Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) (**
ACT OF 1934

For the fiscal year ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15**
EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-33977

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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)**

(650) 432-3200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value $0.0001 per share	V	New York Stock Exchange
1.500% Senior Notes due 2026	V26	New York Stock Exchange
2.000% Senior Notes due 2029	V29	New York Stock Exchange
2.375% Senior Notes due 2034	V34	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Class B common stock, par value $0.0001 per share
Class C common stock, par value $0.0001 per share

(Title of each Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of the registrant’s class A common stock, par value $0.0001 per share, held by non-affiliates (using the New York Stock Exchange closing price as of March 31, 2022, the last business day of the registrant’s most recently completed second fiscal quarter) was approximately $365.5 billion. There is currently no established public trading market for the registrant’s class B common stock, par value $0.0001 per share, or the registrant’s class C common stock, par value $0.0001 per share.

As of November 9, 2022, there were 1,628,169,181 shares outstanding of the registrant’s class A common stock, par value $0.0001 per share, 245,513,385 shares outstanding of the registrant’s class B common stock, par value $0.0001 per share, and 9,812,105 shares outstanding of the registrant’s class C common stock, par value $0.0001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s Proxy Statement for the 2023 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant’s fiscal year ended September 30, 2022.

TABLE OF CONTENTS

Unless the context indicates otherwise, reference to “Visa,” “we,” “us,” “our” or “the Company” refers to Visa Inc. and its subsidiaries.

“Visa” and our other trademarks referenced in this report are Visa’s property. This report may contain additional trade names and trademarks of other companies. The use or display of other companies’ trade names or trademarks does not imply our endorsement or sponsorship of, or a relationship with these companies.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 that relate to, among other things, the impact on our future financial position, results of operations and cash flows as a result of the war in Ukraine; the ongoing effects of the COVID-19 pandemic, including the reopening of borders and resumption of international travel; prospects, developments, strategies and growth of our business; anticipated expansion of our products in certain countries; industry developments; anticipated timing and benefits of our acquisitions; expectations regarding litigation matters, investigations and proceedings; timing and amount of stock repurchases; sufficiency of sources of liquidity and funding; effectiveness of our risk management programs; and expectations regarding the impact of recent accounting pronouncements on our consolidated financial statements. Forward-looking statements generally are identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "may," "projects," "could," "should," "will," "continue" and other similar expressions. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in *Item 1—Business*, *Item 1A—Risk Factors*, *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations* and elsewhere in this report. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

PART I

ITEM 1. Business

OVERVIEW

Visa is one of the world's leaders in digital payments. Our purpose is to uplift everyone, everywhere by being the best way to pay and be paid. We facilitate global commerce and money movement across more than 200 countries and territories among a global set of consumers, merchants, financial institutions and government entities through innovative technologies.

Since Visa's early days in 1958, we have been in the business of facilitating payments between consumers and businesses. As a trusted engine of commerce and with new ways to pay, we are working to provide payment solutions for everyone, everywhere. We are focused on extending, enhancing and investing in our proprietary network, VisaNet, to offer a single connection point for facilitating payment transactions to multiple endpoints through various form factors. Through our network, we offer products, solutions and services that facilitate secure, reliable and efficient money movement for participants in the ecosystem.

- **We facilitate secure, reliable and efficient money movement among consumers, issuing and acquiring financial institutions, and merchants.** We have traditionally referred to this as the "four-party" model. Please see *Our Core Business* discussion below. As the payments ecosystem continues to evolve, we have broadened this model to include digital banks, digital wallets and a range of financial technology companies (fintechs), governments and non-governmental organizations (NGOs). We provide transaction processing services (primarily authorization, clearing and settlement) to our financial institution and merchant clients through VisaNet, our advanced transaction processing network. During fiscal year 2022, we saw 258 billion payments and cash transactions with Visa's brand, equating to an average of 707 million transactions per day. Of the 258 billion total transactions, 193 billion were processed by Visa.

- **We offer a wide range of Visa-branded payment products** that our clients, including nearly 15,000 financial institutions, use to develop and offer core business solutions, including credit, debit, prepaid and cash access programs for individual, business and government account holders. During fiscal year 2022, Visa's total payments and cash volume was $14 trillion, and 4.1 billion credentials[(1)] were available worldwide to be used at more than 80 million merchant locations, plus an estimated 20 million locations through payment facilitators.[(1)]

- **We take an open partnership approach** and seek to provide value by enabling access to our global network, including offering our technology capabilities through application programming interfaces (APIs). We partner with both traditional and emerging players to innovate and expand the payments ecosystem, allowing them to leverage the resources of our platform to scale and grow their businesses more quickly and effectively.

- **We are accelerating the migration to digital payments** and continue to evolve to be a "network of networks" to enable the movement of money through all available networks. We aim to provide a single connection point so that Visa clients can enable money movement for businesses, governments and consumers, regardless of which network is used to start or complete the transaction. This ultimately helps to unify a complex payments ecosystem. Visa's network of networks approach creates opportunities by facilitating person-to-person (P2P), business-to-consumer (B2C), business-to-business (B2B), business-to-small business (B2b) and government-to-consumer (G2C) payments, in addition to consumer to business (C2B) payments.

- **We provide value added services** to our clients, including issuing solutions, acceptance solutions, risk and identity solutions, open banking and advisory services.

- **We invest in and promote our brand** to the benefit of our clients and partners through advertising, promotional and sponsorship initiatives with FIFA, the International Olympic

Committee, the International Paralympic Committee and the National Football League (NFL), among others. We also use these sponsorship assets to showcase our payment innovations.

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(1) Data provided to Visa by acquiring institutions and other third parties as of June 30, 2022.

FISCAL YEAR 2022 KEY STATISTICS

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(1) Please see *Item 7–Management's Discussion and Analysis of Financial Condition and Results of Operations* for a reconciliation of our GAAP to non-GAAP financial results.

OUR CORE BUSINESS

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In an example of a typical Visa C2B payment transaction, the consumer purchases goods or services from a merchant using a Visa card or payment product. The merchant presents the transaction data to an acquirer, usually a bank or third-party processing firm that supports acceptance of Visa cards or payment products, for verification and processing. Through VisaNet, the acquirer presents the transaction data to Visa, which in turn contacts the issuer to check the account holder's account or credit line for authorization. After the transaction is authorized, the issuer effectively pays the acquirer an amount equal to the value of the transaction, minus the interchange reimbursement fee, and then posts the transaction to the consumer's account. The acquirer pays the amount of the purchase, minus the merchant discount rate (MDR), to the merchant.

Visa earns revenue by facilitating money movement across more than 200 countries and territories among a global set of consumers, merchants, financial institutions and government entities through innovative technologies. Net revenues consist of service revenues, data processing revenues, international transaction revenues and other revenues, minus client incentive arrangements we have with our clients. We have one reportable segment, which is Payment Services. We generally do not experience any pronounced seasonality in our business.

Visa is not a financial institution. We do not issue cards, extend credit or set rates and fees for account holders of Visa products nor do we earn revenues from, or bear credit risk with respect to, any of these activities. Interchange reimbursement fees reflect the value merchants receive from accepting our products and play a key role in balancing the costs and benefits that account holders and merchants derive from participating in our payments networks. Generally, interchange reimbursement fees are collected from acquirers and paid to issuers. We establish default interchange reimbursement fees that apply absent other established settlement terms. In addition, we do not earn revenues from the fees that merchants are charged by acquirers for acceptance, including the MDR. Our acquiring clients are generally responsible for soliciting merchants as well as establishing and earning these fees.

Our net revenues in fiscal year 2022 consisted of the following:

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Visa's strategy is to accelerate our revenue growth in consumer payments, new flows and value added services, and fortify the key foundations of our business model.

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We seek to accelerate revenue growth in three primary areas — consumer payments, new flows and value added services.

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Consumer Payments

We remain focused on moving the trillions of consumer spending in cash and checks to cards and digital accounts on Visa's network of networks.

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Core Products

Visa's growth has been driven by the strength of our core products — credit, debit and prepaid.

Credit: Credit cards and digital credentials allow consumers and businesses to access credit to pay for goods and services. Credit cards are affiliated with programs operated by financial institution clients, co-brand partners, fintechs and affinity partners.

Debit: Debit cards and digital credentials allow consumers and small businesses to purchase goods and services using funds held in their bank accounts. Debit cards enable account holders to transact in person, online or via mobile without needing cash or checks and without accessing a line of credit. The Visa/PLUS Global ATM network also provides debit, credit and prepaid account holders with cash access, and other banking capabilities, in more than 200 countries and territories worldwide through issuing and acquiring partnerships with both financial institutions and independent ATM operators.

Prepaid: Prepaid cards and digital credentials draw from a designated balance funded by individuals, businesses or governments. Prepaid cards address many use cases and needs, including general purpose reloadable, payroll, government and corporate disbursements, healthcare, gift and travel. Visa-branded prepaid cards also play an important part in financial inclusion, bringing payment solutions to those with limited or no access to traditional banking products.

Enablers

We enable consumer payments and help our clients grow as digital commerce, new technologies and new participants continue to transform the payments ecosystem. Some examples include:

v-20220930_g10.jpg***Tap to Pay***

As we seek to improve the user experience in the face-to-face environment, contactless payments or tap to pay, which is the process of tapping a contactless card or mobile device on a terminal to make a payment, has emerged as a preferred way to pay among consumers in many countries around the world. Tap to pay adoption is growing and many consumers have come to expect touchless payment experiences.

Globally, we have more than 30 countries and territories with more than 90 percent contactless penetration and more than 90 countries where tap to pay is more than 50 percent of face-to-face transactions. Excluding the United States, more than 70 percent of face-to-face transactions globally were contactless. In the U.S., Visa has 28 percent contactless penetration and 495 million tap-to-pay-enabled Visa cards. We have activated more than 600 contactless public transport projects worldwide. In addition, we surpassed one billion contactless transactions on global transit systems in fiscal year 2022, an increase of 70% year over year.

v-20220930_g11.jpg***Tokenization***

Visa Token Service (VTS) brings trust to digital commerce innovation. As consumers increasingly rely on digital transactions, VTS is designed to enhance the digital ecosystem through improved authorization, reduced fraud and improved consumer experience. VTS helps protect digital transactions by replacing 16-digit Visa account numbers with a token that includes a surrogate account number, cryptographic information and other data to protect the underlying account information. This security technology can work for a variety of payment transactions, both in the physical and online space.

The provisioning of network tokens continues to accelerate. As of the end of fiscal year 2022, Visa provisioned more than 4 billion network tokens, surpassing the number of physical cards in circulation. The milestone reinforces Visa's commitment to secure, seamless, digital payments, in-store and online.

v-20220930_g12.jpg***Click to Pay***

Click to Pay provides a simplified and more consistent cardholder checkout experience online by removing time-consuming key entry of personal information and enabling consumer and transaction data to be passed securely between payments network participants. Based on the EMV® Secure Remote Commerce industry standard, Click to Pay brings a standardized and streamlined approach to online checkout and meets the needs of consumers shopping across a growing number of connected devices. The goal of Click to Pay is to make digital payments safe, consistent and interoperable like the checkout experience in physical stores.

New Flows

Visa's network of networks approach creates opportunities to capture new sources of money movement through card and non-card flows for consumers, businesses and governments around the world by facilitating P2P, B2C, B2B, B2b and G2C payments.

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Visa Direct

Visa Direct is Visa's global, real-time[(2)] payments network that helps facilitate the fast delivery of funds directly to eligible cards and bank accounts around the world. Visa Direct leverages Visa's infrastructure to enable different transaction types and new money flows between parties for a wide range of use cases, such as P2P payments and account-to-account transfers, business and government payouts to individuals and small businesses, merchant settlements and refunds.

In fiscal year 2022, we had 5.9 billion Visa Direct transactions, an increase of 36 percent year over year, excluding Russia from both periods, and more than 60 use cases and 2,000 programs. Visa Direct connected 16 card-based networks, 66 automated clearing house (ACH) schemes, 11 real-time payment (RTP) networks and five gateways. With the addition of push-to-wallet capabilities to Visa Direct Payouts, which is an existing service that allows Visa financial institutions and its partners to send push-to-account and push-to-card payouts, Visa Direct will be able to provide access to nearly 7 billion cards, accounts and digital wallets across more than 190 countries and territories.

Visa Business Solutions

We are also extending our network with B2B payments. Our three strategic areas of focus include investing and growing card-based payments, accelerating our efforts in non-card, cross-border payments and digitizing domestic accounts payable and accounts receivable processes. We offer a portfolio of business payment solutions, including small business, corporate (travel) cards, purchasing cards, virtual cards and digital credentials, non-card cross-border B2B payment options and disbursement accounts, covering most major industry segments around the world. Business solutions are designed to bring efficiency, controls and automation to small businesses, commercial and government payment processes, ranging from employee travel to fully integrated, invoice-based payables.

Visa B2B Connect is a multilateral B2B cross-border payments network designed to facilitate transactions from the bank of origin directly to the beneficiary bank, helping streamline settlement and optimize payments for financial institutions' corporate clients. The network delivers B2B cross-border payments that are predictable, flexible, data-rich, secure and cost-effective. Visa B2B Connect continues to scale and is available in more than 100 countries and territories.

Visa Treasury as a Service

Aligned with our global network of networks strategy, we are focused on building the infrastructure that enables our clients to deliver cross-border products and services for their consumers. This includes a series of new solutions for our established cross-border consumer payments business as well as introducing new use cases enabled by our digitally native Currencycloud platform, which includes real-time foreign exchange rates, virtual accounts, and enhanced liquidity and settlement capabilities.

[(2)] Actual fund availability varies by receiving financial institution, receiving account type, region and whether the transaction is domestic or cross-border.

Value Added Services

Value added services represent an opportunity for us to diversify our revenue with products and solutions that differentiate our network, deepen our client relationships and deliver innovative solutions across other networks.

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Issuing Solutions

Visa DPS is one of the largest issuer processors of Visa debit transactions in the world. In addition to multi-network transaction processing, Visa DPS also provides a wide range of value added services, including fraud mitigation, dispute management, data analytics, campaign management, a suite of digital solutions and contact center services. Our capabilities in API-based issuer processing solutions, like DPS Forward, allow our clients to create new payments use cases and provide them with modular capabilities for digital payments.

We also provide a range of other services and digital solutions to issuers, such as account controls, digital issuance, branded consumer experiences and Buy Now, Pay Later (BNPL) capabilities. BNPL or installment payments allow shoppers the flexibility to pay for a purchase in equal payments over a defined period of time. Visa is investing in installments as a payments strategy — by offering a portfolio of BNPL solutions for traditional clients, as well as installments providers, who use our cards and services to support a wide variety of installment options before, during or after checkout, in store and online.

Acceptance Solutions

Cybersource is a global payment management platform that provides modular, value added services in addition to the traditional gateway function of connecting merchants to payment processing. Using Cybersource, merchants of all sizes can improve the way their consumers engage, transact and mitigate fraud; help to lower operational costs; and adapt to changing business requirements. Cybersource white-labeled capabilities provide new and enhanced payment integrations with ecommerce platforms, enabling sellers and acquirers to provide tailored commerce experiences with payments seamlessly embedded. Cybersource enables an omnichannel solution with a cloud-based architecture to deliver more innovation at the point of sale.

In addition, Visa provides secure, reliable services for merchants and acquirers that reduce friction and drive acceptance. Examples include Global Urban Mobility, which supports transit operators to accept Visa contactless payments in addition to closed-loop payment solutions; and Visa Account Updater, which provides updated account information for merchants to help strengthen customer relationships and retention. Visa also offers dispute management services, including a network-agnostic solution from Verifi that enables merchants to prevent and resolve disputes with a single connection.

Risk and Identity Solutions

Visa's risk and identity solutions transform data into insights for near real-time decisions and facilitate account holder authentication to help clients prevent fraud and protect account holder data. With the increasing popularity of omnichannel commerce and digital payments among consumers, fraud prevention helps increase trust in digital payments. Solutions such as Visa Advanced Authorization, Visa Secure, Visa Advanced Identity Score, Visa Consumer Authentication Service, and payment-decisioning solutions from CardinalCommerce empower financial institutions and merchants with tools that help automate and simplify fraud prevention and enhance payment security.

These value-added fraud prevention tools layer on top of a suite of programs that protect the safety and integrity of the payment ecosystem, and along with our investments in intelligence and technology, help to prevent, detect and mitigate threats. These programs and Visa's fraud prevention expertise are among the core benefits of being part of the Visa network. Through the combined efforts of security and identity tools and services, payment and cyber intelligence, insights and learnings from client or partner breach investigations, and law enforcement engagement, Visa helps protect financial institutions and merchants from fraud and solve payment security challenges.

Open Banking

In March 2022, Visa acquired Tink AB (Tink), an open banking platform, to catalyze fintech innovation and accelerate the development and adoption of open banking securely and at scale. Visa's open banking capabilities range from data access use cases, such as account verification, balance check and personal finance management, to payment initiation capabilities, such as account-to-account transactions and merchant payments. These capabilities can help our partner businesses deliver valuable services to their customers.

Advisory Services

Visa Consulting and Analytics is the payments consulting advisory arm of Visa. The combination of our deep payments expertise, proprietary analytical models applied to a breadth of data and our economic intelligence allows us to identify actionable insights, make recommendations and help implement solutions that can drive better business decisions and measurable outcomes for clients. Visa Consulting and Analytics offers consulting services for issuers, acquirers, merchants, fintechs and other partners, spanning the entire customer journey from acquisition to retention.

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We are fortifying the key foundations of our business model, which consist of becoming a network of networks, our technology platforms, security, brand and talent.

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Network of Networks

Visa strives to become a network of networks, offering a single connection point for senders and receivers to enable money movement to all endpoints and to all form factors, using all available networks.

Technology Platforms

Visa's technology platforms include software, hardware, data centers and a large telecommunications infrastructure, each with a distinct architecture and operational footprint wrapped with several layers of security and protection technologies. Visa's three data centers are a critical part of our global processing environment and have a high redundancy of network connectivity, power and cooling designed to provide continuous availability of systems. Together, these systems deliver the secure, convenient and reliable service that our clients and consumers expect from the Visa brand.

Security

Our in-depth, multi-layer security approach includes a formal program to devalue sensitive and/or personal data through various cryptographic means; embedded security in the software development lifecycle; identity and access management controls to protect against unauthorized access; and advanced cyber detection and response capabilities. We deploy security tools that help keep our clients and consumers safe. We also invest significantly in our comprehensive approach to cybersecurity. We deploy security technologies to strengthen data confidentiality, the integrity of our network and service availability to protect our core cybersecurity capabilities to minimize risk.

Brand

Visa's strong brand helps deliver added value to our clients and their customers, financial institutions, merchants and partners through compelling brand expressions, a wide range of products and services as well as innovative brand and marketing efforts. In line with our commitment to an expansive and diverse range of partnerships for the benefit of our stakeholders, Visa is the only brand in the world that is a top sponsor of FIFA, the

Olympic Games, and the NFL and is one of the most active sponsors of women's football around the world.

Talent

Attracting, developing and advancing the best talent globally is critical to our continued success. This year we grew our total workforce from approximately 21,500 in fiscal year 2021 to approximately 26,500 employees in fiscal year 2022, an increase of 23 percent year over year. Voluntary workforce turnover (rolling 12-month attrition) was 12.1 percent as of September 30, 2022. Visa employees are located in more than 80 countries and territories, with 54 percent located outside the U.S. At the end of fiscal year 2022, Visa's global workforce was 58 percent men and 42 percent women, and women represented 36 percent of Visa's leadership (defined as vice president level and above). In the U.S., ethnicity of our workforce was 41 percent Asian, 8 percent Black, 12 percent Hispanic, 3 percent Other and 36 percent White. For our U.S. leadership, the breakdown was 18 percent Asian, 7 percent Black, 13 percent Hispanic, 2 percent Other and 60 percent White.

Given Visa's ambitious growth agenda, it is important to enable our employees to achieve their individual performance goals while also supporting personal career interests. This year we introduced several changes to career growth and planning at Visa, including new growth paths and tools that take into consideration the unique professional backgrounds, skills, accomplishments, and future performance goals of our employees. These tools support meaningful dialogue about performance and help drive development, retention and growth of top talent in a highly competitive talent market.

We have an unwavering commitment to valuing the unique identities of our employees and their contributions to Visa. In 2020, we established the Stand Together initiative in support of social justice and racial equality in the U.S. focused on our people, our community and our company. We are proud of the progress we have made. Our partnership with the Thurgood Marshall College Fund for the Visa Black Scholars and Jobs Program resulted in Visa's inaugural class of 51 scholars participating in year-round programs and training aimed at developing their professional and technical skills this past year. We also welcomed the second cohort of 75 scholars this fall. Upon graduation, all scholars who have met their commitments will be offered a full-time job with Visa.

We continue to increase the number of underrepresented employees in the U.S. We are committed to recruiting and retaining diverse talent through employee development programs aimed at advancing their careers at Visa. As a company, we continue to partner with historically Black colleges and a generally more diverse set of universities to further develop our talent pipeline. Visa is committed to pay equity, regardless of gender or race/ethnicity, and conducts pay equity analyses on an annual basis. More details regarding our human capital management, as well as enhanced workforce disclosures that include our 2021 Consolidated EEO-1 Report and our 2021 Environmental, Social and Governance (ESG) Report, can be found on our website at *visa.com/esg*. See *Available Information* below.

For additional information, please see the section titled "Talent and Human Capital Management" in Visa's 2022 Proxy Statement.

FINTECH AND DIGITAL PARTNERSHIPS

Fintechs are key enablers of new payment experiences and new flows. Our work with fintechs has opened new points of acceptance, extended credit at the point of sale, made cross-border money flows more efficient, moved B2B spend onto Visa's network, expedited payroll and provided digital wallet customers access to our services.

To better serve fintechs, Visa has a suite of streamlined commercial programs and digital onboarding tools. Our Fintech Fast Track program enables qualifying fintechs to quickly launch and scale their programs. The program has welcomed hundreds of fintechs who are actively engaged in the program.

With our startup engagement programs, the Visa Everywhere Initiative and the Inclusive Fintech 50, early-stage companies can build payment solutions based on our capabilities. With the global Visa Fintech Partner Connect program, we are helping our clients tap into innovations emerging from the fintech community. The program is designed to help financial institutions quickly connect with a curated set of technology providers, helping Visa’s issuing partners create digital-first experiences.

MERGERS AND ACQUISITIONS, JOINT VENTURES AND STRATEGIC INVESTMENTS

Visa continually explores opportunities to augment our capabilities and provide meaningful value to our clients. Mergers and acquisitions, joint ventures and strategic investments complement our internal development and enhance our partnerships to align with Visa's priorities. Visa applies a rigorous business analysis to our acquisitions, joint ventures and investments to ensure they will differentiate our network, provide value added services and accelerate growth.

In fiscal year 2022, we acquired The Currency Cloud Group Limited (Currencycloud), a global platform that enables financial institutions and fintechs to provide innovative, cross-border foreign exchange solutions. We also acquired Tink, an open banking platform that enables financial institutions, fintechs and merchants to build financial products and services and move money.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a trusted brand, Visa has an opportunity and responsibility to contribute to a more inclusive, equitable and sustainable world. We believe that economies that include everyone everywhere, uplift everyone everywhere. As we build business resilience and long-term value, we are committed to managing the risks and opportunities that arise from ESG issues. We are focused on empowering people and economies; securing commerce and protecting customers; investing in our workforce; protecting the planet; and operating responsibly. Our 2021 ESG report, as well as other ESG-related resources are available on our website at *visa.com/esg*. See *Available Information* below.

INTELLECTUAL PROPERTY

We own and manage the Visa brand, which stands for acceptance, security, convenience, speed and reliability. Our portfolio of Visa-owned trademarks is important to our business. Generally, trademark registrations are valid indefinitely as long as they are in use and/or maintained. We give our clients access to these assets through agreements with our issuers and acquirers, which authorize the use of our trademarks in connection with their participation in our payments network. Additionally, we own a number of patents and patent applications related to our business and continue to pursue patents in emerging technologies that may have applications in our business. We rely on a combination of patent, trademark, copyright and trade secret laws in the U.S. and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our proprietary technology.

COMPETITION

The global payments industry continues to undergo dynamic change. Existing and emerging competitors compete with Visa's network and payment solutions for consumers and for participation by financial institutions and merchants. Technology and innovation are shifting consumer habits and driving growth opportunities in ecommerce, mobile payments, blockchain technology and digital currencies. These advances are enabling new entrants, many of which depart from traditional network payment models. In certain countries, the evolving regulatory landscape is creating local networks or enabling additional processing competition.

We compete against all forms of payment. This includes paper-based payments, primarily cash and checks, and all forms of electronic payments. Our electronic payment competitors principally include:

Global or Multi-Regional Networks: These networks typically offer a range of branded, general purpose card payment products that consumers can use at millions of merchant locations around the world. Examples include Mastercard, American Express, Discover, JCB and UnionPay. These competitors may be more concentrated in specific geographic regions, such as JCB in Japan and Discover in the U.S., or have a leading position in certain countries, such as UnionPay in China. See *Item 1A—Risk Factors—Regulatory Risks—Government-imposed obligations and/or restrictions on international payment systems may prevent us from competing against providers in certain countries, including significant markets such as China and India*. Based on available data, Visa is one of the largest retail electronic funds transfer networks used throughout the world.

The following chart compares our network with these network competitors for calendar year 2021[(1)]:

	Visa	Mastercard	American Express	JCB	Diners Club
Payments Volume ($B)	10,894	5,975	1,274	325	207
Total Volume ($B)	13,508	7,723	1,284	335	219
Total Transactions (B)	244	140	9	5	3
Cards (M)	3,936	2,579	122	144	66

(1) Mastercard, American Express, JCB and Diners Club / Discover data sourced from The Nilson Report issue 1224 (July 2022). Includes all consumer, small business and commercial credit, debit and prepaid cards. Mastercard excludes Maestro and Cirrus figures. American Express, Diners Club / Discover, and JCB include business from third-party issuers. JCB figures include other payment-related products and some figures are estimates.

Local and Regional Networks: Operated in many countries, these networks often have the support of government influence or mandate. In some cases, they are owned by financial institutions or payment processors. These networks typically focus on debit payment products, and may have strong local acceptance, and recognizable brands. Examples include STAR, NYCE, and Pulse in the U.S., Interac in Canada and eftpos in Australia.

Digital Wallet Providers: They continue to expand payment capabilities in person and online for consumers and merchants. While digital wallets can help drive Visa volumes, they can also be funded by non-card payment options.

Alternative Payments Providers: These providers, such as closed commerce ecosystems, BNPL solutions and cryptocurrency platforms, often have a primary focus of enabling payments through ecommerce and mobile channels; however, they are expanding or may expand their offerings to the physical point of sale. These companies may process payments using in-house account transfers between parties, electronic funds transfer networks like the ACH, global or local networks like Visa, or some combination of the foregoing. In some cases, these entities can be both a partner and a competitor to Visa.

Real-time Payment (RTP) Networks: RTP networks have launched in multiple markets, mainly driven by government sponsorship and regulatory intervention. These networks primarily focus on domestic transactions, with adoption varying by use cases and geographies. They can compete with Visa on consumer payments and other payment flows (e.g., B2B and P2P) but can be partners for value added services, such as risk management.

Payment Processors: We compete with payment processors for the processing of Visa transactions. These processors may benefit from mandates requiring them to handle processing under local regulation. For example, as a result of regulation in Europe under the Interchange Fee Regulation (IFR), we may face competition from other networks, processors and other third parties who could process Visa transactions directly with issuers and acquirers.

Value Added Service and New Flows Providers: We face competition from companies that provide alternatives to our value added services as well as new flows (e.g., Visa Direct and Visa B2B Connect). This includes a wide range of players, such as technology companies, information services and consulting firms, governments and merchant services companies. Regulatory initiatives could also lead to increased competition in these areas.

We believe our fundamental value proposition of security, convenience, speed and reliability as well as the number of credentials and our acceptance footprint help us to succeed. In addition, we understand the needs of the individual markets in which we operate and partner with local financial institutions, merchants, fintechs, governments, NGOs and business organizations to provide tailored and innovative solutions. We will continue to utilize our network of networks strategy to facilitate the movement of money. We believe Visa is well-positioned competitively due to our global brand, our broad set of payment products, new flows offerings and value added services, and our proven track record of processing payment transactions securely and reliably.

GOVERNMENT REGULATION

As a global payments technology company, we are subject to complex and evolving global regulations in the various jurisdictions in which our products and services are used. The most significant government regulations that impact our business are discussed below. For further discussion of how global regulations may impact our business, see *Item 1A-Risk Factors-Regulatory Risks*.

Anti-Corruption, Anti-Money Laundering, Anti-Terrorism and Sanctions: We are subject to anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and other laws that generally prohibit the making or offering of improper payments to foreign government officials and political figures for the purpose of obtaining or retaining business or to gain an unfair business advantage. We are also subject to anti-money laundering and anti-terrorist financing laws and regulations, including the U.S. Bank Secrecy Act. In addition, we are subject to economic and trade sanctions programs administered by the Office of Foreign Assets Control (OFAC) in the U.S. Therefore, we do not permit financial institutions or other entities that are domiciled in countries or territories subject to comprehensive OFAC trade sanctions (currently, Cuba, Iran, North Korea, Syria and Crimea), or that are included on OFAC's list of Specially Designated Nationals and Blocked Persons, to issue or acquire Visa cards or engage in transactions using our services.

Government-Imposed Market Participation Restrictions: Certain governments, including China, India, Indonesia, Thailand and Vietnam, have taken actions to promote domestic payments systems and/or certain issuers, payments networks or processors, by imposing regulations that favor domestic providers, impose local ownership requirements on processors, require data localization or mandate that domestic processing be done in that country.

Interchange Rates and Fees: An increasing number of jurisdictions around the world regulate or influence debit and credit interchange reimbursement rates in their regions. For example, the U.S. Dodd-Frank Wall Street Reform and Consumer Act (Dodd-Frank Act) limits interchange reimbursement rates for certain debit card transactions in the U.S., the European Union (EU) IFR limits interchange rates in the European Economic Area (EEA) (as discussed below), and the Reserve Bank of Australia and the Central Bank of Brazil regulate average permissible levels of interchange.

Internet Transactions: Many jurisdictions have adopted regulations that require payment system participants to monitor, identify, filter, restrict or take other actions with regard to certain types of payment transactions on the Internet, such as gambling, digital currencies, the purchase of cigarettes or alcohol and other controversial transaction types.

Network Exclusivity and Routing: In the U.S., the Dodd-Frank Act limits network exclusivity and restrictions on merchant routing choice for the debit and prepaid market segments. Other jurisdictions impose similar limitations, such as the IFR's prohibition in Europe on restrictions that prevent multiple payment brands or functionality on the same card.

No-surcharge Rules: We have historically enforced rules that prohibit merchants from charging higher prices to consumers who pay using Visa products instead of other means. However, merchants' ability to surcharge varies by geographic market as well as Visa product type, and continues to be impacted by litigation, regulation and legislation.

Privacy and Data Protection: Aspects of our operations or business are subject to privacy, data use and data security regulations, which impact the way we use and handle data, operate our products and services and even impact our ability to offer a product or service. In addition, regulators are proposing new laws or regulations that could require Visa to adopt certain cybersecurity and data-handling practices, create new individual privacy rights and impose increased obligations on companies handling personal data.

Supervisory Oversight of the Payments Industry: Visa is subject to financial sector oversight and regulation in substantially all of the jurisdictions in which we operate. In the U.S., for example, the Federal Banking Agencies (FBA) (formerly known as the Federal Financial Institutions Examination Council) has supervisory oversight over Visa under applicable federal banking laws and policies as a technology service provider to U.S. financial institutions. The federal banking agencies comprising the FBA are the Federal Reserve Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the National Credit Union Administration. Visa also may be separately examined by the Consumer Financial Protection Bureau as a service provider to the banks that issue Visa-branded consumer credit and debit card products. Central banks in other countries/regions, including Europe, India, Ukraine and the United Kingdom (as discussed below), have recognized or designated Visa as a retail payment system under various types of financial stability regulations. Visa is also subject to oversight by banking and financial sector authorities in other jurisdictions, such as Brazil and Hong Kong.

European and United Kingdom Regulations and Supervisory Oversight: Visa in Europe continues to be subject to complex and evolving regulation in the EEA and the UK.

There are a number of EU regulations that impact our business. As discussed above, the IFR regulates interchange rates within the EEA, requires Visa Europe to separate its payment card scheme activities from processing activities for accounting, organization and decision-making purposes within the EEA and imposes limitations on network exclusivity and routing. National competent authorities in the EEA are responsible for monitoring and enforcing the IFR in their markets. We are also subject to regulations governing privacy and data protection, anti-bribery, anti-money laundering, anti-terrorism and sanctions. Other regulations in Europe, such as the second Payment Services Directive (PSD2), require, among other things, that our financial institution clients provide certain customer account access rights to emerging non-financial institution players. PSD2 also includes strong customer authentication requirements for certain transactions that could impose both operational complexity on Visa and negatively impact consumer payment experiences. Visa Europe is also subject to supervisory oversight by the European Central Bank and other national competent authorities in Europe.

In the UK, Visa Europe is designated as a Recognized Payment System, bringing it within the scope of the Bank of England's supervisory powers and subject to various requirements, including on issues such as governance and risk management designed to maintain the stability of the UK's financial system. Visa Europe is also regulated by the UK's Payment Systems Regulator (PSR), which has wide-ranging powers and authority to review our business practices, systems, rules and fees with respect to promoting competition and innovation in the UK, and ensuring payment systems take care of, and promote, the interest of service-users. Post-Brexit, the UK has adopted various European regulations, including regulations that impact the payments ecosystem, such as the IFR and PSD2. The PSR is responsible for monitoring Visa Europe's compliance with the IFR as adopted in the UK.

ESG and Sustainability: Certain governments around the world are adopting laws and regulations pertaining to ESG performance, transparency and reporting. Regulations may include mandated corporate reporting on ESG overall (e.g., Corporate Sustainability Reporting Directive) or in individual areas, such as mandated reporting on climate-related financial disclosures.

Additional Regulatory Developments: Various regulatory agencies across the world also continue to examine a wide variety of other issues, including mobile payment transactions, tokenization, access rights for non-financial institutions, money transfer services, identity theft, account management guidelines, disclosure rules, security and marketing that could affect our financial institution clients and our business. Furthermore, following the passage of PSD2 in Europe, several countries, including Australia, Brazil, Canada, Hong Kong and Mexico, are contemplating granting or have already granted various types of access rights to third party processors, including access to consumer account data maintained by our financial institution clients. These changes could have negative implications for our business depending on how the regulations are framed and implemented.

