Korean Fair Trade Commission

On March 13, 2015, the Korean Fair Trade Commission notified Visa that it is discontinuing the investigation into Visa's requirements for processing of international transactions over VisaNet.

Target Data Breach

On December 30, 2014, the court granted plaintiffs' notice of voluntary dismissal without prejudice of all claims against Visa and MasterCard.

Pulse Network

On November 25, 2014, Pulse Network LLC filed suit against Visa Inc. in federal district court in Texas. Pulse alleges that Visa has monopolized and attempted to monopolize debit card network services markets. Pulse also alleges that Visa has entered into agreements in restraint of trade, engaged in unlawful exclusive dealing and tying, violated the Texas Free Enterprise and Antitrust Act, and engaged in tortious interference with prospective business relationships. Pulse seeks unspecified treble damages, attorneys' fees, and injunctive relief, including to enjoin the fixed acquirer network fee structure, Visa's conduct regarding PIN-Authenticated Visa Debit, and Visa agreements with merchants and acquirers relating to debit acceptance. On January 23, 2015, Visa filed a motion to dismiss the complaint.

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. Forward-looking statements generally are identified by words such as "believes," "estimates," "expects," "may," "projected," "could," "will," "will continue" and other similar expressions. Examples of forward-looking statements include, but are not limited to, statements we make about our revenue, client incentives, operating margin, tax rate, earnings per share, free cash flow, and the growth of those items.

By their nature, forward-looking statements: (i) speak only as of the date they are made; (ii) are not statements of historical fact or guarantees of future performance; and (iii) are subject to risks, uncertainties, assumptions or changes in circumstances that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from our forward-looking statements due to a variety of factors, including the following:

- the impact of laws, regulations and marketplace barriers, including:
 - rules capping debit interchange reimbursement rates and expanding financial institutions' and merchants' choices among debit payments networks promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act;
 - increased regulation in jurisdictions outside of the United States and in other product categories;
 - increased government support of national payments networks outside the United States; and
 - increased regulation of consumer privacy, data use and security;
- developments in litigation and government enforcement, including those affecting interchange reimbursement fees, antitrust and tax;
- new lawsuits, investigations or proceedings, or changes to our potential exposure in connection with pending lawsuits, investigations or proceedings;
- economic factors, such as:
 - economic fragility in the Eurozone and in the United States;
 - general economic, political and social conditions in mature and emerging markets globally;
 - general stock market fluctuations which may impact consumer spending;
 - material changes in cross-border activity, foreign exchange controls and fluctuations in currency exchange rates;
 - volatility in market prices for oil and natural gas; and
 - material changes in our financial institution clients' performance compared to our estimates;
- industry developments, such as competitive pressure, rapid technological developments and disintermediation from our payments network;
- 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 Visa-branded cards or payment products; and

- failure to maintain systems interoperability with Visa Europe;
- any prospective transaction with Visa Europe may not be agreed to or implemented;
- costs arising if we become obligated to purchase all of Visa Europe's outstanding capital stock;
- the loss of organizational effectiveness or key employees;
- the failure to integrate acquisitions successfully or to effectively develop new products and businesses;
- natural disasters, terrorist attacks, military or political conflicts, and public health emergencies; and

various other factors, including those contained in our Annual Report on Form 10-K for the year ended September 30, 2014 and our other filings with the U.S. Securities and Exchange Commission. You should not place undue reliance on such statements. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future developments or otherwise.

Overview

Visa is a global payments technology company that connects consumers, businesses, financial institutions and governments around the world to fast, secure and reliable electronic payments. We provide our financial institution clients with a global payments infrastructure and support services for the delivery of Visa-branded payment products, including credit, debit, and prepaid. 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 solutions we provide.

Overall economic conditions. Our business is affected by overall economic conditions and consumer spending. Our business performance during the nine months ended June 30, 2015 reflects the impacts of a modest global economic recovery.

Financial highlights. During the three months ended June 30, 2015, we recorded net income of \$1.7 billion, or diluted class A earnings per share of \$0.69, an increase of 25% and 28%, respectively, over the prior year comparable period. During the nine months ended June 30, 2015, we recorded net income of \$4.8 billion, or diluted class A earnings per share of \$1.96, an increase of 10% and 14%, respectively, over the prior year comparable period.

