VISA INC.
Form 10-Q
May 03, 2010
**Table of Contents**

# 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 March 31, 2010**

**OR**

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

**For the transition period from to**

**Commission file number 001-33977**

# VISA INC.

**(Exact name of Registrant as specified in its charter)**

| **Delaware** | **26-0267673** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |
| **P.O. Box 8999** | |
| **San Francisco, California** | **94128-8999** |
| **(Address of principal executive offices)** | **(Zip Code)** |

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ 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 þ 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. (Check one):

| | |
|---|---|
| Large accelerated filer þ | 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 þ

As of April 23, 2010, there were 494,994,456 shares of class A common stock, par value $.0001 per share, 245,513,385 shares of class B common stock, par value $.0001 per share and 99,255,836 shares of class C common stock, par value $.0001 per share, of Visa Inc. outstanding.

**Table of Contents**

**VISA INC.**

**TABLE OF CONTENTS**


| | | Page |
|---|---|---|
| PART I. | Financial Information | 1 |
| Item 1. | Financial Statements (unaudited) | 1 |
| | Consolidated Balance Sheets March 31, 2010 and September 30, 2009 | 1 |
| | Consolidated Statements of Operations Three and Six Months Ended March 31, 2010 and 2009 | 3 |
| | Consolidated Statements of Comprehensive Income Three and Six Months Ended March 31, 2010 and 2009 | 5 |
| | Consolidated Statements of Changes in Equity Six Months Ended March 31, 2010 | 6 |
| | Consolidated Statements of Cash Flows Six Months Ended March 31, 2010 and 2009 | 7 |
| | Notes to Consolidated Financial Statements (unaudited) | 9 |
| Item 2. | Management s Discussion and Analysis of Financial Condition and Results of Operations | 23 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 31 |
| Item 4. | Controls and Procedures | 31 |
| PART II. | Other Information | 32 |
| Item 1. | Legal Proceedings | 32 |
| Item 1A. | Risk Factors | 32 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 32 |
| Item 3. | Defaults Upon Senior Securities | 32 |
| Item 4. | Submission of Matters to a Vote of Security Holders | 32 |
| Item 5. | Other Information | 33 |
| Item 6. | Exhibits | 33 |
| | Signatures | 34 |
| | Exhibit Index | 34 |

Table of Contents

## PART I. FINANCIAL INFORMATION

### ITEM 1. Financial Statements

**VISA INC.**

**CONSOLIDATED BALANCE SHEETS**

**(UNAUDITED)**

| | March 31, 2010 | September 30, 2009 |
|---|---|---|
| | (in millions) | |
| **Assets** | | |
| Cash and cash equivalents | **$ 4,560** | $ 4,617 |
| Restricted cash litigation escrow (Note 2) | **1,365** | 1,365 |
| Investment securities | | |
| Trading | **63** | 59 |
| Available-for-sale | **22** | 56 |
| Settlement receivable | **666** | 605 |
| Accounts receivable | **502** | 444 |
| Customer collateral (Note 5) | **842** | 812 |
| Current portion of volume and support incentives | **212** | 214 |
| Current portion of deferred tax assets | **470** | 703 |
| Prepaid expenses and other current assets | **413** | 366 |
| Total current assets | **9,115** | 9,241 |
| Restricted cash litigation escrow (Note 2) | **210** | 350 |
| Investment securities, available-for-sale | **154** | 168 |
| Volume and support incentives | **129** | 102 |
| Property, equipment and technology, net | **1,183** | 1,204 |
| Other assets | **186** | 125 |
| Intangible assets | **10,883** | 10,883 |
| Goodwill | **10,208** | 10,208 |
| Total assets | **$ 32,068** | $ 32,281 |
| **Liabilities** | | |
| Accounts payable | **$ 78** | $ 156 |
| Settlement payable | **618** | 634 |
| Customer collateral (Note 5) | **842** | 812 |
| Accrued compensation and benefits | **276** | 396 |
| Volume and support incentives | **343** | 284 |
| Accrued liabilities | **698** | 754 |
| Current portion of long-term debt | **12** | 12 |
| Current portion of accrued litigation (Note 10) | **670** | 1,394 |
| Total current liabilities | **3,537** | 4,442 |
| Long-term debt | **38** | 44 |
| Accrued litigation (Note 10) | **196** | 323 |
| Deferred tax liabilities | **3,808** | 3,807 |
| Other liabilities | **502** | 472 |

| | | |
|---|---|---|
| Total liabilities | **8,081** | 9,088 |

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

Table of Contents

**VISA INC.**

**CONSOLIDATED BALANCE SHEETS (Continued)**

**(UNAUDITED)**

| | March 31, 2010 | September 30, 2009 |
|---|---|---|
| | (in millions, except par value) | |
| **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, 494 and 470 shares issued and outstanding at March 31, 2010, and September 30, 2009, respectively (Note 6) | | |
| Class B common stock, $0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at March 31, 2010, and September 30, 2009 | | |
| Class C common stock, $0.0001 par value, 1,097 shares authorized, 100 and 131 shares issued and outstanding at March 31, 2010, and September 30, 2009, respectively (Note 6) | | |
| Additional paid-in capital | **20,883** | 21,160 |
| Class C treasury stock | | (2) |
| Accumulated income | **3,199** | 2,219 |
| Accumulated other comprehensive loss, net | | |
| Investment securities, available-for-sale | **9** | 10 |
| Defined benefit pension and other postretirement plans | **(71)** | (136) |
| Derivative instruments | **(39)** | (58) |
| Foreign currency translation gain (loss) | **2** | (4) |
| Total accumulated other comprehensive loss, net | **(99)** | (188) |
| Total Visa Inc. stockholders equity | **23,983** | 23,189 |
| Non-controlling interest | **4** | 4 |
| Total equity | **$ 23,987** | $ 23,193 |
| Total liabilities and equity | **$ 32,068** | $ 32,281 |

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 March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | (in millions except per share data) | | | |
| **Operating Revenues** | | | | |
| Service revenues | **$ 885** | $ 804 | **$ 1,712** | $ 1,597 |
| Data processing revenues | **728** | 544 | **1,493** | 1,098 |
| International transaction revenues | **545** | 446 | **1,097** | 951 |
| Other revenues | **173** | 148 | **363** | 304 |
| Volume and support incentives | **(372)** | (295) | **(746)** | (564) |
| Total operating revenues | **1,959** | 1,647 | **3,919** | 3,386 |
| **Operating Expenses** | | | | |
| Personnel | **310** | 292 | **584** | 591 |
| Network, EDP and communications | **98** | 92 | **203** | 185 |
| Advertising, marketing and promotion | **238** | 196 | **454** | 406 |
| Professional and consulting fees | **50** | 64 | **101** | 120 |
| Depreciation and amortization | **62** | 56 | **124** | 108 |
| Administrative and other | **77** | 66 | **155** | 129 |
| Litigation provision (Note 10) | **2** | | **(41)** | |
| Total operating expenses | **837** | 766 | **1,580** | 1,539 |
| Operating income | **1,122** | 881 | **2,339** | 1,847 |
| **Other Income (Expense)** | | | | |
| Equity in earnings of unconsolidated affiliates | **(2)** | 1 | **(2)** | |
| Interest expense | **(28)** | (30) | **(44)** | (60) |
| Investment income, net | **23** | 34 | **28** | 53 |
| Other | **(2)** | 1 | | |
| Total other (expense) income | **(9)** | 6 | **(18)** | (7) |
| Income before income taxes | **1,113** | 887 | **2,321** | 1,840 |
| Income tax expense | **401** | 352 | **846** | 731 |
| Net income including non-controlling interest | **712** | 535 | **1,475** | 1,109 |
| Loss attributable to non-controlling interest | **1** | 1 | **1** | 1 |
| Net income attributable to Visa Inc | **$ 713** | $ 536 | **$ 1,476** | $ 1,110 |

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 March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | (in millions except per share data) | | | |
| **Basic earnings per share (Notes 6 and 7)** | | | | |
| Class A common stock | **$ 0.97** | $ 0.71 | **$ 1.99** | $ 1.45 |
| Class B common stock | **$ 0.56** | $ 0.45 | **$ 1.16** | $ 0.96 |
| Class C common stock | **$ 0.97** | $ 0.71 | **$ 1.99** | $ 1.45 |
| **Basic weighted average shares outstanding (Notes 6 and 7)** | | | | |
| Class A common stock | **472** | 447 | **470** | 447 |
| Class B common stock | **245** | 246 | **245** | 246 |
| Class C common stock | **122** | 152 | **125** | 152 |
| **Diluted earnings per share (Notes 6 and 7)** | | | | |
| Class A common stock | **$ 0.96** | $ 0.71 | **$ 1.99** | $ 1.45 |
| Class B common stock | **$ 0.56** | $ 0.45 | **$ 1.16** | $ 0.96 |
| Class C common stock | **$ 0.96** | $ 0.71 | **$ 1.99** | $ 1.45 |
| **Diluted weighted average shares outstanding (Notes 6 and 7)** | | | | |
| Class A common stock | **742** | 756 | **743** | 765 |
| Class B common stock | **245** | 246 | **245** | 246 |
| Class C common stock | **122** | 152 | **125** | 152 |

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 March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | (in millions) | | | |
| **Net income including non-controlling interest** | **$ 712** | $ 535 | **$ 1,475** | $ 1,109 |
| Other comprehensive income (loss), net of tax: | | | | |
| Investment securities, available-for-sale | | | | |
| Net unrealized (loss) gain | **(5)** | 1 | **(4)** | 8 |
| Income tax effect | **2** | | **2** | (3) |
| Reclassification adjustment for net loss realized in net income including non-controlling interest | **3** | | **2** | |
| Income tax effect | **(1)** | | **(1)** | |
| Defined benefit pension and other postretirement plans (Note 4) | **102** | | **106** | 1 |
| Income tax effect | **(40)** | | **(41)** | |
| Derivative instruments | | | | |
| Net unrealized (loss) gain | **(5)** | 6 | **(8)** | (9) |
| Income tax effect | **2** | (2) | **3** | 4 |
| Reclassification adjustment for net loss realized in net income including non-controlling interest | **21** | 6 | **36** | 6 |
| Income tax effect | **(7)** | (3) | **(12)** | (3) |
| Foreign currency translation gain (loss) | **4** | (2) | **6** | (22) |
| Other comprehensive income (loss), net of tax | **76** | 6 | **89** | (18) |
| **Comprehensive income including non-controlling interest** | **$ 788** | $ 541 | **$ 1,564** | $ 1,091 |
| Comprehensive loss attributable to non-controlling interest | **1** | 1 | **1** | 1 |
| Comprehensive income attributable to Visa Inc | **$ 789** | $ 542 | **$ 1,565** | $ 1,092 |