AVAILABLE INFORMATION

Our corporate website is *visa.com/ourbusiness*. Our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, proxy statements and any amendments to those reports filed or furnished pursuant to the U.S. Securities Exchange Act of 1934, as amended, can be viewed at *sec.gov* and our investor relations website at *investor.visa.com* as soon as reasonably practicable after these materials are electronically filed with or furnished to the U.S. Securities and Exchange Commission (SEC). In addition, we routinely post financial and other information, which could be deemed to be material to investors, on our investor relations website. Information regarding our ESG, corporate responsibility and sustainability initiatives is also available on our website at *visa.com/esg.* The content of any of our websites referred to in this report is not incorporated by reference into this report or any other filings with the SEC.

ITEM 1A. Risk Factors

Regulatory Risks

We are subject to complex and evolving global regulations that could harm our business and financial results.

As a global payments technology company, we are subject to complex and evolving regulations that govern our operations. See *Item 1—Business—Government Regulation* for more information on the most significant areas of regulation that affect our business. The impact of these regulations on us, our clients, and other third parties could limit our ability to enforce our payments system rules; require us to adopt new rules or change existing rules; affect our existing contractual arrangements; increase our compliance costs; and require us to make our technology or intellectual property available to third parties, including competitors, in an undesirable manner. As discussed in more detail below, we may face differing rules and regulations in matters like interchange reimbursement rates, preferred routing, domestic processing requirements, currency conversion, point-of-sale transaction rules and practices, privacy, data use or protection, licensing requirements, and associated product technology. As a result, the Visa operating rules and our other contractual commitments may differ from country to country or by product offering. Complying with these and other regulations increases our costs and reduces our revenue opportunities.

If widely varying regulations come into existence worldwide, we may have difficulty rapidly adjusting our product offerings, services, fees and other important aspects of our business to comply with the regulations. Our compliance programs and policies are designed to support our compliance with a wide array of regulations and laws, such as anti-money laundering, anti-corruption, competition, money transfer services, privacy and sanctions, and we continually adjust our compliance programs as regulations evolve. However, we cannot guarantee that our practices will be deemed compliant by all applicable regulatory authorities. In the event our controls should fail or we are found to be out of compliance for other reasons, we could be subject to monetary damages, civil and criminal penalties, litigation, investigations and proceedings, and damage to our global brands and reputation. Furthermore, the evolving and increased regulatory focus on the payments industry could negatively impact or reduce the number of Visa products our clients issue, the volume of payments we process, our revenues, our brands, our competitive positioning, our ability to use our intellectual property to differentiate our products and services, the quality and types of products and services we offer, the countries in which our products are used, and the types of consumers and merchants who can obtain or accept our products, all of which could harm our business and financial results.

Increased scrutiny and regulation of the global payments industry, including with respect to interchange reimbursement fees, merchant discount rates, operating rules, risk management protocols and other related practices, could harm our business.

Regulators around the world have been establishing or increasing their authority to regulate certain aspects of the payments industry. See *Item 1—Business —Government Regulation* for more information. In the U.S. and many other jurisdictions, we have historically set default interchange reimbursement fees. Even though we generally do not receive any revenue related to interchange reimbursement fees in a payment transaction (in the context of credit and debit transactions, those fees are paid by the acquirers to the issuers; the reverse is true for certain transactions like ATM), interchange reimbursement fees are a factor on which we compete with other payments providers and are therefore an important determinant of the volume of transactions we process. Consequently, changes to these fees, whether voluntarily or by mandate, can substantially affect our overall payments volumes and revenues.

Interchange reimbursement fees, certain operating rules and related practices continue to be subject to increased government regulation globally, and regulatory authorities and central banks in a number of jurisdictions have reviewed or are reviewing these fees, rules and practices. For example:

- Regulations adopted by the U.S. Federal Reserve cap the maximum U.S. debit interchange reimbursement rate received by large financial institutions at 21 cents plus 5 basis points per transaction, plus a possible fraud adjustment of 1 cent. The Dodd-Frank Act also limits issuers' and our ability to adopt network exclusivity and preferred routing in the debit and prepaid area, which also impacts our business. In October 2022, the Federal Reserve published a final rule effectively requiring issuers to ensure that at least two unaffiliated networks are available for routing card not present debit transactions by July 1, 2023. Various stakeholder groups are also advocating that the Federal Reserve further lower interchange fees on debit transactions and restrict the ability of payments networks to enter into certain incentive and growth agreements with issuers. In addition, there continues to be interest in further regulation of interchange fees and routing practices by members of Congress and state legislators in the U.S. In 2022, legislation was introduced in the U.S. House of Representatives and Senate, which among other things, would require large issuing banks to offer a choice of at least two unaffiliated networks over which electronic credit transactions may be processed. In Europe, the EU's IFR places an effective cap on consumer credit and consumer debit interchange fees for both domestic and cross-border transactions within the EEA (30 basis points and 20 basis points, respectively). EU member states have the ability to further reduce these interchange levels within their territories. The European Commission recently announced its intention to conduct another impact assessment of the IFR, which could result in even lower caps on interchange rates and the expansion of regulation to other types of products, services and fees. Several countries in Latin America are exploring regulatory measures against payments networks and have either adopted or are exploring interchange caps, including Argentina, Brazil, Chile and Costa Rica. In Asia Pacific, the Reserve Bank of Australia (RBA) completed its review of the country's payment system regulations and adopted a series of measures, which include lower interchange rates for debit transactions. The RBA also continues to assess the potential merits of mandating co-badging and routing requirements on dual network debit cards. In addition, the New Zealand Parliament passed legislation capping domestic interchange rates for debit and credit products.

- While the focus of interchange regulation has primarily been on domestic rates historically, there is increasing focus on cross-border rates in recent years. For example, in 2019, we settled certain cross-border interchange rates with the European Commission. The UK's PSR recently initiated two market reviews: one focusing on post-Brexit increases in interchange rates for transactions between the UK and Europe, and the other focusing on increases in scheme and processing fees in the UK. Meanwhile, Costa Rica became the first country to formally regulate cross-border interchange rates by direct regulation. Cross-border MDR is also regulated in Costa Rica and Turkey.

- Many governments including, but not limited to governments in India, Costa Rica and Turkey are using regulation to further drive down MDR, which could negatively affect the economics of our transactions. With increased lobbying by merchants and other industry participants, we are also beginning to see regulatory interest in network fees in the UK, Europe and Chile. Also, some countries in Latin America, like Peru, Argentina and Chile, are also relying on antitrust-driven regulatory actions that can have implications for how the payments ecosystem and four party model operate, including the enforceability of important network rules relating to honor all cards or products and cross-border acquiring. Other countries, like New Zealand, are adopting regulations that require us to seek government pre-approval of our network rules, which could also impact the way we operate in certain markets.

- Government regulations or pressure may also impact our rules and practices and require us to allow other payments networks to support Visa products or services, to have the other network's functionality or brand marks on our products, or to share our intellectual property with other networks. As innovations in payment technology have enabled us to expand into new products and services, they have also expanded the potential scope of regulatory influence. For instance, new products and capabilities, including tokenization, push payments, and new flows (e.g., Visa B2B Connect) could bring increased licensing or authorization requirements in the countries where the product or capability is offered. Furthermore, certain of our businesses are regulated as payment institutions or as money transmitters, subjecting us to various licensing, supervisory, and other requirements. In addition, the EU's requirement to separate scheme and processing adds costs and impacts the execution of our commercial, innovation and product strategies.

Regulators around the world increasingly take note of each other's approaches to regulating the payments industry. Consequently, a development in one jurisdiction may influence regulatory approaches in another. The risks created by a new law, regulation or regulatory outcome in one jurisdiction have the potential to be replicated and to negatively affect our business in another jurisdiction or in other product offerings. For example, our settlement with the European Commission on cross-border interchange rates has drawn preliminary attention from some regulators in other parts of the world. Similarly, new regulations involving one product offering may prompt regulators to extend the regulations to other product offerings.

For example, credit payments could become subject to similar regulation as debit payments (or vice versa). The Reserve Bank of Australia initially capped credit interchange, but subsequently capped debit interchange as well.

When we cannot set default interchange reimbursement rates at optimal levels, issuers and acquirers may find our payments system less attractive. This may increase the attractiveness of other payments systems, such as our competitors' closed-loop payments systems with direct connections to both merchants and consumers. We believe some issuers may react to such regulations by charging new or higher fees, or reducing certain benefits to consumers, which make our products less appealing to consumers. Some acquirers may elect to charge higher MDR regardless of the Visa interchange reimbursement rate, causing merchants not to accept our products or to steer customers to alternative payments systems or forms of payment. In addition, in an effort to reduce the expense of their payment programs, some issuers and acquirers have obtained, and may continue to obtain, incentives from us, including reductions in the fees that we charge, which directly impacts our revenues.

In addition, we are also subject to central bank oversight in a growing number of countries, including, Brazil, India, the UK and within the EU. Some countries with existing oversight frameworks are looking to further enhance their regulatory powers while regulators in other jurisdictions are considering or adopting approaches based on these regulatory principles. This oversight could result in new governance, reporting, licensing, cybersecurity, processing infrastructure, capital, or credit risk management requirements. We could also be required to adopt policies and practices designed to mitigate settlement and liquidity risks, including increased requirements to maintain sufficient levels of capital and financial resources locally, as well as localized risk management or governance. Increased oversight could also include new criteria for member participation and merchant access to our payments system.

Finally, policymakers and regulatory bodies in the U.S., Europe, and other parts of the world are exploring ways to reform existing competition laws to meet the needs of the digital economy, including restricting large technology companies from engaging in mergers and acquisitions, requiring them to interoperate with potential competitors, and prohibiting certain kinds of self-preferencing behaviors. While the focus of these efforts remains primarily on increasing regulation of large technology, e-commerce and social media companies, they could also have implications for other types of companies including payments networks, which could constrain our ability to effectively manage our business.

Government-imposed obligations and/or restrictions on international payment systems may prevent us from competing against providers in certain countries, including significant markets such as China and India.

Governments in a number of jurisdictions shield domestic payment card networks, brands and processors from international competition by imposing market access barriers and preferential domestic regulations. To varying degrees, these policies and regulations affect the terms of competition in the marketplace and undermine the competitiveness of international payments networks. Public authorities may impose regulatory requirements that favor domestic providers or mandate that domestic payments or data processing be performed entirely within that country, which could prevent us from managing the end-to-end processing of certain transactions.

In China, UnionPay remains the predominant processor of domestic payment card transactions and operates the predominant domestic acceptance mark. Although we have filed an application with the People's Bank of China (PBOC) to operate a Bank Card Clearing Institution (BCCI) in China, the timing and the procedural steps for approval remain uncertain. The approval process might take several years, and there is no guarantee that the license to operate a BCCI will be approved or, if we obtain such license, that we will be able to successfully compete with domestic payments networks. Co-badging and co-residency regulations also pose additional challenges in markets where Visa competes with national networks for issuance and routing. Certain banks have issued dual-branded cards for which domestic transactions in China are processed by UnionPay and transactions outside of China are processed by us or other international payments networks. The PBOC is contemplating that dual-branded cards could be phased out over time as new licenses are issued to international companies to participate in China's domestic payments market. Accordingly, we have been working with Chinese issuers to issue Visa-only branded cards for international travel, and later for domestic transactions after we obtain a BCCI license. However, notwithstanding such efforts, the phase out of dual-branded cards have decreased our payment volumes and impacted the revenue we generate in China.

UnionPay has grown rapidly in China and is actively pursuing international expansion plans, which could potentially lead to regulatory pressures on our international routing rule (which requires that international transactions on Visa cards be routed over VisaNet). Furthermore, although regulatory barriers shield UnionPay from competition in China, alternative payments providers such as Alipay and

WeChat Pay have rapidly expanded into ecommerce, offline, and cross-border payments, which could make it difficult for us to compete even if our license is approved in China. NetsUnion Clearing Corp, a Chinese digital transaction routing system, and other such systems could have a competitive advantage in comparison with international payments networks.

Regulatory initiatives in India, including a data localization mandate passed by the government that suggests growing nationalistic priorities, has cost implications for us and could affect our ability to effectively compete with domestic payment providers. Furthermore, any inability to meet the requirements of the data localization mandate could impact our ability to do business in India. In Europe, with the support of the European Central Bank, a group of European banks have announced their intent to launch a pan-European payment system, the European Payments Initiative or EPI. While EPI subsequently announced a focus on account-to-account instant payments across a range of use cases, it is noteworthy that the purported motivation behind EPI is to reduce the risks of disintermediation of European providers by international technology companies and continued reliance on international payments networks for intra-Europe card transactions. Furthermore, regional groups of countries, such as the Gulf Cooperation Council (GCC) and a number of countries in Southeast Asia (e.g., Malaysia), have adopted or may consider, efforts to restrict our participation in the processing of regional transactions. The African Development Bank has also indicated an interest in supporting national payment systems in its efforts to expand financial inclusion and strengthen regional financial stability. Finally, some countries such as South Africa are mandating on-shore processing of domestic transactions. Geopolitical events, including sanctions, trade tensions or other types of activities have intensified any or all of these activities, which could adversely affect our business. For example, in the aftermath of U.S. and European sanctions against Russia and the decision by U.S. payments networks, including Visa to suspend operations in the country, Russia called for the BRICS countries (a five-country bloc made up of Brazil, Russia, India, China and South Africa), to lessen dependence on Western payment systems by, among other things, integrating payment systems and cards across member countries.

Finally, central banks in a number of countries, including those in Argentina, Australia, Brazil, Mexico and Canada, are in the process of developing or expanding national RTP networks with the goal of driving a greater number of domestic transactions onto these systems. Similarly, an increasing number of jurisdictions are exploring the concept of building central bank digital currencies for retail payments. If successfully deployed, these national payment platforms and digital currencies could have significant implications for Visa's domestic and cross-border payments, including potential disintermediation.

Due to our inability to manage the end-to-end processing of transactions for cards in certain countries (e.g., Thailand), we depend on our close working relationships with our clients or third-party service providers to ensure transactions involving our products are processed effectively. Our ability to do so may be adversely affected by regulatory requirements and policies pertaining to transaction routing or on-shore processing. In general, national laws that protect or otherwise support domestic providers or processing may increase our costs; decrease our payments volumes and impact the revenue we generate in those countries; decrease the number of Visa products issued or processed; impede us from utilizing our global processing capabilities and controlling the quality of the services supporting our brands; restrict our activities; limit our growth and the ability to introduce new products, services and innovations; force us to leave countries or prevent us from entering new markets; and create new competitors, all of which could harm our business.

Laws and regulations regarding the handling of personal data and information may impede our services or result in increased costs, legal claims, or fines against us.

Our business relies on the processing of data in many jurisdictions and the movement of data across national borders. Legal requirements relating to the collection, storage, handling, use, disclosure, transfer and security of personal data continue to evolve, and regulatory scrutiny in this area is increasing around the world. For example, in Europe, data protection authorities have been increasingly ruling on cross-border data transfers in the wake of the July 2020 decision from the Court of Justice of the European Union known as Schrems II. Significant uncertainty exists as privacy and data protection laws that are interpreted and applied differently from country to country may have extra-territorial effects, and could create inconsistent or conflicting requirements. Although we have a global data privacy program that addresses the requirements applicable to our international business, our ongoing efforts to comply with U.S. state privacy and cybersecurity regulations, as well as rapidly emerging international privacy and data protection laws may increase the complexity of our compliance operations, entail substantial expenses, divert resources from other initiatives and projects, and could limit the services we are able to offer.

Furthermore, inconsistent local and regional regulations restricting location, movement, collection, use and management of data may limit our ability to innovate or compete in certain jurisdictions. For example, China adopted its first comprehensive privacy law, the Personal Information Protection Law (PIPL). Although certain details of PIPL are beginning to be clarified by the issuance of further regulatory clarification or guidance, Visa could be impacted more significantly if our license is approved and we begin processing domestic card transactions in China. Lastly, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase. The enactment of more restrictive laws, rules, regulations, or future enforcement actions or investigations could impact us through increased costs or restrictions on our business, and noncompliance could result in regulatory penalties and significant legal liability.

We may be subject to tax examinations or disputes, or changes in tax laws.

We exercise significant judgment and make estimates in calculating our worldwide provision for income taxes and other tax liabilities. Although we believe our tax estimates are reasonable, many factors may limit their accuracy. We are currently under examination by, or in disputes with, the U.S. Internal Revenue Service, the UK's HM Revenue and Customs as well as tax authorities in other jurisdictions, and we may be subject to additional examinations or disputes in the future. Relevant tax authorities may disagree with our tax treatment of certain material items and thereby increase our tax liability. Failure to sustain our position in these matters could harm our cash flow and financial position. In addition, changes in existing laws in the U.S. or foreign jurisdictions, including unilateral actions of foreign jurisdictions to introduce digital services taxes, or changes resulting from the Organization for Economic Cooperation and Development's Program of Work, related to the revision of profit allocation and nexus rules and design of a system to ensure multinational enterprises pay a minimum level of tax to the countries where we earn revenue, may also materially affect our effective tax rate. A substantial increase in our tax payments could have a material, adverse effect on our financial results. See also *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Litigation Risks

We may be adversely affected by the outcome of litigation or investigations.

We are involved in numerous litigation matters, investigations, and proceedings asserted by civil litigants, governments, and enforcement bodies investigating or alleging, among other things, violations of competition and antitrust law, consumer protection law, privacy law and intellectual property law (these are referred to as "actions" in this section). Details of the most significant actions we face are described more fully in *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. These actions are inherently uncertain, expensive and disruptive to our operations. In the event we are found liable or reach a settlement in any action, particularly in a large class action lawsuit, such as one involving an antitrust claim entitling the plaintiff to treble damages in the U.S., or we incur liability arising from a government investigation, we may be required to pay significant awards, settlements or fines. In addition, settlement terms, judgments, orders or pressures resulting from actions may harm our business by influencing or requiring us to modify, among other things, the default interchange reimbursement rates we set, the Visa operating rules or the way in which we enforce those rules, our fees or pricing, or the way we do business. These actions or their outcomes may also influence regulators, investigators, governments or civil litigants in the same or other jurisdictions, which may lead to additional actions against Visa. Finally, we are required by some of our commercial agreements to indemnify other entities for litigation brought against them, even if Visa is not a defendant.

For certain actions like those that are U.S. covered litigation or VE territory covered litigation, as described in *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report, we have certain financial protections pursuant to the respective retrospective responsibility plans. The two retrospective responsibility plans are different in the protections they provide and the mechanisms by which we are protected. The failure of one or both of the retrospective responsibility plans to adequately insulate us from the impact of such settlements, judgments, losses, or liabilities could materially harm our financial condition or cash flows, or even cause us to become insolvent.

Business Risks

We face intense competition in our industry.

The global payments space is intensely competitive. As technology evolves, new competitors or methods of payment emerge, and existing clients and competitors assume different roles. Our products compete with cash, checks, electronic funds, virtual currency payments, global or multi-regional networks, other domestic and closed-loop payments systems, digital wallets and alternative payments providers primarily focused on enabling payments through ecommerce and mobile channels. As the global payments space becomes more complex, we face increasing competition from our clients, other emerging payment providers such as fintechs, other digital payments, technology companies that have developed payments systems enabled through online activity in ecommerce, social media, and mobile channels, as well as governments in a number of jurisdictions (e.g., Brazil and India) as discussed above, that are developing, supporting and/or operating national schemes, RTP networks and other payment platforms.

Our competitors may acquire or develop substantially better technology, have more widely adopted delivery channels or have greater financial resources. They may offer more effective, innovative or a wider range of programs, products and services. They may use more effective advertising and marketing strategies that result in broader brand recognition, and greater use, including with respect to issuance and merchant acceptance. They may also develop better security solutions or more favorable pricing arrangements. Moreover, even if we successfully adapt to technological change and the proliferation of alternative types of payment services by developing and offering our own services in these areas, such services may provide less favorable financial terms for us than we currently receive from VisaNet transactions, which could hurt our financial results and prospects.

Certain of our competitors operate with different business models, have different cost structures or participate in different market segments. Those business models may ultimately prove more successful or more adaptable to regulatory, technological and other developments. In some cases, these competitors have the support of government mandates that prohibit, limit or otherwise hinder our ability to compete for transactions within certain countries and regions. Some of our competitors, including American Express, Discover, private-label card networks, virtual currency providers, technology companies that enable the exchange of digital assets, and certain alternative payments systems like Alipay and WeChat Pay, operate closed-loop payments systems, with direct connections to both merchants and consumers. Government actions or initiatives such as the Dodd-Frank Act, the IFR in Europe, or RTP initiatives by governments such as the U.S. Federal Reserve's FedNow or the Central Bank of Brazil's Pix system may provide competitors with increased opportunities to derive competitive advantages from these business models, and may create new competitors, including in some cases the government itself. Similarly, regulation in Europe under PSD2 and the IFR may require us to open up access to, and allow participation in, our network to additional participants, and reduce the infrastructure investment and regulatory burden on competitors. We also run the risk of disintermediation due to factors such as emerging technologies and platforms, including mobile payments, alternative payment credentials, other ledger technologies or payment forms, and by virtue of increasing bilateral agreements between entities that prefer not to use our payments network for processing transactions. For example, merchants could process transactions directly with issuers, or processors could process transactions directly with issuers and acquirers.

We expect the competitive landscape to continue to shift and evolve. For example:

- we, along with our competitors, clients, network participants, and others are developing or participating in alternative payments systems or products, such as mobile payment services, ecommerce payment services, P2P payment services, real-time and faster payment initiatives, and payment services that permit ACH or direct debits from or to consumer checking accounts, that could either reduce our role or otherwise disintermediate us from the transaction processing or the value added services we provide to support such processing. Examples include initiatives from The Clearing House, an association consisting of large financial institutions that has developed its own faster payments system; Early Warning Services, which operates Zelle, a bank-offered alternative network that provides another platform for faster funds or real-time payments across a variety of payment types, including P2P, corporate and government disbursement, bill pay and deposit check transactions; and cryptocurrency or stablecoin-based payments initiatives.

- many countries or regions are developing or promoting domestic networks, switches and RTP systems (e.g., U.S., India and Europe). To the extent these governments mandate local banks and merchants to use and accept these systems for domestic or other transactions, prohibit international payments networks, like Visa, from participating on those systems, and/or impose restrictions or prohibitions, on international payments networks from offering payment services on such transactions, we could face the risk of our business being disintermediated in those countries. For example, in Argentina, the government has mandated local acquirers to use debit card credentials to initiate payment transactions on a government-sponsored national RTP system. Furthermore, in some regions (e.g., Southeast Asia and the Middle East), through intergovernmental organizations such as the Association of Southeast Asian Nations and the GCC, some countries are looking into cross-border connectivity of such domestic systems;

- parties that process our transactions may try to minimize or eliminate our position in the payments value chain;
- parties that access our payment credentials, tokens and technologies, including clients, technology solution providers or others might be able to migrate or steer account holders and other clients to alternative

payment methods or use our payment credentials, tokens and technologies to establish or help bolster alternate payment methods and platforms;

- participants in the payments industry may merge, form joint ventures or enable or enter into other business combinations that strengthen their existing business propositions or create new, competing payment services; and
- new or revised industry standards related to online checkout and web payments, cloud-based payments, tokenization or other payments-related technologies set by individual countries, regions or organizations such as the International Organization for Standardization, American National Standards Institute, World Wide Web Consortium, European Card Standards Group, PCI Co, Nexo and EMVCo may result in additional costs and expenses for Visa and its clients, or otherwise negatively impact the functionality and competitiveness of our products and services.

As the competitive landscape is quickly evolving, we may not be able to foresee or respond sufficiently to emerging risks associated with new businesses, products, services and practices. We may be asked to adjust our local rules and practices, develop or customize certain aspects of our payment services, or agree to business arrangements that may be less protective of Visa's proprietary technology and interests in order to compete and we may face increasing operational costs and risk of litigation concerning intellectual property. Our failure to compete effectively in light of any such developments could harm our business and prospects for future growth.

Our revenues and profits are dependent on our client and merchant base, which may be costly to win, retain and develop.

Our financial institution clients and merchants can reassess their commitments to us at any time or develop their own competitive services. While we have certain contractual protections, our clients, including some of our largest clients, generally have flexibility to issue non-Visa products. Further, in certain circumstances, our financial institution clients may decide to terminate our contractual relationship on relatively short notice without paying significant early termination fees. Because a significant portion of our net revenues is concentrated among our largest clients, the loss of business from any one of these larger clients could harm our business, results of operations and financial condition. For more information, please see *Note 14—Enterprise-wide Disclosures and Concentration of Business* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

In addition, we face intense competitive pressure on the prices we charge our financial institution clients. In order to stay competitive, we may need to adjust our pricing or offer incentives to our clients to increase payments volume, enter new market segments, adapt to regulatory changes, and expand their use and acceptance of Visa products and services. These include up-front cash payments, fee discounts, rebates, credits, performance-based incentives, marketing and other support payments that impact our revenues and profitability. In addition, we offer incentives to certain merchants and acquirers to win routing preference in relation to other network options or forms of payment. Market pressures on pricing, incentives, fee discounts and rebates could moderate our growth. If we are not able to implement cost containment and productivity initiatives in other areas of our business or increase our volumes in other ways to offset or absorb the financial impact of these incentives, fee discounts and rebates, it may harm our net revenues and profits.

In addition, it may be difficult or costly for us to acquire or conduct business with financial institutions or merchants that have longstanding exclusive, or nearly exclusive, relationships with our competitors. These financial institutions or merchants may be more successful and may grow more quickly than our existing clients or merchants. In addition, if there is a consolidation or acquisition of one or more of our largest clients or co-brand partners by a financial institution client or merchant with a strong relationship with one of our competitors, it could result in our business shifting to a competitor, which could put us at a competitive disadvantage and harm our business.

Merchants' and processors' continued push to lower acceptance costs and challenge industry practices could harm our business.

We rely in part on merchants and their relationships with our clients to maintain and expand the use and acceptance of Visa products. Certain merchants and merchant-affiliated groups have been exerting their influence in the global payments system in certain jurisdictions, such as the U.S., Canada and Europe, to attempt to lower their acceptance costs by lobbying for new legislation, seeking regulatory intervention, filing lawsuits and in some cases, surcharging or refusing to accept Visa products. If they are successful in their efforts, we may face increased compliance and litigation expenses, issuers may decrease their issuance of our products, and consumer usage of our products could be adversely impacted. For example, in the U.S., certain stakeholders have raised concerns regarding how payment security standards and rules may impact debit routing choice and the cost of payment card acceptance. In addition to ongoing litigation related to the U.S. migration to EMV-capable cards and point-of-sale terminals, U.S. merchant-affiliated groups and processors have expressed concerns regarding the EMV certification process and some policymakers have expressed concerns about the roles of industry bodies such as EMVCo and the Payment Card Industry Security Standards Council in the development of payment card standards. Additionally, some merchants and processors have advocated for changes to industry practices and Visa acceptance requirements at the point of sale, including the ability for merchants to accept only certain types of Visa products, to mandate only PIN authenticated transactions, to differentiate or steer among Visa product types issued by different financial institutions, and to impose surcharges on customers presenting Visa products as their form of payment. If successful, these efforts could adversely impact consumers' usage of our products, lead to regulatory enforcement and/or litigation, increase our compliance and litigation expenses, and harm our business.

We depend on relationships with financial institutions, acquirers, processors, merchants, payment facilitators, ecommerce platforms, fintechs and other third parties.

As noted above, our relationships with industry participants are complex and require us to balance the interests of multiple third parties. For instance, we depend significantly on relationships with our financial institution clients and on their relationships with account holders and merchants to support our programs and services, and thereby compete effectively in the marketplace. We provide incentives to merchants, acquirers, ecommerce platforms and processors to promote routing preference and acceptance growth. We also engage in many payment card co-branding efforts with merchants, who receive incentives from us. As emerging participants such as fintechs enter the payments industry, we engage in discussions to address the role they may play in the ecosystem, whether as, for example, an issuer, merchant, ecommerce platform or digital wallet provider. As these and other relationships become more prevalent and take on a greater importance to our business, our success will increasingly depend on our ability to sustain and grow these relationships. In addition, we depend on our clients and third parties, including network partners, vendors and suppliers, to submit, facilitate and process transactions properly, provide various services associated with our payments network on our behalf, and otherwise adhere to our operating rules and applicable laws. To the extent that such parties fail to perform or deliver adequate services, it may result in negative experiences for account holders or others when using their Visa-branded payment products, which could harm our business and reputation.

Our business could be harmed if we are not able to maintain and enhance our brand, if events occur that have the potential to damage our brand or reputation, or if we experience brand disintermediation.

Our brand is globally recognized and is a key asset of our business. We believe that our clients and their account holders associate our brand with acceptance, security, convenience, speed, and reliability. Our success depends in large part on our ability to maintain the value of our brand and reputation of our products and services in the payments ecosystem, elevate the brand through new and existing products, services and partnerships, and uphold our corporate reputation. The popularity of products that we have developed in partnership with technology companies and financial institutions may have the potential to cause brand disintermediation at the point of sale and decrease the presence of our brand. Our brand reputation may be negatively impacted by a number of factors, including authorization, clearing and settlement service disruptions; data security breaches; compliance failures by Visa, including by our employees, agents, clients, partners or suppliers; failure to meet our environmental, social and governance goals or our stakeholders' expectations; negative perception of our industry, the industries of our clients, Visa-accepting merchants, or our clients' customers, including third party payments providers; ill-perceived actions or affiliations by clients, partners or other third parties, such as sponsorship or co-brand partners; and fraudulent, or illegal activities using our payment products. Our brand could also be negatively impacted when our products are used to facilitate payment for legal, but controversial, products and services, including, but not limited to, adult content, cryptocurrencies, firearms and gambling activities. Additionally, these risks could be exacerbated if our financial institution partners and/or merchants fail to maintain necessary controls to ensure the legality of these transactions, if any legal liability associated with such goods or services is extended to ancillary participants in the value chain like payments networks, or if our network and industry become entangled in political or social debates concerning such legal, but controversial, commerce. If we are unable to maintain our reputation, the value of our brand may be impaired, which could harm our relationships with clients, account holders, employees, prospective employees, governments and the public, as well as impact our business.

Global economic, political, market, health and social events or conditions, including the war in Ukraine and the ongoing effects of the COVID-19 pandemic, may harm our business.

More than half of our net revenues are earned outside the U.S. International cross-border transaction revenues represent a significant part of our revenue and are an important part of our growth strategy. Our revenues are dependent on the volume and number of payment transactions made by consumers, governments, and businesses whose spending patterns may be affected by economic, political, market, health and social events or conditions. Adverse macroeconomic conditions within the U.S. or internationally, including but not limited to recessions, inflation, rising interest rates, high unemployment, currency fluctuations, actual or anticipated large-scale defaults or failures, rising energy prices, or a slowdown of global trade, and reduced consumer, small business, government, and corporate spending, have a direct impact on our volumes, transactions and revenues. Furthermore, in efforts to deal with adverse macroeconomic conditions, governments may introduce new or additional initiatives or requests to reduce or eliminate payment fees or other costs. In an overall soft global economy, such pricing measures could result in additional financial pressures on our business.

In addition, outbreaks of illnesses, pandemics like COVID-19, or other local or global health issues, political uncertainties, international hostilities, armed conflict, war (such as the ongoing war in Ukraine), civil unrest, climate-related events, including the increasing frequency of extreme weather events, impacts to the power grid, and natural disasters have to varying degrees negatively impacted our operations, clients, third-party suppliers, activities, and cross-border travel and spend. The ongoing effects of the COVID-19 pandemic remain difficult to predict due to numerous uncertainties, including the transmissibility and severity of new variants of the virus; the uptake and effectiveness of actions that are taken by governments, businesses or individuals in response to the pandemic; the impact of the reopening of borders and resumption of international travel; the indirect impact of the pandemic on global economic activity; and the impact on our employees and our operations, the business of our clients, suppliers and business partners. In addition, a number of countries took steps during the pandemic to temporarily cap interchange or other fees on electronic payments as part of their COVID-19 economic relief measures. While most have been rescinded or have expired, it is possible that proponents of interchange and/or MDR regulation may try to position government intervention as necessary to support potential future economic relief initiatives.

Geopolitical trends towards nationalism, protectionism, and restrictive visa requirements, as well as continued activity and uncertainty around economic sanctions, tariffs or trade restrictions also limit the expansion of our business in certain regions and have resulted in us suspending our operations in other regions. As a result of U.S. and European sanctions against Russia, we suspended our operations in Russia in March 2022 and are no longer generating revenue from domestic and cross-border activities related to Russia. For fiscal 2022 and fiscal 2021, total net revenues from Russia, including revenues driven by domestic as well as cross-border activities, were approximately 2% and 4% of our consolidated net revenues, respectively. All transactions initiated with Visa cards issued by financial institutions outside Russia no longer work within Russia, and all transactions on cards issued by financial institutions in Russia may be processed on a domestic network, unrelated to Visa, and no longer work outside the country. The war in Ukraine and any further actions by, or in response to such actions by, Russia or its allies could have lasting impacts on Ukraine as well as other regional and global economies, any or all of which could adversely affect our business.

A decline in economic, political, market, health and social conditions could impact our clients as well, and their decisions could reduce the number of cards, accounts, and credit lines of their account holders, which would ultimately impact our revenues. Our clients may implement cost-reduction initiatives that reduce or eliminate marketing budgets, and decrease spending on optional or enhanced value added services from us. Any events or conditions that impair the functioning of the financial markets, tighten the credit market, or lead to a downgrade of our current credit rating could increase our future borrowing costs and impair our ability to access the capital and credit markets on favorable terms, which could affect our liquidity and capital resources, or significantly increase our cost of capital.

Finally, as governments, investors and other stakeholders face additional pressures to accelerate actions to address climate change and other environmental, governance and social topics, governments are implementing regulations and investors and other stakeholders are imposing new expectations or focusing investments in ways that may cause significant shifts in disclosure, commerce and consumption behaviors that may have negative impacts on our business. As a result of any of these factors, any decline in cross-border travel and spend would impact our cross-border volumes, the number of cross-border transactions we process and our currency exchange activities, which in turn would reduce our international transaction revenues.

Our indemnification obligation to fund settlement losses of our clients exposes us to significant risk of loss and may reduce our liquidity.

We indemnify issuers and acquirers for settlement losses they may suffer due to the failure of another issuer or acquirer to honor its settlement obligations in accordance with the Visa operating rules. In certain instances, we may indemnify issuers or acquirers in situations in which a transaction is not processed by our system. This indemnification creates settlement risk for us due to the timing difference between the date of a payment transaction and the date of subsequent settlement. Our indemnification exposure is generally limited to the amount of unsettled Visa card payment transactions at any point in time and any subsequent amounts that may fall due relating to adjustments for previously processed transactions. Changes in the credit standing of our clients or concurrent settlement failures or insolvencies involving more than one of our largest clients, several of our smaller clients, or systemic operational failures could expose us to liquidity risk, and negatively impact our financial position. Even if we have sufficient liquidity to cover a settlement failure or insolvency, we may be unable to recover the amount of such payment. This could expose us to significant losses and harm our business. See *Note 12—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Technology and Cybersecurity Risks

Failure to anticipate, adapt to, or keep pace with, new technologies in the payments industry could harm our business and impact future growth.