Our non-GAAP adjusted net income and diluted earnings per share for the three and nine months ended June 30, 2015 and 2014 are as follows:

	Three Months Ended June 30,			Nine Months Ended June 30,				
	2015	2014	% Change ⁽¹⁾	2015	2014	% Change ⁽¹⁾		
	(in millions, except percentages)							
Net income, as adjusted	\$1,807	\$1,360	33	% \$4,926	\$4,365	13	%	
Diluted earnings per share, as adjusted ⁽²⁾	\$0.74	\$0.54	36	% \$2.00	\$1.72	16	%	

(1) Figures in the table may not recalculate exactly due to rounding. Percentage changes are calculated based on unrounded numbers.

(2) The per share amounts for the prior periods presented have been retroactively adjusted to reflect the four-for-one stock split effected in the fiscal second quarter of 2015.

During the third quarter of fiscal 2015, we recorded an increase of \$110 million in the fair value of the Visa Europe put option, resulting in the recognition of non-cash, non-operating expense that we do not believe is indicative of our operating performance. As such, we believe the presentation of adjusted financial results provides a clearer understanding of our operating performance for the current periods presented. This amount is not subject to income tax and therefore has no impact on our reported income tax provision. See Note 3—Fair Value Measurements and Investments to our unaudited consolidated financial statements. There were no comparable adjustments recorded for the three and nine months ended June 30, 2014. Net income, as adjusted, and diluted earnings per share, as adjusted, are non-GAAP financial measures and should not be relied upon as substitutes for measures calculated in accordance with U.S. GAAP. The following table reconciles our as-reported net income and diluted earnings per share, which are calculated in accordance with U.S. GAAP, to our net income, as adjusted, and diluted earnings per share, as adjusted, for the periods presented:

Edgar Filing: VISA INC. - Form 10-Q

(in millions, except per share data)	Three Months Ended June 30, 2015		Nine Months Ended June 30, 2015	
	Net Income	Diluted Earnings Per Share (1)	Net Income	Diluted Earnings Per Share (1)
As reported	\$1,697	\$0.69	\$4,816	\$1.96
Revaluation of Visa Europe put option	110	0.04	110	0.04
As adjusted	\$1,807	\$0.74	\$4,926	\$2.00
Diluted weighted-average shares outstanding, as reported		2,448		2,462

(1) Figures in the table may not recalculate exactly due to rounding. Diluted earnings per share figures are calculated based on unrounded numbers.

In June 2015, we recognized a tax benefit of \$280 million resulting from the resolution of uncertain tax positions with taxing authorities. Of the \$280 million benefit, \$239 million relates to prior fiscal years, and \$24 million relates to the first and second quarters of fiscal 2015. Our financial results for the nine months ended June 30, 2014 reflect a one-time tax benefit of \$189 million associated with a deduction for U.S. domestic production activities related to fiscal years 2013 and prior. See Note 12—Income Taxes to our unaudited consolidated financial statements.

We recorded total operating revenues of \$3.5 billion and \$10.3 billion, an increase of 12% and 9% over the prior year, for the three and nine months ended June 30, 2015, respectively. Increases in total operating revenues were driven by continued growth in processed transactions and nominal payments volume. The general strengthening of the U.S. dollar during the three and nine months resulted in a negative three percentage point impact and a negative two percentage point impact, respectively, to our total operating revenue growth.

Total operating expenses for the three and nine months ended June 30, 2015 were \$1.3 billion and \$3.5 billion, an 11% and 6% increase over prior year, respectively, primarily due to increases in personnel, additional depreciation from our ongoing investments in technology assets and infrastructure, and general and administrative expenses. The increases were partially offset by the absence of marketing campaigns related to prior year events such as the 2014 Sochi Winter Olympics and 2014 FIFA World Cup, and a decrease in network and processing expenses as a result of initiatives to optimize the use of our technology resources.

Class A common stock split. In January 2015, Visa's board of directors declared a four-for-one split of its class A common stock. Each class A common stockholder of record at the close of business on February 13, 2015 ("Record Date"), received a dividend of three additional shares on March 18, 2015 for every share held as of the Record Date. Trading began on a split-adjusted basis on March 19, 2015. Holders of class B and C common stock did not receive a stock dividend. Instead, the conversion rate for class B common stock increased to 1.6483 shares of class A common stock per share of class B common stock, and the conversion rate for class C common stock increased to 4.0 shares of class A common stock per share of class C common stock. Immediately following the split, the class A, B and C stockholders retained the same relative ownership percentages that they had prior to the stock split. See Note 9—Stockholders' Equity to our unaudited consolidated financial statements.