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

Table of Contents

**VISA INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**(UNAUDITED)**

| | Class A | Class B | Class C | Additional Paid In Capital | Treasury Stock | Accumulated Income | Accumulated Other Comprehensive Loss | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | | (in millions, except per share data) | | | | | |
| **Balance as of September 30, 2009** | 470 | 245 | 131 | $ 21,160 | $ (2) | $ 2,219 | $ (188) | $ 4 | $ 23,193 |
| Net income attributable to Visa Inc | | | | | | 1,476 | | | 1,476 |
| Loss attributable to non-controlling interest | | | | | | | | (1) | (1) |
| Other comprehensive income, net of tax | | | | | | | 89 | | 89 |
| Comprehensive income including non-controlling interest | | | | | | | | | 1,564 |
| Issuance of restricted share awards (Note 8) | 1 | | | | | | | | |
| Conversion of class C common stock upon sale into public market (Note 6) | 31 | | (31) | | | | | | |
| Share-based compensation (Note 8) | | | | 61 | | | | | 61 |
| Tax benefit for share-based compensation | | | | 8 | | | | | 8 |
| Cash proceeds from exercise of stock options | | | | 21 | | | | | 21 |
| Restricted stock instruments settled in cash for taxes | | | | (12) | | | | | (12) |
| Cash dividends declared and paid, at a quarterly amount of $0.125 per as-converted share (Note 6) | | | | | | (185) | | | (185) |
| Retirement of treasury stock | | | | (2) | 2 | | | | |
| Repurchase of class A common stock (Note 6) | (8) | | | (353) | | (311) | | | (664) |
| Special IPO dividends received from cost-method investee | | | | 1 | | | | | 1 |
| Investment in partially owned consolidated subsidiary | | | | (1) | | | | 1 | |
| **Balance as of March 31, 2010** | **494** | **245** | **100** | **$ 20,883** | **$** | **$ 3,199** | **$ (99)** | **$ 4** | **$ 23,987** |

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)**

| | Six Months Ended March 31, | |
|---|---|---|
| | **2010** | **2009** |
| | **(in millions)** | |
| **Operating Activities** | | |
| Net income including non-controlling interest | **$ 1,475** | $ 1,109 |
| Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities: | | |
| Depreciation and amortization of property, equipment and technology | **124** | 108 |
| Share-based compensation | **61** | 64 |
| Tax benefit for share-based compensation | **(8)** | (6) |
| Restricted stock instruments settled in cash for taxes | **(12)** | (22) |
| Interest earned on litigation escrow, net of tax | | (12) |
| Net recognized (gain) loss on investment securities, including other-than-temporary impairment | **(14)** | 8 |
| Asset impairment | **1** | 3 |
| Gain on disposal of property, equipment, and technology | **(1)** | |
| Amortization of volume and support incentives | **746** | 564 |
| Accrued litigation and accretion | **(25)** | 48 |
| Equity in earnings of unconsolidated affiliates | **2** | |
| Deferred income taxes | **185** | 338 |
| Change in operating assets and liabilities: | | |
| Trading securities | **(4)** | 17 |
| Accounts receivable | **(58)** | (30) |
| Settlement receivable | **(61)** | 252 |
| Volume and support incentives | **(712)** | (464) |
| Other assets | **(141)** | (9) |
| Accounts payable | **(78)** | (87) |
| Settlement payable | **(16)** | (335) |
| Accrued compensation and benefits | **(120)** | (146) |
| Accrued and other liabilities | **62** | 80 |
| Accrued litigation | **(826)** | (1,062) |
| Net cash provided by operating activities | **580** | 418 |
| **Investing Activities** | | |
| Investment securities, available-for-sale: | | |
| Purchases | **(1)** | |
| Proceeds from sales and maturities | **45** | 252 |
| Distributions from money market investment (Note 3) | **85** | 840 |
| Purchases of /contributions to other investments | **(1)** | (1) |
| Proceeds from sale of other investments | **1** | |
| Dividends/distributions from other investments | **1** | 1 |
| Proceeds from disposal of property, equipment and technology | **1** | |
| Purchases of property, equipment and technology | **(79)** | (136) |
| Net cash provided by investing activities | **52** | 956 |

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

7

Table of Contents

**VISA INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

**(UNAUDITED)**

| | Six Months Ended March 31, | |
|---|---|---|
| | **2010** | **2009** |
| | **(in millions)** | |
| **Financing Activities** | | |
| Tax benefit for share-based compensation | **8** | 6 |
| Cash proceeds from exercise of stock options | **21** | 2 |
| Funding of litigation escrow account Retrospective Responsibility Plan | | (1,100) |
| Payments from litigation escrow account Retrospective Responsibility Plan | **140** | 939 |
| Payment for redemption of stock | | (2,646) |
| Dividends paid | **(185)** | (161) |
| Principal payments on debt | **(6)** | (4) |
| Principal payments on capital lease obligations | **(9)** | (4) |
| Repurchase of class A common stock | **(664)** | |
| Net cash used in financing activities | **(695)** | (2,968) |
| Effect of exchange rate changes on cash and cash equivalents | **6** | (22) |
| Decrease in cash and cash equivalents | **(57)** | (1,616) |
| Cash and cash equivalents at beginning of year | **4,617** | 4,979 |
| Cash and cash equivalents at end of period | **$ 4,560** | $ 3,363 |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Income taxes paid, net of refunds | **$ 759** | $ 324 |
| Amounts included in accounts payable and accrued and other liabilities related to purchase of property, equipment and technology | **$ 10** | $ 41 |
| Interest payments on debt | **$ 2** | $ 2 |
| Assets acquired in joint venture with note payable and equity interest issued | **$** | $ 22 |

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

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2010**

**(unaudited)**

**(in millions, except as noted)**

**Note 1 Summary of Significant Accounting Policies**

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

*Consolidation and basis of presentation.* The accompanying unaudited consolidated financial statements include the accounts of Visa Inc. and its consolidated entities and are presented in accordance with accounting principles generally accepted in the United States of America ( GAAP ). The Company consolidates all entities that are controlled by ownership of a majority voting interest as well as variable interest entities for which the Company is the primary beneficiary. All significant intercompany accounts and transactions are eliminated in consolidation. Certain reclassifications, not affecting net income attributable to Visa, have been made to prior period information to conform to the current period presentation format, including reclassification of $20 million and $44 million of contractor expense, which was previously reported in professional and consulting fees, to personnel for the three and six months ended March 31, 2009, respectively.

The Company began to report non-controlling interest (previously referred to as minority interest) as a component of equity in the first quarter of fiscal 2010 and for all comparable periods presented as required under Accounting Standards Codification ( ASC ) 810. The reporting of non-controlling interest has an impact on financial statement presentation only.

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 GAAP. Reference should be made to the Visa Inc. Annual Report on Form 10-K for the year ended September 30, 2009 for additional disclosures, including a summary of the Company s significant accounting policies.

*Recently issued accounting pronouncements.* In September 2009, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2009-12, *Fair Value Measurements and Disclosures Investments in Certain Entities That Calculate Net Asset Value per Share.* ASU 2009-12 allows companies that have investments that are within the scope of this ASU to use net asset value per share as a fair value measurement without further adjustment as a practical expedient. The Company adopted this standard in the first quarter of fiscal 2010. The adoption did not have a material impact on the consolidated financial statements. Additional disclosures required under this ASU are not presented because the related investments are not material to the overall consolidated financial statements.

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In October 2009, the FASB issued ASU 2009-13, *Revenue Recognition Multiple-Deliverable Revenue Arrangements,* which addresses the accounting for multiple-deliverable revenue arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. The Company is currently evaluating the impact of adopting ASU 2009-13, which will be effective for the Company at the beginning of fiscal 2011, on its consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures Improving Disclosures about Fair Value Measurements*, which requires new disclosures for fair value measurements including significant transfers into and out of Level 1 and Level 2 of the fair value hierarchy. The ASU also requires additional information in the roll-forward of Level 3 assets and liabilities including the presentation of purchases, sales, issuances and settlements on a gross basis. Further clarification for existing disclosure requirements provides for the disaggregation of assets and liabilities presented, and the enhancement of disclosures around inputs and valuation techniques. This ASU impacts disclosures only. The Company adopted the ASU in the current quarter, with the exception of the additional information in the roll-forward of Level 3 assets and liabilities, which will be effective in the second quarter of fiscal 2011. There was no transfer into or out of Level 1 or 2 of the fair value hierarchy during the first half of fiscal 2010. See *Note 3 Fair Value Measurements*.

In February 2010, the FASB issued ASU 2010-09, *Subsequent Events Amendments to Certain Recognition and Disclosure Requirements,* which amends the disclosure requirements related to subsequent events. Effective immediately, the ASU retracts the requirement to disclose the date through which subsequent events have been evaluated for a SEC filer. The Company adopted this ASU in the current quarter.

**Note 2 Retrospective Responsibility Plan**

The Company has established several related mechanisms designed to address settled liability and potential liability under certain litigation referred to as the covered litigation, including the retrospective responsibility plan, or the plan. In accordance with the plan, the Company established a litigation escrow account, or the escrow account, from which settlements of, or judgments in, the covered litigation will be paid. Under the terms of the plan, when the Company funds the escrow account, the shares of class B common stock are subject to dilution through an adjustment to the conversion rate of the shares of class B common stock to shares of class A common stock. There was no funding to the escrow account during the first half of fiscal 2010, and the conversion rate applicable to the Company s class B common stock remains at 0.5824 class A share at March 31, 2010.