The global payments industry is undergoing significant and rapid technological change, including increased proliferation of mobile and other proximity and in-app payment technologies, ecommerce, tokenization, cryptocurrencies, distributed ledger and blockchain technologies, cloud-based encryption and authorization, and new authentication technologies such as biometrics, FIDO 2.0, 3D Secure 2.0 and dynamic cardholder verification values or dCVV2. As a result, we expect new services and technologies to continue to emerge and evolve, including those developed by Visa such as our new flows offerings. In addition to our own initiatives and innovations, we work closely with third parties, including potential competitors, for the development of, and access to, new technologies. It is difficult, however, to predict which technological developments or innovations will become widely adopted and how those technologies may be regulated. Moreover, some of the new technologies could be subject to intellectual property-related lawsuits or claims, potentially impacting our development efforts and/or requiring us to obtain licenses, implement design changes or discontinue our use. If we or our partners fail to adapt and keep pace with new technologies in the payments space in a timely manner, it could harm our ability to compete, decrease the value of our products and services to our clients, impact our intellectual property or licensing rights, harm our business and impact our future growth.

A disruption, failure or breach of our networks or systems, including as a result of cyber-attacks, could harm our business.

Our cybersecurity and processing systems, as well as those of financial institutions, merchants and third-party service providers, have experienced and may continue to experience errors, interruptions, delays or damage from a number of causes, including power outages, hardware, software and network failures, computer viruses, ransomware, malware or other destructive software, internal design, manual or user errors, cyber-attacks, terrorism, workplace violence or wrongdoing, catastrophic events, natural disasters, severe weather conditions and other effects from climate change. In addition, there is risk that third party suppliers of hardware and infrastructure required to operate our data centers and support employee productivity could be impacted by supply chain disruptions, such as manufacturing, shipping delays, and service disruption due to cyber-attacks. An extended supply chain or service disruption could also impact processing or delivery of technology services.

Furthermore, our visibility and role in the global payments industry also puts our company at a greater risk of being targeted by hackers. In the normal course of our business, we have been the target of malicious cyber-attack attempts. For example, in response to U.S. and European sanctions against Russia earlier this year, we saw increased cyber-threats from state sponsored or nation-state actors. We have been, and may continue to be, impacted by attacks and data security breaches of financial institutions, merchants, and third-party service providers. We are also aware of instances where nation states have sponsored attacks against some of our financial institution clients, and other instances where merchants and issuers have encountered substantial data security breaches affecting their customers, some of whom were Visa account holders. Given the increase in online banking, ecommerce and other online activity, as well as more employees working remotely as a result of the COVID-19 pandemic, we continue to see increased cyber and payment fraud activity, as cybercriminals attempt DDoS related attacks, phishing and social engineering scams and other disruptive actions. Overall, such attacks and breaches have resulted, and may continue to result in, fraudulent activity and ultimately, financial losses to Visa's clients.

Numerous and evolving cybersecurity threats, including advanced and persistent cyber-attacks, targeted attacks against our employees and trusted partners (i.e., insider threats), phishing and social engineering schemes, particularly on our internet-facing applications, could compromise the confidentiality, availability and integrity of data in our systems or the systems of our third-party service providers. Because the tactics, techniques and procedures used to obtain unauthorized access, or to disable or degrade systems change frequently, have become increasingly more complex and sophisticated, and may be difficult to detect for periods of time, we may not anticipate these acts or respond adequately or timely. The security measures and procedures we, our financial institution and merchant clients, other merchants and third-party service providers in the payments ecosystem have in place to protect sensitive consumer data and other information may not be successful or sufficient to counter all data security breaches, cyber-attacks or system failures. In some cases, the mitigation efforts may be dependent on third parties who may not deliver to the required contractual standards, who may not be able to timely patch vulnerabilities or fix security defects, or whose hardware, software or network services may be subject to error, defect, delay, outage or lack appropriate malware prevention to prevent breaches or data exfiltration incidents. Despite our security measures and programs to protect our systems and data, and prevent, detect and respond to data security incidents, there can be no assurance that our efforts will prevent these threats.

These events could significantly disrupt our operations; impact our clients and consumers; damage our reputation and brand; result in litigation or claims, violations of applicable privacy and other laws, and increased regulatory review or scrutiny, investigations, actions, fines or penalties; result in damages or changes to our business practices; decrease the overall use and acceptance of our products; decrease our volume, revenues and future growth prospects; and be costly, time consuming and difficult to remedy. In the event of damage or disruption to our business due to these occurrences, we may not be able to successfully and quickly recover all of our critical business functions, assets, and data through our business continuity program. Furthermore, while we maintain insurance, our coverage may not sufficiently cover all types of losses or claims that may arise.

Structural and Organizational Risks

We may not achieve the anticipated benefits of our acquisitions, joint ventures or strategic investments, and may face risks and uncertainties as a result.

As part of our overall business strategy, we make acquisitions and strategic investments, and enter into joint ventures. We may not achieve the anticipated benefits of our current and future acquisitions, joint ventures or strategic investments and they may involve significant risks and uncertainties, including:

- disruption to our ongoing business, including diversion of resources and management's attention from our existing business;
- greater than expected investment of resources or operating expenses;
- failure to adequately develop our acquired entities or joint ventures;
- the data security, cybersecurity and operational resilience posture of our acquired entities, joint ventures or companies we invest in or partner with, may not be adequate and may be more susceptible to cyber incidents;
- difficulty, expense or failure of implementing controls, procedures and policies at our acquired entities or joint ventures;
- challenges of integrating new employees, business cultures, business systems and technologies;

- failure to retain employees, clients or partners of our acquired entities or joint ventures;
- in the case of foreign acquisitions, risks related to the integration of operations across different cultures and languages;

- disruptions, costs, liabilities, judgments, settlements or business pressures resulting from litigation matters, investigations or legal proceedings involving our acquisitions, joint ventures or strategic investments;
- the inability to pursue aspects of our acquisitions or joint ventures due to outcomes in litigation matters, investigations or legal proceedings;
- failure to obtain the necessary government or other approvals at all, on a timely basis or without the imposition of burdensome conditions or restrictions;
- the economic, political, regulatory and compliance risks associated with our acquisitions, joint ventures or strategic investments, including when entering into a new business or operating in new regions or countries. For more information on regulatory risks, please see *Item 1—Business—Government Regulations* and *Item 1A—Risk Factors—Regulatory Risks* above;
- discovery of unidentified issues and related liabilities after our acquisitions, joint ventures or investments were made;
- failure to mitigate the deficiencies and liabilities of our acquired entities or joint ventures;
- dilutive issuance of equity securities, if new securities are issued;
- the incurrence of debt;
- negative impact on our financial position and/or statement of operations; and
- anticipated benefits, synergies or value of our acquisitions, joint ventures or investments not materializing or taking longer than expected to materialize.

We may be unable to attract, hire and retain a highly qualified and diverse workforce, including key management.

The talents and efforts of our employees, particularly our key management, are vital to our success. The market for highly skilled workers and leaders in our industry, especially in fintech, technology and other specialized areas, is extremely competitive. Our management team has significant industry experience and would be difficult to replace. We may be unable to retain them or to attract, hire or retain other highly qualified employees, particularly if we do not offer employment terms that are competitive with the rest of the labor market. Ongoing changes in laws and policies regarding immigration, travel and work authorizations have made it more difficult for employees to work in, or transfer among, jurisdictions in which we have operations and could continue to impair our ability to attract, hire and retain qualified employees. Failure to attract, hire, develop, motivate and retain highly qualified and diverse employee talent, especially in light of evolving health and safety protocols resulting from the COVID-19 pandemic, and changing worker expectations and talent marketplace variability regarding flexible work models; to meet our goals related to fostering an inclusive and diverse culture, including increasing the number of underrepresented employees in the U.S.; to develop and implement an adequate succession plan for the management team; to maintain our strong corporate culture of fostering innovation, collaboration and inclusion in our current hybrid model; or to design and successfully implement flexible work models that meet the expectations of employees and prospective employees could impact our workforce development goals, impact our ability to achieve our business objectives, and adversely affect our business and our future success.

The conversions of our class B and class C common stock or series A, B and C preferred stock into shares of class A common stock would result in voting dilution to, and could impact the market price of, our existing class A common stock.

The market price of our class A common stock could fall as a result of many factors. The value of our class B and C common stock and series A, B and C preferred stock is tied to the value of the class A common stock. Under our U.S. retrospective responsibility plan, upon final resolution of our U.S. covered litigation, all class B common stock will become convertible into class A common stock. Under our Europe retrospective responsibility plan, Visa will continue to release value from the series B and series C preferred stock in stages based on developments in current and potential litigation. The series B and series C preferred stock will become fully convertible to series A preferred stock or class A common stock no later than 2028 (subject to a holdback to cover any pending claims). Visa may take action on the class B common stock and series B and C preferred stock at a certain valuation and due to unforeseen circumstances the overall value of the class B and C common stock and series A, B and C preferred stock as determined by the class A common stock price, may later decrease. Conversion of our class B and class C common stock into class A common stock, or our series A, B and C preferred stock into class A common stock, would increase the amount of class A common stock outstanding, which could adversely affect the market price of our existing class A common stock and would dilute the voting power of existing class A common stockholders.

Holders of our class B and C common stock and series A, B and C preferred stock may have different interests than our class A common stockholders concerning certain significant transactions.

Although their voting rights are limited, holders of our class B and C common stock and, in certain specified circumstances, holders of our series A, B and C preferred stock, can vote on certain significant transactions. With respect to our class B and C common stock, these transactions include a proposed consolidation or merger, a decision to exit our core payments business and any other vote required under Delaware law. With respect to our series A, B and C preferred stock, voting rights are limited to proposed consolidations or mergers in which holders of the series A, B and C preferred stock would receive shares of stock or other equity securities with preferences, rights and privileges that are not substantially identical to the preferences, rights and privileges of the applicable series of preferred stock; or, in the case of series B and C preferred stock, holders would receive securities, cash or other property that is different from what our class A common stockholders would receive. Because the holders of classes of capital stock other than class A common stock are our current and former financial institution clients, they may have interests that diverge from our class A common stockholders. As a result, the holders of these classes of capital stock may not have the same incentive to approve a corporate action that may be favorable to the holders of class A common stock, and their interests may otherwise conflict with interests of our class A common stockholders.

Delaware law, provisions in our certificate of incorporation and bylaws, and our capital structure could make a merger, takeover attempt or change in control difficult.

Provisions contained in our certificate of incorporation and bylaws and our capital structure could delay or prevent a merger, takeover attempt or change in control that our stockholders may consider favorable. For example, except for limited exceptions:

- no person may beneficially own more than 15 percent of our class A common stock (or 15 percent of our total outstanding common stock on an as-converted basis), unless our board of directors approves the acquisition of such shares in advance;
- no competitor or an affiliate of a competitor may hold more than 5 percent of our total outstanding common stock on an as-converted basis;
- the affirmative votes of the class B and C common stock and series A, B and C preferred stock are required for certain types of consolidations or mergers;
- our stockholders may only take action during a stockholders' meeting and may not act by written consent; and
- only the board of directors, Chairman, or CEO or any stockholders who have owned continuously for at least one year not less than 15 percent of the voting power of all shares of class A common stock outstanding may call a special meeting of stockholders.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

At September 30, 2022, we owned or leased 145 office locations in 79 countries around the world, including three global processing centers located in the U.S. and the United Kingdom. Our corporate headquarters are located in owned and leased premises in the San Francisco Bay Area.

We believe that these facilities are suitable and adequate to support our ongoing business needs.

ITEM 3. Legal Proceedings

Refer to *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our class A common stock has been listed on the New York Stock Exchange under the symbol "V" since March 19, 2008. At November 9, 2022, we had 327 stockholders of record of our class A common stock. The number of beneficial owners is substantially greater than the number of record holders, because a large portion of our class A common stock is held in "street name" by banks and brokers. There is currently no established public trading market for our class B or C common stock. As of November 9, 2022, there were 1,203 and 416 holders of record of our class B and C common stock, respectively.

On October 21, 2022, our board of directors declared a quarterly cash dividend of $0.45 per share of class A common stock (determined in the case of class B and C common stock and series A, B and C convertible participating preferred stock on an as-converted basis) payable on December 1, 2022, to holders of record as of November 11, 2022.

Subject to legally available funds, we expect to continue paying quarterly cash dividends on our outstanding common and preferred stock in the future. However, the declaration and payment of future dividends is at the sole discretion of our board of directors after taking into account various factors, including our financial condition, settlement indemnifications, operating results, available cash and current and anticipated cash needs.

Issuer Purchases of Equity Securities

The table below presents our purchases of common stock during the quarter ended September 30, 2022:

Period	Total Number of Shares Purchased	Average Purchase Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(1)]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[(1)]
		(in millions, except per share data)		
July 1-31, 2022	2	$ 201.23	2	$ 6,950
August 1-31, 2022	3	$ 207.68	3	$ 6,276
September 1-30, 2022	6	$ 191.30	6	$ 5,095
Total	**11**	**$ 197.50**	**11**	

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

See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report for further discussion on our share repurchase programs.

ITEM 6. [Reserved]

ITEM 7. 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 liquidity and capital resources of Visa Inc. and its subsidiaries (Visa, we, us, 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 the consolidated financial statements and related notes included in Item 8—Financial Statements and Supplementary Data of this report.

This section of this Form 10-K generally discusses fiscal 2022 compared to fiscal 2021. Discussions of fiscal 2021 compared to 2020 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended September 30, 2021, filed with the United States Securities and Exchange Commission.

Overview

Visa is a global payments technology company that facilitates global commerce and money movement across more than 200 countries and territories among a global set of consumers, merchants, financial institutions and government entities through innovative technologies. We provide transaction processing services (primarily authorization, clearing and settlement) to our financial institution and merchant clients through VisaNet, our advanced transaction processing network. We offer products and solutions that facilitate secure, reliable, and efficient money movement for all participants in the ecosystem.

Financial overview. A summary of our as-reported U.S. GAAP and non-GAAP operating results is as follows:

	For the Years Ended September 30,			% Change[1]	
	2022	**2021**	**2020**	**2022 vs. 2021**	**2021 vs. 2020**
	(in millions, except percentages and per share data)				
Net revenues	**$ 29,310**	$ 24,105	$ 21,846	22 %	10 %
Operating expenses	**$ 10,497**	$ 8,301	$ 7,765	26 %	7 %
Net income	**$ 14,957**	$ 12,311	$ 10,866	21 %	13 %
Diluted earnings per share	**$ 7.00**	$ 5.63	$ 4.89	24 %	15 %
Non-GAAP operating expenses[2]	**$ 9,387**	$ 8,077	$ 7,702	16 %	5 %
Non-GAAP net income[2]	**$ 16,034**	$ 12,933	$ 11,193	24 %	16 %
Non-GAAP diluted earnings per share[2]	**$ 7.50**	$ 5.91	$ 5.04	27 %	17 %

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

(2) For a full reconciliation of our GAAP to non-GAAP financial results, see tables in *Non-GAAP financial results* below.

Russia & Ukraine. During the quarter ended March 31, 2022, economic sanctions were imposed on Russia by the U.S., European Union, United Kingdom and other jurisdictions and authorities, impacting Visa and its clients. In March 2022, we suspended our operations in Russia and as a result, are no longer generating revenue from domestic and cross-border activities related to Russia. Since 2015, domestic transactions have been processed by Russia's state-owned payments operator, National Payment Card System. With respect to cross-border activities, all transactions initiated with Visa cards issued by financial institutions outside Russia no longer work within Russia, and all transactions on cards issued by financial institutions in Russia may be processed on a domestic network, unrelated to Visa, and no longer work outside the country. Furthermore, during the quarter ended March 31, 2022 we deconsolidated our Russian subsidiary, as required under U.S. GAAP. For fiscal 2022 and 2021, total net revenues from Russia, including revenues driven by domestic as well as cross-border activities, were approximately 2% and 4% of our consolidated net revenues, respectively.

The continuing effects of the war in Ukraine are difficult to predict due to numerous uncertainties identified in Part I, Item 1A “Risk Factors” in this Form 10-K. We will continue to evaluate the nature and extent of the impact to our business.

Highlights for fiscal 2022. Net revenues increased 22% over the prior year, primarily due to the year-over-year growth in nominal payments volume, processed transactions and nominal cross-border volume, partially offset by higher client incentives. Exchange rate movements, partially offset by our hedging program, negatively impacted our net revenues growth by approximately two-and-a-half percentage points.

GAAP operating expenses increased 26% over the prior year, primarily driven by higher expenses for litigation provision and personnel. See *Results of Operations—Operating Expenses* below for further discussion. Non-GAAP operating expenses increased 16% over the prior year, primarily driven by higher expenses related to personnel and general and administrative. Exchange rate movements positively impacted our operating expense growth by approximately two-and-a-half percentage points.

Release of preferred stock. In July 2022, we released $3.5 billion of the as-converted value from our series B and C preferred stock and issued 176,655 shares of series A preferred stock in connection with the second mandatory release assessment, as required by the litigation management deed entered into at the time of the Visa Europe acquisition. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Senior notes. In June 2022, we issued €3.0 billion in Euro-denominated fixed-rate senior notes with maturities ranging between 4 and 12 years. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Acquisitions. On December 20, 2021, we acquired The Currency Cloud Group Limited (Currencycloud), a global platform that enables financial institutions and fintechs to provide innovative cross-border foreign exchange solutions, for a total purchase consideration of $893 million (which includes the fair value of our previously held equity interest in Currencycloud).

On March 10, 2022, we acquired 100% of the share capital of Tink AB (Tink) for $1.9 billion in cash. Tink is an open banking platform that enables financial institutions, fintechs and merchants to build financial products and services and move money. See *Note 2—Acquisitions* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Interchange multidistrict litigation. During fiscal 2022, we recorded additional accruals of $861 million to address claims associated with the interchange multidistrict litigation. We also made deposits of $850 million into the U.S. litigation escrow account. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Common stock repurchases. In December 2021, our board of directors authorized a $12.0 billion share repurchase program. During fiscal 2022, we repurchased 56 million shares of our class A common stock in the open market for $11.6 billion. As of September 30, 2022, our share repurchase program had remaining authorized funds of $5.2 billion. In October 2022, our board of directors authorized a new $12.0 billion share repurchase program. See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Non-GAAP financial results. We use non-GAAP financial measures of our performance which exclude certain items which we believe are not representative of our continuing operations, as they may be non-recurring or have no cash impact, and may distort our longer-term operating trends. We consider non-GAAP measures useful to investors because they provide greater transparency into management's view and assessment of our ongoing operating performance.

- *Gains and losses on equity investments.* Gains and losses on equity investments include periodic non-cash fair value adjustments and gains and losses upon sale of an investment. These long-term investments are strategic in nature and are primarily private company investments. Gains and losses and the related tax impacts associated with these investments are tied to the performance of the companies that we invest in and therefore do not correlate to the underlying performance of our business.

- *Amortization of acquired intangible assets.* Amortization of acquired intangible assets consists of amortization of intangible assets such as developed technology, customer relationships and brands acquired in connection with business combinations executed beginning in fiscal 2019. Amortization charges for our acquired intangible assets are non-cash and are significantly affected by the timing, frequency and size of our acquisitions, rather than our core operations. As such, we have excluded this amount and the related tax impact to facilitate an evaluation of our current operating performance and comparison to our past operating performance.

- *Acquisition-related costs.* Acquisition-related costs consist primarily of one-time transaction and integration costs associated with our business combinations. These costs include professional fees, technology integration fees, restructuring activities and other direct costs related to the purchase and integration of acquired entities. These costs also include retention equity and deferred equity compensation when they are agreed upon as part of the purchase price of the transaction but are required to be recognized as expense post-combination. We have excluded these amounts and the related tax impacts as the expenses are recognized for a limited duration and do not reflect the underlying performance of our business.

- *Litigation provision.* During fiscal 2022, we recorded additional accruals to address claims associated with the interchange multidistrict litigation of $861 million and related tax benefit of $191 million, determined by applying applicable tax rates. Under the U.S. retrospective responsibility plan, we recover the monetary liabilities related to the U.S. covered litigation through a downward adjustment to the rate at which shares of our class B common stock convert into shares of class A common stock. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

- *Russia-Ukraine charges.* During fiscal 2022, we recorded a loss within general and administrative expense of $35 million from the deconsolidation of our Russian subsidiary. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We also incurred charges of $25 million in personnel expense as a result of steps taken to support our employees in Russia and Ukraine. We have excluded these amounts and the related tax benefit of $4 million, determined by applying applicable tax rates, as they are one-time charges and do not reflect the underlying performance of our business.

- *Remeasurement of deferred tax balances.* During fiscal 2021, in connection with the UK enacted legislation on June 10, 2021 that increases the tax rate from 19% to 25%, effective April 1, 2023, we remeasured our UK deferred tax liabilities, resulting in the recognition of a non-recurring, non-cash income tax expense of $1.0 billion.

  During fiscal 2020, in connection with the UK enacted legislation that repealed the previous tax rate reduction from 19% to 17% that was effective on April 1, 2020, we remeasured our UK deferred tax liabilities as of the enactment date, resulting in the recognition of a non-recurring, non-cash income tax expense of $329 million.

- *Indirect taxes.* During fiscal 2021, we recognized a one-time charge within general and administrative expense of $152 million, and related tax benefit of $40 million, determined by applying applicable tax rates. This charge is to record our estimate of probable additional indirect taxes, related to prior periods, for which we could be liable as a result of certain changes in applicable law. This one-time charge is not representative of our ongoing operations.

- *Resolution of a tax item.* During fiscal 2020, we resolved a long-outstanding tax matter, dating back more than 12 years, relating to certain tax filing positions taken prior to our initial public offering. The resolution of this matter resulted in the recognition of a one-time charge to income tax expense of $28 million, which we believe is not representative of our continuing operations and ongoing effective tax rate.

Non-GAAP operating expenses, non-operating income (expense), income tax provision, effective income tax rate, net income and diluted earnings per share should not be relied upon as substitutes for, or considered in isolation from, measures calculated in accordance with U.S. GAAP. The following tables reconcile our as-reported financial measures, calculated in accordance with U.S. GAAP, to our respective non-GAAP financial measures:

	For the Year Ended September 30, 2022					
	Operating Expenses	Non-operating Income (Expense)	Income Tax Provision	Effective Income Tax Rate(1)	Net Income	Diluted Earnings Per Share(1)
	(in millions, except percentages and per share data)					
As reported	$ 10,497	$ (677)	$ 3,179	17.5 %	$ 14,957	$ 7.00
(Gains) losses on equity investments, net	—	264	67		197	0.09
Amortization of acquired intangible assets	(120)	—	26		94	0.04
Acquisition-related costs	(69)	—	9		60	0.03
Litigation provision	(861)	—	191		670	0.31
Russia-Ukraine charges	(60)	—	4		56	0.03
Non-GAAP	$ 9,387	$ (413)	$ 3,476	17.8 %	$ 16,034	$ 7.50

	For the Year Ended September 30, 2021					
	Operating Expenses	Non-operating Income (Expense)	Income Tax Provision	Effective Income Tax Rate(1)	Net Income	Diluted Earnings Per Share(1)
	(in millions, except percentages and per share data)					
As reported	$ 8,301	$ 259	$ 3,752	23.4 %	$ 12,311	$ 5.63
(Gains) losses on equity investments, net	—	(712)	(159)		(553)	(0.25)
Amortization of acquired intangible assets	(51)	—	12		39	0.02
Acquisition-related costs	(21)	—	4		17	0.01
Remeasurement of deferred tax balances	—	—	(1,007)		1,007	0.46
Indirect taxes	(152)	—	40		112	0.05
Non-GAAP	$ 8,077	$ (453)	$ 2,642	17.0 %	$ 12,933	$ 5.91

Table of Contents

	For the Year Ended September 30, 2020					
	Operating Expenses	Non-operating Income (Expense)	Income Tax Provision	Effective Income Tax Rate[1]	Net Income	Diluted Earnings Per Share[1]
	(in millions, except percentages and per share data)					
As reported	$ 7,765	$ (291)	$ 2,924	21.2 %	$ 10,866	$ 4.89
(Gains) losses on equity investments, net	—	(101)	(23)		(78)	(0.04)
Amortization of acquired intangible assets	(46)	—	11		35	0.02
Acquisition-related costs	(17)	—	4		13	0.01
Remeasurement of deferred tax balances	—	—	(329)		329	0.15
Resolution of a tax item	—	—	(28)		28	0.01
Non-GAAP	$ 7,702	$ (392)	$ 2,559	18.6 %	$ 11,193	$ 5.04

(1) Figures in the table may not recalculate exactly due to rounding. Effective income tax rate, diluted earnings per share and their respective totals are calculated based on unrounded numbers.

Payments volume and processed transactions. Payments volume is the primary driver for our service revenues, and the number of processed transactions is the primary driver for our data processing revenues.

Payments volume represents the aggregate dollar amount of purchases made with cards and other form factors carrying the Visa, Visa Electron, V PAY and Interlink brands and excludes Europe co-badged volume. Nominal payments volume is denominated in U.S. dollars and is calculated each quarter by applying an established U.S. dollar/foreign currency exchange rate for each local currency in which our volumes are reported. Processed transactions represent transactions using cards and other form factors carrying the Visa, Visa Electron, V PAY, Interlink and PLUS brands processed on Visa's networks.

The following tables present nominal payments and cash volume:

	U.S.			International			Visa Inc.		
	Twelve Months Ended June 30,[1]			Twelve Months Ended June 30,[1]			Twelve Months Ended June 30,[1]		
	2022	2021	% Change[2]	2022	2021	% Change[2]	2022	2021	% Change[2]
	(in billions, except percentages)								
Nominal payments volume									
Consumer credit	**$ 2,047**	$ 1,641	25 %	**$ 2,684**	$ 2,398	12 %	**$ 4,732**	$ 4,039	17 %
Consumer debit[3]	**2,617**	2,388	10 %	**2,692**	2,440	10 %	**5,309**	4,828	10 %
Commercial[4]	**882**	696	27 %	**542**	407	33 %	**1,423**	1,104	29 %
Total nominal payments volume[2]	**$ 5,546**	$ 4,725	17 %	**$ 5,918**	$ 5,245	13 %	**$ 11,464**	$ 9,971	15 %
Cash volume[5]	**631**	635	(1 %)	**1,931**	1,924	— %	**2,562**	2,559	— %
Total nominal volume[2],[6]	**$ 6,177**	$ 5,360	15 %	**$ 7,849**	$ 7,170	9 %	**$ 14,025**	$ 12,530	12 %

Table of Contents

	U.S.			International			Visa Inc.		
	Twelve Months Ended June 30,[1]			Twelve Months Ended June 30,[1]			Twelve Months Ended June 30,[1]		
	2021	2020	% Change[2]	2021	2020	% Change[2]	2021	2020	% Change[2]
	(in billions, except percentages)								
Nominal payments volume									
Consumer credit	$ 1,641	$ 1,518	8 %	$ 2,398	$ 2,363	1 %	$ 4,039	$ 3,880	4 %
Consumer debit[3]	2,388	1,849	29 %	2,440	1,976	24 %	4,828	3,824	26 %
Commercial[4]	696	641	9 %	407	370	10 %	1,104	1,010	9 %
Total nominal payments volume[2]	$ 4,725	$ 4,007	18 %	$ 5,245	$ 4,708	11 %	$ 9,971	$ 8,715	14 %
Cash volume[5]	635	573	11 %	1,924	2,046	(6 %)	2,559	2,619	(2 %)
Total nominal volume[2], [6]	$ 5,360	$ 4,580	17 %	$ 7,170	$ 6,753	6 %	$ 12,530	$ 11,334	11 %

The following table presents the change in nominal and constant payments and cash volume:

	International				Visa Inc.			
	Twelve Months Ended June 30, 2022 vs 2021[1],[2]		Twelve Months Ended June 30, 2021 vs 2020[1],[2]		Twelve Months Ended June 30, 2022 vs 2021[1],[2]		Twelve Months Ended June 30, 2021 vs 2020[1],[2]	
	Nominal	Constant[7]	Nominal	Constant[7]	Nominal	Constant[7]	Nominal	Constant[7]
Payments volume growth								
Consumer credit growth	12 %	15 %	1 %	(1 %)	17 %	19 %	4 %	3 %
Consumer debit growth[3]	10 %	13 %	24 %	20 %	10 %	11 %	26 %	25 %
Commercial growth[4]	33 %	39 %	10 %	7 %	29 %	31 %	9 %	8 %
Total payments volume growth	13 %	16 %	11 %	9 %	15 %	17 %	14 %	13 %
Cash volume growth[5]	— %	4 %	(6 %)	(4 %)	— %	3 %	(2 %)	— %
Total volume growth	9 %	13 %	6 %	5 %	12 %	14 %	11 %	10 %

(1) Service revenues in a given quarter are assessed based on nominal payments volume in the prior quarter. Therefore, service revenues reported for the twelve months ended September 30, 2022, 2021 and 2020, were based on nominal payments volume reported by our financial institution clients for the twelve months ended June 30, 2022, 2021 and 2020, respectively. On occasion, previously presented volume information may be updated. Prior period updates are not material.

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

(3) Includes consumer prepaid volume and Interlink volume.

(4) Includes large, medium and small business credit and debit, as well as commercial prepaid volume.

(5) Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks.

(6) Total nominal volume is the sum of total nominal payments volume and cash volume. Total nominal volume is provided by our financial institution clients, subject to review by Visa.

(7) Growth on a constant-dollar basis excludes the impact of foreign currency fluctuations against the U.S. dollar.

The following table presents the number of processed transactions:

	For the Years Ended September 30,			% Change[(1)]	
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020
	(in millions, except percentages)				
Visa processed transactions	**192,530**	164,734	140,839	17 %	17 %

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

Results of Operations

Net Revenues

Our net revenues are primarily generated from payments volume on Visa products for purchased goods and services, as well as the number of transactions processed on our network. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report for further discussion on the components of our net revenues.

The following table presents our net revenues earned in the U.S. and internationally:

	For the Years Ended September 30,			% Change[1]	
	2022	**2021**	**2020**	**2022 vs. 2021**	**2021 vs. 2020**
	(in millions, except percentages)				
U.S.	**$ 12,851**	$ 11,160	$ 10,125	15 %	10 %
International	**16,459**	12,945	11,721	27 %	10 %
Net revenues	**$ 29,310**	$ 24,105	$ 21,846	22 %	10 %

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

Net revenues increased in fiscal 2022 primarily due to the year-over-year growth in nominal payments volume, processed transactions and nominal cross-border volume, partially offset by higher client incentives.

Our net revenues are impacted by the overall strengthening or weakening of the U.S. dollar as payments volume and related revenues denominated in local currencies are converted to U.S. dollars. In fiscal 2022, exchange rate movements, partially offset by our hedging program, negatively impacted our net revenues growth by approximately two-and-a-half percentage points.

The following table presents the components of our net revenues:

	For the Years Ended September 30,			% Change[1]	
	2022	**2021**	**2020**	**2022 vs. 2021**	**2021 vs. 2020**
	(in millions, except percentages)				
Service revenues	**$ 13,361**	$ 11,475	$ 9,804	16 %	17 %
Data processing revenues	**14,438**	12,792	10,975	13 %	17 %
International transaction revenues	**9,815**	6,530	6,299	50 %	4 %
Other revenues	**1,991**	1,675	1,432	19 %	17 %
Client incentives	**(10,295)**	(8,367)	(6,664)	23 %	26 %
Net revenues	**$ 29,310**	$ 24,105	$ 21,846	22 %	10 %

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

- *Service revenues* increased primarily due to 15% growth in nominal payments volume.
- *Data processing revenues* increased primarily due to 17% growth in processed transactions, partially offset by our suspension of operations in Russia and unfavorable currency fluctuations.

- *International transaction revenues* increased primarily due to growth in nominal cross-border volumes, excluding transactions within Europe, of 40%. International transaction revenues also increased due to volatility of a broad range of currencies and select pricing modifications.
- *Other revenues* increased primarily due to select pricing modifications, travel related card benefits, value added services revenues tied to marketing services, consulting revenues and other value added services.

- *Client incentives* increased primarily due to growth in payments volume during fiscal 2022. The amount of client incentives we record in future periods will vary based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Operating Expenses

Our operating expenses consist of the following:

- *Personnel expenses* include salaries, employee benefits, incentive compensation, share-based compensation and contractor expenses.
- *Marketing expenses* include expenses associated with advertising and marketing campaigns, sponsorships and other related promotions of the Visa brand.
- *Network and processing expenses* mainly represent expenses for the operation of our processing network, including maintenance, equipment rental and fees for other data processing services.
- *Professional fees* mainly consist of fees for consulting, legal and other professional services.
- *Depreciation and amortization expenses* include amortization of purchased and internally developed software, as well as depreciation expense for property and equipment. Also included in this amount is amortization of finite-lived intangible assets primarily obtained through acquisitions.
- *General and administrative expenses* consist mainly of card benefits, facilities costs, indirect taxes, travel and meeting costs, foreign exchange gains and losses and other corporate expenses incurred in support of our business.
- *Litigation provision* represents litigation expenses and is an estimate based on management's understanding of our litigation profile, the specifics of each case, advice of counsel to the extent appropriate and management's best estimate of incurred loss.

The following table presents the components of our total operating expenses:

	For the Years Ended September 30,			% Change[(1)]	
	2022	**2021**	**2020**	**2022 vs. 2021**	**2021 vs. 2020**
	(in millions, except percentages)				
Personnel	**$ 4,990**	$ 4,240	$ 3,785	18 %	12 %
Marketing	**1,336**	1,136	971	18 %	17 %
Network and processing	**743**	730	727	2 %	— %
Professional fees	**505**	403	408	25 %	(1 %)
Depreciation and amortization	**861**	804	767	7 %	5 %
General and administrative	**1,194**	985	1,096	21 %	(10 %)
Litigation provision	**868**	3	11	NM	(76 %)
Total operating expenses[(2)]	**$ 10,497**	$ 8,301	$ 7,765	26 %	7 %

NM - Not meaningful

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

(2) Operating expenses for fiscal 2022 and 2021 include significant items that we do not believe are indicative of our operating performance. See *Overview* within this *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Total operating expenses increased as we invested in future growth and due to the provision for U.S. covered litigation.

- *Personnel expenses* increased primarily due to higher number of employees and compensation, reflecting our strategy to invest in future growth, including acquisitions. The increase also included expenses incurred as a result of steps taken to support our employees in Russia and Ukraine.

- *Marketing expenses* increased due to higher spending in various campaigns, including the FIFA World Cup 2022™ and the Olympic and Paralympic Winter Games Beijing 2022, and client marketing.