Reduction in as-converted class A common stock. During the three months ended June 30, 2015, we repurchased 15 million shares of our class A common stock in the open market using \$1.1 billion of cash on hand. As of June 30, 2015, we had remaining authorized funds of \$2.8 billion. All share repurchase programs authorized prior to October 2014 have been completed. See Note 9—Stockholders' Equity to our unaudited consolidated financial statements.

Interchange reimbursement fees. On January 20, 2015, the Supreme Court declined to hear a further appeal of the March 2014 Court of Appeals for the D.C. Circuit ruling, which upheld the Federal Reserve's interpretation of the Dodd-Frank Act except for a single issue related to the interchange cost calculation.

Nominal payments volume and transaction counts. Payments volume is the primary driver for our service revenues, and the number of processed transactions is the primary driver for our data processing revenues. Nominal payments volume over the prior year posted strong growth in the U.S., driven mainly by consumer credit. International payments volume nominal growth was negatively impacted by the overall strengthening of the U.S. dollar. On a constant dollar basis, which excludes the impact of exchange rate movements, our international payments volume growth rate for the three and nine months ended March 31, 2015⁽¹⁾ is 13%. Processed transactions sustained healthy

growth reflecting the ongoing worldwide shift to electronic currency.

27

Table of Contents

The following tables present nominal payments volume.⁽²⁾

	U.S.			International			Visa Inc.		
	3 Months Ended March 31, 2015 ⁽¹⁾	3 Months Ended March 31, 2014 ⁽¹⁾	% Change	3 Months Ended March 31, 2015 ⁽¹⁾	3 Months Ended March 31, 2014 ⁽¹⁾	% Change	3 Months Ended March 31, 2015 ⁽¹⁾	3 Months Ended March 31, 2014 ⁽¹⁾	% Change

(in billions, except percentages)

Nominal payments volume

Consumer credit	\$230	\$204	13 %	\$399	\$387	3 %	\$628	\$591	6 %
Consumer debit ⁽³⁾	299	281	7 %	107	111	(4) %	406	393	4 %
Commercial ⁽⁴⁾	99	90	10 %	34	34	— %	133	124	7 %
Total nominal payments volume	\$628	\$575	9 %	\$540	\$533	1 %	\$1,168	\$1,108	5 %
Cash volume	120	115	4 %	464	507	(8) %	584	622	(6) %
Total nominal volume ⁽⁵⁾	\$748	\$690	8 %	\$1,004	\$1,040	(3) %	\$1,752	\$1,730	1 %

	U.S.			International			Visa Inc.		
	9 Months Ended March 31, 2015 ⁽¹⁾	9 Months Ended March 31, 2014 ⁽¹⁾	% Change	9 Months Ended March 31, 2015 ⁽¹⁾	9 Months Ended March 31, 2014 ⁽¹⁾	% Change	9 Months Ended March 31, 2015 ⁽¹⁾	9 Months Ended March 31, 2014 ⁽¹⁾	% Change

(in billions, except percentages)

Nominal payments volume

Consumer credit	\$721	\$640	13 %	\$1,256	\$1,192	5 %	\$1,977	\$1,832	8 %
Consumer debit ⁽³⁾	887	831	7 %	351	336	4 %	1,237	1,167	6 %
Commercial ⁽⁴⁾	303	270	12 %	113	107	6 %	417	377	10 %
Total nominal payments volume	\$1,911	\$1,741	10 %	\$1,719	\$1,635	5 %	\$3,630	\$3,376	8 %
Cash volume	365	347	5 %	1,541	1,589	(3) %	1,906	1,936	(2) %
Total nominal volume ⁽⁵⁾	\$2,276	\$2,088	9 %	\$3,260	\$3,224	1 %	\$5,536	\$5,312	4 %