The following table sets forth the changes in the escrow account during the six months ended March 31, 2010.

| | (in millions) |
|---|---|
| Balance at October 1, 2009 | $ 1,715 |
| American Express settlement payments | (140) |
| Balance at March 31, 2010 | $ 1,575 |
| Less: Current portion of escrow account | 1,365 |
| Long-term portion of escrow account | $ 210 |

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

An accrual for the covered litigation is recorded when loss is deemed to be probable and reasonably estimable. In making this determination, the Company evaluates available information, including funding decisions made by the litigation committee. The accrual related to the covered litigation could be either higher or lower than the escrow account.

**Note 3 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 | |
| | March 31, 2010 | September 30, 2009 | March 31, 2010 | September 30, 2009 | March 31, 2010 | September 30, 2009 |
| | (in millions) | | | | | |
| **Assets** | | | | | | |
| **Cash equivalents and restricted cash** | | | | | | |
| Money market funds and time deposits | **$ 5,837** | $ 5,977 | | | | |
| **Investment securities** | | | | | | |
| U.S. government-sponsored agency debt securities | | | **$ 134** | $ 169 | | |
| Canadian government debt securities | | | | 7 | | |
| Equity securities | **79** | 73 | | | | |
| Corporate debt securities | | | | | **$ 5** | $ 10 |
| Mortgage backed securities | | | | | **4** | 6 |
| Other asset backed securities | | | | | **4** | 5 |
| Auction rate securities | | | | | **13** | 13 |
| **Derivative financial instruments** | | | | | | |
| Foreign exchange derivative instruments | | | **8** | 16 | | |
| | **5,916** | $ 6,050 | **142** | $ 192 | **26** | $ 34 |
| **Liabilities** | | | | | | |
| **Other liabilities** | | | | | | |
| Visa Europe put option | | | | | **$ 346** | $ 346 |
| Foreign exchange derivative instruments | | | **$ 60** | $ 96 | | |

*Level 2 assets and liabilities measured at fair value on a recurring basis.* Government-sponsored debt securities and foreign exchange derivative instruments are classified as Level 2 within the fair value hierarchy. The fair value of the government-sponsored debt securities is based on quoted prices in active markets for similar assets. Foreign exchange derivative instruments are valued using inputs that are observable in the market or can be derived principally from or corroborated with observable market data. There was no change to the valuation techniques and related inputs used to measure fair value during the first half of fiscal 2010.

*Level 3 assets and liabilities measured at fair value on a recurring basis.* Corporate debt securities, mortgage backed securities, other asset backed securities and auction rate securities are

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

classified as Level 3 due to a lack of trading in active markets and a lack of observable inputs in measuring fair value. There was no change to the valuation techniques and related inputs used to measure fair value during the first half of fiscal 2010.

*Visa Europe put option agreement.* The Company has granted Visa Europe a perpetual 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 purchase price of the Visa Europe shares under the put option is based upon a formula that, subject to certain adjustments, applies Visa Inc. s forward price-to-earnings multiple, or the P/E ratio (as defined in the option agreement), at the time the option is exercised to Visa Europe s projected sustainable adjusted net operating income for the forward 12-month period, or the adjusted sustainable income. Visa Europe s adjusted sustainable income is calculated under the terms of the put option agreement and includes potentially material adjustments for cost synergies and other negotiated items.

At March 31, 2010, and September 30, 2009, the Company determined the fair value of the put option to be approximately $346 million. While this amount represents the fair value of the put option at March 31, 2010, it does not represent the actual purchase price that the Company may be required to pay if the option is exercised, which could be several billion dollars or more. 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.

In determining the fair value of the put option at March 31, 2010, the Company assumed a 40% probability of exercise by Visa Europe at some point in the future and an estimated long-term P/E differential at the time of exercise of 5.3x. These assumptions are consistent with those used in the valuation of the put option at September 30, 2009. At March 31, 2010, the P/E ratio was 21.6 and the P/E differential, the difference between this ratio and the estimated ratio applicable to Visa Europe, was 4.2x. These ratios are for reference purposes only and are not necessarily indicative of the ratio or differential that could be applicable if the put option were exercised at any point in the future.

The 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 our consolidated balance sheet at March 31, 2010. Classification in current liabilities is not an indication of management s expectation of exercise and simply reflects the fact that the obligation resulting from the exercise of the instrument could become payable within 12 months. 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. Changes in fair value are included in the Company s consolidated statement of operations. There was no change in the fair value of the put option during the six months ended March 31, 2010.

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The table below provides a roll-forward of Level 3 investments which are measured at fair value on a recurring basis for the six months ended March 31, 2010 and 2009.

| | Fair Value of Financial Assets Using Significant Unobservable Inputs (Level 3) | | | | |
|---|---|---|---|---|---|
| | Corporate Debt Securities | Mortgage Backed Securities | Other Asset Backed Securities | Auction Rate Securities | Total |
| | | | (in millions) | | |
| Balances at October 1, 2009 | $ 10 | $ 6 | $ 5 | $ 13 | $ 34 |
| Other-than-temporary impairment included in investment income, net | | | | | |
| Maturities and principal payments | (5) | (2) | (1) | | (8) |
| Transfers in (out) of Level 3 | | | | | |
| Balances at March 31, 2010 | **$ 5** | **$ 4** | **$ 4** | **$ 13** | **$ 26** |

| | Fair Value of Financial Assets Using Significant Unobservable Inputs (Level 3) | | | | |
|---|---|---|---|---|---|
| | Corporate Debt Securities | Mortgage Backed Securities | Other Asset Backed Securities | Auction Rate Securities | Total |
| | | | (in millions) | | |
| Balances at October 1, 2008 | $ 45 | $ 22 | $ 23 | $ 13 | $ 103 |
| Other-than-temporary impairment included in investment income, net | (3) | (4) | (1) | | (8) |
| Maturities and principal payments | (16) | (2) | (6) | | (24) |
| Transfers in (out) of Level 3 | | | | | |
| Balances at March 31, 2009 | **$ 26** | **$ 16** | **$ 16** | **$ 13** | **$ 71** |

*Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis*

Certain financial assets and liabilities are measured at fair value on a nonrecurring basis and therefore are not included in the tables above.

*Non-marketable equity investments*. The Company s strategic investments are accounted for under the cost and equity methods and are classified as Level 3 assets due to the absence of quoted market prices, inherent lack of liquidity and the fact that inputs used to measure the fair value are unobservable and require management judgment. During the six months ended March 31, 2010 and March 31, 2009, certain events and circumstances triggered impairment analyses for certain non-marketable equity securities which resulted in recognized losses of $1 million and $3 million, respectively. At March 31, 2010, and September 30, 2009, non-marketable equity investments totaled $98 million and $102 million in other assets on the consolidated balance sheet, respectively.

*Reserve Primary Fund.* The Company s investment in the Reserve Primary Fund, or the Fund, was accounted for under the cost method and considered a Level 3 asset. In October 2009, the Company received a $19 million distribution from the Fund. An additional distribution of $66 million was received in January 2010, which substantially represented the Company s remaining pro-rata ownership in the Fund. The distribution

in January was in excess of the carrying value of the investment in the Fund resulting in the recognition of a pre-tax gain of $16 million in investment income, net during the current quarter.

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Debt*. The estimated fair value of the Company s debt at March 31, 2010, and September 30, 2009 was $57 million and $64 million, respectively, based on credit ratings for similar notes.

*Non-financial assets and liabilities*. In the first quarter of fiscal 2010, the Company adopted the accounting and disclosure provisions related to the measurement of non-financial assets and non-financial liabilities at fair value. Long-lived assets such as goodwill, finite-lived intangible assets, and property, equipment and technology are considered non-financial assets, and are measured at fair value only when impairment indicators exist. The Company does not have any significant non-financial liabilities. During the six months ended March 31, 2010, there was no indication that the Company s long-lived assets were impaired, and accordingly, measurement at fair value was not required.

**Note 4 Pension and Other Postretirement Benefits**

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

On January 12, 2010, the Company approved an amendment to the U.S. pension plan to conform the plan to the Pension Protection Act of 2006. A remeasurement of the U.S. pension plan s funded position was performed in the second quarter of 2010. The remeasurement reduced accumulated other comprehensive loss, net, by $70 million pre-tax and reduces net periodic pension cost by $4 million in the three months ended March 31, 2010 and $7 million for the remainder of fiscal 2010.

Additionally, the completion of the annual census data update resulted in a reduction to our overall pension obligation. The census update reduced accumulated other comprehensive loss, net by $26 million pre-tax and reduces net periodic pension cost by $4 million in the three months ended March 31, 2010 and $4 million for the remainder of fiscal 2010.

The components of net periodic benefit cost are as follows:

| | Pension Benefits | | | | Other Postretirement Benefits | | | |
|---|---|---|---|---|---|---|---|---|
| | 3 months ended March 31, | | 6 months ended March 31, | | 3 months ended March 31, | | 6 months ended March 31, | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | (in millions) | | | | | | | |
| Service cost | $ 10 | $ 12 | $ 23 | $ 25 | $ | $ | $ | $ |
| Interest cost | 10 | 11 | 20 | 23 | 1 | | 1 | 1 |
| Expected return on assets | (13) | (11) | (25) | (22) | | | | |
| Amortization of: | | | | | | | | |
| Prior service cost (credit) | (2) | (2) | (4) | (4) | (2) | (1) | (2) | (2) |
| Actuarial loss | 3 | 4 | 9 | 7 | | | | |
| Total net periodic pension cost | $ 8 | $ 14 | $ 23 | $ 29 | $ (1) | $ (1) | $ (1) | $ (1) |

**Note 5 Settlement Guarantee Management**

The indemnification for settlement losses that Visa provides to its customers creates settlement risk for the Company due to the difference in timing between the date of a payment transaction and the date of subsequent settlement. The term and amount of the indemnification are unlimited. The

14

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Company requires certain customers that do not meet its credit standards to post collateral. The Company s estimated maximum settlement exposure was approximately $46.1 billion at March 31, 2010 compared to $41.8 billion at September 30, 2009. Of these amounts, $4.0 billion at March 31, 2010 and $3.7 billion at September 30, 2009, were covered by collateral. The total available collateral balances presented below are greater than the settlement exposure covered by customer collateral held due to instances in which the available collateral exceeds the total settlement exposure for certain financial institutions at each date presented.