- *Professional fees* increased primarily due to consulting fees related to technology and other corporate projects.
- *General and administrative expenses* increased due to higher usage of travel related card benefits, higher travel expenses, the suspension of our operations in Russia and deconsolidation of our Russian subsidiary and the inclusion of expenses from our acquisitions, partially offset by a one-time charge of indirect taxes in the prior year.
- *Litigation provision* increased primarily due to additional accruals of $861 million related to the U.S. covered litigation. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* included in *Item 8—Financial Statements and Supplementary Data* of this report.

Non-operating Income (Expense)

Non-operating income (expense) primarily includes interest expense related to borrowings, income from derivative instruments, interest expense from tax liabilities, gains and losses on investments, as well as the non-service components of net periodic pension income and expense.

The following table presents the components of our non-operating income (expense):

	For the Years Ended September 30,			% Change[1]	
	2022	**2021**	**2020**	**2022 vs. 2021**	**2021 vs. 2020**
	(in millions, except percentages)				
Interest expense	**$ (538)**	$ (513)	$ (516)	5 %	(1 %)
Investment income (expense) and other	**(139)**	772	225	(118 %)	243 %
Total non-operating income (expense)	**$ (677)**	$ 259	$ (291)	(361 %)	(189 %)

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

- *Interest expense* increased primarily due to higher interest expense related to income tax liabilities and the issuance of debt in fiscal 2022, combined with lower income from derivative instruments that decreased the cost of borrowing on a portion of our outstanding debt. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.
- *Investment income (expense) and other* decreased primarily due to losses on our equity investments, offset by higher interest income on our cash and investments. See *Note 6—Fair Value Measurements and Investments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Effective Income Tax Rate

The following table presents our effective income tax rates:

	For the Years Ended September 30,		
	2022	**2021**	**2020**
Effective income tax rate	**18 %**	23 %	21 %

The effective tax rate in fiscal 2022 differs from the effective tax rate in fiscal 2021 primarily due to the following:

- during fiscal 2022, a decrease in the state tax apportionment ratio, including a $176 million tax benefit related to prior years, as a result of a tax position taken related to a recent ruling;
- during fiscal 2021, a $1.0 billion non-recurring, non-cash tax expense related to the remeasurement of UK deferred tax liabilities as a result of the increase in UK tax rate from 19% to 25%, effective April 1, 2023; and
- during fiscal 2021, $255 million of tax benefits recognized as a result of the conclusion of audits by taxing authorities.

Liquidity and Capital Resources

Management of Our Liquidity

We regularly evaluate cash requirements for current operations, commitments, development activities and capital expenditures, and we may elect to raise additional funds for these purposes in the future through the issuance of either debt or equity. Our treasury policies provide management with the guidelines and authority to manage liquidity risk in a manner consistent with our corporate objectives.

The objectives of our treasury policies are to:

- provide adequate liquidity to cover operating expenditures and liquidity contingency scenarios;
- ensure timely completion of payments settlement activities;
- ensure payments on required litigation settlements;
- make planned capital investments in our business;
- pay dividends and repurchase our shares at the discretion of our board of directors; and
- invest excess cash in securities that enable us to first meet our working capital and liquidity needs, and earn additional income.

Based on our current cash flow budgets and forecasts of our short-term and long-term liquidity needs, we believe that our current and projected sources of liquidity will be sufficient to meet our projected liquidity needs for more than the next 12 months. We will continue to assess our liquidity position and potential sources of supplemental liquidity in view of our operating performance, current economic and capital market conditions and other relevant circumstances.

Cash Flow Data

The following table summarizes our cash flow activity for the fiscal years presented:

	For the Years Ended September 30,		
	2022	**2021**	**2020**
		(in millions)	
Total cash provided by (used in):			
Operating activities	**$ 18,849**	$ 15,227	$ 10,440
Investing activities	**(4,288)**	(152)	1,427
Financing activities	**(12,696)**	(14,410)	(3,968)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	**(1,287)**	(37)	440
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	**$ 578**	$ 628	$ 8,339

Operating activities. Cash provided by operating activities in fiscal 2022 was higher than the prior fiscal year primarily due to growth in our underlying business, partially offset by higher litigation payments.

Investing activities. Cash used in investing activities in fiscal 2022 was higher than the prior fiscal year primarily due to lower proceeds from sales and maturities of investment securities, combined with higher purchases of investment securities and higher cash paid for acquisitions, net of cash and restricted cash acquired. See *Note 2—Acquisitions* and *Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Financing activities. Cash used in financing activities in fiscal 2022 was lower than the prior fiscal year primarily due to proceeds received from the issuance of senior notes and lower principal debt payment upon maturity of our senior notes, partially offset by higher share repurchases and higher dividends paid. See *Note 10—Debt and Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Sources of Liquidity

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

Cash, cash equivalents and investments. As of September 30, 2022, our cash and cash equivalents balance were $15.7 billion and our available-for-sale debt securities were $4.5 billion. Our investment portfolio is designed to invest cash in securities which enables us to meet our working capital and liquidity needs. Our investment portfolio consists of debt securities issued by the U.S. Treasury or U.S. government-sponsored agencies. $2.3 billion of the investments are classified as current and are available to meet short-term liquidity needs. The remaining non-current investments have stated maturities of more than one year from the balance sheet date; however, they are also generally available to meet short-term liquidity needs.

Factors that may impact the liquidity of our investment portfolio include, but are not limited to, changes to credit ratings of the securities, uncertainty related to regulatory developments, actions by central banks and other monetary authorities and the ongoing strength and quality of credit markets. We will continue to review our portfolio in light of evolving market and economic conditions. However, if current market conditions deteriorate, the liquidity of our investment portfolio may be impacted and we could determine that some of our investments are impaired, which could adversely impact our financial results. We have policies that limit the amount of credit exposure to any one financial institution or type of investment.

Commercial paper program. We maintain a commercial paper program to support our working capital requirements and for other general corporate purposes. During the year ended September 30, 2022, we issued and repaid $950 million of commercial paper. As of September 30, 2022, we had no outstanding obligations under the program. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Credit facility. We have an unsecured $5.0 billion revolving credit facility (Credit Facility) which expires on July 25, 2024. As of September 30, 2022, there were no amounts outstanding under the Credit Facility. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Senior notes. In June 2022, we issued €3.0 billion ($3.2 billion) in Euro-denominated fixed-rate senior notes, with maturities ranging between 4 and 12 years. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

U.S. Litigation escrow account. Pursuant to the terms of the U.S. retrospective responsibility plan, which was created to insulate Visa and our class A common shareholders from financial liability for certain litigation cases, we maintain a U.S. litigation escrow account from which monetary liabilities from settlements of, or judgments in, the U.S. covered litigation will be payable. As these funds are restricted for the sole purpose of making payments related to the U.S. covered litigation matters, we do not rely on them for other operational needs. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Credit Ratings

Various factors affect our credit ratings, including changes in our operating performance, the economic environment, conditions in the electronic payments industry, our financial position and changes in our business strategy. Our credit ratings are published by nationally recognized statistical rating organizations in the U.S. and have not changed from the prior-year comparable period. We do not currently foresee any reasonable circumstances under which our credit ratings would be significantly downgraded. If a downgrade were to occur, it could adversely impact, among other things, our future borrowing costs and access to capital markets.

Uses of Liquidity

Payments settlement. Payments settlement due to and from our financial institution clients can represent a substantial daily liquidity requirement. Most U.S. dollar settlements are settled within the same day and do not result in a receivable or payable balance, while settlements in currencies other than the U.S. dollar generally remain outstanding for one to two business days, which is consistent with industry practice for such transactions. In general, during fiscal 2022, we were not required to fund settlement-related working capital. As of September 30, 2022, we held $9.2 billion of our total available liquidity to fund daily settlement in the event one or more of our financial institution clients are unable to settle, with the remaining liquidity available to support our working capital and other liquidity needs. See *Note 12—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Litigation. Judgments in and settlements of litigation or other fines imposed in investigations and proceedings, other than the U.S. covered litigation and VE territory covered litigation, which are covered by the U.S. and Europe retrospective responsibility plans, could give rise to future liquidity needs. During fiscal 2022, we deposited $850 million into the U.S. litigation escrow account to address claims associated with the interchange multidistrict litigation. The balance of this account as of September 30, 2022 was $1.4 billion and is reflected as restricted cash in our consolidated balance sheets. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Common stock repurchases. During fiscal 2022, we repurchased shares of our class A common stock in the open market for $11.6 billion. As of September 30, 2022, our repurchase program had remaining authorized funds of $5.2 billion. In October 2022, our board of directors authorized a new $12.0 billion share repurchase program. Share repurchases will be executed at prices we deem appropriate subject to various factors, including market conditions and our financial performance, and may be effected through accelerated share repurchase programs, open market purchases or privately negotiated transactions, including through Rule 10b5-1 plans. See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Dividends. During fiscal 2022, we declared and paid $3.2 billion in dividends to holders of our common and preferred stock. On October 21, 2022, our board of directors declared a quarterly cash dividend of $0.45 per share of class A common stock (determined in the case of class B and C common stock and series A, B and C convertible participating preferred stock on an as-converted basis). We expect to pay approximately $950 million in connection with this dividend on December 1, 2022. See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We expect to continue paying quarterly dividends in cash, subject to approval by the board of directors. All preferred and class B and C common stock will share ratably on an as-converted basis in such future dividends.

Capital expenditures. During fiscal 2022, our capital expenditures increased. We expect to continue investing in technology assets and payments system infrastructure.

Senior notes. As of September 30, 2022, we had an outstanding aggregate principal amount relating to our senior notes of $22.9 billion. During fiscal 2022, we repaid $1.0 billion of principal upon maturity of certain senior notes. A principal payment on certain senior notes of $2.3 billion is due in December 2022, for which we have sufficient liquidity. As of September 30, 2022, we allocated $243 million to eligible green projects from the $500 million green bond issued as part of our commitment to environmental sustainability and a sustainable payments ecosystem. See *Note 10—Debt to* our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Client incentives. As of September 30, 2022, we had short-term and long-term liabilities recorded on the consolidated balance sheet related to these agreements of $6.1 billion and $0.2 billion, respectively. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Uncertain tax positions. As of September 30, 2022, we had long-term liabilities for uncertain tax positions of $1.8 billion. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Acquisitions. On December 20, 2021, we acquired Currencycloud for a total purchase consideration of $893 million (which includes the fair value of our previously held equity interest in Currencycloud), and on March 10, 2022, we acquired 100% of the share capital of Tink for $1.9 billion in cash. See *Note 2—Acquisitions* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Purchase obligations. As of September 30, 2022, we had short-term and long-term obligations of $1.6 billion and $1.1 billion, respectively, related to agreements to purchase goods and services that specify significant terms, including fixed or minimum quantities to be purchased, minimum or variable price provisions, and the approximate timing of the transaction. For obligations where the individual years of spend are not specified in the contract, we have estimated the timing of when these amounts will be spent. For future obligations related to software licenses, see *Note 18—Commitments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Leases. As of September 30, 2022, we had short-term and long-term obligations of $3 million and $528 million, respectively, related to leases that have not yet commenced. For future lease payments related to leases that have commenced and are included in the consolidated balance sheet, see *Note 9—Leases* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Tax Cuts and Jobs Act. As of September 30, 2022, we had short-term and long-term obligations of $87 million and $589 million, respectively, related to the estimated transition tax, net of foreign tax credit carryovers, on certain foreign earnings of non-U.S. subsidiaries recognized during fiscal 2018.

Indemnifications

We indemnify our financial institution clients for settlement losses suffered due to the failure of any other client to fund its settlement obligations in accordance with our operating rules. The amount of the indemnification is limited to the amount of unsettled Visa payment transactions at any point in time. We maintain and regularly review global settlement risk policies and procedures to manage settlement risk, which may require clients to post collateral if certain credit standards are not met. See *Note 1—Summary of Significant Accounting Policies* and *Note 12—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Accounting Pronouncements Not Yet Adopted

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-04, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate or another reference rate expected to be discontinued because of reference rate reform. Subsequently, the FASB also issued an amendment to this standard. The amendments in the ASU are effective upon issuance through December 31, 2022. We are evaluating the effect ASU 2020-04 and its subsequent amendment will have on our consolidated financial statements. The adoption is not expected to have a material impact on our consolidated financial statements.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require us to make judgments, assumptions and estimates that affect the amounts reported. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We have established policies and control procedures which seek to ensure that estimates and assumptions are appropriately governed and applied consistently from period to period. However, actual results could differ from our assumptions and estimates, and such differences could be material.

We believe that the following accounting estimates are the most critical to fully understand and evaluate our reported financial results, as they require our most subjective or complex management judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain and unpredictable.

Revenue Recognition—Client Incentives

Critical estimates. We enter into long-term incentive agreements with financial institution clients, merchants and other business partners for various programs that provide cash and other incentives designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to our network and driving innovation. These incentives are primarily accounted for as reductions to net revenues; however, if a separate identifiable benefit at fair value can be established, they are accounted for as operating expenses. Incentives are recognized systematically and rationally based on management's estimate of each client's performance. These estimates are regularly reviewed and adjusted as appropriate based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Assumptions and judgment. Estimation of client incentives relies on forecasts of payments and transaction volume, card issuance and card conversion. Performance is estimated using client-reported information, transactional information accumulated from our systems, historical information, market and economic conditions and discussions with our clients, merchants and business partners.

Impact if actual results differ from assumptions. If actual performance is not consistent with our estimates, client incentives may be materially different than initially recorded. Increases in incentive payments are generally driven by increased payments and transaction volume, which drive our net revenues. As a result, in the event incentive payments exceed estimates, such payments are not expected to have a material effect on our financial condition, results of operations or cash flows. The cumulative impact of a revision in estimates is recorded in the period such revisions become probable and estimable. For the year ended September 30, 2022, client incentives represented 26% of gross revenues.

Legal and Regulatory Matters

Critical estimates. We are currently involved in various legal proceedings, the outcomes of which are not within our complete control and may not be known for prolonged periods of time. Management is required to assess the probability of loss and estimate the amount of such loss, if any, in preparing our consolidated financial statements.

Assumptions and judgment. We evaluate the likelihood of a potential loss from legal or regulatory proceedings to which we are a party. We record a liability for such claims when a loss is deemed probable and the amount can be reasonably estimated. Significant judgment may be required in the determination of both probability and whether a loss is reasonably estimable. Our judgments are subjective and based on a number of factors, including management's understanding of the legal or regulatory profile and the specifics of each proceeding, our history with similar matters, advice of internal and external legal counsel and management's best estimate of incurred loss. As additional information becomes available, we reassess the potential loss related to pending claims and may revise our estimates.

We have entered into loss sharing agreements that reduce our potential liability under certain litigation. However, our U.S. retrospective responsibility plan only addresses monetary liabilities from settlements of, or final judgments in, the U.S. covered litigation. The plan's mechanisms include the use of the U.S. litigation escrow account. The accrual related to the U.S. covered litigation could be either higher or lower than the U.S. litigation escrow account balance. Our Europe retrospective responsibility plan only covers Visa Europe territory covered litigation (and resultant liabilities and losses) relating to the covered period, subject to certain limitations, and does not cover any fines or penalties incurred in the European Commission proceedings or any other matter. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Impact if actual results differ from assumptions. Due to the inherent uncertainties of the legal and regulatory processes in the multiple jurisdictions in which we operate, our judgments may be materially different than the actual outcomes, which could have material adverse effects on our business, financial conditions and results of operations in the period in which the effect becomes probable and reasonably estimable. See *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Income Taxes

Critical estimates. In calculating our effective income tax rate, we make judgments regarding certain tax positions, including the timing and amount of deductions and allocations of income among various tax jurisdictions.

Assumptions and judgment. We have various tax filing positions with regard to the timing and amount of deductions and credits and the allocation of income among various tax jurisdictions, based on our interpretation of local tax laws. We also inventory, evaluate and measure all uncertain tax positions taken or expected to be taken on tax returns and record liabilities for the amount of such positions that may not be sustained, or may only be partially sustained, upon examination by the relevant taxing authorities.

Impact if actual results differ from assumptions. Although we believe that our estimates and judgments are reasonable, actual results may differ from these estimates. Some or all of these judgments are subject to review by the taxing authorities. If one or more of the taxing authorities were to successfully challenge our right to realize some or all of the tax benefit we have recorded, and we were unable to realize this benefit, it could have a material adverse effect on our financial results and cash flows.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential economic loss arising from adverse changes in market factors. Our exposure to financial market risks results primarily from fluctuations in foreign currency exchange rates, interest rates and equity prices. Aggregate risk exposures are monitored on an ongoing basis.

Foreign Currency Exchange Rate Risk

We are exposed to risks from foreign currency exchange rate fluctuations that are primarily related to changes in the functional currency value of revenues generated from foreign currency-denominated transactions and changes in the functional currency value of payments in foreign currencies. We manage these risks by entering into foreign currency forward contracts that hedge exposures of the variability in the functional currency equivalent of anticipated non-functional currency denominated cash flows. Our foreign currency exchange rate risk management program reduces, but does not entirely eliminate, the impact of foreign currency exchange rate movements.

At September 30, 2022 and 2021, the aggregate notional amounts of our foreign currency forward contracts outstanding in our exchange rate risk management program, including contracts not designated for cash flow hedge accounting, were $3.4 billion and $2.7 billion, respectively. The aggregate notional amount outstanding at September 30, 2022 is fully consistent with our strategy and treasury policy aimed at reducing foreign exchange risk below a predetermined and approved threshold. However, actual results could materially differ from our forecast. At September 30, 2022, the effect of a hypothetical 10% weakening in the value of the functional currencies is estimated to create an additional fair value loss of approximately $220 million on our outstanding foreign currency forward contracts. The loss from this hypothetical weakening would be largely offset by a corresponding gain on our cash flows from foreign currency-denominated revenues and payments. See *Note 1—Summary of Significant Accounting Policies* and *Note 13—Derivative and Non-derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

We are further exposed to foreign currency exchange rate risk related to translation as the functional currency of Visa Europe is the Euro. Translation from the Euro to the U.S. dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive income (loss) on the consolidated balance sheets. A hypothetical 10% change in the Euro against the U.S. dollar compared to the exchange rate at September 30, 2022 would result in a foreign currency translation adjustment of $1.8 billion.

We designated a portion of our Euro-denominated senior notes as a net investment hedge against a portion of the foreign exchange rate exposure of our net investment in Visa Europe as of September 30, 2022. Changes in the value of the designated portion of the Euro-denominated senior notes, attributable to the change in exchange rates at the end of each reporting period, partially offset the foreign currency translation adjustments resulting from the Euro-denominated net investment, are reported as a component of accumulated other comprehensive income or loss on the Company's consolidated balance sheets. See *Note 1—Summary of Significant Accounting Policies* and *Note 13—Derivative and Non-derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

We are also subject to foreign currency exchange risk in daily settlement activities. This risk arises from the timing of rate setting for settlement with clients relative to the timing of market trades for balancing currency positions. Risk in settlement activities is limited through daily operating procedures, including the utilization of Visa settlement systems and our interaction with foreign exchange trading counterparties.

Interest Rate Risk

Our investment portfolio assets are held in both fixed-rate and adjustable-rate securities. Investments in fixed-rate instruments carry a degree of interest rate risk. The fair value of fixed-rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling-rate environment creates reinvestment risk because as securities mature, the proceeds are reinvested at a lower rate, generating less interest income.

At September 30, 2022 and 2021, the fair value of our fixed-rate investment securities were $5.3 billion and $5.5 billion, respectively, and the fair value of our adjustable-rate investment securities were not material and $0.2 billion, respectively. At September 30, 2022, a hypothetical 100 basis point increase in interest rates would create an estimated decrease in the fair value of our investment securities of approximately $47 million. Any realized gains or losses resulting from such interest rate changes would only occur if we sold the investments prior to maturity. Historically, we have been able to hold investments until maturity.

We have interest rate and cross-currency swap agreements on a portion of our outstanding senior notes that allow us to manage our interest rate exposure through a combination of fixed and floating rates and reduce our overall cost of borrowing. Together these swap agreements effectively convert a portion of our U.S. dollar denominated fixed-rate payments into U.S. dollar and Euro denominated floating-rate payments. By entering into interest rate swaps, we have assumed risks associated with market interest rate fluctuations. A hypothetical 100 basis point increase in interest rates would have resulted in an increase of approximately $40 million in annual interest expense. See *Note 13—Derivative and Non-derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Equity Investment Risk

Our equity investments are held in both marketable and non-marketable equity securities. The marketable equity securities are publicly traded stocks and the non-marketable equity securities are investments in privately held companies.

As of September 30, 2022 and 2021, the carrying value of our marketable equity securities was $291 million and $323 million, respectively. These securities are subject to a wide variety of market-related risks that could substantially reduce or increase the fair value of our holdings.

As of September 30, 2022 and 2021, the carrying value of our non-marketable equity securities was $1.2 billion and $1.5 billion, respectively. These investments are subject to a wide variety of market-related risks that could substantially reduce or increase the carrying value of our holdings. A decline in financial condition or operating results of these investments could result in a loss of all or a substantial part of our carrying value in these companies. We regularly review our non-marketable equity securities for possible impairment, which generally involves an analysis of the facts and changes in circumstances influencing the investment, expectations of the entity's cash flows and capital needs, and the viability of its business model.

Pension Plan Risk

At September 30, 2022 and 2021, our U.S. defined benefit pension plan assets were $1.0 billion and $1.3 billion, respectively, and projected benefit obligations were $0.7 billion and $0.9 billion, respectively. A material adverse decline in the value of pension plan assets and/or in the discount rate for benefit obligations would result in a decrease in the funded status of the pension plans, an increase in pension cost and an increase in required funding. As of September 30, 2022, a hypothetical 10% decrease in the value of pension plan assets and a 1% decrease in the discount rate would result in an aggregate decrease of approximately $150 million in the funded status and an increase of approximately $32 million in pension cost.

At September 30, 2022 and 2021, our non-U.S. defined benefit pension plan assets were $0.3 billion and $0.5 billion, respectively, and projected benefit obligations were $0.3 billion and $0.5 billion, respectively. A material adverse decline in the value of pension plan assets and/or in the discount rate for benefit obligations would result in a decrease in the funded status of the pension plans, an increase in pension cost and an increase in required funding. As of September 30, 2022, a hypothetical 10% decrease in the value of pension plan assets and a 1% decrease in the discount rate would result in an aggregate decrease of approximately $82 million in the funded status and an increase of approximately $11 million in pension cost.

We will continue to monitor the performance of pension plan assets and market conditions as we evaluate the amount of our contribution to the pension plans for fiscal 2023, if any, which would be made in September 2023.

ITEM 8. Financial Statements and Supplementary Data

VISA INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
Visa Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Visa Inc. and subsidiaries (the Company) as of September 30, 2022 and 2021, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended September 30, 2022, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of September 30, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2022, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Report of Independent Registered Public Accounting Firm—(Continued)

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the accrued litigation liability for class members opting out of the Damages Class settlement in the Interchange Multidistrict Litigation (MDL)

As discussed in Notes 5 and 20 to the consolidated financial statements, the Company is involved in various legal proceedings including the *Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions,* and has recorded an accrued litigation liability of $1,441 million as of September 30, 2022. In preparing its consolidated financial statements, the Company is required to assess the probability of loss associated with each legal proceeding and estimate the amount of such loss, if any. The outcome of legal proceedings to which the Company is a party is not within the complete control of the Company and may not be known for prolonged periods of time.

We identified the assessment of the accrued liability for class members opting out of the Damages Class settlement, also known as the *MDL – Individual Merchant Actions*, as a critical audit matter. This proceeding involves claims that are subject to inherent uncertainties and unascertainable damages. The assessment of the accrued litigation liability for the *MDL – Individual Merchant Actions* required especially challenging auditor judgment due to the assumptions and estimation associated with the consideration and evaluation of possible outcomes. The Company could incur judgments, enter into settlements or revise its expectations regarding the outcome of merchants' claims, which could have a material effect on the estimated amount of the liability in the period in which the effect becomes probable and reasonably estimable.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's litigation accrual process for the *MDL – Individual Merchant Actions*. We evaluated the Company's ability to estimate its monetary exposure by comparing historically recorded liabilities to actual monetary amounts incurred upon resolution of legal matters for merchants that opted out of the previous MDL class settlement. To assess the estimated monetary exposure in the Company's analysis, we compared such amounts to the complete population of amounts attributable to the remaining opt-out merchants. We performed a sensitivity analysis over the Company’s monetary exposure calculations, and we recalculated the amount of the ending accrued litigation liability. We read letters received directly from the Company’s external legal counsel and internal legal counsel that discussed the Company’s legal matters, including the *MDL – Individual Merchant Actions*. We also considered relevant publicly available information.

Report of Independent Registered Public Accounting Firm—(Continued)

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Santa Clara, California
November 16, 2022

VISA INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2022	September 30, 2021
	(in millions, except per share data)	
Assets		
Cash and cash equivalents	**$ 15,689**	$ 16,487
Restricted cash equivalents—U.S. litigation escrow	**1,449**	894
Investment securities	**2,833**	2,025
Settlement receivable	**1,932**	1,758
Accounts receivable	**2,020**	1,968
Customer collateral	**2,342**	2,260
Current portion of client incentives	**1,272**	1,359
Prepaid expenses and other current assets	**2,668**	856
Total current assets	**30,205**	27,607
Investment securities	**2,136**	1,705
Client incentives	**3,348**	3,245
Property, equipment and technology, net	**3,223**	2,715
Goodwill	**17,787**	15,958
Intangible assets, net	**25,065**	27,664
Other assets	**3,737**	4,002
Total assets	**$ 85,501**	$ 82,896
Liabilities		
Accounts payable	**$ 340**	$ 266
Settlement payable	**3,281**	2,443
Customer collateral	**2,342**	2,260
Accrued compensation and benefits	**1,359**	1,211
Client incentives	**6,099**	5,243
Accrued liabilities	**3,726**	2,334
Current maturities of debt	**2,250**	999
Accrued litigation	**1,456**	983
Total current liabilities	**20,853**	15,739
Long-term debt	**20,200**	19,978
Deferred tax liabilities	**5,332**	6,128
Other liabilities	**3,535**	3,462
Total liabilities	**49,920**	45,307
Commitments and contingencies (Note 18 and Note 20)		
Equity		
Series A, Series B and Series C convertible participating preferred stock (preferred stock), $0.0001 par value: 25 shares authorized and 5 (Series A less than one, Series B 2, Series C 3) shares issued and outstanding	**2,324**	3,080
Class A, Class B and Class C common stock and additional paid-in capital, $0.0001 par value: 2,003,341 shares authorized (Class A 2,001,622, Class B 622, Class C 1,097); 1,890 (Class A 1,635, Class B 245, Class C 10) and 1,932 (Class A 1,677, Class B 245, Class C 10) shares issued and outstanding	**19,545**	18,855
Right to recover for covered losses	**(35)**	(133)
Accumulated income	**16,116**	15,351
Accumulated other comprehensive income (loss), net:		
Investment securities	**(106)**	(1)
Defined benefit pension and other postretirement plans	**(169)**	(49)
Derivative instruments	**418**	(257)
Foreign currency translation adjustments	**(2,512)**	743
Total accumulated other comprehensive income (loss), net	**(2,369)**	436
Total equity	**35,581**	37,589
Total liabilities and equity	**$ 85,501**	$ 82,896

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

VISA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended September 30,		
	2022	2021	2020
	(in millions, except per share data)		
Net revenues	**$ 29,310**	$ 24,105	$ 21,846
Operating Expenses			
Personnel	**4,990**	4,240	3,785
Marketing	**1,336**	1,136	971
Network and processing	**743**	730	727
Professional fees	**505**	403	408
Depreciation and amortization	**861**	804	767
General and administrative	**1,194**	985	1,096
Litigation provision	**868**	3	11
Total operating expenses	**10,497**	8,301	7,765
Operating income	**18,813**	15,804	14,081
Non-operating Income (Expense)			
Interest expense	**(538)**	(513)	(516)
Investment income (expense) and other	**(139)**	772	225
Total non-operating income (expense)	**(677)**	259	(291)
Income before income taxes	**18,136**	16,063	13,790
Income tax provision	**3,179**	3,752	2,924
Net income	**$ 14,957**	$ 12,311	$ 10,866
Basic Earnings Per Share			
Class A common stock	**$ 7.01**	$ 5.63	$ 4.90
Class B common stock	**$ 11.33**	$ 9.14	$ 7.94
Class C common stock	**$ 28.03**	$ 22.53	$ 19.58
Basic Weighted-average Shares Outstanding			
Class A common stock	**1,651**	1,691	1,697
Class B common stock	**245**	245	245
Class C common stock	**10**	10	11
Diluted Earnings Per Share			
Class A common stock	**$ 7.00**	$ 5.63	$ 4.89
Class B common stock	**$ 11.31**	$ 9.13	$ 7.93
Class C common stock	**$ 28.00**	$ 22.51	$ 19.56
Diluted Weighted-average Shares Outstanding			
Class A common stock	**2,136**	2,188	2,223
Class B common stock	**245**	245	245
Class C common stock	**10**	10	11

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

VISA INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended September 30,		
	2022	**2021**	**2020**
	(in millions)		
Net income	**$ 14,957**	$ 12,311	$ 10,866
Other comprehensive income (loss):			
Investment securities:			
Net unrealized gain (loss)	**(133)**	(4)	1
Income tax effect	**28**	1	—
Reclassification adjustments	**—**	(1)	(3)
Income tax effect	**—**	—	1
Defined benefit pension and other postretirement plans:			
Net unrealized actuarial gain (loss) and prior service credit (cost)	**(168)**	178	(7)
Income tax effect	**38**	(41)	1
Reclassification adjustments	**13**	13	18
Income tax effect	**(3)**	(3)	(3)
Derivative instruments:			
Net unrealized gain (loss)	**917**	19	(547)
Income tax effect	**(177)**	(1)	119
Reclassification adjustments	**(67)**	15	(81)
Income tax effect	**2**	1	19
Foreign currency translation adjustments	**(3,255)**	(95)	1,511
Other comprehensive income (loss), net of tax	**(2,805)**	82	1,029
Comprehensive income	**$ 12,152**	$ 12,393	$ 11,895

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

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Preferred Stock		Common Stock and Additional Paid-in Capital					
	Shares	Amount	Shares	Amount	Right to Recover for Covered Losses	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)							
Balance as of September 30, 2021	5	$ 3,080 (1)	1,932	$ 18,855	$ (133)	$ 15,351	$ 436	$ 37,589
Net income						14,957		14,957
Other comprehensive income (loss), net of tax							(2,805)	(2,805)
VE territory covered losses incurred					(43)			(43)
Recovery through conversion rate adjustment		(141)			141			—
Issuance of series A preferred stock	— (2)	(3)						(3)
Conversion to class A common stock upon sales into public market	— (2)	(612)	10	612				—
Share-based compensation, net of forfeitures				602				602
Stock issued under equity plans			4	196				196
Restricted stock and performance-based shares settled in cash for taxes			— (2)	(120)				(120)
Cash dividends declared and paid, at a quarterly amount of $0.375 per class A common stock						(3,203)		(3,203)
Repurchase of class A common stock			(56)	(600)		(10,989)		(11,589)
Balance as of September 30, 2022	**5**	**$ 2,324** (1)	**1,890**	**$ 19,545**	**$ (35)**	**$ 16,116**	**$ (2,369)**	**$ 35,581**

(1) As of September 30, 2022 and 2021, the book value of series A preferred stock was $1.0 billion and $486 million, respectively. Refer to *Note 5—U.S. and Europe Retrospective Responsibility Plans* for the book value of series B and series C preferred stock.

(2) Increase or decrease is less than one million shares.

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

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Preferred Stock		Common Stock and Additional Paid-in Capital					
	Shares	Amount	Shares	Amount	Right to Recover for Covered Losses	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)							
Balance as of September 30, 2020	5	$ 5,086 [1]	1,939	$ 16,721	$ (39)	$ 14,088	$ 354	$ 36,210
Net income						12,311		12,311
Other comprehensive income (loss), net of tax							82	82
Adoption of new accounting standards						3		3
VE territory covered losses incurred					(147)			(147)
Recovery through conversion rate adjustment		(55)			53			(2)
Conversion to class A common stock upon sales into public market	— [2]	(1,951)	29	1,951				—
Share-based compensation, net of forfeitures				542				542
Stock issued under equity plans			5	208				208
Restricted stock and performance-based shares settled in cash for taxes			(1)	(144)				(144)
Cash dividends declared and paid, at a quarterly amount of $0.32 per class A common stock						(2,798)		(2,798)
Repurchase of class A common stock			(40)	(423)		(8,253)		(8,676)
Balance as of September 30, 2021	5	$ 3,080 [1]	1,932	$ 18,855	$ (133)	$ 15,351	$ 436	$ 37,589

(1) As of September 30, 2021 and 2020, the book value of series A preferred stock was $486 million and $2.4 billion, respectively. Refer to *Note 5—U.S. and Europe Retrospective Responsibility Plans* for the book value of series B and series C preferred stock.

(2) Increase or decrease is less than one million shares.

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

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Preferred Stock		Common Stock and Additional Paid-in Capital					
	Shares	Amount	Shares	Amount	Right to Recover for Covered Losses	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)							
Balance as of September 30, 2019	5	$ 5,462	1,974	$ 16,541	$ (171)	$ 13,502	$ (650)	$ 34,684
Net income						10,866		10,866
Other comprehensive income (loss), net of tax							1,029	1,029
Adoption of new accounting standards						25	(25)	—
VE territory covered losses incurred					(37)			(37)
Recovery through conversion rate adjustment		(164)			169			5
Issuance of series A preferred stock	— [(1)]	(5)						(5)
Conversion to class A common stock upon sales into public market	— [(1)]	(207)	6	207				—
Share-based compensation, net of forfeitures				416				416
Stock issued under equity plans			4	190				190
Restricted stock and performance-based shares settled in cash for taxes			(1)	(160)				(160)
Cash dividends declared and paid, at a quarterly amount of $0.30 per class A common stock						(2,664)		(2,664)
Repurchase of class A common stock			(44)	(473)		(7,641)		(8,114)
Balance as of September 30, 2020	5	$ 5,086	1,939	$ 16,721	$ (39)	$ 14,088	$ 354	$ 36,210

(1) Increase or decrease is less than one million shares.