The following table presents nominal and constant payments volume growth.⁽²⁾

	International		Visa Inc.		International		Visa Inc.	
	3 Months Ended March 31, 2015 vs. 2014 ⁽¹⁾	Constant ⁽⁶⁾	3 Months Ended March 31, 2015 vs. 2014 ⁽¹⁾	Constant ⁽⁶⁾	9 Months Ended March 31, 2015 vs. 2014 ⁽¹⁾	Constant ⁽⁶⁾	9 Months Ended March 31, 2015 vs. 2014 ⁽¹⁾	Constant ⁽⁶⁾
Payments volume growth								
Consumer credit	3 %	13 %	6 %	13 %	5 %	12 %	8 %	12 %
Consumer debit ⁽³⁾	(4) %	11 %	4 %	8 %	4 %	16 %	6 %	9 %
Commercial ⁽⁴⁾	— %	12 %	7 %	10 %	6 %	13 %	10 %	12 %
Total payments volume growth	1 %	13 %	5 %	11 %	5 %	13 %	8 %	11 %
Cash volume growth	(8) %	8 %	(6) %	7 %	(3) %	9 %	(2) %	8 %
Total volume growth	(3) %	10 %	1 %	10 %	1 %	11 %	4 %	10 %

Edgar Filing: VISA INC. - Form 10-Q

Service revenues in a given quarter are assessed based on nominal payments volume in the prior quarter.

- (1) Therefore, service revenues reported for the three and nine months ended June 30, 2015 and 2014, were based on nominal payments volume reported by our financial institution clients for the three and nine months ended March 31, 2015 and 2014, respectively.
- (2) Figures in the table may not recalculate exactly due to rounding. Percentage changes are calculated based on unrounded numbers.
- (3) Includes prepaid volume.
- (4) Includes large, middle and small business credit and debit, as well as prepaid volume.

Table of Contents

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 on Visa-branded cards and payment products. 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 review by Visa. On occasion, previously presented volume information may be updated. Prior period updates are not material.

(5) Growth on a constant-dollar basis excludes the impact of foreign currency fluctuations against the U.S. dollar. The following table provides the number of transactions processed by our VisaNet system, including transactions involving Visa, Visa Electron, Interlink and PLUS cards processed on Visa's networks.⁽¹⁾

	Three Months Ended June 30,			Nine Months Ended June 30,			
	2015 ⁽²⁾	2014	% Change	2015 ⁽²⁾	2014	% Change	
	(in millions, except percentages)						
Visa processed transactions	18,024	16,662	8	% 52,604	48,001	10	%

Figures in the table may not recalculate exactly due to rounding. Percentage changes are calculated based on unrounded numbers. On occasion, previously presented information may be updated. Prior period updates are not material.

(1) As a result of recent changes in Russian National Payment System law, we have transitioned the processing of Russian domestic transactions to the Russian National Payment Card System during the third quarter of fiscal 2015. The number of transactions processed by our VisaNet system does not reflect Russian domestic transactions processed after transition.

Table of Contents

Results of Operations

Operating Revenues

The following table sets forth our operating revenues earned in the United States, internationally 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,		2015 vs. 2014		Nine Months Ended June 30,		2015 vs. 2014		
	2015	2014	\$	%	2015	2014	\$	%	
			Change	Change ⁽¹⁾			Change	Change ⁽¹⁾	
	(in millions, except percentages)								
U.S.	\$1,894	\$1,699	\$195	11 %	\$5,460	\$5,073	\$387	8 %	
International	1,566	1,403	163	12 %	4,681	4,242	439	10 %	
Visa Europe	58	53	5	11 %	168	158	10	6 %	
Total operating revenues	\$3,518	\$3,155	\$363	12 %	\$10,309	\$9,473	\$836	9 %	

⁽¹⁾ Figures in the table may not recalculate exactly due to rounding. Percentage changes are calculated based on unrounded numbers.

The increase in operating revenues primarily reflects continued growth in processed transactions and nominal payments volume. Overall revenue growth also reflects the positive impact of select pricing modifications effected in the third quarter of fiscal 2015 combined with higher foreign currency exchange volatility on international transaction revenues.

Our operating revenues, primarily service revenues, international transaction revenues, and client incentives, are impacted by the overall strengthening or weakening of the U.S. dollar as payments volume and related revenues denominated in local currencies are converted to U.S. dollars. The effect of exchange rate movements in the three months and nine months ended June 30, 2015, which were partially mitigated by our hedging program, resulted in a negative three percentage point impact and a negative two percentage point impact, respectively, to our total operating revenue growth. For the full 2015 fiscal year, we expect the effect of exchange rate movements to reduce total operating revenue growth by about two-and-a-half percentage points, net of offsetting hedges.