Cash equivalents collateral is reflected in customer collateral as both an asset and an offsetting liability on the consolidated balance sheet, as it is held in escrow in the Company s name. All other collateral is excluded from the consolidated balance sheet. Pledged securities are held by third parties in trust for the Company and its customers. Guarantees are provided primarily by parent financial institutions to secure the obligations of their subsidiaries, and the Company routinely evaluates the financial viability of institutions providing the guarantees.

The Company maintained collateral as follows:

| | March 31, 2010 | September 30, 2009 |
|---|---|---|
| | (in millions) | |
| Cash equivalents | **$ 842** | $ 812 |
| Pledged securities at market value | **464** | 243 |
| Letters of credit | **823** | 703 |
| Guarantees | **2,675** | 2,644 |
| Total | **$ 4,804** | $ 4,402 |

The fair value of the settlement risk guarantee is estimated based on a proprietary probability-weighted model and was less than $1 million at March 31, 2010 and September 30, 2009. These amounts are reflected in accrued liabilities on the consolidated balance sheets.

**Note 6 Stockholders Equity**

The number of shares of class A common stock outstanding on an as-converted basis at March 31, 2010 is as follows:

| (in millions) | Shares Outstanding at March 31, 2010 | Conversion Rate Into Class A Common Stock | As-Converted |
|---|---|---|---|
| Class A common stock | 494 | | **494** |
| Class B common stock | 245 | 0.5824 | **143** |
| Class C common stock | 100 | 1.0000 | **100** |
| Total class A common stock as-converted | | | **737** |

*Accelerated class C share release programs.* On January 21, 2010, the Company announced a second program to accelerate the share release of class C common stock. Under this program, the number of shares released from transfer restrictions for any class C shareholder was the greater of (a) 50% (fifty percent) of the restricted shares of class C common stock held by that shareholder as of March 1, 2010, and (b) 5,000 (five thousand) shares of class C common stock (or in the case of shareholders with fewer than 5,000 shares of class C common stock, all of their shares). Shareholder

15

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

application was not required. Under this program, 56 million shares of class C common stock were released from transfer restrictions during the second quarter of fiscal 2010. In fiscal 2009, the Company released 40 million shares of class C common stock as part of the 2009 accelerated release program. The release of the shares of class C common stock did not increase the number of outstanding shares on an as-converted basis, and there were no dilutive effects to the outstanding class A common stock share count on an as-converted basis from these transactions.

Of the 96 million shares of class C common stock released from transfer restrictions, 51 million shares have been converted from class C common stock to class A common stock upon the sale or transfer by the class C shareholders into the public market through March 31, 2010. Approximately 28 million and 31 million of those shares were converted during the three and six months ended March 31, 2010, respectively. Additionally, 55 million shares of class C common stock continue to be subject to the general transfer restrictions that expire on March 25, 2011, under Visa s certificate of incorporation.

*Share repurchase plan.* In October 2009, the Company s board of directors authorized a $1 billion share repurchase plan. The authorization will be in place through September 30, 2010, and is subject to extension or expansion at the determination of the Company s board of directors. Under this plan, during the three and six months ended March 31, 2010, the Company repurchased 2.8 million and 8.3 million shares of its class A common stock at an average price of $83.61 and $80.40 per share for a total cost of $231 million and $664 million, respectively. Repurchased shares have been retired and constitute authorized but unissued shares. At March 31, 2010, the share repurchase plan has remaining authorized funds of $336 million.

*Dividends.* On April 20, 2010, the Company s board of directors declared a dividend in the amount of $0.125 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 June 2, 2010, to all holders of record of the Company s class A, class B, and class C common stock as of May 14, 2010. The Company paid $185 million in dividends during the first half of fiscal 2010.

*Special IPO cash and stock dividends received from cost method investees, net of tax.* During the first quarter of fiscal 2010, the Company retired the 24,449 shares of treasury stock received from cost method investees in the first half of fiscal 2009. The Company has no class C common treasury stock outstanding at March 31, 2010.

During the second quarter of fiscal 2010, the Company received $1 million of special cash dividends from cost method investees which were also holders of class C common stock. These special cash dividends are recorded as an increase in additional paid-in capital, net of tax, and are not recorded as income in the consolidated statements of operations as they represent proceeds from the sale of shares issued by the Company as part of the reorganization. The cash dividends are the result of appreciation in the Company s own stock, and are therefore not recorded as income.

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 7 Earnings Per Share**

During the first quarter of fiscal 2010, the Company adopted a new accounting standard which defines unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents as participating securities and requires these securities to be included in computing earnings per share under the two-class method. The Company s unvested restricted stock awards and unvested restricted stock units are considered participating securities and have been included in the computation of earnings per share under the two-class method. Comparable prior period earnings per share data have been recomputed to conform to current period presentation. As a result of this adoption, class B common stock basic and diluted earnings per share for the six months ended March 31, 2009 declined from $0.97 (previously reported) to $0.96. There was no other change to previously reported basic or diluted earnings per share for the three and six months ended March 31, 2009 as a result of this adoption.

The following table presents basic and diluted earnings per share for the three months ended March 31, 2010.

| | Basic Earnings Per Share | | | Diluted Earnings Per Share | | |
|---|---|---|---|---|---|---|
| | (in millions, except per share data) | | | | | |
| | Income Allocation ($) (A) | Weighted Average Shares Outstanding (B) | Earnings per Share ($) = (A)/(B) [1] | Income Allocation ($) (A) | Weighted Average Shares Outstanding (B) | Earnings per Share ($) = (A)/(B) [1] |
| Class A[2] | 456 | 472 | 0.97 | 713 | 742 | 0.96 |
| Class B | 138[3] | 245 | 0.56 | 138[3] | 245 | 0.56 |
| Class C | 117 | 122 | 0.97 | 117 | 122 | 0.96 |
| Participating Securities | 2 | Not presented | Not presented | 2 | Not presented | Not presented |
| Net income attributable to Visa Inc. | $ 713 | | | | | |

The following table presents basic and diluted earnings per share for the six months ended March 31, 2010.

| | Basic Earnings Per Share | | | Diluted Earnings Per Share | | |
|---|---|---|---|---|---|---|
| | (in millions, except per share data) | | | | | |
| | Income Allocation ($) (A) | Weighted Average Shares Outstanding (B) | Earnings per Share ($) = (A)/(B) [1] | Income Allocation ($) (A) | Weighted Average Shares Outstanding (B) | Earnings per Share ($) = (A)/(B) [1] |
| Class A[2] | 937 | 470 | 1.99 | 1,476 | 743 | 1.99 |
| Class B | 285[3] | 245 | 1.16 | 284[3] | 245 | 1.16 |
| Class C | 250 | 125 | 1.99 | 249 | 125 | 1.99 |
| Participating Securities | 4 | Not presented | Not presented | 4 | Not presented | Not presented |
| Net income attributable to Visa Inc. | $ 1,476 | | | | | |

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents basic and diluted earnings per share for the three months ended March 31, 2009.

| | Basic Earnings Per Share | | | Diluted Earnings Per Share | | |
|---|---|---|---|---|---|---|
| | (in millions, except per share data) | | | | | |
| | Income Allocation ($) (A) | Weighted Average Shares Outstanding (B) | Earnings per Share ($) = (A)/(B) [1] | Income Allocation ($) (A) | Weighted Average Shares Outstanding (B) | Earnings per Share ($) = (A)/(B) [1] |
| Class A[2] | 317 | 447 | 0.71 | 536 | 756 | 0.71 |
| Class B | 110[3] | 246 | 0.45 | 110[3] | 246 | 0.45 |
| Class C | 107 | 152 | 0.71 | 107 | 152 | 0.71 |
| Participating Securities | 2 | Not presented | Not presented | 2 | Not presented | Not presented |
| Net income attributable to Visa Inc. | $ 536 | | | | | |

The following table presents basic and diluted earnings per share for the six months ended March 31, 2009.

| | Basic Earnings Per Share | | | Diluted Earnings Per Share | | |
|---|---|---|---|---|---|---|
| | (in millions, except per share data) | | | | | |
| | Income Allocation ($) (A) | Weighted Average Shares Outstanding (B) | Earnings per Share ($) = (A)/(B) [1] | Income Allocation ($) (A) | Weighted Average Shares Outstanding (B) | Earnings per Share ($) = (A)/(B) [1] |
| ***Common Stock Redeemed October 10, 2008*** | | | | | | |
| Class C (series II) and class C (series III)[4] | 4 | Not presented | Not presented | 4 | Not presented | Not presented |
| Class A[2] | 646 | 447 | 1.45 | 1,106 | 765 | 1.45 |
| Class B | 237[3] | 246 | 0.96 | 237[3] | 246 | 0.96 |
| Class C | 219 | 152 | 1.45 | 219 | 152 | 1.45 |
| Participating Securities | 4 | Not presented | Not presented | 4 | Not presented | Not presented |
| Net income attributable to Visa Inc. | $ 1,110 | | | | | |

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

(2) The calculation of diluted class A common stock earnings per share considers, if dilutive, potential class A common stock equivalent shares outstanding during the period consisting of: (1) incremental shares of class A common stock issuable upon the conversion of class B and class C common stock based on the conversion rate in effect through the period, (2) participating securities in the form of unvested restricted stock awards and unvested restricted stock units, and (3) incremental shares of class A common stock calculated by applying the treasury stock method to the assumed exercise of employee stock options and the assumed vesting of unearned performance shares. The computation of average dilutive shares outstanding excluded stock options to purchase 2 million shares of common stock for the three and six months ended March 31, 2010, and 10 million shares of common stock for the three and six months ended March 31, 2009 because their effect would have been antidilutive.