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

VISA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended September 30,		
	2022	2021	2020
	(in millions)		
Operating Activities			
Net income	**$ 14,957**	$ 12,311	$ 10,866
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Client incentives	**10,295**	8,367	6,664
Share-based compensation	**602**	542	416
Depreciation and amortization of property, equipment, technology and intangible assets	**861**	804	767
Deferred income taxes	**(336)**	873	307
VE territory covered losses incurred	**(43)**	(147)	(37)
(Gains) losses on equity investments, net	**264**	(712)	(101)
Other	**(94)**	(109)	(44)
Change in operating assets and liabilities:			
Settlement receivable	**(397)**	(468)	1,858
Accounts receivable	**(97)**	(343)	(43)
Client incentives	**(9,351)**	(7,510)	(8,081)
Other assets	**(666)**	(147)	(402)
Accounts payable	**67**	88	21
Settlement payable	**1,256**	679	(2,384)
Accrued and other liabilities	**1,055**	929	923
Accrued litigation	**476**	70	(290)
Net cash provided by (used in) operating activities	**18,849**	15,227	10,440
Investing Activities			
Purchases of property, equipment and technology	**(970)**	(705)	(736)
Investment securities:			
Purchases	**(5,997)**	(5,111)	(2,075)
Proceeds from maturities and sales	**4,585**	5,701	4,510
Acquisitions, net of cash and restricted cash acquired	**(1,948)**	(75)	(77)
Purchases of other investments	**(86)**	(71)	(267)
Other investing activities	**128**	109	72
Net cash provided by (used in) investing activities	**(4,288)**	(152)	1,427
Financing Activities			
Repurchase of class A common stock	**(11,589)**	(8,676)	(8,114)
Repayments of debt	**(1,000)**	(3,000)	—
Dividends paid	**(3,203)**	(2,798)	(2,664)
Proceeds from issuance of senior notes	**3,218**	—	7,212
Cash proceeds from issuance of class A common stock under equity plans	**196**	208	190
Restricted stock and performance-based shares settled in cash for taxes	**(120)**	(144)	(160)
Payments to settle derivative instruments	**—**	—	(333)
Other financing activities	**(198)**	—	(99)
Net cash provided by (used in) financing activities	**(12,696)**	(14,410)	(3,968)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	**(1,287)**	(37)	440
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	**578**	628	8,339
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	**19,799**	19,171	10,832
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year	**$ 20,377**	$ 19,799	$ 19,171
Supplemental Disclosure			
Cash paid for income taxes, net	**$ 3,741**	$ 3,012	$ 2,671
Interest payments on debt	**$ 607**	$ 643	$ 537
Accruals related to purchases of property, equipment and technology	**$ 56**	$ 41	$ 38

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

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022

Note 1—Summary of Significant Accounting Policies

Organization. Visa Inc. (Visa or the Company) is a global payments technology company that facilitates global commerce and money movement across more than 200 countries and territories. Visa operates one of the world's largest electronic payments network — VisaNet — which provides transaction processing services (primarily authorization, clearing and settlement). The Company offers products, solutions and services that facilitate secure, reliable and efficient money movement for participants in the ecosystem. Visa is not a financial institution and does not issue cards, extend credit or set rates and fees for account holders of Visa products. In most cases, account holder and merchant relationships belong to, and are managed by, Visa's financial institution clients.

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

During fiscal 2022, economic sanctions were imposed on Russia, impacting Visa and its clients. The extent and severity of the sanctions impacted the Company's operations and a reduction in Ruble liquidity impacted the Company's ability to manage operational impact and related foreign currency risk. In March 2022, the Company suspended its operations in Russia. In addition, the Company deconsolidated its Russian subsidiary, resulting in a pre-tax loss of $35 million for the year ended September 30, 2022, which is included in general and administrative expense on the consolidated statements of operations.

The Company's activities are interrelated, and each activity is dependent upon and supportive of the other. All significant operating decisions are based on analysis of Visa as a single global business. Accordingly, the Company has one reportable segment, Payment Services.

Use of estimates. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. These estimates may change as new events occur and additional information is obtained, and will be recognized in the period in which such changes occur. Future actual results could differ materially from these estimates. The use of estimates in specific accounting policies is described further below as appropriate.

Cash, cash equivalents, restricted cash, and restricted cash equivalents. Cash and cash equivalents include cash and certain highly liquid investments with original maturities of 90 days or less from the date of purchase. Cash equivalents are primarily recorded at cost, which approximates fair value due to their generally short maturities. The Company defines restricted cash and restricted cash equivalents as cash and cash equivalents that cannot be withdrawn or used for general operating activities. See *Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents.*

Restricted cash equivalents—U.S. litigation escrow. The Company maintains an escrow account from which monetary liabilities from settlements of, or judgments in, the U.S. covered litigation are paid. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* for a discussion of the U.S. covered litigation. The escrow funds are held in money market investments, together with the interest earned, less applicable taxes payable, and classified as restricted cash equivalents on the consolidated balance sheets. Interest earned on escrow funds is included in non-operating income (expense) on the consolidated statements of operations.

Fair value. The Company measures certain financial assets and liabilities at fair value on a recurring basis. Certain non-financial assets such as goodwill, intangible assets and property, equipment and technology are subject to nonrecurring fair value measurements if they are deemed to be impaired. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are reported under a three-level valuation hierarchy. See *Note 6—Fair Value Measurements and Investments.*

Marketable equity securities. Marketable equity securities, which are reported in investment securities on the consolidated balance sheets, include investments in publicly traded companies as well as mutual fund investments related to various employee compensation and benefit plans. Interest and dividend income as well as gains and losses, realized and unrealized, from changes in fair value are recorded in non-operating income (expense).

Trading activity in the mutual fund investments is at the direction of the Company's employees. These investments are held in a trust and are not considered by the Company to be available for its operational or liquidity needs. The corresponding liability is reported in accrued liabilities on the consolidated balance sheets, with changes in the liability recognized in personnel expense on the consolidated statements of operations.

Available-for-sale debt securities. The Company's investment in debt securities, which are classified as available-for-sale and reported in investment securities on the consolidated balance sheets, include U.S. government-sponsored debt securities and U.S. Treasury securities. These securities are recorded at cost at the time of purchase and are carried at fair value. The Company considers these securities to be available-for-sale to meet working capital and liquidity needs. Investments with original maturities of greater than 90 days and stated maturities of less than one year from the balance sheet date, or investments that the Company intends to sell within one year, are classified as current assets, while all other securities are classified as non-current assets. Unrealized gains and losses are reported in accumulated other comprehensive income (loss) on the consolidated balance sheets. The specific identification method is used to calculate realized gain or loss on the sale of securities, which is recorded in non-operating income (expense) on the consolidated statements of operations. Interest income is recognized when earned and is included in non-operating income (expense) on the consolidated statements of operations.

The Company evaluates its debt securities for impairment on an ongoing basis. When there has been a decline in fair value of a debt security below the amortized cost basis, the Company recognizes an impairment if: (1) it has the intent to sell the security; (2) it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis; or (3) it does not expect to recover the entire amortized cost basis of the security. If the Company identifies that the decline in fair value has resulted from credit losses, the credit loss component is recognized as an allowance on the balance sheet and in non-operating income (expense) on the consolidated statements of operations. The non-credit loss component remains in accumulated other comprehensive income (loss) until realized from a sale or subsequent impairment.

Non-marketable equity securities. The Company's non-marketable equity securities, which are reported in other assets on the consolidated balance sheets, include investments in privately held companies without readily determinable market values. All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in non-operating income (expense).

The Company applies the equity method of accounting for investments in other entities when it does not have control but has the ability to exercise significant influence. Under the equity method, the Company's share of each entity's profit or loss is reflected in non-operating income (expense) on the consolidated statements of operations.

The Company applies the fair value measurement alternative for equity investments in other entities when the Company does not have the ability to exercise significant influence. The Company adjusts the carrying value of these equity securities to fair value when transactions for identical or similar investments of the same issuer are observable.

The Company regularly reviews investments accounted for under the equity method and the fair value measurement alternative for possible impairment, which generally involves an analysis of the facts and changes in circumstances influencing the investment, expectations of the entity's cash flows and capital needs, and the viability of its business model.

Financial instruments. The Company considers the following to be financial instruments: cash, cash equivalents, restricted cash, restricted cash equivalents, investment securities, settlement receivable and payable, accounts receivable, customer collateral, non-marketable equity investments and derivative instruments. See *Note 6—Fair Value Measurements and Investments.*

Settlement receivable and payable. The Company operates systems for authorizing, clearing and settling payment transactions worldwide. Most U.S. dollar settlements with the Company's financial institution clients are settled within the same day and do not result in a receivable or payable balance. Settlements in currencies other than the U.S. dollar generally remain outstanding for one to two business days, resulting in amounts due from and to clients. These amounts are presented as settlement receivable and settlement payable on the consolidated balance sheets.

Customer collateral. The Company holds cash deposits and other non-cash assets from certain clients in order to ensure their performance of settlement obligations arising from Visa payment services are processed in accordance with the Company's operating rules. The cash collateral assets are restricted and fully offset by corresponding liabilities and both balances are presented on the consolidated balance sheets. Pledged securities are held by a custodian in an account under the Company's name and ownership; however, the Company does not have the right to repledge these securities, but may sell these securities in the event of default by the client on its settlement obligations. Letters of credit are provided primarily by a client's financial institutions to serve as irrevocable guarantees of payment. Guarantees are provided primarily by a client's parent to secure the obligations of its subsidiaries. The Company routinely evaluates the financial viability of institutions providing the letters of credit and guarantees. See *Note 12—Settlement Guarantee Management.*

Guarantees and indemnifications. The Company recognizes an obligation at inception for guarantees and indemnifications that qualify for recognition, regardless of the probability of occurrence. The Company indemnifies its financial institution clients for settlement losses suffered due to the failure of any other client to fund its settlement obligations in accordance with the Visa operating rules. The Company estimates expected credit losses and recognizes an allowance for those credit losses related to its settlement indemnification obligations. The estimated fair value of the liability for settlement indemnification is included in accrued liabilities on the consolidated balance sheets.

Property, equipment and technology, net. Property, equipment and technology are recorded at historical cost less accumulated depreciation and amortization, which are computed on a straight-line basis over the asset's estimated useful life. Depreciation and amortization of technology, furniture, fixtures and equipment are computed over estimated useful lives ranging from 2 to 10 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or lease term. Building improvements are depreciated between 3 and 40 years, and buildings are depreciated over 40 years. Improvements that increase functionality of the asset are capitalized and depreciated over the asset's remaining useful life. Land and construction-in-progress are not depreciated. Fully depreciated assets are retained in property, equipment and technology, net, until removed from service.

Technology includes purchased and internally developed software, including technology assets obtained through acquisitions. Internally developed software represents software primarily used by the VisaNet electronic payments network. Internal and external costs incurred during the preliminary project stage are expensed as incurred. Qualifying costs incurred during the application development stage are capitalized. Once the project is substantially complete and ready for its intended use these costs are amortized on a straight-line basis over the technology's estimated useful life. Acquired technology assets are initially recorded at fair value and amortized on a straight-line basis over the estimated useful life.

The Company evaluates the recoverability of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If the sum of expected undiscounted net future cash flows is less than the carrying amount of an asset or asset group, an impairment loss is recognized to the extent that the carrying amount of the asset or asset group exceeds its fair value. See *Note 7—Property, Equipment and Technology, Net*.

Leases. The Company determines if an arrangement is a lease at its inception. Right-of-use (ROU) assets, and corresponding lease liabilities, are recognized at the commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As a majority of the

Company’s leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU asset also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. The Company does not record a ROU asset and corresponding liability for leases with terms of 12 months or less.

Lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. The Company does not combine lease payments with non-lease components for any of its leases. Operating leases are recorded as ROU assets, which are included in other assets on the consolidated balance sheets. The current portion of lease liabilities are included in accrued liabilities and the long-term portion is included in other liabilities on the consolidated balance sheets. The Company's lease cost is included in general and administrative expense in the consolidated statements of operations and consists of amounts recognized under lease agreements, adjusted for impairment and sublease income.

Business Combinations. The Company accounts for business combinations using the acquisition method and accordingly, the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree are generally recorded at their acquisition date fair values. The excess of the purchase price over the fair value of net assets acquired, including identifiable intangible assets, is recorded as goodwill. Acquisition-related costs are expensed in the periods in which the costs are incurred.

Intangible assets, net. The Company records identifiable intangible assets at fair value on the date of acquisition and evaluates the useful life of each asset.

Finite-lived intangible assets primarily consist of customer relationships and trade names obtained through acquisitions. Finite-lived intangible assets are amortized on a straight-line basis and are tested for recoverability if events or changes in circumstances indicate that their carrying amounts may not be recoverable. These intangibles have useful lives ranging from 3 to 15 years. See *Note 8—Intangible Assets and Goodwill*.

Indefinite-lived intangible assets consist of trade name, customer relationships and reacquired rights. Intangible assets with indefinite useful lives are not amortized but are evaluated for impairment annually or more frequently if events or changes in circumstances indicate that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative impairment test for indefinite-lived intangible assets. The Company assesses each category of indefinite-lived intangible assets for impairment on an aggregate basis, which may require the allocation of cash flows and/or an estimate of fair value to the assets or asset group. Impairment exists if the fair value of the indefinite-lived intangible asset is less than the carrying value. The Company relies on a number of factors when completing impairment assessments, including a review of discounted net future cash flows, business plans and the use of present value techniques.

The Company performed its annual impairment review of indefinite-lived intangible assets as of February 1, 2022, and concluded there was no impairment as of that date. No recent events or changes in circumstances indicate that impairment of the Company's indefinite-lived intangible assets existed as of September 30, 2022.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is not amortized but is evaluated for impairment at the reporting unit level annually or more frequently if events or changes in circumstances indicate that impairment may exist.

The Company performed its annual impairment review of goodwill as of February 1, 2022, and concluded there was no impairment as of that date. No recent events or changes in circumstances indicate that impairment existed as of September 30, 2022.

Accrued litigation. The Company evaluates the likelihood of an unfavorable outcome in legal or regulatory proceedings to which it is a party and records a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These judgments are subjective and based on a number of factors, including the specifics of such legal or regulatory proceedings, the merits of the Company's defenses and consultation with internal and external legal counsel. Actual outcomes of these legal and regulatory proceedings may differ materially from the

Company's estimates. The Company expenses legal costs as incurred in professional fees in the consolidated statements of operations. See *Note 20—Legal Matters.*

Revenue recognition. The Company's net revenues are comprised principally of the following categories: service revenues, data processing revenues, international transaction revenues and other revenues, reduced by client incentives. As a payments network service provider, the Company's obligation to the customer is to stand ready to provide continuous access to our payments network over the contractual term. Consideration is variable based primarily upon the amount and type of transactions and payments volume on Visa's products. The Company recognizes revenue, net of sales and other similar taxes, as the payments network services are performed in an amount that reflects the consideration the Company expects to receive in exchange for those services. Fixed fees for payments network services are generally recognized ratably over the related service period. The Company has elected the optional exemption to not disclose the remaining performance obligations related to payments network services and other performance obligations which are constrained by and dependent upon the future performance of its clients, which are variable in nature. The Company also recognizes revenues, net of sales and other similar taxes, from other value added services, including issuing solutions, acceptance solutions, risk and identity solutions, open banking and advisory services, as these value added services are performed.

Service revenues consist mainly of revenues earned for services provided in support of client usage of Visa payment services. Current quarter service revenues are primarily assessed using a calculation of current quarter's pricing applied to the prior quarter's payments volume. The Company also earns revenues from assessments designed to support ongoing acceptance and volume growth initiatives, which are recognized in the same period the related volume is transacted.

Data processing revenues consist of revenues earned for authorization, clearing, settlement, value added services, network access and other maintenance and support services that facilitate transaction and information processing among the Company's clients globally. Data processing revenues are recognized in the same period the related transactions occur or services are performed.

International transaction revenues are earned for cross-border transaction processing and currency conversion activities. Cross-border transactions arise when the country of origin of the issuer or financial institution originating the transaction is different from that of the beneficiary. International transaction revenues are recognized in the same period the cross-border transactions occur or services are performed.

Other revenues consist mainly of value added services, license fees for use of the Visa brand or technology and fees for account holder services, certification and licensing. Other revenues are recognized in the same period the related transactions occur or services are performed.

Client incentives. The Company enters into long-term contracts with financial institution clients, merchants and strategic partners for various programs that provide cash and other incentives designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to Visa's network and driving innovation. Incentives are classified as reductions to revenues within client incentives, unless the incentive is a cash payment made in exchange for a distinct good or service provided by the customer, in which case the payment is classified as operating expense. The Company generally capitalizes upfront and fixed incentive payments under these agreements and amortizes the amounts as a reduction to revenues ratably over the contractual term. Incentives that are earned by the customer based on performance targets are recorded as reductions to revenues based on management's estimate of each client's future performance. These accruals are regularly reviewed and estimates of performance are adjusted, as appropriate, based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Marketing. The Company expenses costs for the production of advertising as incurred. The cost of media advertising is expensed when the advertising takes place. Sponsorship costs are recognized over the period in which the Company benefits from the sponsorship rights. Promotional costs are expensed as incurred, when the related services are received, or when the related event occurs.

Income taxes. The Company's income tax expense consists of two components: current and deferred. Current income tax expense represents taxes paid or payable for the current period. Deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to temporary differences between the financial statement carrying amounts and the respective tax basis of existing assets and liabilities, and operating loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing whether deferred tax assets are realizable, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is recorded for the portions that are not expected to be realized based on the level of historical taxable income, projections of future taxable income over the periods in which the temporary differences are deductible, and qualifying tax planning strategies.

Where interpretation of the tax law may be uncertain, the Company recognizes, measures and discloses income tax uncertainties. The Company accounts for interest expense and penalties related to uncertain tax positions in non-operating income (expense) in the consolidated statements of operations. The Company files a consolidated federal income tax return and, in certain states, combined state tax returns. The Company elects to claim foreign tax credits in any given year if such election is beneficial to the Company. See *Note 19—Income Taxes*.

Pension and other postretirement benefit plans. The Company's defined benefit pension and other postretirement benefit plans are actuarially evaluated, incorporating various critical assumptions including the discount rate and the expected rate of return on plan assets (for qualified pension plans). The discount rate is based on a cash flow matching analysis, with the projected benefit payments matching spot rates from a yield curve developed from high-quality corporate bonds. The expected rate of return on pension plan assets is primarily based on the targeted allocation, and evaluated for reasonableness by considering such factors as: (i) actual return on plan assets; (ii) historical rates of return on various asset classes in the portfolio; (iii) projections of returns on various asset classes; and (iv) current and prospective capital market conditions and economic forecasts. Any difference between actual and expected plan experience, including asset return experience, in excess of a 10% corridor is recognized in net periodic pension cost over the expected average employee future service period, which ranges from approximately 7 to 9 years for the U.S. and non-U.S. pension plans. Other assumptions involve demographic factors such as retirement age, mortality, attrition and the rate of compensation increases. The Company evaluates assumptions annually and modifies them as appropriate.

The Company recognizes settlement losses when it settles pension benefit obligations, including making lump-sum cash payments to plan participants in exchange for their rights to receive specified pension benefits, when certain thresholds are met. See *Note 11—Pension and Other Postretirement Benefits*.

Foreign currency remeasurement and translation. The Company's functional currency is the U.S. dollar for the majority of its foreign operations except for Visa Europe Limited (Visa Europe) whose functional currency is the Euro. Transactions denominated in currencies other than the applicable functional currency are converted to the functional currency at the exchange rate on the transaction date. At period end, monetary assets and liabilities are remeasured to the functional currency using exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities are remeasured at historical exchange rates. Resulting foreign currency transaction gains and losses related to conversion and remeasurement are recorded in general and administrative expense in the consolidated statements of operations and were not material for fiscal 2022, 2021 and 2020.

Where a non-U.S. currency is the functional currency, translation from that functional currency to the U.S. dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet dates and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive income (loss) on the consolidated balance sheets.

Derivative financial instruments. The Company uses foreign exchange forward derivative contracts to reduce its exposure to foreign currency rate changes on forecasted non-functional currency denominated operational cash flows. The terms of these derivative contracts designated as cash flow hedges are generally no more than 12 months. The Company uses regression analysis to assess hedge effectiveness prospectively and retrospectively. The effectiveness tests are performed on foreign exchange forward contracts based on changes in the spot rate of the derivative instrument compared to changes in the spot rate of the forecasted hedged transaction.

Derivatives are carried at fair value on a gross basis on the consolidated balance sheets. Gains and losses resulting from changes in the fair value of cash flow hedges are accounted for in accumulated other comprehensive income (loss) on the consolidated balance sheets. When the forecasted transaction occurs and is recognized in earnings, the amount in accumulated other comprehensive income (loss) related to that hedge is reclassified to the consolidated statements of operations in the corresponding account where revenue or expense is recorded. Forward points are excluded from effectiveness testing purposes and are reported in earnings. Derivatives designated as cash flow hedges are subject to master netting agreements, which provide the Company with a legal right to net settle multiple payable and receivable positions with the same counterparty, in a single currency through a single payment. However, the Company presents fair values on a gross basis on the consolidated balance sheets.

The Company holds foreign exchange forward contracts and other non-derivative financial instruments which were designated as a net investment hedge against a portion of the Company's net investment in Visa Europe. The Company also holds interest rate and cross-currency swap agreements on a portion of the outstanding senior notes that allows the Company to manage its interest rate exposure through a combination of fixed and floating rates and reduce the overall cost of borrowing. The Company designated the interest rate swaps as a fair value hedge and the cross-currency swaps as a net investment hedge. Gains and losses related to changes in fair value hedges are recognized in non-operating income (expense) along with a corresponding loss or gain related to the change in fair value of the underlying hedged item in the same line item in the consolidated statements of operations. Gains and losses related to changes in the fair value of net investment hedge derivatives and non-derivative financial instruments are recorded in other comprehensive income (loss). Amounts excluded from the effectiveness testing of net investment hedges are recognized in non-operating income (expense).

The Company utilizes foreign exchange derivative contracts to hedge against foreign currency exchange rate fluctuations related to certain monetary assets and liabilities denominated in foreign currencies. Gains and losses resulting from changes in the fair value of these derivative instruments not designated for hedge accounting are recorded in general and administrative expense for hedges of operating activities, or non-operating income (expense) for hedges of non-operating activities.

Cash flows associated with a cash flow hedge are classified as an operating activity on the consolidated statements of cash flows. Cash flows associated with a fair value hedge may be included in operating, investing or financing activities depending on the classification of the items being hedged. Cash flows associated with a net investment hedge are classified as an investing activity. See *Note 13—Derivative and Non-derivative Financial Instruments*.

Share-based compensation. The Company recognizes share-based compensation cost, net of estimated forfeitures, using the fair value method of accounting. The Company recognizes compensation cost for awards with only service conditions on a straight-line basis over the requisite service period, which is generally the vesting period. Compensation cost for performance-based awards is recognized on a graded-vesting basis. The amount is initially estimated based on target performance and is adjusted as appropriate based on management's best estimate throughout the performance period. See *Note 17—Share-based Compensation.*

Earnings per share. The Company calculates earnings per share using the two-class method to reflect the different rights of each class and series of outstanding common stock. The dilutive effect of incremental common stock equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Basic earnings per share is computed by dividing net income available to each class of shares by the weighted-average number of shares of common stock and participating securities outstanding during the period. Participating securities include the Company's series A, B and C preferred stock and restricted stock units (RSUs) that contain non-forfeitable rights to dividends or dividend equivalents. Net income is allocated to each class of common stock and participating securities based on its proportional ownership on an as-converted basis. The weighted-average number of shares outstanding of each class of common stock reflects changes in ownership over the periods presented. See *Note 15—Stockholders' Equity*.

Diluted earnings per share is computed by dividing net income available by the weighted-average number of shares of common stock outstanding, participating securities outstanding and, if dilutive, potential class A common stock equivalent shares outstanding during the period. Dilutive class A common stock equivalents may consist of: (1) shares of class A common stock issuable upon the conversion of series A, B and C preferred stock and class B and C common stock based on the conversion rates in effect through the period, and (2) incremental shares of class A common stock calculated by applying the treasury stock method to the assumed exercise of employee stock options, the assumed purchase of stock under the Company's Employee Stock Purchase Plan and the assumed vesting of unearned performance shares. See *Note 16—Earnings Per Share.*

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in the existing guidance and making other minor improvements. The Company adopted this guidance effective October 1, 2021. The adoption did not have a material impact on the consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, which clarifies that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for purposes of applying the fair value measurement alternative. The Company adopted this guidance effective October 1, 2021. The adoption did not have a material impact on the consolidated financial statements.

Note 2—Acquisitions

Currencycloud

On December 20, 2021, Visa acquired The Currency Cloud Group Limited (Currencycloud), a global platform that enables financial institutions and fintechs to provide innovative cross-border foreign exchange solutions, for a total purchase consideration of $893 million (which includes the fair value of Visa's previously held equity interest in Currencycloud). The Company allocated $150 million of the purchase consideration to technology, customer relationships, other net assets acquired and deferred tax liabilities and the remaining $743 million to goodwill.

Tink

On March 10, 2022, Visa acquired 100% of the share capital of Tink AB (Tink) for $1.9 billion in cash. Tink is an open banking platform that enables financial institutions, fintechs and merchants to build financial products and services and move money. The acquisition is expected to help accelerate the adoption of open banking around the world by providing a secure, reliable platform for innovation.

Total purchase consideration has been allocated to the assets acquired and liabilities assumed. If additional information becomes available, the Company may further revise the purchase price allocation as soon as practicable, but no later than one year from the acquisition date; however, at this time, material changes are not expected.

The following table summarizes the purchase price allocation for Tink:

	Purchase Price Allocation	Weighted-Average Useful Life
	(in millions)	(in years)
Technology	$ 245	4
Customer relationships	90	6
Deferred tax liabilities	(71)	
Other net assets acquired (liabilities assumed)	25	
Goodwill	1,577	
Total	$ 1,866	5

Goodwill is primarily attributable to synergies expected to be achieved from the acquisition and the assembled workforce. None of the goodwill recognized is expected to be deductible for tax purposes.

Note 3—Revenues

The nature, amount, timing and uncertainty of the Company's revenues and cash flows and how they are affected by economic factors are most appropriately depicted through the Company's revenue categories and geographical markets. The following tables disaggregate the Company's net revenues by revenue category and by geography:

	For the Years Ended September 30,		
	2022	2021	2020
		(in millions)	
Service revenues	**$ 13,361**	$ 11,475	$ 9,804
Data processing revenues	**14,438**	12,792	10,975
International transaction revenues	**9,815**	6,530	6,299
Other revenues	**1,991**	1,675	1,432
Client incentives	**(10,295)**	(8,367)	(6,664)
Net revenues	**$ 29,310**	$ 24,105	$ 21,846

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2022

	For the Years Ended September 30,		
	2022	**2021**	**2020**
		(in millions)	
U.S.	**$ 12,851**	$ 11,160	$ 10,125
International	**16,459**	12,945	11,721
Net revenues	**$ 29,310**	$ 24,105	$ 21,846

Remaining performance obligations are comprised of deferred revenues and unbilled contract revenues that will be invoiced and recognized as revenues in future periods primarily related to value added services. As of September 30, 2022, the remaining performance obligations were $1.8 billion. The Company expects approximately half to be recognized as revenue in the next two years and the remaining thereafter. However, the amount and timing of revenue recognition is affected by several factors, including contract modifications and terminations, which could impact the estimate of amounts allocated to remaining performance obligations and when such revenues could be recognized.

Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

The Company reconciles cash, cash equivalents, restricted cash and restricted cash equivalents reported in the consolidated balance sheets that aggregate to the beginning and ending balances shown in the consolidated statements of cash flows as follows:

	September 30,	
	2022	**2021**
	(in millions)	
Cash and cash equivalents	**$ 15,689**	$ 16,487
Restricted cash and restricted cash equivalents:		
U.S. litigation escrow	**1,449**	894
Customer collateral	**2,342**	2,260
Prepaid expenses and other current assets	**897**	158
Cash, cash equivalents, restricted cash and restricted cash equivalents	**$ 20,377**	$ 19,799

Prepaid expenses and other current assets include restricted cash and restricted cash equivalents related to funds held by the Company, primarily from Currencycloud, on behalf of clients in segregated bank accounts that generally cannot be withdrawn or used for general operating activities. These amounts are fully offset by corresponding liabilities recorded in accrued liabilities on the Company's consolidated balance sheets.

Note 5—U.S. and Europe Retrospective Responsibility Plans

U.S. Retrospective Responsibility Plan

The Company has established several related mechanisms designed to address potential liability under certain litigation referred to as the "U.S. covered litigation." These mechanisms are included in and referred to as the U.S. retrospective responsibility plan and consist of a U.S. litigation escrow agreement, the conversion feature of the Company's shares of class B common stock, the indemnification obligations of the Visa U.S.A. Inc. (Visa U.S.A.) members, an interchange judgment sharing agreement, a loss sharing agreement and an omnibus agreement, as amended.

U.S. covered litigation consists of a number of matters that have been settled or otherwise fully or substantially resolved, as well as the following:

- *the Interchange Multidistrict Litigation*. In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, 1:05-md-01720-JG-JO (E.D.N.Y.) or MDL 1720, including all cases currently included in MDL 1720, any other case that includes claims for damages relating to the period prior to the Company's IPO that has been or is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL

1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction;

- any claim that challenges the reorganization or the consummation thereof; provided that such claim is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction; and
- any case brought after October 22, 2015 by a merchant that opted out of the Rule 23(b)(3) settlement class in MDL 1720 that arises out of facts or circumstances substantially similar to those alleged in MDL 1720 and that is not transferred to or otherwise included in MDL 1720. See *Note 20—Legal Matters*.

U.S. litigation escrow agreement. In accordance with the U.S. litigation escrow agreement, the Company maintains an escrow account, from which settlements of, or judgments in, the U.S. covered litigation are paid. The amount of the escrow is determined by the board of directors and the Company's litigation committee, all members of which are affiliated with, or act for, certain Visa U.S.A. members. The accrual related to the U.S. covered litigation could be either higher or lower than the U.S. litigation escrow account balance. See *Note 20—Legal Matters*.

The following table presents the changes in the restricted cash equivalents—U.S. litigation escrow account:

	2022	2021
	(in millions)	
Balance at beginning of period	**$ 894**	$ 901
Deposits into the litigation escrow account	**850**	—
Payments to opt-out merchants[1], net of interest earned on escrow funds	**(295)**	(7)
Balance at end of period	**$ 1,449**	$ 894

[1] These payments are associated with the interchange multidistrict litigation. See *Note 20—Legal Matters*.

Conversion feature. Under the terms of the plan, when the Company funds the U.S. litigation escrow account, the value of the Company's class B common stock are subject to dilution through a downward adjustment to the rate at which shares of class B common stock convert into shares of class A common stock. This has the same economic effect on earnings per share as repurchasing the Company's class A common stock, because it reduces the class B conversion rate and consequently the as-converted class A common stock share count with each deposit amount. See *Note 15—Stockholders' Equity*.

Indemnification obligations. To the extent that amounts available under the U.S. litigation escrow arrangement and other agreements in the plan are insufficient to fully resolve the U.S. covered litigation, the Company will use commercially reasonable efforts to enforce the indemnification obligations of Visa U.S.A.'s members for such excess amounts, including but not limited to enforcing indemnification obligations pursuant to Visa U.S.A.'s certificate of incorporation and bylaws and in accordance with their membership agreements.

Interchange judgment sharing agreement. Visa U.S.A. and Visa International Service Association (Visa International) have entered into an interchange judgment sharing agreement with certain Visa U.S.A. members that have been named as defendants in the interchange multidistrict litigation, which is described in *Note 20—Legal Matters*. Under this judgment sharing agreement, Visa U.S.A. members that are signatories will pay their membership proportion of the amount of a final judgment not allocated to the conduct of Mastercard.

Loss sharing agreement. Visa has entered into a loss sharing agreement with Visa U.S.A., Visa International and certain Visa U.S.A. members. The loss sharing agreement provides for the indemnification of Visa U.S.A., Visa International and, in certain circumstances, Visa with respect to: (i) the amount of a final judgment paid by Visa U.S.A. or Visa International in the U.S. covered litigation after the operation of the interchange judgment sharing agreement, plus any amounts reimbursable to the interchange judgment sharing agreement signatories; or (ii) the damages portion of a settlement of a U.S. covered litigation that is approved as required under Visa U.S.A.'s certificate of incorporation by the vote of Visa U.S.A.'s specified voting members. The several obligation of each bank that is a party to the loss sharing agreement will equal the amount of any final judgment enforceable against Visa U.S.A., Visa International or any other signatory to the interchange judgment sharing agreement, or the amount of any approved settlement of a U.S. covered litigation, multiplied by such bank's then-current membership proportion as calculated in accordance with Visa U.S.A.'s certificate of incorporation.

On October 22, 2015, Visa entered into an amendment to the loss sharing agreement. The amendment includes within the scope of U.S. covered litigation any action brought after the amendment by an opt-out from the Rule 23(b)(3) Settlement Class in MDL 1720 that arises out of facts or circumstances substantially similar to those alleged in MDL 1720 and that is not transferred to or otherwise included in MDL 1720. On the same date, Visa entered into amendments to the interchange judgment sharing agreement and omnibus agreement that include any such action within the scope of those agreements as well.

Omnibus agreement. Visa entered into an omnibus agreement with Mastercard and certain Visa U.S.A. members that confirmed and memorialized the signatories' intentions with respect to the loss sharing agreement, the interchange judgment sharing agreement and other agreements relating to the interchange multidistrict litigation, see *Note 20—Legal Matters.* Under the omnibus agreement, the monetary portion of any settlement of the interchange multidistrict litigation covered by the omnibus agreement would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. In addition, the monetary portion of any judgment assigned to Visa-related claims in accordance with the omnibus agreement would be treated as a Visa portion. Visa would have no liability for the monetary portion of any judgment assigned to Mastercard-related claims in accordance with the omnibus agreement, and if a judgment is not assigned to Visa-related claims or Mastercard-related claims in accordance with the omnibus agreement, then any monetary liability would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. The Visa portion of a settlement or judgment covered by the omnibus agreement would be allocated in accordance with specified provisions of the Company's U.S. retrospective responsibility plan. The litigation provision on the consolidated statements of operations was not impacted by the execution of the omnibus agreement.

On August 26, 2014, Visa entered into an amendment to the omnibus agreement. The omnibus amendment makes applicable to certain settlements in opt-out cases in the interchange multidistrict litigation the settlement-sharing provisions of the omnibus agreement, pursuant to which the monetary portion of any settlement of the interchange multidistrict litigation covered by the omnibus agreement would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. The omnibus amendment also provides that in the event of termination of the class settlement agreement, Visa and Mastercard would make mutually acceptable arrangements so that Visa shall have received two-thirds and Mastercard shall have received one-third of the total of (i) the sums paid to defendants as a result of the termination of the settlement agreement and (ii) the takedown payments previously made to defendants.