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

	Three Months Ended June 30,		2015 vs. 2014		Nine Months Ended June 30,		2015 vs. 2014		
	2015	2014	\$	%	2015	2014	\$	%	
			Change	Change ⁽¹⁾			Change	Change ⁽¹⁾	
	(in millions, except percentages)								
Service revenues	\$1,550	\$1,417	\$133	9 %	\$4,665	\$4,298	\$367	9 %	
Data processing revenues	1,400	1,321	79	6 %	4,123	3,819	304	8 %	
International transaction revenues	1,039	860	179	21 %	2,973	2,622	351	13 %	
Other revenues	199	195	4	2 %	607	558	49	9 %	
Client incentives	(670)	(638)	(32)	5 %	(2,059)	(1,824)	(235)	13 %	
Total operating revenues	\$3,518	\$3,155	\$363	12 %	\$10,309	\$9,473	\$836	9 %	

⁽¹⁾ Figures in the table may not recalculate exactly due to rounding. Percentage changes are calculated based on unrounded numbers.

Service revenues increased due to 5% and 8% growth in nominal payments volume during the three and nine month comparable periods, respectively. Service revenues also benefited from select pricing modifications which became effective in the third quarter of fiscal 2015.

Table of Contents

Data processing revenues increased primarily due to overall growth in processed transactions of 8% and 10% during the three and nine month comparable periods, respectively.

International transaction revenues increased during the three and nine month comparable periods primarily due to higher volatility in a broad range of currencies, combined with select pricing modifications that became effective in the third quarter of fiscal 2015.

Client incentives increased during the three and nine month comparable periods mainly due to overall growth in global payments volume, and incentives recognized on long-term customer contracts that were initiated or renewed after the third quarter of fiscal 2014. 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. We expect incentives as a percentage of gross revenues to be at the low-end of the 17.5% to 18.5% range for the full 2015 fiscal year.

Operating Expenses

The following table sets forth components of our total operating expenses.

	Three Months Ended June 30,		2015 vs. 2014		Nine Months Ended June 30,		2015 vs. 2014			
	2015	2014	\$ Change	% Change ⁽¹⁾	2015	2014	\$ Change	% Change ⁽¹⁾		
	(in millions, except percentages)									
Personnel	\$566	\$463	\$103	22 %	\$1,558	\$1,379	\$179	13 %		
Marketing	224	228	(4)	(1)%	619	659	(40)	(6)%		
Network and processing	117	127	(10)	(8)%	340	379	(39)	(10)%		
Professional fees	82	82	—	— %	229	234	(5)	(2)%		
Depreciation and amortization	130	109	21	19 %	375	323	52	16 %		
General and administrative	137	126	11	8 %	404	354	50	14 %		
Litigation provision	—	—	—	NM	3	—	3	NM		
Total operating expenses	\$1,256	\$1,135	\$121	11 %	\$3,528	\$3,328	\$200	6 %		

⁽¹⁾ Figures in the table may not recalculate exactly due to rounding. Percentage changes are calculated based on unrounded numbers.

Personnel increased primarily due to an increase in headcount reflecting our strategy to invest for future growth, combined with higher incentive compensation.

Marketing for the nine months ended June 30, 2015 decreased mainly due to the absence of the 2014 Sochi Winter Olympics and 2014 FIFA World Cup spend incurred in fiscal 2014. The decrease was partially offset by advertising and promotional campaigns to support our growth strategies and new product initiatives.

Network and processing decreased as a result of initiatives to optimize the use of our technology resources.

Depreciation and amortization increased primarily due to additional depreciation from our ongoing investments in technology assets and infrastructure to support our digital solutions and core business initiatives.

General and administrative increased mainly due to an increase in travel activities and product enhancements in support of our business growth. The nine month period also reflects losses incurred from the sale of assets held by an international subsidiary, partially offset by unrealized foreign exchange gains recorded in the first half of the current year upon the remeasurement of monetary assets and liabilities held by foreign subsidiaries into their functional currency.

Table of Contents

Non-operating Expense

Non-operating expense in fiscal 2015 primarily reflects a non-cash adjustment to the fair value of the Visa Europe put option of \$110 million, which is not subject to tax. The change in value does not reflect any change in the likelihood that Visa Europe will exercise its option. See Note 3—Fair Value Measurements and Investments to our unaudited consolidated financial statements.

Effective Income Tax Rate

The effective income tax rates were 22% and 28% for the three and nine months ended June 30, 2015, respectively, and 33% and 29% for the three and nine months ended June 30, 2014, respectively.