(3) Net income attributable to Visa is allocated to each class and series of common stock on an as-converted basis. On an as-converted basis and for the purpose of calculating net income attributable to Visa allocated to each class and series of common stock, the weighted average numbers of shares of class B common stock outstanding on an as-converted basis used in the allocation were 143 million for the three and six months ended March 31, 2010 and 155 million and 164 million for the three and six months ended March 31, 2009, respectively.

18

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(4) Net income attributable to Visa was allocated to the shares of redeemed common stock for the period during which they were outstanding.

**Note 8 Share-based Compensation**

During the six months ended March 31, 2010, the Company granted 965,199 non-qualified stock options, or options, 848,191 restricted stock awards, or RSAs, and 242,291 restricted stock units, or RSUs, to Company employees and non-employee directors under the 2007 Equity Incentive Compensation Plan. The options had a weighted average exercise price per share of $79.60 and a weighted average grant-date fair value per share of $29.49. The RSAs and RSUs had weighted average grant-date fair values per share of $79.60. The Company accounted for these awards using the straight-line method of attribution for expensing equity awards with only service conditions. Compensation expense is recorded net of estimated forfeitures, which are adjusted as appropriate.

The Company also granted performance-based shares during the first fiscal quarter of 2010. The ultimate number of performance shares to be earned will be between zero and 203,006, depending on the Company s achievement of specified cumulative net income performance targets, and the Company s stock price ranked against the total shareholder return of companies that are included in the Standard & Poor s 500 Index during the approximate two-year period beginning October 28, 2009. These earned performance shares vest in two equal installments on November 30, 2011 and 2012, subject to earlier vesting in full under certain conditions. The grant-date fair value of the performance-based shares, incorporating the market condition by using a Monte Carlo simulation model, was $88.06 per share. Compensation expense for the performance awards is initially estimated based on target performance and is adjusted as appropriate throughout the performance period. For awards with performance conditions, the Company uses the graded-vesting method of expense attribution. Compensation expense is recorded net of estimated forfeitures, which are adjusted as appropriate.

**Note 9 Income Taxes**

The effective income tax rates were 36% and 40% for the three and six months ended March 31, 2010 and 2009, respectively. The rates for the three and six months ended March 31, 2010 were lower than the rates for the comparable periods in the prior year primarily due to changes in the geographic mix of the Company s global income and the benefit of Singapore tax incentives.

**Note 10 Legal Matters**

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

The Company s litigation provision was approximately $2 million and ($41 million) for the three and six months ended March 31, 2010, respectively, and less than $1 million for the three and six months

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

ended March 31, 2009. The credit to the provision in the six months ended March 31, 2010 was primarily the result of a $41 million pre-tax gain recognized related to the prepayment of the remaining obligations under the Retailers litigation (discussed in *Other Litigation* below). The litigation accrual is an estimate and is based on management s understanding of its litigation profile, the specifics of each case, advice of counsel to the extent appropriate and management s best estimate of incurred loss at the balance sheet date.

The following table summarizes the activity related to accrued litigation for both covered and other non-covered litigation for the six months ended March 31:

| | Fiscal 2010 | Fiscal 2009 |
|---|---|---|
| | (in millions) | |
| **Balance at October 1** | **$ 1,717** | $ 3,758 |
| Provision for settled legal matters[1] | **(41)** | |
| Settlement obligation refunded by Morgan Stanley[2] | | 65 |
| Interest accretion on settled matters | **16** | 49 |
| Payments on settled matters[3] | **(826)** | (1,095) |
| **Balance at March 31** | **$ 866** | $ 2,777 |

(1) This amount includes the reduction to the provision for the $41 million pre-tax gain recognized related to the prepayment of the remaining obligations under the Retailers litigation. There was no other significant provision activity during the three and six months ended March 31, 2010.

(2) This balance represents the amount of a settlement refunded to the Company during fiscal 2009 by Morgan Stanley under a separate agreement.

(3) This amount includes the Company s October 2009 prepayment of its remaining $800 million in payment obligations in the Retailers litigation at a discounted amount of $682 million.

***Covered Litigation***

Visa Inc., Visa U.S.A. and Visa International are parties to certain legal proceedings discussed below that are subject to the retrospective responsibility plan, which the Company refers to as the covered litigation. See *Note 2 Retrospective Responsibility Plan*. An accrual for covered litigation is recorded when loss is deemed to be probable and reasonably estimable. In making this determination the Company evaluates available information, including funding decisions made by the litigation committee. The accrual related to covered litigation could be either higher or lower than the escrow account balance.

*The Attridge litigation.* In the separate California Indirect Purchaser *Credit/Debit Card Tying Cases* also pending in California state court, Visa entered into a settlement agreement on September 14, 2009. That settlement agreement, which was subsequently amended and is subject to the approval of the court in those cases, also could potentially have the effect of releasing the claims asserted in the *Attridge* case, subject to the ruling of the *Attridge* court.

***Other Litigation***

*Retailers litigation.* On October 2, 2009, the court entered a final order approving the prepayment agreement, and Visa made the $682 million prepayment pursuant to the agreement s terms on October 5, 2009. Pursuant to its terms, the prepayment agreement became final after no appeals to the approval order were filed within the 30-day appeal period.

20

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Indirect Purchaser actions.* In California (*Credit/Debit Card Tying Cases*), after the parties amended the settlement agreement in certain respects, the court entered an order preliminarily approving the settlement on January 5, 2010 and scheduled a final approval hearing for July 16, 2010.

*Currency conversion litigation.* Various appeals have been filed with the U.S. Court of Appeals for the Second Circuit challenging the district court s approval of the settlement. The issuance of refund checks for valid, timely claims will not commence until after the appeals are resolved (in favor of the court-approved settlement) and the settlement administrator has validated the claims.

*Morgan Stanley Dean Witter/Discover litigation.* A hearing on Visa International and Visa Europe s appeal has been set by the General Court (formerly known as the Court of First Instance) for May 20, 2010.

*State investigative demands.* The Office of the Attorney General of Texas issued a Civil Investigative Demand, or CID , to Visa Inc. on October 9, 2009 seeking information regarding a potential violation of Sections 15.05 of the Texas Free Enterprise and Antitrust Act of 1983, Texas s antitrust law. The CID seeks narrative responses to interrogatories that focus on certain Visa U.S.A. policies relating to merchant acceptance practices, including Visa U.S.A. s policies regarding merchant surcharging and merchants ability to steer customers to other forms of payment.

On January 7, 2010, the Attorney General of the State of Missouri issued a CID to Visa requiring Visa to produce the same documents sought by the Ohio Investigative Demand. Visa Inc. is cooperating with the state Attorneys General in connection with these requests.

*European interchange proceedings.* On April 26, 2010, Visa Europe announced an agreement with the European Commission, subject to public consultation, to end the proceedings initiated by the Statement of Objections issued April 3, 2009 with respect to Visa Europe s immediate debit interchange fees.

*Brazilian competition authority proceedings.* On December 16, 2009, Visa International and Visa do Brasil reached an agreement with Conselho Administrativo de Defesa Economica (CADE), the Brazilian competition authority, for the immediate suspension of the investigation and its eventual closure without fines if certain conditions are met. The terms of the settlement are not considered material to the consolidated financial statements.

*The Reserve Primary Fund.* On November 25, 2009, the court accepted most aspects of the SEC plan and ordered that the remaining assets in the Fund, with the exception of a reserve for ongoing expenses and claims, be returned to investors on a pro-rata basis. On January 29, 2010, Visa U.S.A. received a further distribution from the Fund of $66 million. Together with interim distributions, Visa U.S.A. has received to date, a total payout of 99% of Visa U.S.A. s original investment and any further recovery will also likely be pursuant to the SEC plan. Consequently, Visa U.S.A. voluntarily dismissed its case without prejudice on March 31, 2010.

*CyberSource securities litigation.* On April 29, 2010, an individual named Carol Ann Peters filed a putative class action lawsuit against CyberSource Corporation ( CyberSource ), certain of its directors, and Visa Inc. (erroneously named as Visa Company ) in California Superior Court in connection with the proposed merger of CyberSource and Visa. The complaint asserts claims of breach of fiduciary duty against the CyberSource directors and aiding and abetting breaches of fiduciary duty against CyberSource and Visa. Plaintiff seeks declaratory and injunctive relief and attorneys fees. At this early stage, it is not possible to make any reasonable evaluation of the claims alleged.

Table of Contents

**VISA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Gift Card Litigation***

Visa is a party to various lawsuits involving prepaid gift cards. Pursuant to existing agreements, Visa may be indemnified by the issuer of the gift card in question for liability associated with some or all of the claims asserted in these suits.

*Loiseau/Barclay.* On November 24, 2009, Loiseau filed his third amended complaint. Both Visa and Metabank moved to dismiss that complaint. The court granted Visa s motion and dismissed the complaint with prejudice on February 10, 2010.

On December 1, 2009, represented by the same counsel as Mr. Loiseau, William Barclay filed a putative class action against Visa U.S.A. and Metabank making similar allegations as in the *Loiseau* case. On December 31, 2009, Metabank removed the *Barclay* action to the U.S. District Court for the Southern District of California and filed a notice of relatedness between the two cases. Both Visa and Metabank moved to dismiss the *Barclay* complaint. Ultimately, Barclay agreed to dismiss Visa from the case and, on February 25, 2010, Visa was dismissed from the case with prejudice.

***Intellectual Property Litigation***

*Vale Canjeable.* On December 10, 2009, the Commercial Chamber of the Supreme Court in Venezuela (the Supreme Court ) decided in Visa s favor on the appeal Visa previously filed, and referred the matter to a lower court for re-consideration. The appeal overturned a preliminary injunction against Visa International which prevented Visa from using the Visa Vale trademark in Venezuela.

On February 11, 2010, in a separate action on the merits, the First Instance court dismissed in its entirety the plaintiff s claim against Visa International and other defendants for damages based on trademark infringement. The plaintiff is appealing the decision.

*TQP Development, LLC data encryption.* On December 21, 2009, the parties executed an agreement to settle the litigation, and the case was dismissed with prejudice on January 4, 2010. The settlement amount is not considered material to the consolidated financial statements.