Europe Retrospective Responsibility Plan

UK loss sharing agreement. The Company has entered into a loss sharing agreement with Visa Europe and certain of Visa Europe's member financial institutions located in the United Kingdom (UK LSA members). Each of the UK LSA members has agreed, on a several and not joint basis, to compensate the Company for certain losses which may be incurred by the Company, Visa Europe or their affiliates as a result of certain existing and potential litigation relating to the setting and implementation of domestic multilateral interchange fee rates in the United Kingdom prior to the closing of the Visa Europe acquisition (Closing), subject to the terms and conditions set forth therein and, with respect to each UK LSA member, up to a maximum amount of the up-front cash consideration received by such UK LSA member. The UK LSA members' obligations under the UK loss sharing agreement are conditional upon, among other things, either (a) losses valued in excess of the sterling equivalent on June 21, 2016 of €1.0 billion having arisen in UK covered claims (and such losses having reduced the conversion rate of the series B preferred stock accordingly), or (b) the conversion rate of the series B preferred stock having been reduced to zero pursuant to losses arising in claims relating to multilateral interchange fee rate setting in the Visa Europe territory.

Litigation management deed. The Company has entered into a litigation management deed with Visa Europe which sets forth the agreed upon procedures for the management of the VE territory covered litigation, the allocation of losses resulting from this litigation (VE territory covered losses) between the series B and C preferred stock, and any accelerated conversion or reduction in the conversion rate of the shares of series B and C preferred stock. The litigation management deed applies only to VE territory covered litigation (and resultant losses and liabilities). The litigation management deed provides that the Company will generally control the conduct of the VE territory covered litigation, subject to certain obligations to report and consult with the litigation management committee for VE territory covered litigation (VE Territory Litigation Management Committee). The VE Territory Litigation Management

Committee, which is composed of representatives of certain Visa Europe members, has also been granted consent rights to approve certain material decisions in relation to the VE territory covered litigation.

The Company obtained certain protections for VE territory covered losses through the series B and C preferred stock, the UK loss sharing agreement, and the litigation management deed, referred to as the "Europe retrospective responsibility plan." The plan covers VE territory covered litigation (and resultant liabilities and losses) relating to the covered period, which generally refers to the period before the Closing. Visa's protection from the plan is further limited to 70% of any liabilities where the claim relates to inter-regional multilateral interchange fee rates where the issuer is located outside the Visa Europe territory, and the merchant is located within the Visa Europe territory. The plan does not protect the Company in Europe against all types of litigation or remedies or fines imposed in competition law enforcement proceedings, only the interchange litigation specifically covered by the plan's terms.

Unlike the U.S. retrospective responsibility plan, the Europe retrospective responsibility plan does not have an escrow account that is used to fund settlements or judgments. The Company is entitled to recover VE territory covered losses through a periodic adjustment to the class A common stock conversion rates applicable to the series B and C preferred stock. The total amount of protection available through the preferred stock component of the Europe retrospective responsibility plan is equivalent to the as-converted value of the preferred stock, which can be calculated at any point in time as the product of: (a) the outstanding number of shares of preferred stock; (b) the current conversion rate applicable to each class of preferred stock; and (c) Visa's class A common stock price. This amount differs from the value of the preferred stock recorded within stockholders' equity on the Company's consolidated balance sheets. The book value of the preferred stock reflects its historical value recorded at the Closing less VE territory covered losses recovered through a reduction of the applicable conversion rate. The book value does not reflect changes in the underlying class A common stock price subsequent to the Closing.

Visa Inc. net income is not impacted by VE territory covered losses as long as the as-converted value of the preferred stock is greater than the covered loss. VE territory covered losses are recorded when the loss is deemed to be probable and reasonably estimable, or in the case of attorney's fees, when incurred. Concurrently, the Company records a reduction to stockholders' equity, which represents the Company's right to recover such losses through adjustments to the conversion rate applicable to the preferred stock. The reduction to stockholders' equity is recorded in a contra-equity account referred to as "right to recover for covered losses."

VE territory covered losses may be recorded before the corresponding adjustment to the applicable conversion rate is effected. Adjustments to the conversion rate may be executed once in any six-month period unless a single, individual loss greater than €20 million is incurred, in which case, the six-month limitation does not apply. When the adjustment to the conversion rate is made, the amount previously recorded in "right to recover for covered losses" as contra-equity is then recorded against the book value of the preferred stock within stockholders' equity.

As required by the litigation management deed, on June 21, 2022, the sixth anniversary of the Visa Europe acquisition, Visa, in consultation with the VE Territory Litigation Management Committee, carried out a release assessment. After the completion of this assessment, the Company released $3.5 billion of the as-converted value from its series B and C preferred stock and issued 176,655 shares of series A preferred stock on July 29, 2022 (Sixth Anniversary Release). Each holder of a share of series B and C preferred stock received a number of series A preferred stock equal to the applicable conversion adjustment divided by 100. The Company paid $3 million in cash in lieu of issuing fractional shares of series A preferred stock. Each share of series A preferred stock will be automatically converted into 100 shares of class A common stock in connection with a sale to a person eligible to hold class A common stock in accordance with Visa's certificate of incorporation. See *Note 15—Stockholders' Equity.*

The following table presents the activities related to VE territory covered losses in preferred stock and "right to recover for covered losses" within stockholders' equity:

	Preferred Stock		Right to Recover for Covered Losses
	Series B	Series C	
	(in millions)		
Balance as of September 30, 2021	$ 1,071	$ 1,523	$ (133)
VE territory covered losses incurred[1]	—	—	(43)
Recovery through conversion rate adjustment	(135)	(6)	141
Sixth Anniversary Release	(476)	(705)	—
Balance as of September 30, 2022	**$ 460**	**$ 812**	**$ (35)**

	Preferred Stock		Right to Recover for Covered Losses
	Series B	Series C	
	(in millions)		
Balance as of September 30, 2020	$ 1,106	$ 1,543	$ (39)
VE territory covered losses incurred[1]	—	—	(147)
Recovery through conversion rate adjustment[2]	(35)	(20)	53
Balance as of September 30, 2021	$ 1,071	$ 1,523	$ (133)

(1) VE territory covered losses incurred reflect settlements with merchants and additional legal costs. See *Note 20—Legal Matters*.

(2) Adjustment to right to recover for covered losses for the conversion rate adjustment differs from the actual recovered amount due to differences in foreign exchange rates between the time the losses were incurred and the subsequent recovery through the conversion rate adjustment.

The following table presents the as-converted value of the preferred stock available to recover VE territory covered losses compared to the book value of preferred stock recorded in stockholders' equity within the Company's consolidated balance sheets:

	September 30,			
	2022		2021	
	As-converted Value of Preferred Stock[1],[2]	Book Value of Preferred Stock[1]	As-converted Value of Preferred Stock[1],[3]	Book Value of Preferred Stock[1]
	(in millions)			
Series B preferred stock	**$ 1,309**	**$ 460**	$ 3,493	$ 1,071
Series C preferred stock	**2,044**	**812**	4,806	1,523
Total	**3,353**	**1,272**	8,299	2,594
Less: right to recover for covered losses	**(35)**	**(35)**	(133)	(133)
Total recovery for covered losses available	**$ 3,318**	**$ 1,237**	$ 8,166	$ 2,461

(1) Figures in the table may not recalculate exactly due to rounding. As-converted and book values are based on unrounded numbers.

[2] As of September 30, 2022, the as-converted value of preferred stock is calculated as the product of: (a) 2 million and 3 million shares of the series B and C preferred stock outstanding, respectively; (b) 2.971 and 3.645, the class A common stock conversion rate applicable to the series B and C preferred stock outstanding, respectively; and (c) $177.65, Visa's class A common stock closing stock price.

[3] As of September 30, 2021, the as-converted value of preferred stock is calculated as the product of: (a) 2 million and 3 million shares of the series B and C preferred stock outstanding, respectively; (b) 6.321 and 6.834, the class A common stock conversion rate applicable to the series B and C preferred stock outstanding, respectively; and (c) $222.75, Visa's class A common stock closing stock price.

Note 6—Fair Value Measurements and Investments

The Company measures certain assets and liabilities at fair value. See *Note 1—Summary of Significant Accounting Policies*.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value Measurements at September 30 Using Inputs Considered as			
	Level 1		Level 2	
	2022	2021	2022	2021
	(in millions)			
Assets				
Cash equivalents and restricted cash equivalents:				
Money market funds	**$ 11,736**	$ 11,779	**$ —**	$ —
U.S. government-sponsored debt securities	**—**	—	**—**	100
U.S. Treasury securities	**799**	2,400	**—**	—
Investment securities:				
Marketable equity securities	**437**	490	**—**	—
U.S. government-sponsored debt securities	**—**	—	**457**	245
U.S. Treasury securities	**4,005**	2,985	**—**	—
Other current and non-current assets:				
Money market funds	**22**	4	**—**	—
Derivative instruments	**—**	—	**1,131**	410
Total	**$ 16,999**	$ 17,658	**$ 1,588**	$ 755
Liabilities				
Accrued compensation and benefits:				
Deferred compensation liability	**$ 146**	$ 167	**$ —**	$ —
Accrued and other liabilities:				
Derivative instruments	**—**	—	**418**	109
Total	**$ 146**	$ 167	**$ 418**	$ 109

Level 1 assets and liabilities. Money market funds, marketable equity securities and U.S. Treasury securities are classified as Level 1 within the fair value hierarchy, as fair value is based on unadjusted quoted prices in active markets for identical assets. The Company's deferred compensation liability is measured at fair value based on marketable equity securities held under the deferred compensation plan.

Level 2 assets and liabilities. The fair value of U.S. government-sponsored debt securities, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. Derivative instruments are valued using inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

U.S. Government-sponsored Debt Securities and U.S. Treasury Securities

The amortized cost, unrealized gains and losses and fair value of debt securities were as follows:

	September 30, 2022			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
	(in millions)			
U.S. government-sponsored debt securities	$ 458	$ —	$ (1)	$ 457
U.S. Treasury securities	4,937	—	(133)	4,804
Total	**$ 5,395**	**$ —**	**$ (134)**	**$ 5,261**

As of September 30, 2021, gross unrealized gains and losses were not material.

Debt securities with continuous unrealized losses for less than 12 months were as follows:

	September 30, 2022	
	Fair Value	Gross Unrealized Losses
	(in millions)	
U.S. government-sponsored debt securities	$ 408	$ (1)
U.S. Treasury securities	3,507	(133)
Total	**$ 3,915**	**$ (134)**

The unrealized losses were primarily attributable to changes in interest rates.

The stated maturities of debt securities were as follows:

	September 30, 2022
	(in millions)
Due within one year	$ 3,125
Due after 1 year through 5 years	2,136
Total	**$ 5,261**

Assets Measured at Fair Value on a Non-recurring Basis

Non-marketable equity securities. The Company's non-marketable equity securities are investments in privately held companies without readily determinable market values. These investments are classified as Level 3 due to the absence of quoted market prices, the inherent lack of liquidity and the fact that inputs used to measure fair value are unobservable and require management's judgment.

The following table summarizes the total carrying value of the Company's non-marketable equity securities held as of September 30, 2022 including cumulative unrealized gains and losses:

	September 30, 2022
	(in millions)
Initial cost basis	$ 734
Adjustments:	
Upward adjustments	810
Downward adjustments (including impairment)	(349)
Carrying amount, end of period	**$ 1,195**

Unrealized gains and losses included in the carrying value of the Company's non-marketable equity securities still held as of September 30, 2022 and 2021 were as follows:

	For the Years Ended September 30,	
	2022	2021
	(in millions)	
Upward adjustments	**$ 231**	$ 484
Downward adjustments (including impairment)	**$ (341)**	$ (3)

Investment Income (Expense)

Investment income (expense) is recorded as non-operating income (expense) in the Company's consolidated statements of operations and consisted of the following:

	For the Years Ended September 30,		
	2022	2021	2020
	(in millions)		
Interest and dividend income on cash and investments	**$ 69**	$ (16)	$ 80
Realized gains (losses), net on debt securities	**—**	—	4
Equity securities:			
Unrealized gains (losses), net	**(364)**	721	115
Realized gains (losses), net	**68**	26	1
Investment income (expense)	**$ (227)**	$ 731	$ 200

Other Fair Value Disclosures

Debt. Debt instruments are measured at amortized cost on the Company's consolidated balance sheets. The fair value of the debt instruments, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. If measured at fair value in the financial statements, these instruments would be classified as Level 2 in the fair value hierarchy. As of September 30, 2022, the carrying value and estimated fair value of debt was $22.5 billion and $19.9 billion, respectively. As of September 30, 2021, the carrying value and estimated fair value of debt was $21.0 billion and $22.5 billion, respectively.

Other financial instruments not measured at fair value. At September 30, 2022, the carrying values of settlement receivable and payable and customer collateral are an approximate fair value due to their generally short maturities. If measured at fair value in the financial statements, these financial instruments would be classified as Level 2 in the fair value hierarchy.

Note 7—Property, Equipment and Technology, Net

Property, equipment and technology, net, consisted of the following:

	September 30, 2022	September 30, 2021
	(in millions)	
Land	**$ 72**	$ 72
Buildings and building improvements	**1,003**	1,008
Furniture, equipment and leasehold improvements	**2,230**	2,048
Construction-in-progress	**285**	226
Technology	**5,291**	4,320
Total property, equipment and technology	**8,881**	7,674
Accumulated depreciation and amortization	**(5,658)**	(4,959)
Property, equipment and technology, net	**$ 3,223**	$ 2,715

At September 30, 2022 and 2021, accumulated amortization for technology was $3.7 billion and $3.2 billion, respectively.

At September 30, 2022, estimated future amortization expense on technology was as follows:

	For the Years Ending September 30, 2023	2024	2025	2026	2027	Thereafter	Total
	(in millions)						
Estimated future amortization expense	$ 538	$ 437	$ 339	$ 188	$ 66	$ 15	**$ 1,583**

For fiscal 2022, 2021 and 2020, depreciation and amortization expense related to property, equipment and technology was $771 million, $721 million and $687 million, respectively.

Note 8—Intangible Assets and Goodwill

Indefinite-lived and finite-lived intangible assets consisted of the following:

	September 30,					
	2022			2021		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in millions)					
Finite-lived intangible assets:						
Customer relationships	**$ 836**	**$ (513)**	**$ 323**	$ 726	$ (440)	$ 286
Trade names	**195**	**(159)**	**36**	199	(148)	51
Reseller relationships	**95**	**(95)**	**—**	95	(92)	3
Other	**16**	**(16)**	**—**	16	(15)	1
Total finite-lived intangible assets	**1,142**	**(783)**	**359**	1,036	(695)	341
Indefinite-lived intangible assets:						
Customer relationships and reacquired rights	**20,622**	**—**	**20,622**	23,239	—	23,239
Visa trade name	**4,084**	**—**	**4,084**	4,084	—	4,084
Total indefinite-lived intangible assets	**24,706**	**—**	**24,706**	27,323	—	27,323
Total intangible assets	**$ 25,848**	**$ (783)**	**$ 25,065**	$ 28,359	$ (695)	$ 27,664

For fiscal 2022, 2021 and 2020, amortization expense related to finite-lived intangible assets was $90 million, $83 million and $80 million, respectively.

At September 30, 2022, estimated future amortization expense on finite-lived intangible assets was as follows:

	For the Years Ending September 30,						
	2023	2024	2025	2026	2027	Thereafter	Total
	(in millions)						
Estimated future amortization expense	$ 76	$ 74	$ 59	$ 42	$ 40	$ 68	**$ 359**

The changes in goodwill during the years ended September 30, 2022 and 2021 were as follows:

	2022	2021
	(in millions)	
Goodwill, beginning of period	**$ 15,958**	$ 15,910
Goodwill from acquisitions, net of adjustments	**2,320**	63
Foreign currency translation	**(491)**	(15)
Goodwill, end of period	**$ 17,787**	$ 15,958

During fiscal 2022, 2021 or 2020, there was no impairment related to the Company's intangible assets and goodwill.

Note 9—Leases

The Company entered into various operating lease agreements primarily for real estate. The Company's leases have original lease periods expiring between fiscal 2023 and 2033. Many leases include one or more options to renew. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments under the Company's lease arrangements are generally fixed. At September 30, 2022, the Company had no finance leases.

At September 30, 2022 and 2021, ROU assets included in other assets on the consolidated balance sheets was $480 million and $515 million, respectively. At September 30, 2022 and 2021, the current portion of lease liabilities included in accrued liabilities on the consolidated balance sheets was $98 million and $103 million, respectively, and the long-term portion included in other liabilities was $422 million and $471 million, respectively.

During fiscal 2022 and 2021, total operating lease cost was $117 million and $111 million, respectively. At September 30, 2022 and 2021, the weighted-average remaining lease term for operating leases was approximately 6 years and the weighted-average discount rate for operating leases was 2.15% and 2.23%, respectively.

At September 30, 2022, the present value of future minimum lease payments was as follows:

2023	
2024	
2025	
2026	
2027	
Thereafter	
Total undiscounted lease payments	
Less: imputed interest	
Present value of lease liabilities	

During fiscal 2022 and 2021, ROU assets obtained in exchange for lease liabilities was $74 million and $96 million, respectively.

At September 30, 2022, the Company had additional operating leases that had not yet commenced with lease obligations of $531 million. These operating leases will commence between fiscal 2023 and 2024 with non-cancellable lease terms of 1 to 15 years.

Note 10—Debt

The Company had outstanding debt as follows:

	September 30, 2022	September 30, 2021	Effective Interest Rate[1]
	(in millions, except percentages)		
U.S. dollar notes			
2.15% Senior Notes due September 2022	**$ —**	$ 1,000	2.30 %
2.80% Senior Notes due December 2022	**2,250**	2,250	2.89 %
3.15% Senior Notes due December 2025	**4,000**	4,000	3.26 %
1.90% Senior Notes due April 2027	**1,500**	1,500	2.02 %
0.75% Senior Notes due August 2027	**500**	500	0.84 %
2.75% Senior Notes due September 2027	**750**	750	2.91 %
2.05% Senior Notes due April 2030	**1,500**	1,500	2.13 %
1.10% Senior Notes due February 2031	**1,000**	1,000	1.20 %
4.15% Senior Notes due December 2035	**1,500**	1,500	4.23 %
2.70% Senior Notes due April 2040	**1,000**	1,000	2.80 %
4.30% Senior Notes due December 2045	**3,500**	3,500	4.37 %
3.65% Senior Notes due September 2047	**750**	750	3.73 %
2.00% Senior Notes due August 2050	**1,750**	1,750	2.09 %
Euro notes			
1.50% Senior Notes due June 2026	**1,325**	—	1.71 %
2.00% Senior Notes due June 2029	**982**	—	2.13 %
2.375% Senior Notes due June 2034	**638**	—	2.53 %
Total debt	**22,945**	21,000	
Unamortized discounts and debt issuance costs	**(173)**	(161)	
Hedge accounting fair value adjustments[2]	**(322)**	138	
Total carrying value of debt	**$ 22,450**	$ 20,977	
Reported as:			
Current maturities of debt	**$ 2,250**	$ 999	
Long-term debt	**20,200**	19,978	
Total carrying value of debt	**$ 22,450**	$ 20,977	

(1) Effective interest rates disclosed do not reflect hedge accounting adjustments.

(2) Represents the fair value of interest rate swap agreements entered into on a portion of the outstanding senior notes. See *Note 1—Summary of Significant Accounting Policies* and *Note 13—Derivative and Non-derivative Financial Instruments*.

Senior Notes

In June 2022, the Company issued Euro-denominated fixed-rate senior notes in a public offering in an aggregate principal amount of €3.0 billion ($3.2 billion), with maturities ranging between 4 and 12 years. The June 2026 Notes, 2029 Notes and 2034 Notes, or collectively, the "Euro Notes", have interest rates of 1.50%, 2.00% and 2.375%, respectively. Interest on the Euro Notes is payable annually on June 15 of each year, commencing June 15, 2023. The net aggregate proceeds, after deducting discounts and debt issuance costs, were approximately €3.0 billion ($3.2 billion). The Company will use the net proceeds for general corporate purposes, which may include, among other things, the refinancing of existing indebtedness.

During the year ended September 30, 2022, the Company repaid $1.0 billion of principal upon maturity of its senior notes.

The Company's outstanding senior notes are senior unsecured obligations of the Company, ranking equally and ratably among themselves and with the Company's existing and future unsecured and unsubordinated debt. The senior notes are not secured by any assets of the Company and are not guaranteed by any of the Company's subsidiaries. As of September 30, 2022, the Company was in compliance with all related covenants. Each series of senior notes may be redeemed as a whole or in part at the Company's option at any time at specified redemption prices. In addition, each series of the Euro Notes may be redeemed as a whole at specified redemption prices upon the occurrence of certain U.S. tax events.

At September 30, 2022, future principal payments on the Company's outstanding debt were as follows:

	For the Years Ending September 30,						
	2023	2024	2025	2026	2027	Thereafter	Total
	(in millions)						
Future principal payments	$ 2,250	$ —	$ —	$ 5,325	$ 2,750	$ 12,620	**$ 22,945**

Commercial Paper Program

Visa maintains a commercial paper program to support its working capital requirements and for other general corporate purposes. Under the program, the Company is authorized to issue up to $3.0 billion in outstanding notes, with maturities up to 397 days from the date of issuance. During the year ended September 30, 2022, the Company issued and repaid $950 million of commercial paper. As of September 30, 2022 and 2021, the Company had no outstanding obligations under the program.

Credit Facility

On July 25, 2019, the Company entered into an amended and restated credit agreement for a 5 year, unsecured $5.0 billion revolving credit facility (Credit Facility), which will expire on July 25, 2024. Interest on borrowings denominated in U.S. dollars under the Credit Facility will be charged at the London Interbank Offered Rate or an alternative base rate, in each case plus applicable margins that fluctuate based on the applicable credit rating of the Company's senior unsecured long-term debt. The Company has agreed to pay a commitment fee which will fluctuate based on such applicable rating of the Company. On October 6, 2021, the Company further amended the Credit Facility to ensure that effective January 1, 2022, interest on borrowings denominated in British Pound Sterling and Euros will be charged at the Sterling Overnight Index Average Reference Rate and the Euro Short-Term Rate respectively or the applicable successor rates, plus applicable margins. The Credit Facility is not governed by any financial covenants. This Credit Facility is maintained to ensure the integrity of the payment card settlement process and for general corporate purposes. As of September 30, 2022 and 2021, the Company had no amounts outstanding under the Credit Facility.

Note 11—Pension and Other Postretirement Benefits

The Company sponsors various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for all eligible employees residing in the U.S. The Company also sponsors other pension benefit plans that provide benefits for internationally-based employees at certain non-U.S. locations.

Disclosures presented below include the U.S. pension plans and the non-U.S. plans. Disclosures relating to other U.S. postretirement benefit plans and certain non-U.S. pension benefit plans are not included as they are immaterial, individually and in aggregate. The Company uses a September 30 measurement date for its pension and other postretirement benefit plans.

Defined benefit pension plans. The U.S. pension benefits under the defined benefit pension plan were earned based on a cash balance formula. An employee's cash balance account was credited with an amount equal to 6% of eligible compensation plus interest based on 30-year Treasury securities. In October 2015, the Company's board of directors approved an amendment of the U.S. qualified defined benefit pension plan such that the Company discontinued employer provided credits after December 31, 2015. Plan participants continue to earn interest credits on existing balances at the time of the freeze.

The funding policy for the U.S. pension benefits is to contribute annually no less than the minimum required contribution under ERISA.

Under the Visa Europe plans, retirement benefits are provided based on the participants' final pensionable pay and are currently closed to new entrants. However, future benefits continue to accrue for active participants. The funding policy is to contribute in accordance with the appropriate funding requirements agreed with the trustees of the UK pension plans. Additional funding amounts may be agreed to with the UK pension plan trustees.

Summary of Plan Activities

A reconciliation of pension benefit obligations, plan assets, funded status and amounts recognized in the Company's consolidated balance sheets were as follows:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2022	2021	2022	2021
	(in millions)			
Change in pension benefit obligation:				
Benefit obligation at beginning of period	**$ 877**	$ 920	**$ 520**	$ 563
Service cost	**—**	—	**3**	4
Interest cost	**24**	25	**10**	10
Actuarial (gain) loss	**(185)**	(8)	**(174)**	(53)
Benefit payments	**(53)**	(60)	**(14)**	(28)
Foreign currency exchange rate changes	**—**	—	**(67)**	24
Benefit obligation at end of period	**$ 663**	$ 877	**$ 278**	$ 520
Accumulated benefit obligation	**$ 663**	$ 877	**$ 278**	$ 520
Change in plan assets:				
Fair value of plan assets at beginning of period	**$ 1,288**	$ 1,142	**$ 548**	$ 525
Actual return on plan assets	**(275)**	205	**(151)**	9
Company contribution	**—**	1	**20**	21
Benefit payments	**(53)**	(60)	**(14)**	(28)
Foreign currency exchange rate changes	**—**	—	**(76)**	21
Fair value of plan assets at end of period	**$ 960**	$ 1,288	**$ 327**	$ 548
Funded status at end of period	**$ 297**	$ 411	**$ 49**	$ 28
Recognized in consolidated balance sheets:				
Non-current asset	**$ 302**	$ 417	**$ 51**	$ 30
Current liability	**(1)**	(1)	**—**	—
Non-current liability	**(4)**	(5)	**(2)**	(2)
Funded status at end of period	**$ 297**	$ 411	**$ 49**	$ 28

Amounts recognized in accumulated other comprehensive income (loss) before tax consist of the following:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2022	2021	2022	2021
	(in millions)			
Net actuarial (gain) loss	**$ 150**	$ (11)	**$ 35**	$ 47

At September 30, 2022 and 2021, the Company's aggregated pension plan assets exceeded the benefit obligations. For individual plans where the benefit obligations exceeded plan assets, the projected benefit obligation, the accumulated benefit obligation and plan assets were not material at September 30, 2022 and 2021.

Net periodic benefit cost consists of the following:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2022	2021	2020	2022	2021	2020
	(in millions)					
Service cost	**$ —**	$ —	$ —	**$ 3**	$ 4	$ 4
Interest cost	**24**	25	28	**10**	10	10
Expected return on assets	**(80)**	(70)	(72)	**(18)**	(17)	(15)
Amortization of actuarial (gain) loss	**—**	3	6	**—**	4	2
Settlement (gain) loss	**10**	(1)	8	**—**	2	—
Total net periodic benefit cost	**$ (46)**	$ (43)	$ (30)	**$ (5)**	$ 3	$ 1

The service cost component of net periodic benefit cost is presented in personnel expenses while the other components are presented in other non-operating income (expense) on the Company's consolidated statements of operations.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) consist of the following:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2022	2021	2020	2022	2021	2020
	(in millions)					
Current year actuarial (gain) loss	**$ 170**	$ (143)	$ (5)	**$ (5)**	$ (45)	$ 21
Amortization of actuarial gain (loss)	**—**	(3)	(14)	**—**	(6)	(2)
Total recognized in other comprehensive (income) loss	**$ 170**	$ (146)	$ (19)	**$ (5)**	$ (51)	$ 19
Total recognized in net periodic benefit cost and other comprehensive (income) loss	**$ 124**	$ (189)	$ (49)	**$ (10)**	$ (48)	$ 20

For the year ended September 30, 2022, the net loss was primarily attributable to market-driven decrease in the fair value of plan assets offset by an increase in the discount rate. For the year ended September 30, 2021, the net gain was primarily attributable to market-driven increase in the fair value of plan assets combined with an increase in the discount rate.

Weighted-average actuarial assumptions used to estimate the benefit obligation and net periodic benefit cost were as follows:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2022	2021	2020	2022	2021	2020
Discount rate for benefit obligation:						
Pension	**5.52 %**	2.98 %	2.88 %	**5.00 %**	2.10 %	1.60 %
Discount rate for net periodic benefit cost:						
Pension	**2.98 %**	2.88 %	3.27 %	**2.10 %**	1.60 %	1.80 %
Expected long-term rate of return on plan assets	**6.50 %**	6.50 %	7.00 %	**3.50 %**	3.50 %	3.00 %
Rate of increase[(1)] in compensation levels for:						
Benefit obligation	**NA**	NA	NA	**2.50 %**	2.50 %	2.50 %
Net periodic benefit cost	**NA**	NA	NA	**2.50 %**	2.50 %	2.50 %

(1) This assumption is not applicable for the U.S. plans due to the amendment of the U.S. qualified defined benefit pension plan in October 2015, which discontinued the employer provided credits effective after December 31, 2015.

The U.S. plans include a cash balance plan with promised interest crediting rates. Under the plan rules, for fiscal 2022, 2021 and 2020, the weighted average interest crediting rates for the benefit obligation were 4.52%,1.98% and 1.88%, respectively, and the weighted average interest crediting rates for the benefit cost set at the beginning of the periods were 1.98%, 1.88% and 2.26%, respectively.

Pension Plan Assets

Pension plan assets are managed with a long-term perspective to ensure that there is an adequate level of assets to support benefit payments to participants over the life of the pension plan. Pension plan assets are managed by external investment managers. Investment manager performance is measured against benchmarks for each asset class on a quarterly basis. An independent consultant assists management with investment manager selections and performance evaluations.

Pension plan assets are broadly diversified to maintain a prudent level of risk and to provide adequate liquidity for benefit payments. The Company generally evaluates and rebalances pension plan assets, as appropriate, to ensure that allocations are consistent with its investment strategy and within target allocation ranges. For U.S. pension plan assets, the Company's investment strategy is to invest in the following: equity securities of 25% to 55%, fixed income securities of 53% to 63% and other, primarily consisting of cash equivalents to meet near term expected benefit payments and expenses, of up to 4%. At September 30, 2022, U.S. pension plan asset allocations for these categories were 39%, 57% and 4%, respectively, which were within target allocation ranges.

For non-U.S. pension plan assets, the Company's investment strategy is to invest in the following: equity funds of 5%, interest and inflation hedging assets of 40% and other of 55%, consisting of cash and cash equivalents, corporate debt and asset-backed securities, multi-asset funds and property. At September 30, 2022, non-U.S. pension plan asset allocations for these categories were 4%, 38% and 58%, respectively, which generally aligned with the target allocations.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2022

The following tables set forth by level, within the fair value hierarchy, the pension plans' investments at fair value, including the impact of transactions that were not settled at the end of September:

	U.S. Plans							
	Fair Value Measurements at September 30 Using Inputs Considered as							
	Level 1		Level 2		Level 3		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	(in millions)							
Cash equivalents	**$ 40**	$ 20	**$ —**	$ —	**$ —**	$ —	**$ 40**	$ 20
Collective investment funds	**—**	—	**319**	548	**—**	—	**319**	548
Corporate debt securities	**—**	—	**392**	455	**—**	—	**392**	455
U.S. government-sponsored debt securities	**—**	—	**22**	28	**—**	—	**22**	28
U.S. Treasury securities	**101**	105	**—**	—	**—**	—	**101**	105
Asset-backed securities	**—**	—	**—**	—	**29**	31	**29**	31
Equity securities	**57**	101	**—**	—	**—**	—	**57**	101
Total	**$ 198**	$ 226	**$ 733**	$ 1,031	**$ 29**	$ 31	**$ 960**	$ 1,288

	Non-U.S. Plans							
	Fair Value Measurements at September 30 Using Inputs Considered as							
	Level 1		Level 2		Level 3		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	(in millions)							
Cash and cash equivalents	**$ 3**	$ 18	**$ —**	$ —	**$ —**	$ —	**$ 3**	$ 18
Corporate debt securities	**—**	—	**91**	51	**—**	—	**91**	51
Asset-backed securities	**—**	—	**—**	—	**45**	78	**45**	78
Equity funds	**—**	—	**13**	68	**—**	—	**13**	68
Multi-asset securities(1)	**—**	—	**175**	333	**—**	—	**175**	333
Total	**$ 3**	$ 18	**$ 279**	$ 452	**$ 45**	$ 78	**$ 327**	$ 548

(1) Multi-asset securities represent pension plan assets that are invested in funds comprised of broad ranges of assets.

Level 1 assets. Cash equivalents, which comprise of money market funds, U.S. Treasury securities and equity securities are classified as Level 1 within the fair value hierarchy, as fair value is based on unadjusted quoted prices in active markets for identical assets.

Level 2 assets. Collective investment funds are unregistered investment vehicles that generally commingle the assets of multiple fiduciary clients, such as pension and other employee benefit plans, to invest in a portfolio of stocks, bonds or other securities. Although the collective investment funds held by the plan are ultimately invested in publicly traded equity and debt securities, their own unit values are not directly observable, and therefore they are classified as Level 2. Equity funds are investments in mutual funds that in-turn ultimately invest in equity securities of various jurisdictions. These are classified as level 2 as the equity funds held by the plan are not actively traded but the fair value of underlying securities are generally, although not always, determined with observable data and inputs. The fair values of corporate debt, multi-asset and U.S. government-sponsored securities are based on quoted prices in active markets for similar, not identical, assets.

Level 3 assets. Asset-backed securities are bonds that are backed by various types of assets and primarily consist of mortgage-backed securities. Asset-backed securities are classified as Level 3 due to a lack of observable inputs in measuring fair value.

Cash Flows

Expected future employer contributions and benefit payments are as follows:

	U.S. Plans	Non-U.S. Plans
	(in millions)	
Expected employer contributions		
2023	$ 1	$ 17
Expected benefit payments		
2023	$ 109	$ 6
2024	$ 75	$ 6
2025	$ 71	$ 6
2026	$ 66	$ 6
2027	$ 63	$ 7
2028-2032	$ 245	$ 37

Other Benefits

The Company sponsors a defined contribution plan, or 401(k) plan, that covers substantially all of its employees residing in the U.S. In fiscal 2022, 2021 and 2020, personnel expenses included $161 million, $141 million, and $140 million, respectively, attributable to the Company's employees under the 401(k) plan. The Company's contributions to this 401(k) plan are funded on a current basis, and the related expenses are recognized in the period that the payroll expenses are incurred.

Note 12—Settlement Guarantee Management

The Company indemnifies its clients for settlement losses suffered due to failure of any other client to fund its settlement obligations in accordance with the Visa operating rules. This indemnification creates settlement risk for the Company due to the difference in timing between the date of a payment transaction and the date of subsequent settlement.

Historically, the Company has experienced minimal losses as a result of its settlement risk guarantee. However, the Company's future obligations, which could be material under its guarantees, are not determinable as they are dependent upon future events.

The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time, which vary significantly day to day. During the year ended September 30, 2022, the Company's maximum daily settlement exposure was $116.3 billion and the average daily settlement exposure was $71.8 billion.

The Company maintains and regularly reviews global settlement risk policies and procedures to manage settlement exposure, which may require clients to post collateral if certain credit standards are not met. The Company held the following collateral to manage settlement exposure:

	September 30,	
	2022	2021
	(in millions)	
Restricted cash and restricted cash equivalents	**$ 2,342**	$ 2,260
Pledged securities at market value	**213**	254
Letters of credit	**1,582**	1,518
Guarantees	**950**	758
Total	**$ 5,087**	$ 4,790

Note 13—Derivative and Non-derivative Financial Instruments

As of September 30, 2022 and 2021, the aggregate notional amount of the Company's derivative contracts outstanding in its hedge program was $11.9 billion and $11.2 billion, respectively. As of September 30, 2022 and 2021, the aggregate notional amount of the derivative contracts not designated as hedging instruments was $1.5 billion and $0.8 billion, respectively.