The effective tax rate for the three months ended June 30, 2015 differs from the effective tax rate in the same period in fiscal 2014 primarily due to a \$280 million tax benefit resulting from the resolution of uncertain tax positions with taxing authorities in the third quarter of fiscal 2015. Of the \$280 million, \$239 million relates to prior fiscal years and \$24 million relates to the first and second quarters of fiscal 2015.

The effective tax rate for the nine months ended June 30, 2015 differs from the effective tax rate in the same period in fiscal 2014 primarily due to:

- the aforementioned \$280 million tax benefit resulting from the resolution of uncertain tax positions with taxing authorities in the third quarter of fiscal 2015; and

- the absence of a one-time \$189 million tax benefit recorded in the second quarter of fiscal 2014 related to a deduction for U.S. domestic production activities for years prior to fiscal 2014.

During the three and nine months ended June 30, 2015, our gross unrecognized tax benefits decreased by \$245 million and \$254 million, respectively. The decrease in gross unrecognized tax benefits is primarily due to the recognition of previously recorded unrecognized tax benefits as a result of the resolution of uncertain tax positions with taxing authorities in the third quarter of fiscal 2015.

Our tax filings are subject to examination by the U.S. federal, state and foreign taxing authorities. The timing and outcome of the final resolutions of the various ongoing income tax examinations are highly uncertain. It is not reasonably possible to estimate the increase or decrease in unrecognized tax benefits within the next twelve months.

Liquidity and Capital Resources

Cash Flow Data

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

	Nine Months Ended June 30,	
	2015	2014
	(in millions)	
Total cash provided by (used in):		
Operating activities	\$4,850	\$5,412
Investing activities	(1,276)	(442)
Financing activities	(3,399)	(5,098)
Effect of exchange rate changes on cash and cash equivalents	1	\$—
Increase (decrease) in cash and cash equivalents	\$176	\$(128)

Operating activities. The change in cash provided by operating activities for the nine months ended June 30, 2015 compared to the prior year comparable period reflects cash flows related to the interchange multidistrict litigation in both periods, as follows:

- payments of \$355 million made from the litigation escrow account and a related decrease of approximately \$98 million of income taxes paid during the nine months ended June 30, 2015; and

Table of Contents

the return of \$1.1 billion in takedown payments and related income taxes paid of \$290 million during the nine months ended June 30, 2014.

The cash inflows and outflows related to the litigation escrow account are also reflected as offsetting cash flows within financing activities for their respective periods as they are covered by the retrospective responsibility plan. Absent the above impacts, cash provided by operating activities increased in the nine months ended June 30, 2015 to approximately \$5.1 billion, compared to \$4.6 billion in the prior year comparable period, reflecting growth in our underlying business. See Note 2—Retrospective Responsibility Plan and Note 13—Legal Matters to our unaudited consolidated financial statements.

Investing activities. Cash used in investing activities was greater compared to the prior year comparable period primarily reflecting an increase in purchases of available-for-sale securities, and a decrease in the proceeds received from the sale and maturity of available-for-sale securities.

Financing activities. Cash used in financing activities during the first nine months of fiscal year 2015 reflects the use of \$2.9 billion to repurchase class A common stock in the open market and dividend payments of \$885 million, offset by \$355 million of payments made from our litigation escrow account in connection with the interchange multidistrict litigation. Activity in the prior year primarily reflected \$3.4 billion of cash used to repurchase class A common stock in the open market, approximately \$1.1 billion of takedown payments returned to the litigation escrow account in connection with the interchange multidistrict litigation, and dividend payments of \$758 million. See Note 2—Retrospective Responsibility Plan and Note 13—Legal Matters to our unaudited consolidated financial statements.

Sources of Liquidity

Our primary sources of liquidity are cash on hand, cash flow from operations, our investment portfolio and access to various equity and borrowing arrangements. Funds from operations are maintained in cash and cash equivalents and short-term or long-term available-for-sale investment securities based upon our funding requirements, access to liquidity from these holdings, and the returns that these holdings provide. We believe that cash flow generated from operations, in conjunction with access to our other sources of liquidity, will be more than sufficient to meet our ongoing operational needs.

Cash and cash equivalents and short-term and long-term available-for-sale investment securities held by our foreign subsidiaries totaled \$6.7 billion at June 30, 2015. If it were necessary to repatriate these funds for use in the United States, we would be required to pay U.S. income taxes on most of this amount. The amount of income taxes that would have resulted had these funds been repatriated is not practicably determinable. It is our intent to indefinitely reinvest the majority of these funds outside of the United States. As such, we have not accrued any U.S. income tax provision in our financial results related to the majority of these funds.