*Actus, LLC prepaid cards.* On April 21, 2010, the parties executed an agreement to settle the litigation. The settlement amount is not considered material to the consolidated financial statements.

*Restricted Spending Solutions, LLC prepaid and commercial cards.* On November 19, 2009, Visa U.S.A. filed its First Amended Answer and Counterclaim to the plaintiff s complaint. On February 5, 2010, the defendants filed a motion for summary judgment of invalidity based on Visa s U.S. Patent 5,500,513.

**Note 11 Subsequent Events**

On April 20, 2010, Visa entered into a definitive agreement to purchase CyberSource Corporation, a leading provider of electronic payment, risk management and payment security solutions to online merchants, at a price of $26.00 per share in cash, or a total of approximately $2.0 billion, to be paid with cash on hand. The merger is subject to the satisfaction or waiver of customary closing conditions, including CyberSource stockholder approval and the receipt of required regulatory approvals. On April 29, 2010, a putative class action lawsuit was filed against CyberSource, certain of its directors, and Visa (erroneously named as Visa Company ) in California Superior Court in connection with the proposed merger. The complaint asserts claims of breach of fiduciary duty against the CyberSource directors and aiding and abetting breaches of fiduciary duty against CyberSource and Visa. For more information, see *Note 10 Legal Matters.*

Table of Contents

**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 and 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 Visa Inc. s 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 Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the safe harbor created by those sections. These statements can be identified by the terms anticipate, believe, continue, could, estimate, expect, intend, may, plan, potenti project, should, will and similar expressions which are intended to identify forward-looking statements.

By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of factors, including all the risks discussed under the heading Risk Factors in Part 1, Item 1A Risk Factors in our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q or Periodic Reports on Form 8-K, if any. You are cautioned not to place undue reliance on such statements, which speak only as of the date of this report. Unless required to do so under U.S. federal securities laws or other applicable laws, we do not intend to update or revise any forward-looking statements.

**Overview**

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

*Overall economic conditions.* Our business is affected by overall economic conditions and consumer spending. We continue to monitor the progress of the global economic recovery, which has shown signs of gradual improvement. We expect consumer and commercial spending, and our rate of payments volume growth, to increase in the near term if the economic recovery maintains its current momentum. Regulatory measures enacted in the United States became effective in the second quarter of fiscal 2010, and have begun to impact our financial institution customers. Should financial institutions constrict credit offerings in response to these measures, consumer spending and ultimately our payments volume, could be impacted. However, we continue to believe that the continuing secular shift to electronic payment products for non-discretionary spending will buffer the impact to our overall payments volume growth. This shift is particularly clear in debit products, where Visa has a strong market position in the United States and significant growth opportunities internationally.

Table of Contents

*Share repurchase plan.* In October 2009, our board of directors authorized a $1.0 billion share repurchase plan. The authorization will be in place through September 30, 2010, and is subject to extension or expansion at the determination of our board of directors. Under this plan, during the three and six months ended March 31, 2010, the Company repurchased 2.8 million and 8.3 million shares of its class A common stock at an average price of $83.61 and $80.40 per share for a total cost of $231 million and $664 million, respectively. As of the end of the second fiscal quarter, $336 million remained available for repurchase under the existing repurchase authorization. See the *Liquidity and Capital Resources* section for further discussion.

*Expansion of our eCommerce capabilities.* On April 20, 2010, Visa entered into a definitive agreement to purchase CyberSource Corporation, a leading provider of electronic payment, risk management and payment security solutions to online merchants, at a price of $26.00 per share in cash, or a total of approximately $2.0 billion, to be paid with cash on hand. The merger is subject to the satisfaction or waiver of customary closing conditions, including CyberSource stockholder approval and the receipt of required regulatory approvals.

*Nominal payments volume and transaction counts.* We believe that payments volume and processed transactions are key drivers of our business. Payments volume is the basis for service revenues and processed transactions are the basis for data processing revenues. Compared to the same prior year period, nominal payments volume grew in consumer credit, debit and commercial, resulting in an increase in overall nominal payments volume quarter over quarter. The number of processed transactions continues to increase reflecting the continued shift to electronic payments globally.

The following tables set forth nominal payments volume for the periods presented[1].

| | U.S.A. | | | Rest of World | | | Visa Inc. | | |
|---|---|---|---|---|---|---|---|---|---|
| | 3 months ended December 31, 2009[4] | 3 months ended December 31, 2008[4] | % Change | 3 months ended December 31, 2009[4] | 3 months ended December 31, 2008[4] | % Change | 3 months ended December 31, 2009[4] | 3 months ended December 31, 2008[4] | % Change |
| | (in billions, except percentages) | | | | | | | | |
| **Nominal Payments Volume** | | | | | | | | | |
| Consumer credit | $ 156 | $ 160 | (2%) | $ 255 | $ 205 | 24% | $ 411 | $ 365 | 13% |
| Consumer debit[2] | 223 | 194 | 15% | 51 | 36 | 39% | 274 | 230 | 19% |
| Commercial and other | 59 | 55 | 7% | 25 | 25 | 1% | 84 | 80 | 5% |
| **Total Nominal Payments Volume** | **$ 438** | **$ 409** | **7%** | **$ 331** | **$ 266** | **24%** | **$ 769** | **$ 675** | **14%** |
| Cash volume | 92 | 95 | (3%) | 376 | 300 | 25% | 468 | 395 | 18% |
| **Total Nominal Volume[3]** | **$ 531** | **$ 504** | **5%** | **$ 707** | **$ 566** | **25%** | **$ 1,237** | **$ 1,070** | **16%** |

| | U.S.A. | | | Rest of World | | | Visa Inc. | | |
|---|---|---|---|---|---|---|---|---|---|
| | 6 months ended December 31, 2009[4] | 6 months ended December 31, 2008[4] | % Change | 6 months ended December 31, 2009[4] | 6 months ended December 31, 2008[4] | % Change | 6 months ended December 31, 2009[4] | 6 months ended December 31, 2008[4] | % Change |
| | (in billions, except percentages) | | | | | | | | |
| **Nominal Payments Volume** | | | | | | | | | |
| Consumer credit | $ 306 | $ 327 | (6%) | $ 488 | $ 417 | 17% | $ 794 | $ 744 | 7% |
| Consumer debit[2] | 432 | 389 | 11% | 95 | 75 | 25% | 526 | 464 | 13% |
| Commercial and other | 118 | 114 | 3% | 51 | 54 | (3%) | 169 | 168 | 1% |
| **Total Nominal Payments Volume** | **$ 856** | **$ 830** | **3%** | **$ 634** | **$ 546** | **16%** | **$ 1,489** | **$ 1,376** | **8%** |
| Cash volume | 186 | 198 | (6%) | 702 | 623 | 13% | 888 | 821 | 8% |
| **Total Nominal Volume[3]** | **$ 1,041** | **$ 1,028** | **1%** | **$ 1,336** | **$ 1,169** | **14%** | **$ 2,377** | **$ 2,197** | **8%** |

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

Table of Contents

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

(4) Service revenues in a given quarter are assessed based on payments volume in the prior quarter. Therefore, service revenues reported with respect to the three and six months ended March 31, 2010, and March 31, 2009, were based on payments volume reported by our financial institution customers for the three and six months ended December 31, 2009, and December 31, 2008, respectively.

This table sets forth transactions volume processed by our VisaNet system during the periods presented.

| | Three months ended March 31, | | | Six months ended March 31, | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | % Change | 2010 | 2009 | % Change |
| | (in millions) | | | (in millions) | | |
| **Total processed transactions** | **10,648** | 9,360 | 14% | **21,572** | 19,156 | 13% |

**Results of Operations**

***Operating Revenues***

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

| | Three months ended March 31, | | 2010 vs. 2009 | | Six months ended March 31, | | 2010 vs. 2009 | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | $ Change | % Change | 2010 | 2009 | $ Change | % Change |
| | (in millions, except percentages) | | | | | | | |
| U.S. operating revenues | $ 1,134 | $ 934 | $ 200 | 21% | $ 2,308 | $ 1,928 | $ 380 | 20% |
| Rest of world operating revenues | 773 | 659 | 114 | 17% | 1,507 | 1,349 | 158 | 12% |
| Visa Europe operating revenues | 52 | 54 | (2) | (3)% | 104 | 109 | (5) | (4)% |
| **Total Operating Revenues** | **$ 1,959** | **$ 1,647** | **$ 312** | 19% | **$ 3,919** | **$ 3,386** | **$ 533** | 16% |

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

Growth in operating revenues primarily reflects an increase in nominal payments volume, continued growth of processed transactions and the impact of pricing modifications made on various services as a result of innovations in our product line and improvements in our service model. The benefits of pricing modifications are partially offset by increases to volume and support incentives. We regularly review our pricing strategy to ensure that it competitively aligns with the value and growth opportunities provided to our customers.

A significant portion of the revenues we earn outside the United States results from cross-border business and leisure travel, which has shown continued signs of improvement in all geographies in the three and six months ended March 31, 2010. Revenues from processing cross-border transactions for our customers fluctuate with cross-border travel and the extent to which Visa-branded products are utilized for travel purposes.

Table of Contents

Our operating revenues, primarily service revenues and international transaction revenues, are impacted by the overall strengthening or weakening of the U.S. dollar as payments volume and related revenues denominated in local or regional currencies are converted to U.S. dollars. The general weakening of the U.S. dollar during the three and six month periods was moderated by our hedging activities and resulted in a 2% and 1% increase, respectively, in total operating revenues compared to prior year periods.

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

| | Three months ended March 31, | | 2010 vs. 2009 | | Six months ended March 31, | | 2010 vs. 2009 | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | $ Change | % Change[1] | 2010 | 2009 | $ Change | % Change[1] |
| | (in millions, except percentages) | | | | | | | |
| Service revenues | $ 885 | $ 804 | $ 81 | 10% | 1,712 | $ 1,597 | $ 115 | 7% |
| Data processing revenues | 728 | 544 | 184 | 34% | 1,493 | 1,098 | 395 | 36% |
| International transaction revenues | 545 | 446 | 99 | 22% | 1,097 | 951 | 146 | 15% |
| Other revenues | 173 | 148 | 25 | 17% | 363 | 304 | 59 | 19% |
| Volume and support incentives | (372) | (295) | (77) | 26% | (746) | (564) | (182) | 32% |
| **Total Operating Revenues** | **$ 1,959** | $ 1,647 | $ 312 | 19% | **3,919** | $ 3,386 | 533 | 16% |

[1] Percentage change calculated based on whole numbers, not rounded numbers.