The following table shows the Company's derivative instruments at gross fair value:

	Balance Sheet Location	September 30, 2022	September 30, 2021
		(in millions)	
Assets			
Designated as Hedging Instrument:			
Foreign exchange contracts	Prepaid expenses and other current assets and other assets	**$ 1,096**	$ 270
Interest rate swap	Other assets	**$ —**	$ 138
Not Designated as Hedging Instrument:			
Foreign exchange contracts	Prepaid expenses and other current assets	**$ 35**	$ 2
Liabilities			
Designated as Hedging Instrument:			
Foreign exchange contracts	Accrued liabilities	**$ 49**	$ 13
Cross-currency swap	Other liabilities	**$ —**	$ 90
Interest rate swap	Other liabilities	**$ 322**	$ —
Not Designated as Hedging Instrument:			
Foreign exchange contracts	Accrued liabilities	**$ 47**	$ 6

Cash flow hedges. For fiscal 2022, the Company recognized $190 million of pre-tax net gains from cash flow hedges in other comprehensive income (loss). The amounts recognized in other comprehensive income (loss) were not material for fiscal 2021 and 2020.

The Company estimates that $140 million of pre-tax net gains related to cash flow hedges recorded in accumulated other comprehensive income (loss) as of September 30, 2022, will be reclassified into the consolidated statement of operations within the next 12 months.

Net investment hedges. For fiscal 2022, 2021 and 2020, the Company recognized pre-tax net gains (losses) in other comprehensive income (loss) related to net investment hedges of $845 million, $20 million and ($318) million, respectively. For fiscal 2022, 2021 and 2020, the Company recognized an increase in earnings of $151 million, $156 million and $150 million, respectively, related to excluded forward points and interest differentials from forward contracts and swap agreements.

Non-derivative financial instrument designated as net investment hedge. As of September 30, 2022, the Company had designated €1.2 billion of the €3.0 billion Euro Notes issued in June 2022, a non-derivative financial instrument, as a hedge against a portion of the Company's Euro-denominated net investment in Visa Europe. The foreign currency gains and losses associated with this hedging activity are recorded as foreign currency translation adjustments in accumulated other comprehensive income (loss).

Credit and market risks. The Company's derivative financial instruments are subject to both credit and market risk. The Company monitors the credit-worthiness of the financial institutions that are counterparties to its derivative financial instruments and does not consider the risks of counterparty nonperformance to be significant. The Company mitigates this risk by entering into master netting agreements, and such agreements require each party to post collateral against its net liability position with the respective counterparty. As of September 30, 2022, the Company has received collateral of $348 million from counterparties, which is included in accrued liabilities in the consolidated balance sheets, and posted collateral of $62 million, which is included in prepaid expenses and other current assets in the consolidated balance sheets. Notwithstanding the Company's efforts to manage foreign exchange risk, there can be no absolute assurance that its hedging activities will adequately protect against the risks associated with foreign currency fluctuations. As of September 30, 2022, credit and market risks related to derivative instruments were not considered significant.

Note 14—Enterprise-wide Disclosures and Concentration of Business

The Company's long-lived net property and equipment and ROU assets are classified by major geographic areas as follows:

	September 30,	
	2022	2021
	(in millions)	
U.S.	**$ 1,312**	$ 1,286
International	**531**	596
Total	**$ 1,843**	$ 1,882

Revenues by geographic market is primarily based on the location of the issuing financial institution. Net revenues earned in the U.S. were approximately 44% of total net revenues in fiscal 2022 and 46% of total net revenues in each of fiscal 2021 and fiscal 2020. No individual country, other than the U.S., generated 10% or more of total net revenues in these years.

In fiscal 2022 and fiscal 2021, the Company had one client that accounted for 10% and 11% of its total net revenues, respectively. In fiscal 2020, the Company had two clients that accounted for 11% and 10% of its total net revenues, respectively.

Note 15—Stockholders' Equity

As-converted class A common stock. The number of shares of each series and class, and the number of shares of class A common stock on an as-converted basis were as follows:

	September 30,					
	2022			2021		
	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock[(1)]	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock[(1)]
	(in millions, except conversion rate)					
Series A preferred stock	**—** [(2)]	**100.0000**	**16**	— [(2)]	100.0000	7
Series B preferred stock	**2**	**2.9710**	**7**	2	6.3210	16
Series C preferred stock	**3**	**3.6450**	**12**	3	6.8340	22
Class A common stock[(3)]	**1,635**	**—**	**1,635**	1,677	—	1,677
Class B common stock	**245**	**1.6059** [(4)]	**394**	245	1.6228 [(4)]	398
Class C common stock	**10**	**4.0000**	**39**	10	4.0000	41
Total			**2,103**			2,161

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

(2) The number of shares outstanding was less than one million.

(3) Class A common stock shares outstanding reflect repurchases that settled on or before September 30, 2022 and 2021.

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

Series A preferred stock issuance. In July 2022, the Company issued 176,655 shares of series A preferred stock in connection with the Sixth Anniversary Release. See *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

Reduction in as-converted shares. Under the terms of the Europe retrospective responsibility plan, the Company is entitled to recover VE territory covered losses through periodic adjustments to the class A common stock conversion rates applicable to the series B and C preferred stock and is required to undertake periodic release assessments following the anniversary of the Visa Europe acquisition to determine if value should be released from the series B and C preferred stock. The recovery and any releases of value have the same economic effect on earnings per share as repurchasing the Company's class A common stock, because it reduces the series B and C preferred stock conversion rates and consequently, reduces the as-converted class A common stock share count. See *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

The following table presents the reduction in the number of as-converted series B and C preferred stock after the Company recovered VE territory covered losses through conversion rate adjustments and completed its Sixth Anniversary Release in fiscal 2022 and fourth anniversary release in fiscal 2020 (collectively Anniversary Releases):

	For the Years Ended September 30,					
	2022		2021		2020	
	Series B	Series C	Series B	Series C	Series B	Series C
	(in millions, except per share data)					
Reduction in equivalent number of class A common stock	**8**	**10**	— [(1)]	— [(1)]	16	22
Effective price per share[(2)]	**$ 197.93**	**$ 197.50**	$ 220.84	$ 220.71	$ 194.31	$ 194.33
Recovery through conversion rate adjustment	**$ 135**	**$ 6**	$ 35	$ 20	$ 72	$ 92
Anniversary Releases	**$ 1,510**	**$ 1,982**	$ —	$ —	$ 3,084	$ 4,216

(1) The reduction in equivalent number of shares of class A common stock was less than one million shares.

(2) Effective price per share for each adjustment made during the year is calculated using the volume-weighted average price of the Company's class A common stock over a pricing period in accordance with the Company's current certificates of designations for its series B and C preferred stock. Effective price per share for each fiscal year is calculated using the weighted-average effective prices of the respective adjustments made during the year.

Under the terms of the U.S. retrospective responsibility plan, when the Company funds the U.S. litigation escrow account, the value of the Company's class B common stock is subject to dilution through a downward adjustment to the rate at which shares of class B common stock convert into shares of class A common stock. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

The following table presents the reduction in the number of as-converted class B common stock after deposits into the U.S. litigation escrow account for fiscal 2022. There was no comparable adjustment recorded for class B common stock for fiscal 2021 and 2020.

	For the Year Ended September 30, 2022
	(in millions, except per share data)
Reduction in equivalent number of class A common stock	**4**
Effective price per share[(1)]	**$ 205.06**
Deposits under the U.S. retrospective responsibility plan	**$ 850**

(1) Effective price per share is calculated using the volume-weighted average price of the Company's class A common stock over a pricing period in accordance with the Company's current certificate of incorporation. Effective price per share for the fiscal year is calculated using the weighted-average effective prices of the respective adjustments made during the year.

Common stock repurchases. The following table presents share repurchases in the open market:

	For the Years Ended September 30,		
	2022	2021	2020
	(in millions, except per share data)		
Shares repurchased in the open market[1]	**56**	40	44
Average repurchase price per share[2]	**$ 206.47**	$ 219.03	$ 183.00
Total cost[2]	**$ 11,589**	$ 8,676	$ 8,114

(1) Shares repurchased in the open market reflect repurchases that settled during fiscal 2022, 2021 and 2020. All shares repurchased in the open market have been retired and constitute authorized but unissued shares.

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

In January 2021, the Company's board of directors authorized a $8.0 billion share repurchase program and in December 2021, authorized an additional $12.0 billion share repurchase program (December 2021 Program). As of September 30, 2022, the Company's December 2021 Program had remaining authorized funds of $5.2 billion. All share repurchase programs authorized prior to the December 2021 Program have been completed. In October 2022, the Company's board of directors authorized a new $12.0 billion share repurchase program. These authorizations have no expiration date.

Dividends. In fiscal 2022, 2021 and 2020, the Company declared and paid dividends of $3.2 billion, $2.8 billion and $2.7 billion, respectively. On October 21, 2022, the Company's board of directors declared a quarterly cash dividend of $0.45 per share of class A common stock (determined in the case of class B and C common stock and series A, B and C preferred stock on an as-converted basis), which will be paid on December 1, 2022, to all holders of record as of November 11, 2022.

Class B common stock. The class B common stock is not convertible or transferable until the date on which all of the U.S. covered litigation has been finally resolved. This transfer restriction is subject to limited exceptions, including transfers to other holders of class B common stock. After termination of the restrictions, the class B common stock will be convertible into class A common stock if transferred to a person that was not a Visa Member (as defined in the current certificate of incorporation) or similar person or an affiliate of a Visa Member or similar person. Upon such transfer, each share of class B common stock will automatically convert into a number of shares of class A common stock based upon the applicable conversion rate in effect at the time of such transfer.

Adjustment of the conversion rate occurs upon: (i) the completion of any follow-on offering of class A common stock completed to increase the size of the U.S. litigation escrow account (or any cash deposit by the Company in lieu thereof) resulting in a further corresponding decrease in the conversion rate; or (ii) the final resolution of the U.S. covered litigation and the release of funds remaining on deposit in the U.S. litigation escrow account to the Company resulting in a corresponding increase in the conversion rate. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Class C common stock. There are no existing transfer restrictions on class C common stock. As of September 30, 2022, a total of 142 million shares have been converted from class C to class A common stock upon their sale into the public market.

Preferred stock. In connection with the Visa Europe acquisition, three series of preferred stock of the Company were created. Upon issuance, all of the preferred stock participate on an as-converted basis in regular quarterly cash dividends declared on the Company's class A common stock. Preferred stock may be issued as redeemable or non-redeemable, and has preference over any class of common stock with respect to the payment of dividends and distribution of the Company's assets in the event of a liquidation or dissolution.

The series B and C preferred stock is convertible upon certain conditions into shares of class A common stock or series A preferred stock. The shares of series B and C preferred stock are subject to restrictions on transfer and may become convertible in stages based on developments in the VE territory covered litigation. The shares of series B and C preferred stock will become fully convertible on the 12th anniversary of the closing of the Visa Europe acquisition, subject only to a holdback to cover any then-pending claims. Upon any such conversion of the series B and C preferred stock (whether by such 12th anniversary, or thereafter with respect to claims pending on such anniversary), the conversion rate would be adjusted downward and the holder would receive either class A common stock or series A preferred stock (for those who are not eligible to hold class A common stock pursuant to the Company's charter). The conversion rates may also be reduced from time to time to offset certain liabilities.

The series A preferred stock, generally designed to be economically equivalent to the Company's class A common stock, is freely transferable and each share of series A preferred stock will automatically convert into 100 shares of class A common stock upon a transfer to any holder that is eligible to hold class A common stock under the charter. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Voting rights. The holders of the series B and C preferred stock have no right to vote on any matters, except for certain defined matters, including, in specified circumstances, any consolidation, merger, combination or similar transaction of the Company in which the preferred stockholders would either (i) receive shares of common stock or other equity securities of the Company with preferences, rights and privileges that are not substantially identical to the preferences, rights and privileges of the applicable series of preferred stock or (ii) receive securities, cash or other property that is different from what the Company's class A common stockholders would receive. With respect to these limited matters on which the holders of preferred stock may vote, approval by the preferred stockholders requires the affirmative vote of the outstanding voting power of each such series of preferred stock, each such series voting as a single class. In either case, the series B and C preferred stockholders are entitled to cast a number of votes equal to the number of shares held by each such holder. Holders of the series A preferred stock, upon issuance at conversion, will have similar voting rights to the rights of the holders of the series B and C preferred stock.

Class A common stockholders have the right to vote on all matters on which stockholders generally are entitled to vote. Class B and C common stockholders have no right to vote on any matters, except for certain defined matters, including (i) any decision to exit the core payments business, in which case the class B and C common stockholders will vote together with the class A common stockholders in a single class, and (ii) in specified circumstances, any consolidation, merger, combination or similar transaction of the Company, in which case the class B and C common stockholders will vote together as a single class. In either case, the class B and C common stockholders are entitled to cast a number of votes equal to the number of shares of class B or C common stock held multiplied by the applicable conversion rate in effect on the record date. Holders of the Company's common stock have no right to vote on any amendment to the current certificate of incorporation that relates solely to any series of preferred stock.

Note 16—Earnings Per Share

The following table presents earnings per share for fiscal 2022:

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)[1]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[2]	Income Allocation (A)[1]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[2]
	(in millions, except per share data)					
Class A common stock	$ 11,569	1,651	$ 7.01	$ 14,957	2,136 (3)	$ 7.00
Class B common stock	2,781	245	$ 11.33	2,778	245	$ 11.31
Class C common stock	280	10	$ 28.03	280	10	$ 28.00
Participating securities	327	Not presented	Not presented	326	Not presented	Not presented
Net income	**$ 14,957**					

The following table presents earnings per share for fiscal 2021:

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)[1]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[2]	Income Allocation (A)[1]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[2]
	(in millions, except per share data)					
Class A common stock	$ 9,527	1,691	$ 5.63	$ 12,311	2,188 (3)	$ 5.63
Class B common stock	2,244	245	$ 9.14	2,242	245	$ 9.13
Class C common stock	237	10	$ 22.53	236	10	$ 22.51
Participating securities	303	Not presented	Not presented	303	Not presented	Not presented
Net income	$ 12,311					

The following table presents earnings per share for fiscal 2020:

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)[1]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[2]	Income Allocation (A)[1]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[2]
	(in millions, except per share data)					
Class A common stock	$ 8,310	1,697	$ 4.90	$ 10,866	2,223 (3)	$ 4.89
Class B common stock	1,951	245	$ 7.94	1,948	245	$ 7.93
Class C common stock	214	11	$ 19.58	214	11	$ 19.56
Participating securities	391	Not presented	Not presented	391	Not presented	Not presented
Net income	$ 10,866					

(1) Net income is allocated based on proportional ownership on an as-converted basis. The weighted-average number of shares of as-converted class B common stock used in the income allocation was 397 million for each of fiscal 2022 and 398 million for fiscal 2021 and 2020. The weighted-average number of shares of as-converted class C common stock used in the income allocation was 40 million, 42 million and 44 million for fiscal 2022, 2021 and 2020, respectively. The weighted-average number of shares of preferred stock included within participating securities was 8 million, 12 million and 1 million of as-converted series A preferred stock for fiscal 2022, 2021 and 2020, respectively, 14 million, 16 million and 32 million of as-converted series B preferred stock

for fiscal 2022, 2021 and 2020, and 20 million, 22 million and 43 million of as-converted series C preferred stock for fiscal 2022, 2021 and 2020, respectively.

(2) Figures in the table may not recalculate exactly due to rounding. Basic and diluted earnings per share are calculated based on unrounded numbers.

(3) Weighted-average diluted shares outstanding are calculated on an as-converted basis, and include incremental common stock equivalents, as calculated under the treasury stock method. The common stock equivalents are not material for each of fiscal 2022, 2021 and 2020.

Note 17—Share-based Compensation

2007 Equity Incentive Compensation Plan

The Company's 2007 Equity Incentive Compensation Plan, or the EIP, authorizes the compensation committee of the board of directors to grant non-qualified stock options (options), RSUs, performance-based shares and restricted stock awards to its employees and non-employee directors. On January 26, 2021, the EIP was amended to extend the termination date from January 31, 2022 to January 26, 2031 and reduce the number of shares of class A common stock authorized for grant from 236 million to 198 million. Shares available for grant may be either authorized and unissued or previously issued shares subsequently acquired by the Company. Under the amended EIP, shares withheld for taxes, or shares used to pay the exercise or purchase price of an award, shall not again be available for future grant. The EIP will continue to be in effect until all of the common stock available under the EIP is delivered and all restrictions on those shares have lapsed, unless the EIP is terminated earlier by the Company's board of directors.

For fiscal 2022, 2021 and 2020, the Company recorded share-based compensation cost related to the EIP of $571 million, $518 million and $393 million, respectively, in personnel expense on its consolidated statements of operations. The related tax benefits for fiscal 2022, 2021 and 2020 were $82 million, $73 million and $63 million, respectively.

Options

Options issued under the EIP expire 10 years from the date of grant and primarily vest ratably over 3 years from the date of grant, subject to earlier vesting in full under certain conditions.

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

	For the Years Ended September 30,		
	2022	**2021**	**2020**
Expected term (in years)[1]	**4.11**	4.07	4.03
Risk-free rate of return[2]	**1.1 %**	0.3 %	1.6 %
Expected volatility[3]	**27.1 %**	25.1 %	18.7 %
Expected dividend yield[4]	**0.7 %**	0.6 %	0.7 %
Fair value per option granted	**$ 43.16**	$ 39.51	$ 29.37

(1) Based on Visa's historical exercise experience.
(2) Based on the zero-coupon U.S. Treasury constant maturity yield curve, continuously compounded over the expected term of the awards.
(3) Based on the Company's implied and historical volatilities.
(4) Based on the Company's annual dividend rate on the date of grant.

The following table summarizes the Company's option activity:

	Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value[1] (in millions)
Outstanding at September 30, 2021	5,839,779	$ 134.56		
Granted	961,570	$ 200.86		
Forfeited	(134,247)	$ 199.34		
Expired	(1,264)	$ 207.57		
Exercised	(497,214)	$ 104.15		
Outstanding at September 30, 2022	**6,168,624**	**$ 145.92**	**6.09**	**$ 250**
Options exercisable at September 30, 2022	**4,299,455**	$ 122.49	5.14	$ 250
Options exercisable and expected to vest at September 30, 2022[2]	**6,122,504**	$ 145.50	6.07	$ 250

(1) Calculated using the closing stock price on the last trading day of fiscal 2022 of $177.65, less the option exercise price, multiplied by the number of instruments.

(2) Applied a forfeiture rate to unvested options outstanding at September 30, 2022 to estimate the options expected to vest in the future.

During fiscal 2022, 2021 and 2020, the total intrinsic value of options exercised was $56 million, $124 million and $146 million, respectively, and the tax benefit realized was $11 million, $23 million and $31 million, respectively. As of September 30, 2022, there was $22 million of total unrecognized compensation cost related to unvested options, which is expected to be recognized over a weighted-average period of approximately 0.38 year.

Restricted Stock Units

RSUs issued under the EIP primarily vest ratably over 3 years from the date of grant, subject to earlier vesting in full under certain conditions. Upon vesting, RSUs can be settled in class A common stock on a one-for-one basis or in cash, or a combination thereof, at the Company's option. The Company does not currently intend to settle any RSUs in cash. During the vesting period, RSU award recipients are eligible to receive dividend equivalents, but do not participate in the voting rights granted to the holders of the underlying class A common stock.

The fair value and compensation cost before estimated forfeitures for RSUs is calculated using the closing price of class A common stock on the date of grant. During fiscal 2022, 2021 and 2020, the weighted-average grant date fair value of RSUs granted was $204.73, $209.00 and $183.61, respectively. During fiscal 2022, 2021 and 2020, the total grant date fair value of RSUs vested was $380 million, $331 million and $284 million, respectively.

The following table summarizes the Company's RSU activity:

	Units		Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value[(1)] (in millions)
Outstanding at September 30, 2021	4,526,448	$	188.16			
Granted	3,967,313	$	204.73			
Vested	(2,166,662)	$	175.23			
Forfeited	(532,779)	$	200.24			
Outstanding at September 30, 2022	**5,794,320**	**$**	**203.23**	**1.07**	**$**	**1,029**

(1) Calculated by multiplying the closing stock price on the last trading day of fiscal 2022 of $177.65 by the number of instruments.

At September 30, 2022, there was $692 million of total unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted-average period of approximately 1.07 years.

Performance-based Shares

For the Company's performance-based shares, in addition to service conditions, the ultimate number of shares to be earned depends on the achievement of both performance and market conditions. The performance condition is based on the Company's earnings per share target. The market condition is based on the Company's total shareholder return ranked against that of other companies that are included in the Standard & Poor's 500 Index.

The fair value of each performance-based shares incorporating the market condition was estimated on the date of grant using a Monte Carlo simulation model with the following weighted-average assumptions:

	For the Years Ended September 30,		
	2022	**2021**	**2020**
Expected term (in years)	**2.05**	2.00	1.90
Risk-free rate of return(1)	**0.5 %**	0.2 %	1.6 %
Expected volatility(2)	**28.3 %**	27.2 %	20.9 %
Expected dividend yield(3)	**0.8 %**	0.6 %	0.7 %
Fair value per performance-based share granted	**$ 186.50**	$ 229.81	$ 211.08

(1) Based on the zero-coupon U.S. treasury constant maturity yield curve, continuously compounded over the expected term of the awards

(2) Based on the Company's implied and historical volatilities.

(3) Based on the Company's annual dividend rate on the date of grant.

Performance-based shares vest over three years and are subject to earlier vesting in full under certain conditions. During fiscal 2022, 2021 and 2020, the total grant date fair value of performance-based shares vested and earned was $49 million, $47 million and $65 million, respectively. Compensation cost for performance-based shares is initially estimated based on target performance. It is recorded net of estimated forfeitures and adjusted as appropriate throughout the performance period.

The following table summarizes the maximum number of performance-based shares which could be earned and related activity:

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value(1) (in millions)
Outstanding at September 30, 2021	863,860	$ 204.82		
Granted(2)	440,722	$ 186.50		
Vested and earned	(245,922)	$ 200.90		
Unearned	(200,800)	$ 190.43		
Forfeited	(23,664)	$ 199.20		
Outstanding at September 30, 2022	**834,196**	**$ 199.92**	**0.89**	**$ 148**

(1) Calculated by multiplying the closing stock price on the last trading day of fiscal 2022 of $177.65 by the number of instruments.

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

At September 30, 2022, there was $39 million of total unrecognized compensation cost related to unvested performance-based shares, which is expected to be recognized over a weighted-average period of approximately 0.89 year.

Employee Stock Purchase Plan

The Visa Inc. Employee Stock Purchase Plan (ESPP) permits eligible employees to purchase the Company's class A common stock at a 15% discount of the stock price on the purchase date, subject to certain restrictions. A total of 20 million shares of class A common stock have been reserved for issuance under the ESPP. In fiscal 2022, 2021 and 2020, the ESPP did not have a material impact on the consolidated financial statements.

Note 18—Commitments

Commitments. The Company has software licenses throughout the world with varying expiration dates. At September 30, 2022, future minimum payments on software licenses are as follows:

	For the Years Ending September 30,						
	2023	2024	2025	2026	2027	Thereafter	Total
	(in millions)						
Software licenses	$ 83	$ 27	$ 7	$ —	$ —	$ —	**$ 117**

Note 19—Income Taxes

The Company's income before taxes by fiscal year consisted of the following:

	For the Years Ended September 30,		
	2022	2021	2020
	(in millions)		
U.S.	**$ 11,051**	$ 11,002	$ 9,178
Non-U.S.	**7,085**	5,061	4,612
Total income before taxes	**$ 18,136**	$ 16,063	$ 13,790

For fiscal 2022, 2021 and 2020, U.S. income before taxes included $3.6 billion, $3.1 billion, and $3.0 billion, respectively, of the Company's U.S. entities' income from operations outside of the U.S.

Income tax provision by fiscal year consisted of the following:

	For the Years Ended September 30,		
	2022	2021	2020
	(in millions)		
Current:			
U.S. federal	**$ 2,166**	$ 1,943	$ 1,662
State and local	**104**	69	212
Non-U.S.	**1,245**	869	743
Total current taxes	**3,515**	2,881	2,617
Deferred:			
U.S. federal	**(231)**	(57)	42
State and local	**(77)**	(28)	9
Non-U.S.	**(28)**	956	256
Total deferred taxes	**(336)**	871	307
Total income tax provision	**$ 3,179**	$ 3,752	$ 2,924

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and liabilities, are presented below:

	September 30,	
	2022	2021
	(in millions)	
Deferred Tax Assets:		
Accrued compensation and benefits	**$ 172**	$ 166
Accrued litigation obligation	**331**	234
Client incentives	**442**	327
Net operating loss carryforwards	**117**	104
Comprehensive loss	**21**	106
Federal benefit of state taxes	**133**	157
Other	**71**	55
Valuation allowance	**(120)**	(103)
Deferred tax assets	**1,167**	1,046
Deferred Tax Liabilities:		
Property, equipment and technology, net	**(450)**	(346)
Intangible assets	**(5,788)**	(6,452)
Unrealized gains on equity securities	**(124)**	(203)
Foreign taxes	**(50)**	(93)
Deferred tax liabilities	**(6,412)**	(7,094)
Net deferred tax liabilities	**$ (5,245)**	$ (6,048)

The Inflation Reduction Act (IRA) of 2022 was enacted in the U.S. on August 16, 2022, primarily including a 15% corporate alternative minimum tax on adjusted financial statement income applicable beginning in fiscal 2024 and a 1% excise tax on corporate stock buy-backs applicable to stock buy-backs after December 31, 2022. The IRA is not expected to have a material impact on the Company's financial statements.

At September 30, 2022 and 2021, net deferred tax assets of $87 million and $80 million, respectively, are reflected in other assets on the consolidated balance sheets.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. The fiscal 2022 and 2021 valuation allowances relate primarily to foreign net operating losses from subsidiaries acquired in recent years.

As of September 30, 2022, the Company had $517 million foreign net operating loss carryforwards from acquired subsidiaries. Foreign net operating losses may be carried forward indefinitely.

The income tax provision differs from the amount of income tax determined by applying the applicable U.S. federal statutory rate to pretax income, as a result of the following:

	For the Years Ended September 30,					
	2022		2021		2020	
	(in millions, except percentages)					
U.S. federal income tax at statutory rate	**$ 3,809**	21 %	$ 3,373	21 %	$ 2,896	21 %
State income taxes, net of federal benefit	**216**	1 %	222	1 %	199	2 %
Non-U.S. tax effect, net of federal benefit	**(588)**	(3 %)	(505)	(3 %)	(483)	(4 %)
Remeasurement of deferred tax balances	**—**	— %	1,007	6 %	329	2 %
Conclusion of audits	**—**	— %	(255)	(2 %)	—	— %
State tax apportionment position	**(176)**	(1 %)	—	— %	—	— %
Other, net	**(82)**	— %	(90)	— %	(17)	— %
Income tax provision	**$ 3,179**	18 %	$ 3,752	23 %	$ 2,924	21 %

In fiscal 2022 and fiscal 2021, the effective income tax rate was 18% and 23%, respectively. The effective tax rate in fiscal 2022 differs from the effective tax rate in fiscal 2021 primarily due to the following:

- during fiscal 2022, a decrease in the state tax apportionment ratio, including a $176 million tax benefit related to prior years, as a result of a tax position taken related to a recent ruling;
- during fiscal 2021, a $1.0 billion non-recurring, non-cash tax expense related to the remeasurement of UK deferred tax liabilities as a result of the increase in UK tax rate from 19% to 25%, effective April 1, 2023; and
- during fiscal 2021, $255 million of tax benefits recognized as a result of the conclusion of audits by taxing authorities.

In fiscal 2021 and fiscal 2020, the effective income tax rate was 23% and 21%, respectively. The effective tax rate in fiscal 2021 differs from the effective tax rate in fiscal 2020 primarily due to the following:

- during fiscal 2021, a $1.0 billion non-recurring, non-cash tax expense related to the remeasurement of UK deferred tax liabilities, as discussed above;
- during fiscal 2021, $255 million of tax benefits recognized as a result of the conclusion of audits by taxing authorities; and
- during fiscal 2020, a $329 million non-recurring, non-cash tax expense related to the remeasurement of UK deferred tax liabilities.

Current income taxes receivable at September 30, 2022 and 2021 of $190 million and $83 million, respectively, were included in prepaid expenses and other current assets. Non-current income taxes receivable at September 30, 2022 and 2021 of $1.0 billion and $974 million, respectively, were included in other assets. Income taxes payable at September 30, 2022 and 2021 of $365 million and $325 million, respectively, were included in accrued liabilities. Accrued income taxes at September 30, 2022 and 2021 of $2.3 billion and $2.4 billion, respectively, were included in other liabilities.

The Company’s operating hub in the Asia Pacific region is located in Singapore. Effective October 1, 2008 through September 30, 2023, it is subject to a tax incentive which is conditional upon meeting certain business operations and employment thresholds in Singapore. In fiscal 2022, 2021 and 2020, the tax incentive decreased Singapore tax by $362 million, $273 million and $280 million, and the gross benefit of the tax incentive on diluted earnings per share was $0.17, $0.12 and $0.13, respectively.

The Company is required to inventory, evaluate and measure all uncertain tax positions taken or to be taken on tax returns, and to record liabilities for the amount of such positions that may not be sustained, or may only partially be sustained, upon examination by the relevant taxing authorities.

At September 30, 2022, 2021 and 2020, the Company's total gross unrecognized tax benefits were $2.7 billion, $2.5 billion and $2.6 billion, respectively, exclusive of interest and penalties described below. Included in the $2.7 billion, $2.5 billion and $2.6 billion are $1.3 billion, $1.3 billion and $1.6 billion of unrecognized tax benefits, respectively, that if recognized, would reduce the effective tax rate in a future period.

A reconciliation of beginning and ending unrecognized tax benefits by fiscal year is as follows:

	2022	2021	2020
		(in millions)	
Balance at beginning of period	**$ 2,488**	$ 2,579	$ 2,234
Increases of unrecognized tax benefits related to prior years	**10**	34	66
Decreases of unrecognized tax benefits related to prior years	**(143)**	(386)	(83)
Increases of unrecognized tax benefits related to current year	**350**	326	376
Decreases related to settlements with taxing authorities	**(19)**	(63)	(12)
Reductions related to lapsing statute of limitations	**(3)**	(2)	(2)
Balance at end of period	**$ 2,683**	$ 2,488	$ 2,579

In fiscal 2022, 2021 and 2020, the Company recognized $15 million, $1 million and $68 million of net interest expense, respectively, related to uncertain tax positions. In fiscal 2022, the Company reversed accrued penalties of $31 million and in fiscal 2021 and 2020, the Company accrued penalties of $3 million and $4 million, respectively, related to uncertain tax positions. At September 30, 2022 and 2021, the Company had accrued interest of $238 million and $233 million, and accrued penalties of $3 million and $34 million, respectively, related to uncertain tax positions included in other long-term liabilities in its consolidated balance sheets.

The Company's U.S. federal income tax returns for fiscal 2013 through 2018 and refund claims filed for fiscal 2008 through 2012 are currently under examination. For fiscal 2008 through 2015, one unresolved issue related to an income tax deduction remains. During fiscal 2022, the Company completed the administrative appeals process for this issue without reaching a settlement with the Internal Revenue Service (IRS). The Company is currently evaluating its next steps.

The Company's California income tax returns for fiscal 2012 through 2015 and refund claims filed for fiscal 2006 through 2011 are currently under examination. Except for the refund claims, the federal and California statutes of limitations have expired for fiscal years prior to 2012.

The India tax authorities completed the assessment of the Company's income tax returns for the taxable years falling within the period from fiscal 2010 to 2019, and made certain adjustments. The Company objected to these adjustments and filed appeals to the appellate authorities.

The Company is also subject to examinations by various state and foreign tax authorities. All material state and foreign tax matters have been concluded for years through fiscal 2007. The timing and outcome of the final resolutions of the federal, state and foreign tax examinations and refund claims are uncertain. As such, it is not reasonably possible to estimate the impact that the final outcomes could have on the Company's unrecognized tax benefits in the next 12 months.

Note 20—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. For those proceedings where a loss is determined to be only reasonably possible or probable but not estimable, the Company has disclosed the nature of the claim. Additionally, unless otherwise disclosed below with respect to these proceedings, the Company cannot provide an estimate of the possible loss or range of loss. Although the Company believes that it has strong defenses for the litigation and regulatory proceedings described below, it could, in the future, incur judgments or fines or enter into settlements of claims that could have a material adverse effect on the Company's financial position, results of operations or cash flows. From time to time, the Company may engage in settlement discussions or mediations with respect to one or more of its outstanding litigation matters, either on its own behalf or collectively with other parties.

The litigation accrual is an estimate and is based on management's understanding of its litigation profile, the specifics of each case, advice of counsel to the extent appropriate and management's best estimate of incurred loss as of the balance sheet date.

The following table summarizes the activity related to accrued litigation:

	2022	2021
	(in millions)	
Balance at beginning of period	**$ 983**	$ 914
Provision for uncovered legal matters	**6**	4
Provision for covered legal matters	**885**	125
Payments for legal matters	**(418)**	(60)
Balance at end of period	**$ 1,456**	$ 983

Accrual Summary—U.S. Covered Litigation

Visa Inc., Visa U.S.A. and Visa International are parties to certain legal proceedings that are covered by the U.S. retrospective responsibility plan, which the Company refers to as the U.S. covered litigation. An accrual for the U.S. covered litigation and a charge to the litigation provision are recorded when a loss is deemed to be probable and reasonably estimable. In making this determination, the Company evaluates available information, including but not limited to actions taken by the Company's litigation committee. The total accrual related to the U.S. covered litigation could be either higher or lower than the escrow account balance. See further discussion below under *U.S. Covered Litigation* and *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

The following table summarizes the accrual activity related to U.S. covered litigation:

	2022	2021
	(in millions)	
Balance at beginning of period	**$ 881**	$ 888
Provision for interchange multidistrict litigation	**861**	—
Payments for U.S. covered litigation	**(301)**	(7)
Balance at end of period	**$ 1,441**	$ 881

During fiscal 2022, the Company recorded additional accruals of $861 million and deposited $850 million into the U.S. litigation escrow account to address claims of certain merchants who opted out of the Amended Settlement Agreement (as described herein). The U.S. covered litigation accrual balance is consistent with the Company's best estimate of its share of a probable and reasonably estimable loss with respect to U.S. covered litigation. While this estimate is consistent with the Company's view of the current status of the litigation, the probable and reasonably estimable loss or range of such loss could materially vary based on developments in the litigation. The Company will continue to consider and reevaluate this estimate in light of the substantial uncertainties with respect to the litigation. The Company is unable to estimate a potential loss or range of loss, if any, at trial if negotiated resolutions cannot be reached.