Uses of Liquidity

There has been no significant change to our primary uses of liquidity since September 30, 2014, 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 class A common stock. During the nine months ended June 30, 2015, we repurchased 44 million shares of our class A common stock in the open market using \$2.9 billion of cash on hand. As of June 30, 2015, we had remaining authorized funds of \$2.8 billion. All share repurchase programs authorized prior to October 2014 have been completed. See Note 9—Stockholders' Equity to our unaudited consolidated financial statements.

Dividends. During the nine months ended June 30, 2015, we declared and paid \$885 million in dividends. In July 2015, our board of directors declared a quarterly cash dividend in the amount of \$0.12 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 1, 2015, to all holders of record as of August 14, 2015. See Note 9—Stockholders' Equity to our unaudited consolidated financial statements. We expect to continue paying quarterly dividends in cash, subject

Table of Contents

to approval by the board of directors. Class B and class C common stock will share ratably on an as-converted basis in such future dividends.

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, 2015, we determined the fair value of the put option liability to be approximately \$255 million. While this amount represents the fair value of the put option at June 30, 2015, 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. Given current economic conditions, the purchase price under the terms of the put option would likely be in excess of \$15 billion. 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, in each case, as negotiated at the time the put option is exercised. See Note 3—Fair Value Measurements and Investments to our unaudited consolidated financial statements.

Acquisitions. In April 2015, the Company acquired a business in which it previously held a minority interest using \$93 million of cash on hand. This amount primarily reflects a total purchase price of \$116 million, excluding the Company's previously held minority interest, less cash received. The acquisition helps to strengthen our merchant offers capabilities that can support merchants in building customer loyalty and increasing sales. See Note 7—Goodwill and Intangible Assets to our unaudited consolidated financial statements.

Fair Value Measurements—Financial Instruments

As of June 30, 2015, our financial instruments measured at fair value on a recurring basis included \$8.2 billion of assets and \$263 million of liabilities. Of these instruments, \$262 million, or 3%, had significant unobservable inputs, with the Visa Europe put option liability constituting \$255 million of this amount. See Note 3—Fair Value Measurements and Investments 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, 2015, compared to September 30, 2014.

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 15(d)-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 13—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, 2014, filed with the SEC on November 21, 2014.

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

ISSUER PURCHASES OF EQUITY SECURITIES

The table below sets forth 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, 2015. The amounts presented below reflect the four-for-one stock split that was effected in the second quarter of fiscal 2015. Refer to Note 9—Stockholders' Equity in the unaudited consolidated financial statements included in this Form 10-Q.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ^{(2),(3)}	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ^{(2),(3)}
April 1-30, 2015	1,028,064	\$64.75	1,021,867	\$3,760,895,814
May 1-31, 2015	6,646,049	\$67.72	6,636,736	\$3,311,300,589
June 1-30, 2015	7,857,178	\$68.76	7,834,924	\$2,772,396,506
Total	15,531,291	\$68.05	15,493,527	

Includes 37,764 shares of class A common stock withheld at an average price of \$68.46 per share (per the terms of ⁽¹⁾ grants under our 2007 Equity Incentive Compensation Plan) to offset tax withholding obligations that occur upon vesting and release of restricted shares.

⁽²⁾ The figures in the table reflect transactions according to trade dates. For purposes of our consolidated financial statements included in this Form 10-Q, the impact of these repurchases is recorded according to settlement dates.

Our board of directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. In October 2014, our board of directors authorized a new \$5.0 billion share repurchase program. ⁽³⁾ This authorization has no expiration date. All share repurchase programs authorized prior to October 2014 have been completed.

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 in the “Exhibit Index,” which is incorporated herein by reference.

36

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 23, 2015

By: /s/ Charles W. Scharf
Name: Charles W. Scharf
Title: Chief Executive Officer
(Principal Executive Officer)

Date: July 23, 2015

By: /s/ Vasant M. Prabhu
Name: Vasant M. Prabhu
Title: Chief Financial Officer
(Principal Financial Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description of Documents	Incorporated by Reference		
		Schedule/ Form	File Number	Exhibit Filing Date
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1*	Certification of Chief Executive Officer 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 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.INS	XBRL Instance Document			
101.SCH	XBRL Taxonomy Extension Schema Document			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

* Filed or furnished herewith.