*Service revenues* increased during the three and six month periods primarily due to 14% and 8% growth in nominal payments volume, respectively. The growth in service revenues was slower than the growth in nominal payments volume primarily reflecting the impact of our hedging program against the weakening U.S. dollar and differences in the geographic mix of our service revenues. We continue to monitor the progress of nominal payments volume growth as part of the overall global economic recovery and to align our pricing strategy across the globe to ensure it reflects the competitive value and growth opportunities provided to our customers.

*Data processing revenues* increased during the three and six month periods due to competitive pricing actions across various geographies which became effective in the second half of fiscal 2009 combined with growth of 14% and 13%, respectively, in the number of transactions processed. We do not believe that the rate of growth in data processing revenues is representative of sustainable future revenue growth due to the inclusion of these pricing actions. However, we believe that the secular shift to electronic payments on a global basis will contribute to our growth in the number of transactions processed as we align our global pricing strategy.

*International transaction revenues* increased during the three and six month periods primarily due to growth of 19% and 13%, respectively, in nominal cross-border payments volume, combined with strategic pricing modifications which took place after the second quarter of fiscal 2009.

*Other revenues* increased primarily due to license fees from Cielo, formerly known as Companhia Brasileira de Meios de Pagamento, or VisaNet do Brasil, for the use of Visa trademarks and technology intellectual property. We entered into this licensing arrangement with VisaNet do Brasil following their initial public offering and the sale of our investment

Table of Contents

interest in the third quarter of fiscal 2009. Additionally, the increase also reflects continued growth in the Visa Extras loyalty platform and the administrative and rewards fulfillment services performed in support of the platform, and other new license and royalty fees.

*Volume and support incentives* increased primarily due to growth in global payments volumes, however remained steady throughout fiscal 2010 as a percentage of gross revenues. The increase in fiscal 2010 was also due in part to incentives incurred on significant long-term customer contracts that were initiated or renewed after the second quarter of fiscal 2009.

The net asset of volume and support incentives changed as follows:

| | Fiscal 2010 | Fiscal 2009 |
|---|---|---|
| | (in millions) | |
| **Beginning balance at October 1, net asset[1]** | **$ 32** | **$ 130** |
| Provision | | |
| Current period provision | (734) | (544) |
| Performance adjustments[2] | (4) | 27 |
| Contractual adjustments[3] | (8) | (47) |
| Subtotal volume and support incentives | (746) | (564) |
| Payments | 712 | 464 |
| **Ending balance at March 31, net (liability) asset [1]** | **$ (2)** | **$ 30** |

(1) Balance represents the net of the current and long-term asset and current liability portions of volume and support incentives as presented in our consolidated balance sheet.

(2) Amount represents adjustments in estimated obligations under incentive agreements resulting from management s refinement of its estimate of projected sales performance as new information becomes available. The change from last year reflects the absence of downward adjustments in fiscal 2009, reflective of the economic environment at the time.

(3) Amount represents adjustments resulting from amendments to existing contractual terms.

**Operating Expenses**

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

| | Three months ended March 31, | | 2010 vs. 2009 | | Six months ended March 31, | | 2010 vs. 2009 | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | $ Change | % Change | 2010 | 2009 | $ Change | % Change |
| | (in millions, except percentages) | | | | | | | |
| Personnel | **$ 310** | $ 292 | $ 18 | 6% | **$ 584** | $ 591 | $ (7) | (1)% |
| Network, EDP and communications | **98** | 92 | 6 | 6% | **203** | 185 | 18 | 10% |
| Advertising, marketing and promotion | **238** | 196 | 42 | 22% | **454** | 406 | 48 | 12% |
| Professional and consulting fees | **50** | 64 | (14) | (21)% | **101** | 120 | (19) | (15)% |
| Depreciation and amortization | **62** | 56 | 6 | 12% | **124** | 108 | 16 | 15% |
| Administrative and other | **77** | 66 | 11 | 16% | **155** | 129 | 26 | 20% |
| Litigation provision | **2** | | 2 | NM | **(41)** | | (41) | NM |
| **Total Operating Expenses** | **$ 837** | $ 766 | $ 71 | 9% | **$ 1,580** | $ 1,539 | $ 41 | 3% |

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

Table of Contents

*Personnel* increased during the three month period primarily due to higher employee compensation reflecting annual merit increases and other employee benefits, partially offset by the reduction in our net periodic pension cost due to the remeasurement and the annual census update of our U.S. pension plan. See *Note 4 Pension and Other Postretirement Benefits*.

*Network, EDP and communications* increased primarily due to higher fees paid for debit processing services related to processing transactions through non-Visa networks.

*Advertising, marketing and promotion* increased over the prior year due to higher advertising and promotion spending in connection with the 2010 Winter Olympics and in preparation for the 2010 FIFA World Cup. We anticipate increased spending in the third quarter of fiscal 2010 compared to prior year due to marketing and promotional activities in connection with the FIFA campaign. The increase also reflects higher redemption costs associated with the Visa Extras loyalty platform. We continue to review and refine our marketing and advertising spending globally to ensure it is consistent with our overall strategy to reduce cost.

*Professional and consulting fees* decreased primarily reflecting the absence of legal fees incurred in connection with the Discover settlement in October 2008 and various litigation matters settled in fiscal 2009. The decrease also reflects the absence of consulting fees related to the new east coast data center migration project, which was completed in fiscal 2009.

*Depreciation and amortization* increased as expected reflecting charges related to the new east coast data center and office building that were placed in service during the second half of fiscal 2009.

*Administrative and other* expense increased primarily due to unrealized foreign exchange losses recorded upon the remeasurement of monetary assets and liabilities held by foreign subsidiaries into their functional currencies, combined with the absence of foreign exchange gains recorded in the first half of fiscal 2009.

*Litigation provision* primarily reflects the $41 million pre-tax gain recorded in the first fiscal quarter as a result of prepaying the remaining obligation under the Retailers litigation settlement. The gain reflects the difference between our prepayment amount of $682 million and the carrying value of the obligation. There were no other significant litigation activities during the first half of fiscal 2010.

**Other Income (Expense)**

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

| | Three months ended March 31, | | 2010 vs. 2009 | | Six months ended March 31, | | 2010 vs. 2009 | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | $ Change | % Change | 2010 | 2009 | $ Change | % Change |
| | (in millions, except percentages) | | | | | | | |
| Equity in earnings of unconsolidated affiliates | **$ (2)** | $ 1 | $ (3) | NM | **$ (2)** | $ | $ (2) | NM |
| Interest expense | **(28)** | (30) | 2 | (6)% | **(44)** | (60) | 16 | (27)% |
| Investment income, net | **23** | 34 | (11) | (35)% | **28** | 53 | (25) | (48)% |
| Other | **(2)** | 1 | (3) | NM | | | | NM |
| **Total Other Income (Expense)** | **$ (9)** | $ 6 | $ (15) | NM | **$ (18)** | $ (7) | $ (11) | NM |

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

Table of Contents

*Interest expense* decreased primarily due to lower interest accretion from declining litigation balances, partially offset by increases in interest expense related to uncertain tax positions.

*Investment income, net* decreased primarily reflecting the loss of dividend income from VisaNet do Brasil upon the sale of our ownership interest in fiscal 2009. Additionally, we earned lower interest income in the first half of fiscal 2010 as a result of lower interest rates and declining investment balances, reflecting the use of $682 million to pre-pay the Retailers litigation and $664 million to repurchase class A common stock under the share repurchase plan. The decrease is partially offset by a pre-tax gain of $16 million from the Fund. See *Note 3 Fair Value Measurements*.

**Income Taxes**

Our effective income tax rate is a combination of federal, state and foreign statutory rates and certain required adjustments to taxable income. The effective income tax rates were 36% and 40% for the three and six months ended March 31, 2010 and 2009, respectively. The rates for the three and six months ended March 31, 2010 were lower than the rates for the comparable periods in the prior year primarily due to changes in the geographic mix of our global income and the benefit of Singapore tax incentives.

**Liquidity and Capital Resources**

***Cash Flow Data***

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

| | Six Months Ended March 31, | |
|---|---|---|
| | **2010** | **2009** |
| | **(in millions)** | |
| Total cash provided by (used in): | | |
| Operating activities | **$ 580** | $ 418 |
| Investing activities | **52** | 956 |
| Financing activities | **(695)** | (2,968) |
| Effect of exchange rate changes on cash and cash equivalents | **6** | (22) |
| Decrease in cash and cash equivalents | **$ (57)** | $ (1,616) |

Cash provided by operating activities during the six months ended March 31, 2010 primarily reflects net income including non-controlling interest of $1.5 billion and adjustments for non-cash items of $1.1 billion, offset by payments for volume and support incentives and litigation settlements, primarily including the $682 million prepayment of our Retailers litigation obligation as further discussed below. Total cash provided by operating activities was higher during the six months ended March 31, 2010 compared to the prior year primarily reflecting higher year-to-date net income. Both periods also contain other significant operational payments including those related to settlement transactions, other litigation settlement payments, volume and support incentives, and our annual incentive compensation payments. We believe that cash flow generated from operating activities will sufficiently meet our ongoing operational needs.

Cash provided by investing activities during the six months ended March 31, 2010 primarily reflects net cash proceeds of $45 million from sales and maturities of investment securities compared to $252 million in the prior year, both of which were reinvested in money market funds. We also received a $85 million cash distribution from the Reserve Primary Fund, or the Fund, in the current year compared to $840 million of distributions in the prior year. Both periods net cash proceeds were offset by purchases of property, equipment and technology, which were lower this year reflecting the

Table of Contents

completion of our east coast data center in fiscal 2009. We expect capital expenditures to increase during the remaining quarters of fiscal 2010 as capital projects are reviewed and approved.

Cash used in financing activities during the six months ended March 31, 2010 primarily reflects $664 million in repurchases of class A common stock in the open market and $185 million of dividend payments. Comparatively, cash used in financing activities for the six months ended March 31, 2009 reflects redemption of our class C (series II) and class C (series III) liability shares for $2.6 billion, funding of $1.1 billion to the litigation escrow account and dividend payments of $161 million, offset by funding of covered litigation payments totaling $939 million, which are covered by the litigation escrow account.

***Liquidity***

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

There has been no significant change to our primary uses of liquidity since September 30, 2009, except as discussed below. Based on our current cash flow budgets and forecasts of our short-term and long-term liquidity needs, management believes that our projected sources of liquidity will be sufficient to meet our projected liquidity needs for more than the next 12 months. Management 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.

*Other litigation.* Judgments in and settlements of litigation, other than covered litigation, could give rise to future liquidity needs. In connection with our Retailers litigation settlement in fiscal 2003, we were required to make annual settlement payments of $200 million through fiscal 2012. In fiscal 2009, we entered into an agreement to modify our remaining payment obligations under the original Retailers litigation settlement agreement. Pursuant to this agreement, on October 5, 2009, we made a payment of $682 million to fully satisfy the remaining $800 million obligation.

*Share repurchase plan.* In October 2009, our board of directors authorized a $1.0 billion share repurchase plan. The authorization will be in place through September 30, 2010, and is subject to extension or expansion at the determination of our board of directors. During the three and six months ended March 31, 2010, we repurchased 2.8 million and 8.3 million shares of our outstanding class A common stock at an average price of $83.61 and $80.40 per share in the open market for a total cost of $231 million and $664 million, respectively. At March 31, 2010, the share repurchase plan has remaining authorized funds of $336 million.

*Dividends*. During the first half of fiscal 2010, we paid $185 million in dividends. On April 20, 2010, our board of directors declared a dividend in the amount of $0.125 per share of class A common stock (determined in the case of class B and class C common stock on an as-converted basis). We expect to pay approximately $92 million in connection with this dividend in June 2010. See *Note 6 Stockholders Equity* to our unaudited consolidated financial statements for further information regarding dividend declarations. We intend to continue paying quarterly dividends in cash, subject to approval by our board of directors.

*Visa Europe put-call 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

Table of Contents

Europe from its members. Visa Europe may exercise the put option at any time. At March 31, 2010, the fair value of the put option liability was $346 million. While this amount represents the fair value of the put option at March 31, 2010, it does not represent the actual purchase price that we may be required to pay if the option is exercised. The purchase price we could be obligated to pay 285 days after exercise will represent a substantial financial obligation, which could be several billion dollars or more. We may need to obtain third-party financing, either by borrowing funds or undertaking a subsequent equity offering in order to fund this payment. The amount of that 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 determined at the time the put option is exercised.

*Acquisition of CyberSource.* On April 20, 2010, Visa entered into a definitive agreement to purchase CyberSource Corporation, a leading provider of electronic payment, risk management and payment security solutions to online merchants, at a price of $26.00 per share in cash, or a total of approximately $2.0 billion, to be paid with cash on hand. The merger is subject to the satisfaction or waiver of customary closing conditions, including CyberSource stockholder approval and the receipt of required regulatory approvals.

***Fair Value Measurements Financial Instruments***

The assessment of fair value of our financial instruments is based on a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability.

As of March 31, 2010, our financial instruments measured at fair value on a recurring basis included approximately $6.1 billion of assets, of which $26 million, or less than 1%, had significant unobservable inputs. For these instruments, we lacked observable market data to corroborate either the non-binding market consensus prices or the non-binding broker quotes. Marketable debt instruments in this category include corporate debt securities, mortgage backed securities, other asset backed securities and auction rate securities. See *Note 3 Fair Value Measurements* to our unaudited consolidated financial statements.

**ITEM 3. Quantitative and Qualitative Disclosures about Market Risk**

There have been no significant changes to our market risks during the six months ended March 31, 2010, compared to September 30, 2009.

**ITEM 4. Controls and Procedures**

*Disclosure controls and procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) of Visa Inc. at the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at the end of such period, the disclosure controls and procedures of Visa Inc. were effective in alerting them, on a timely basis, to material information required to be disclosed by us in the reports that we file or furnish under the Securities Exchange Act of 1934.

*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 quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

## PART II. OTHER INFORMATION

**ITEM 1. Legal Proceedings.**

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

**ITEM 1A. Risk Factors.**

For a discussion of the Company s risk factors, see the information under the heading *Risk Factors* in the Company s Annual Report on Form 10-K for the year ended September 30, 2009, filed with the SEC on November 20, 2009.

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

**ISSUER PURCHASES OF EQUITY SECURITIES**

The table below sets forth the information with respect to purchases of the Company s common stock made by or on behalf of the Company during the quarter ended March 31, 2010.

| Period | (a) Total Number of Shares Purchased[1] | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2] | (d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[2] |
|---|---|---|---|---|
| January 1-31, 2010 | 12,522 | $ 87.00 | | 567,535,694 |
| February 1-28, 2010 | 2,766,750 | $ 83.61 | 2,766,424 | 336,176,494 |
| March 1-31, 2010 | | | | 336,176,494 |
| Total | 2,779,272 | $ 83.63 | 2,766,424 | 336,176,494 |

(1) Includes 12,848 shares of class A common stock withheld at an average price of $86.91 per share (under the terms of grants under the Company s equity incentive compensation plan) to offset tax withholding obligations that occur upon vesting and release of restricted shares.

(2) On October 27, 2009, the Company announced a $1 billion class A common stock repurchase plan, authorized by the board of directors through September 30, 2010. Under this plan, during the three and six months ended March 31, 2010, the Company repurchased approximately 2.8 million and 8.3 million shares of its class A common stock at an average price of $83.61 and $80.40 per share for a total cost of $231 million and $664 million, respectively. As of March 31, 2010, there was approximately $336 million remaining under the plan.

**ITEM 3. Defaults Upon Senior Securities.**

None.

**ITEM 4. Submission of Matters to a Vote of Security Holders.**

Annual Meeting

An Annual Meeting of stockholders of the Company was held on January 20, 2010. The stockholders approved each of the proposals on the agenda, which included the following:

Proposal 1: Election of five Class III directors to serve on the Company s Board of Directors until the Company s annual meeting in 2013; and

Table of Contents

Proposal 2: Ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for fiscal year 2010.

Each of these proposals is fully described in the Company s proxy statement filed with the SEC on December 1, 2009.

Only holders of the Company s class A common stock at the close of business on November 27, 2009, or the record date, were entitled to vote at the Annual Meeting. As of the record date of the Annual Meeting, there were 468,993,240 shares of class A common stock entitled to vote. Holders of class B and class C common stock were ineligible to vote. A total of 356,685,071 shares of class A common stock (76.05%), constituting a quorum, were represented in person or by valid proxies at the Annual Meeting.

Proposal 1: Each of the nominees listed below was elected as a Class III director to serve on the Company s Board of Directors until the Company s 2013 annual meeting of stockholders. The votes for and the votes withheld with respect to each nominee were as follows:

Class III Directors:

| | For | Withheld |
|---|---|---|
| 1. Robert W. Matschullat | 297,344,604 | 2,578,352 |
| 2. Cathy E. Minehan | 292,796,729 | 7,126,227 |
| 3. David J. Pang | 297,345,877 | 2,577,079 |
| 4. William S. Shanahan | 297,130,104 | 2,792,852 |
| 5. John A. Swainson | 292,861,372 | 7,061,584 |

Proposal 2: Ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for fiscal year 2010. The votes for, the votes against and the abstentions were as follows:

| For | Against | Abstain |
|---|---|---|
| 353,706,526 | 2,606,661 | 371,884 |

There were no broker non-votes.

Our Class I directors, Hani Al-Qadi, Charles T. Doyle, Peter Hawkins, David I. McKay, Charles W. Scharf and Segismundo Schulin-Zeuthen, will continue to serve as members of our board of directors until their terms expire on the date of our 2011 Annual Meeting.

Our Class II directors, Gary P. Coughlan, Mary B. Cranston, Francisco Javier Fernandez-Carbajal and Suzanne Nora Johnson, will continue to serve as members of our board of directors until their terms expire on the date of our 2012 Annual Meeting.

**ITEM 5. Other Information.**

None.

**ITEM 6. Exhibits.**

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

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: April 30, 2010

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

(Principal Executive Officer)

Date: April 30, 2010

By: /s/ Byron H. Pollitt
Name: Byron H. Pollitt
Title: Chief Financial Officer

(Principal Accounting Officer)

**EXHIBIT INDEX**

| Exhibit Number | Description of Documents |
|---|---|
| 31.1* | Certification of Joseph W. Saunders, Chief Executive Officer and Chairman of the Board of Directors, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Certification of Byron H. Pollitt, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1* | Certification of Joseph W. Saunders, Chief Executive Officer and Chairman of the Board of Directors, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of Byron H. Pollitt, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101*+ | The following materials from the Visa Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed on May 3, 2010 formatted in Extensible Business Reporting Language (XBRL):<br>(i) Consolidated Balance Sheets,<br>(ii) Consolidated Statements of Operations,<br>(iii) Consolidated Statements of Comprehensive Income,<br>(iv) Consolidated Statements of Changes in Stockholders Equity,<br>(v) Consolidated Statements of Cash Flows and<br>(vi) related notes, tagged as blocks of text. |

* Filed or furnished herewith.

\+ Users of this data are advised pursuant to Rule 401 of Regulation S-T that the financial information contained in these XBRL documents is unaudited and that these are not the official publicly filed financial statements of Visa Inc. The purpose of submitting these XBRL documents is to test the related format and technology and, as a result, investors should continue to rely on the official filed version of the furnished documents and not rely on this information in making investment decisions. In accordance with Rule 402 of Regulation S-T, the information in these exhibits shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

34