Accrual Summary—VE Territory Covered Litigation

Visa Inc., Visa International and Visa Europe are parties to certain legal proceedings that are covered by the Europe retrospective responsibility plan. Unlike the U.S. retrospective responsibility plan, the Europe retrospective responsibility plan does not have an escrow account that is used to fund settlements or judgments. The Company is entitled to recover VE territory covered losses through periodic adjustments to the conversion rates applicable to the series B and C preferred stock. An accrual for the VE territory covered losses and a reduction to stockholders' equity will be recorded when the loss is deemed to be probable and reasonably estimable. See further discussion below under *VE Territory Covered Litigation* and *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

The following table summarizes the accrual activity related to VE territory covered litigation:

	2022	2021
	(in millions)	
Balance at beginning of period	**$ 102**	$ 21
Provision for VE territory covered litigation	**24**	125
Payments for VE territory covered litigation	**(115)**	(44)
Balance at end of period	**$ 11**	$ 102

U.S. Covered Litigation

Interchange Multidistrict Litigation (MDL) – Putative Class Actions

Beginning in May 2005, a series of complaints (the majority of which were styled as class actions) were filed in U.S. federal district courts by merchants against Visa U.S.A., Visa International and/or Mastercard, and in some cases, certain U.S. financial institutions. The Judicial Panel on Multidistrict Litigation issued an order transferring the cases to the U.S. District Court for the Eastern District of New York (Court) for coordination of pre-trial proceedings in MDL 1720. A group of purported class plaintiffs subsequently filed amended and supplemental class complaints. The individual and class complaints generally challenged, among other things, Visa's and Mastercard's purported setting of interchange reimbursement fees, their "no surcharge" and honor-all-cards rules, alleged tying and bundling of transaction fees, and Visa's reorganization and IPO, under the federal antitrust laws and, in some cases, certain state unfair competition laws. The complaints sought money damages, declaratory and injunctive relief, attorneys' fees and, in one instance, an order that the IPO be unwound.

Visa Inc., Visa U.S.A., Visa International, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs signed a settlement agreement (2012 Settlement Agreement) to resolve the class plaintiffs' claims. Pursuant to the 2012 Settlement Agreement, the Company deposited approximately $4.0 billion from the U.S. litigation escrow account and approximately $500 million attributable to interchange reductions for an eight-month period into court-authorized settlement accounts. Visa subsequently received from the Court and deposited into the Company's U.S. litigation escrow account "takedown payments" of approximately $1.1 billion. On June 30, 2016, the U.S. Court of Appeals for the Second Circuit vacated the lower court's certification of the merchant class, reversed the approval of the settlement, and remanded the case to the lower court for further proceedings.

On remand, the district court entered an order appointing interim counsel for two putative classes of plaintiffs, a "Damages Class" and an "Injunctive Relief Class." The plaintiffs purporting to act on behalf of the putative Damages Class subsequently filed a Third Consolidated Amended Class Action Complaint, seeking money damages and attorneys' fees, among other relief. A new group of purported class plaintiffs, acting on behalf of the putative Injunctive Relief Class, filed a class action complaint against Visa, Mastercard, and certain bank defendants seeking, among other things, an injunction against the setting of default interchange rates; against certain Visa operating rules relating to merchants, including the honor-all-cards rule; and against various transaction fees, including the fixed acquirer network fee, as well as attorneys' fees.

On September 17, 2018, Visa, Mastercard, and certain U.S. financial institutions reached an agreement with plaintiffs purporting to act on behalf of the putative Damages Class to resolve all Damages Class claims (Amended Settlement Agreement). The Amended Settlement Agreement supersedes the 2012 Settlement Agreement and includes, among other terms, a release from participating class members for liability arising out of conduct alleged by the Damages Class in the litigation, including claims that accrue no later than five years after the Amended Settlement Agreement becomes final. Participating class members will not release injunctive relief claims as a named representative or non-representative class member in the putative Injunctive Relief Class. The Amended Settlement Agreement also required an additional settlement payment from all defendants totaling $900 million, with the Company's share of $600 million paid from the Company's litigation escrow account established pursuant to the Company's retrospective responsibility plan. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.* The additional settlement payment was added to the approximately $5.3 billion previously deposited into settlement accounts by the defendants pursuant to the 2012 Settlement Agreement.

Following a motion by the Damages Class plaintiffs for final approval of the Amended Settlement Agreement, certain merchants in the proposed settlement class objected to the settlement and/or submitted requests to opt out of the settlement class. On December 13, 2019, the district court granted final approval of the Amended Settlement Agreement, which was subsequently appealed. Based on the percentage of class members (by payment volume) that opted out of the class, $700 million was returned to defendants. Visa's portion of the takedown payment, approximately $467 million, was deposited into the U.S. litigation escrow account. On July 18, 2022, in response to an order from the U.S. Court of Appeals for the Second Circuit, the district court certified its final approval of the Amended Settlement Agreement as a partial final judgment.

On May 29, 2020, a complaint was filed by Old Jericho Enterprise, Inc. against Visa and Mastercard on behalf of a purported class of gasoline retailers operating in 24 states and the District of Columbia. On April 28, 2021, a complaint was filed by Hayley Lanning and others, and on June 16, 2021, a complaint was filed by Camp Grounds Coffee and others, each against Visa and Mastercard on behalf of a purported class of merchants located in 25 states and the District of Columbia who have taken payment using the Square card acceptance service. Each of these complaints alleges violations of the antitrust laws of those jurisdictions and seeks recovery for plaintiffs as indirect purchasers. To the extent these plaintiffs' claims are not released by the Amended Settlement Agreement, Visa believes they are covered by the U.S. Retrospective Responsibility Plan.

On June 1, 2020, Visa, jointly with other defendants, served a motion for summary judgment regarding the claims in the Injunctive Relief Class complaint. The putative Injunctive Relief Class plaintiffs served a motion for partial summary judgment. On September 27, 2021, the district court certified without opt out rights an Injunctive Relief Class consisting of all merchants that accept Visa or Mastercard credit or debit cards in the United States at any time between December 18, 2020 and entry of final judgment.

Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions

Since May 2013, more than 50 cases have been filed in or removed to various federal district courts by hundreds of merchants generally pursuing damages claims on allegations similar to those raised in MDL 1720. The cases name as defendants Visa Inc., Visa U.S.A., Visa International, Mastercard Incorporated and Mastercard International Incorporated, although some also include certain U.S. financial institutions as defendants. A number of the cases include allegations that Visa has monopolized, attempted to monopolize, and/or conspired to monopolize debit card-related market segments. Some of the cases seek an injunction against the setting of default interchange rates; certain Visa operating rules relating to merchants, including the honor-all-cards rule; and various transaction fees, including the fixed acquirer network fee. In addition, some cases assert that Visa, Mastercard and/or their member banks conspired to prevent the adoption of chip-and-PIN authentication in the U.S. or otherwise circumvent competition in the debit market. Certain individual merchants have filed amended complaints to, among other things, add claims for injunctive relief and update claims for damages.

In addition to the cases filed by individual merchants, Visa, Mastercard, and/or certain U.S. financial institution defendants in MDL 1720 filed complaints against certain merchants in the Eastern District of New York seeking, in part, a declaration that Visa's conduct did not violate federal or state antitrust laws.

The individual merchant actions described in this section have been either assigned to the judge presiding over MDL 1720, have been transferred, or are being considered for transfer by the Judicial Panel on Multidistrict Litigation for inclusion in MDL 1720. These individual merchant actions are U.S. covered litigation for purposes of the U.S. retrospective responsibility plan. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Visa has reached settlements with a number of merchants representing approximately 58% of the Visa-branded payment card sales volume of merchants who opted out of the Amended Settlement Agreement with the Damages Class plaintiffs.

On June 1, 2020, Visa, jointly with other defendants, served motions for summary judgment regarding the claims in certain of the individual merchant actions, as well as certain declaratory judgment claims brought by Visa, Mastercard, and some U.S. financial institutions. Plaintiffs in certain of the individual merchant actions served motions for partial summary judgment. On October 9, 2022, defendants' motion for summary judgment regarding damages for EMV-related chargebacks was denied.

The Company believes it has substantial defenses to the claims asserted in the putative class actions and individual merchant actions, but the final outcome of individual legal claims is inherently unpredictable. The Company could incur judgments, enter into settlements or revise its expectations regarding the outcome of merchants' claims, and such developments could have a material adverse effect on the Company's financial results in the period in which the effect becomes probable and reasonably estimable. While the U.S. retrospective responsibility plan is designed to address monetary liability in these matters, see *Note 5—U.S. and Europe Retrospective Responsibility Plans*, judgments or settlements that require the Company to change its business practices, rules, or contractual commitments could adversely affect the Company's financial results.

VE Territory Covered Litigation

Europe Merchant Litigation

Since July 2013, proceedings have been commenced by more than 850 Merchants (the capitalized term "Merchant", when used in this section, means a Merchant together with subsidiary/affiliate companies that are party to the same claim) against Visa Europe, Visa Inc. and other Visa subsidiaries in the UK and other countries, primarily relating to interchange rates in Europe and, in some cases, relating to fees charged by Visa and certain Visa rules. They seek damages for alleged anti-competitive conduct in relation to one or more of the following types of interchange fees for credit and debit card transactions: UK domestic, Irish domestic, other European domestic, intra-European Economic Area and/or other inter-regional. More than 30 additional Merchants have threatened to commence similar proceedings. Standstill agreements have been entered into with respect to some of those threatened Merchant claims, several of which have been settled. As of the filing date, Visa has settled claims of over 150 Merchants, leaving more than 700 Merchants with pending or threatened claims. While the amount of interchange being challenged could be substantial, these claims have not yet been filed and their full scope is not yet known. The Company has learned that several additional European entities have indicated they may also bring similar claims, and the Company anticipates additional claims in the future.

A trial took place from November 2016 to March 2017, relating to claims asserted by one Merchant. In judgments published in November 2017 and February 2018, the court found as to that Merchant that Visa's UK domestic interchange did not restrict competition, but that if it had been found to restrict competition, it would not be exemptible under applicable law. On July 4, 2018, the Court of Appeal overturned the lower court's rulings, finding that Visa's UK domestic interchange restricted competition and the question of whether Visa's UK domestic interchange was exempt from the finding of restriction under applicable law had been incorrectly decided. Following an appeal to the Supreme Court of the United Kingdom, on June 17, 2020, the Supreme Court found that Visa's UK domestic interchange restricted competition under applicable competition law. On September 30, 2021, Visa reached a confidential settlement agreement resolving one Merchant's claims.

On November 26, 2021, with respect to certain pending Merchant claims, the UK Competition Appeal Tribunal (CAT) found that UK and certain other domestic and intra-European Economic Area consumer interchange fees before the introduction of the Interchange Fee Regulation (IFR) were a restriction of competition, but that the question of whether those fees, along with inter-European Economic Area fees, are a restriction of competition after the introduction of the IFR would need to be resolved at trial. Whether any interchange fees are exempt from the finding of restriction under applicable law and the assessment of damages, if any, will also need to be considered at trial. On October 4, 2022, the UK Court of Appeal affirmed the CAT's ruling.

On June 1, 2022, two class action claims were filed against Visa with the CAT on behalf of UK businesses that accepted Visa-branded payment cards at any time since June 1, 2016, alleging that UK domestic, intra-European Economic Area, and inter-regional interchange fees on commercial credit cards, and inter-regional interchange fees on consumer cards, are anti-competitive. The Europe retrospective responsibility plan covers liabilities and losses relating to the covered period, which generally refers to the period before the closing of the Visa Europe acquisition.

The full scope of potential damages is not yet known because not all Merchant claims have been served and Visa has substantial defenses. However, the claims that have been issued, served and/or preserved, seek several billion dollars in damages.

Other Litigation

On November 14, 2021, a motion to certify a class action was filed against Visa and Mastercard in the Israel Central District Court. The motion asserts that interchange fees on cross-border transactions in Israel and the Honor All Cards rule are anti-competitive and seeks damages and injunctive relief. On July 3, 2022, Visa filed a motion challenging jurisdiction.

Other Litigation

U.S. ATM Access Fee Litigation

National ATM Council Class Action. In October 2011, the National ATM Council and thirteen non-bank ATM operators filed a purported class action lawsuit against Visa (Visa Inc., Visa International, Visa U.S.A. and Plus System, Inc.) and Mastercard in the U.S. District Court for the District of Columbia. The complaint challenges Visa's rule (and a similar Mastercard rule) that if an ATM operator chooses to charge consumers an access fee for a Visa or Plus transaction, that fee cannot be greater than the access fee charged for transactions on other networks. Plaintiffs claim that the rule violates Section 1 of the Sherman Act and seek treble damages, injunctive relief, and attorneys' fees. On August 4, 2021, the district court granted plaintiffs' motion for class certification, and on October 1, 2021, the U.S. Court of Appeals for the District of Columbia Circuit granted defendants' motion for leave to appeal the district court's decision.

Consumer Class Actions. In October 2011, a purported consumer class action was filed against Visa and Mastercard in the same federal court challenging the same ATM access fee rules. Two other purported consumer class actions challenging the rules, later combined, were also filed in October 2011 in the same federal court naming Visa, Mastercard and three financial institutions as defendants. Plaintiffs seek treble damages, restitution, injunctive relief, and attorneys' fees where available under federal and state law, including under Section 1 of the Sherman Act and consumer protection statutes. On August 4, 2021, the district court granted plaintiffs' motion for class certification in each case, and on October 1, 2021, the U.S. Court of Appeals for the District of Columbia Circuit granted defendants' motion for leave to appeal the district court's decision. On August 8, 2022, in the case in which the three financial institutions were named, the district court granted plaintiffs' motion for final approval of a class action settlement with those institutions and entered final judgments of dismissal as to those institutions.

U.S. Department of Justice Civil Investigative Demand (*2012*)

On March 13, 2012, the Antitrust Division of the United States Department of Justice (Division) issued a Civil Investigative Demand, or "CID", to Visa Inc. seeking documents and information regarding a potential violation of Section 1 or 2 of the Sherman Act, 15 U.S.C. §§ 1, 2. The CID focuses on PIN-Authenticated Visa Debit and Visa's competitive responses to the Dodd-Frank Act, including Visa's fixed acquirer network fee. Visa is cooperating with the Division in connection with the CID.

Pulse Network

On November 25, 2014, Pulse Network LLC filed suit against Visa Inc. in federal district court in Texas, alleging that Visa has, among other things, monopolized and attempted to monopolize debit card network services markets. On August 29, 2022, Pulse filed an amended complaint, which makes similar allegations and seeks unspecified treble damages, attorneys' fees and injunctive relief, including to enjoin the fixed acquirer network fee structure, and Visa's agreements relating to debit with issuers, acquirers and merchants.

EMV Chip Liability Shift

Following their initial complaint filed on March 8, 2016, B&R Supermarket, Inc., d/b/a Milam's Market, and Grove Liquors LLC filed an amended class action complaint on July 15, 2016, against Visa Inc., Visa U.S.A., Mastercard, Discover, American Express, EMVCo and certain financial institutions in the U.S. District Court for the Northern District of California. The amended complaint asserts that defendants, through EMVCo, conspired to shift liability for fraudulent, faulty, or otherwise rejected payment card transactions from defendants to the purported class of merchants, defined as those merchants throughout the U.S. who have been subjected to the "Liability Shift" since October 2015. Plaintiffs claim that the "Liability Shift" violates Sections 1 and 3 of the Sherman Act and certain state laws, and seek treble damages, injunctive relief and attorneys' fees.

EMVCo and the financial institution defendants were dismissed, and the matter was subsequently transferred to the U.S. District Court for the Eastern District of New York, which has clarified that this case is not part of MDL 1720.

On August 28, 2020, the district court granted plaintiffs' motion for class certification.

Federal Trade Commission Civil Investigative Demand

On November 4, 2019, the Bureau of Competition of the United States Federal Trade Commission (Bureau) requested that Visa provide, on a voluntary basis, documents and information relating to an investigation as to whether Visa's actions inhibited merchant choice in the selection of debit payments networks in potential violation of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act. On June 9, 2020, the Federal Trade Commission (FTC) issued a Civil Investigative Demand, or "CID", to Visa requesting additional documents and information. Visa is cooperating with the FTC in connection with the CID.

Euronet Litigation

On December 13, 2019, Euronet 360 Finance Limited, Euronet Polska Spolka z.o.o. and Euronet Services spol. s.r.o. (Euronet) served a claim in the UK alleging that certain rules affecting ATM access fees in Poland, the Czech Republic and Greece by Visa Inc. and Mastercard Incorporated, and certain of their subsidiaries, breach various competition laws. Euronet seeks damages, costs, and injunctive relief to prevent the defendants from enforcing these rules. Trial has been scheduled for a date on or after October 2, 2023.

European Commission Staged Digital Wallets Investigation

On June 26, 2020, the European Commission (EC) informed Visa that it opened a preliminary investigation into Visa's rules regarding staged digital wallets and issued a request for information regarding such rules. Visa is cooperating with the EC in connection with the investigation.

German ATM Litigation

Beginning in December 2021, Visa was served with claims in Germany brought by German banks against Visa Europe and Visa Inc. The banks claim that Visa's ATM rules prohibiting the charging of access fees on domestic cash withdrawals are anti-competitive, and the majority seek damages. Visa has filed challenges to the jurisdiction of the German courts to hear these claims.

U.S. Department of Justice Civil Investigative Demand (2021)

On March 26, 2021, the Antitrust Division of the U.S. Department of Justice (the Division) issued a Civil Investigative Demand, or "CID", to Visa seeking documents and information regarding a potential violation of Section 1 or 2 of the Sherman Act, 15 U.S.C. §§ 1, 2. The CID focuses on U.S. debit and competition with other payment methods and networks. On June 11, 2021, the Division issued a further

CID seeking additional documents and information on the same subjects. Visa is cooperating with the Division in connection with the investigation.

Foreign Currency Exchange Rate Litigation

Following an initial class action complaint filed on July 9, 2021, an amended class action complaint was filed on December 6, 2021 against Visa in the U.S. District Court for the Northern District of California by several individuals on behalf of a purported nationwide class, and/or purported California, Washington, Massachusetts or New Jersey subclasses, of cardholders who conducted a transaction in a foreign currency. The amended complaint asserted claims for unjust enrichment and restitution as well as violations of the California Unfair Competition Law, the Washington Consumer Protection Act, the Massachusetts Consumer Protection Act, and the New Jersey Consumer Fraud Act. On September 16, 2022, plaintiffs filed a second amended complaint asserting the same claims, and on November 7, 2022, Visa filed a motion to dismiss the second amended complaint.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) that is designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2022 using the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on management's assessment, management has concluded that the Company's internal control over financial reporting was effective as of September 30, 2022.

The effectiveness of our internal control over financial reporting as of September 30, 2022, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report which is included in *Item 8* of this report.

Inherent Limitations on Effectiveness of Controls and Procedures and Internal Control over Financial Reporting

Our internal control over financial reporting is designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention or overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements and instances of fraud. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives. Projections of any evaluation of effectiveness to future periods are subject to the risks discussed in *Item 1A—Risk Factors* of this report.

Changes in Internal Control over Financial Reporting

In preparation for management's report on internal control over financial reporting, we documented and tested the design and operating effectiveness of our internal control over financial reporting. There have been no changes in our internal controls over financial reporting that occurred during our fourth quarter of fiscal 2022 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. Other Information

Not applicable.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The Company will file a definitive proxy statement pursuant to Regulation 14A under the Exchange Act (Proxy Statement) no later than 120 days after the end of the fiscal year ended September 30, 2022. The information required by this item will be included in our Proxy Statement and is incorporated herein by reference.

Our Code of Business Conduct and Ethics that is applicable to our directors, executive officers, senior financial officers, as well as our employees and contractors and our Corporate Governance Guidelines are available on the Investor Relations page of our website at *investor.visa.com*, under "Corporate Governance." Printed copies of these documents are also available to stockholders without charge upon written request directed to Corporate Secretary, Visa Inc., P.O. Box 193243, San Francisco, California 94119 or corporatesecretary@visa.com.

ITEM 11. Executive Compensation

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services

The information required by this Item will be included in our Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

1. Consolidated Financial Statements

   See Index to Consolidated Financial Statements in *Item 8—Financial Statements and Supplementary Data* of this report.

2. Consolidated Financial Statement Schedules

   None.

3. The following exhibits are filed as part of this report or, where indicated, were previously filed and are hereby incorporated by reference:

   Refer to the Exhibit Index herein.

ITEM 16. Form 10-K Summary

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit Number	Filing Date
2.1	Amended and Restated Transaction Agreement, dated as of May 10, 2016, between Visa Inc. and Visa Europe Limited #	8-K	001-33977	2.1	5/10/2016
3.1	Seventh Restated Certificate of Incorporation of Visa Inc.	8-K	001-33977	3.1	1/27/2021
3.2	Amended and Restated Bylaws of Visa Inc.	8-K	001-33977	3.2	8/5/2022
4.1	Form of stock certificate of Visa Inc.	S-4/A	333-143966	4.1	9/13/2007
4.2	Form of specimen certificate for class B common stock of Visa Inc.	8-A	000-53572	4.1	1/28/2009
4.3	Form of specimen certificate for class C common stock of Visa Inc.	8-A	000-53572	4.2	1/28/2009
4.4	Certificate of Designations of Series A Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.1	6/21/2016
4.5	Certificate of Designations of Series B Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.2	6/21/2016
4.6	Certificate of Designations of Series C Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.3	6/21/2016
4.7	Indenture dated December 14, 2015 between Visa Inc. and U.S. Bank National Association	8-K	001-33977	4.1	12/14/2015
4.8	Form of 2.800% Senior Note due 2022	8-K	001-33977	4.4	12/14/2015
4.9	Form of 3.150% Senior Note due 2025	8-K	001-33977	4.5	12/14/2015
4.10	Form of 1.500% Senior Note due 2026	8-K	001-33977	4.1	6/1/2022
4.11	Form of 0.750% Senior Note due 2027	8-K	001-33977	4.1	8/17/2020
4.12	Form of 1.900% Senior Note due 2027	8-K	001-33977	4.1	4/2/2020
4.13	Form of 2.750% Senior Note due 2027	8-K	001-33977	4.2	9/11/2017
4.14	Form of 2.000% Senior Note due 2029	8-K	001-33977	4.2	6/1/2022
4.15	Form of 2.050% Senior Note due 2030	8-K	001-33977	4.2	4/2/2020
4.16	Form of 1.100% Senior Note due 2031	8-K	001-33977	4.2	8/17/2020
4.17	Form of 2.375% Senior Note due 2034	8-K	001-33977	4.3	6/1/2022
4.18	Form of 4.150% Senior Note due 2035	8-K	001-33977	4.6	12/14/2015
4.19	Form of 2.700% Senior Note due 2040	8-K	001-33977	4.3	4/2/2020
4.20	Form of 4.300% Senior Note due 2045	8-K	001-33977	4.7	12/14/2015
4.21	Form of 3.650% Senior Note due 2047	8-K	001-33977	4.3	9/11/2017
4.22	Form of 2.000% Senior Note due 2050	8-K	001-33977	4.3	8/17/2020
4.23+	Description of Securities				

10.1	Form of Indemnity Agreement	10-Q	001-33977	10.1	1/31/2020
10.2	Amended and Restated Global Restructuring Agreement, dated August 24, 2007, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc., Visa Europe Limited, Visa Canada Association, Inovant LLC, Inovant, Inc., Visa Europe Services, Inc., Visa International Transition LLC, VI Merger Sub, Inc., Visa USA Merger Sub Inc. and 1734313 Ontario Inc.	S-4/A	333-143966	Annex A	9/13/2007
10.3	Form of Escrow Agreement by and among Visa Inc., Visa U.S.A. Inc. and the escrow agent	S-4	333-143966	10.15	6/22/2007
10.4	Form of Framework Agreement by and among Visa Inc., Visa Europe Limited, Inovant LLC, Visa International Services Association and Visa U.S.A. Inc. †	S-4/A	333-143966	10.17	7/24/2007
10.5	Five Year Revolving Credit Agreement, amended and restated as of July 25, 2019, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and Visa Europe Limited, as borrowers, Bank of America, N.A., as administrative agent, JPMorgan Chase Bank N.A., as syndication agent, and the lenders referred to therein #	10-K	001-33977	10.5	11/13/2019
10.6	LIBOR Transition Amendment, dated October 18, 2021, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and Visa Europe Limited, as borrowers, and Bank of America, N.A., as administrative agent	10-Q	001-33977	10.1	1/28/2022
10.7	Form of Interchange Judgment Sharing Agreement by and among Visa International Service Association and Visa U.S.A. Inc., and the other parties thereto †	S-4/A	333-143966	10.13	7/24/2007
10.8	Interchange Judgment Sharing Agreement Schedule	8-K	001-33977	10.2	2/8/2011
10.9	Amendment of Interchange Judgment Sharing Agreement	10-K	001-33977	10.10	11/20/2015
10.10	Form of Loss Sharing Agreement by and among Visa U.S.A. Inc., Visa International Service Association, Visa Inc. and various financial institutions	S-4/A	333-143966	10.14	7/24/2007
10.11	Loss Sharing Agreement Schedule	8-K	001-33977	10.1	2/8/2011
10.12	Amendment of Loss Sharing Agreement	10-K	001-33977	10.13	11/20/2015
10.13	Form of Litigation Management Agreement by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and the other parties thereto	S-4/A	333-143966	10.18	8/22/2007
10.14	Omnibus Agreement, dated February 7, 2011, regarding Interchange Litigation Judgment Sharing and Settlement Sharing by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated and the parties thereto	8-K	001-33977	10.2	7/16/2012

10.15	Amendment, dated August 26, 2014, to the Omnibus Agreement regarding Interchange Litigation Judgment Sharing and Settlement Sharing by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated and the parties thereto	10-K	001-33977	10.14	11/21/2014
10.16	Second Amendment, dated October 22, 2015, to Omnibus Agreement regarding Interchange Litigation Judgment Sharing and Settlement Sharing	10-K	001-33977	10.17	11/20/2015
10.17	Settlement Agreement, dated October 19, 2012, by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs to resolve the class plaintiffs' claims in the matter styled In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, No. 05-MD-1720	10-Q	001-33977	10.3	2/6/2013
10.18	Superseding and Amended Settlement Agreement, dated September 17, 2018, by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the damages class plaintiffs to resolve the damages class plaintiffs' claims in the matter styled In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, No. 05-MD-1720	8-K	001-33977	10.1	9/18/2018
10.19	Loss Sharing Agreement, dated as of November 2, 2015, among the UK Members listed on Schedule 1 thereto, Visa Inc. and Visa Europe Limited	8-K	001-33977	10.1	11/2/2015
10.20	Litigation Management Deed, dated as of June 21, 2016, by and among the VE Member Representative, Visa Inc., the LMC Appointing Members, the UK&I DCC Appointing Members, the Europe DCC Appointing Members and the UK&I DCC Interested Members	8-K	001-33977	10.1	6/21/2016
10.21*	Visa 2005 Deferred Compensation Plan, effective as of August 12, 2015	10-K	001-33977	10.21	11/20/2015
10.22*	Visa Directors Deferred Compensation Plan, as amended and restated as of July 22, 2014	10-K	001-33977	10.17	11/21/2014
10.23*	Visa Inc. 2007 Equity Incentive Compensation Plan, amended and restated as of January 26, 2021	8-K	001-33977	10.22	1/27/2021
10.24*	Visa Inc. Incentive Plan, as amended and restated as of July 18, 2022	10-Q	001-33977	10.1	7/28/2022
10.25*	Visa Excess Thrift Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.31	11/21/2008
10.26*	Visa Excess Retirement Benefit Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.32	11/21/2008
10.27*	First Amendment, effective January 1,	10-K	001-33977	10.34	11/18/2011

10.28*	Visa Inc. Executive Severance Plan, effective as of January 1, 2022	10-Q	001-33977	10.8	1/28/2022
10.29*	Visa Inc. 2015 Employee Stock Purchase Plan	DEF 14A	001-33977	Appendix B	12/12/2014
10.30*	Form of Alternate Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 18, 2013	10-Q	001-33977	10.5	1/30/2014
10.31*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.40	11/21/2014
10.32*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.41	11/21/2014
10.33*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.1	1/28/2016
10.34*	Form of Alternate Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2015	10-K	001-33977	10.34	11/18/2021
10.35*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2017	10-Q	001-33977	10.1	2/1/2018
10.36*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.1	1/31/2019
10.37*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.2	1/31/2019
10.38*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.3	1/31/2019
10.39*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.4	1/31/2019
10.40*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.5	1/31/2019
10.41*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.6	1/31/2019
10.42*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.7	1/31/2019

10.43*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after January 1, 2021	10-K	001-33977	10.44	11/18/2021
10.44*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for the CEO for awards granted after November 1, 2021	10-Q	001-33977	10.2	1/28/2022
10.45*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for the CEO for awards granted after November 1, 2021	10-Q	001-33977	10.3	1/28/2022
10.46*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for the CEO for awards granted after November 1, 2021	10-Q	001-33977	10.4	1/28/2022
10.47*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for awards granted after November 1, 2021	10-Q	001-33977	10.5	1/28/2022
10.48*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2021	10-Q	001-33977	10.6	1/28/2022
10.49*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for awards granted after November 1, 2021	10-Q	001-33977	10.7	1/28/2022
10.50*	Offer Letter, dated July 18, 2019, between Visa Inc. and Paul D. Fabara	10-K	001-33977	10.46	11/19/2020
10.51*	Amended and Restated Aircraft Time Sharing Agreement, effective November 1, 2019, between Visa Inc. and Alfred F. Kelly, Jr.	10-K	001-33977	10.48	11/13/2019
21.1+	List of Significant Subsidiaries of Visa Inc.				
23.1+	Consent of KPMG LLP, Independent Registered Public Accounting Firm				
31.1+	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer				
31.2+	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer				
32.1+	Section 1350 Certification of Principal Executive and Financial Officer				
101.INS+	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH+	Inline XBRL Taxonomy Extension Schema Document				
101.CAL+	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF+	Inline XBRL Taxonomy Extension Definition Linkbase Document				

101.LAB+	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE+	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104+	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† Confidential treatment has been requested for portions of this agreement. A completed copy of the agreement, including the redacted portions, has been filed separately with the SEC.

* Management contract, compensatory plan or arrangement.

+ Filed or furnished herewith.

Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the SEC upon request; provided, however, that the parties may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any document so furnished.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

VISA
INC.

By:	/s/ Alfred F. Kelly, Jr.
Name:	Alfred F. Kelly, Jr.
Title:	Chairman and Chief Executive Officer
Date:	November 16, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Alfred F. Kelly, Jr. **Alfred F. Kelly, Jr.**	Chairman and Chief Executive Officer, and Director (Principal Executive Officer)	November 16, 2022
/s/ Vasant M. Prabhu **Vasant M. Prabhu**	Vice Chair, Chief Financial Officer (Principal Financial Officer)	November 16, 2022
/s/ Peter M. Andreski **Peter M. Andreski**	Global Corporate Controller, Chief Accounting Officer (Principal Accounting Officer)	November 16, 2022
/s/ John F. Lundgren **John F. Lundgren**	Lead Independent Director	November 16, 2022
/s/ Lloyd A. Carney **Lloyd A. Carney**	Director	November 16, 2022
/s/ Mary B. Cranston **Mary B. Cranston**	Director	November 16, 2022
/s/ Francisco Javier Fernández-Carbajal **Francisco Javier Fernández-Carbajal**	Director	November 16, 2022
/s/ Ramon Laguarta **Ramon Laguarta**	Director	November 16, 2022
/s/ Teri L. List **Teri L. List**	Director	November 16, 2022
/s/ Robert W. Matschullat **Robert W. Matschullat**	Director	November 16, 2022
/s/ Denise M. Morrison **Denise M. Morrison**	Director	November 16, 2022
/s/ Linda J. Rendle **Linda J. Rendle**	Director	November 16, 2022
/s/ Maynard G. Webb, Jr. **Maynard G. Webb, Jr.**	Director	November 16, 2022

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

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) O ACT OF 1934**

For the fiscal year ended September 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-33977

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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)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	V	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Class B common stock, par value $0.0001 per share
Class C common stock, par value $0.0001 per share

(Title of each Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of the registrant's class A common stock, par value $0.0001 per share, held by non-affiliates (using the New York Stock Exchange closing price as of March 31, 2021, the last business day of the registrant's most recently completed second fiscal quarter) was approximately $358.6 billion. There is currently no established public trading market for the registrant's class B common stock, par value $0.0001 per share, or the registrant's class C common stock, par value $0.0001 per share.

As of November 10, 2021, there were 1,669,730,762 shares outstanding of the registrant's class A common stock, par value $0.0001 per share, 245,513,385 shares outstanding of the registrant's class B common stock, par value $0.0001 per share, and 10,099,892 shares outstanding of the registrant's class C common stock, par value $0.0001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2022 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ended September 30, 2021.

TABLE OF CONTENTS

Unless the context indicates otherwise, reference to “Visa,” “Company,” “we,” “us” or “our” refers to Visa Inc. and its subsidiaries.

“Visa” and our other trademarks referenced in this report are Visa’s property. This report may contain additional trade names and trademarks of other companies. The use or display of other companies’ trade names or trademarks does not imply our endorsement or sponsorship of, or a relationship with these companies.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 that relate to, among other things, the impact on our future financial position, results of operations, and cash flows as a result of the ongoing effects of the coronavirus (“COVID-19”) pandemic, the measures taken in response, as well as the speed and strength of an economic recovery, including the reopening of borders and resumption of international travel; prospects, developments, strategies and growth of our business; anticipated expansion of our products in certain countries; industry developments; anticipated timing and benefits of our acquisitions; expectations regarding litigation matters, investigations and proceedings; timing and amount of stock repurchases; sufficiency of sources of liquidity and funding; effectiveness of our risk management programs; and expectations regarding the impact of recent accounting pronouncements on our consolidated financial statements. Forward-looking statements generally are identified by words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “projects,” “could,” “should,” “will,” “continue” and other similar expressions. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in *Item 1—Business*, *Item 1A—Risk Factors*, *Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations* and elsewhere in this report. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

Table of Contents

PART I

ITEM 1. Business

OVERVIEW

Visa is one of the world's leaders in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payments network — enabling individuals, businesses and economies to thrive. We facilitate global commerce and money movement across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies.

Since Visa's inception in 1958, Visa has been in the business of facilitating payments between consumers and businesses. With new ways to pay, we have evolved into a global company that is a trusted engine of commerce, working to provide payment solutions for everyone, everywhere. We are focused on extending, enhancing and investing in our proprietary network, VisaNet, while seeking new ways to offer products and services and become a single connection point for facilitating any payment transaction, using our network, other networks, or a combination of networks. We offer products and solutions that facilitate secure, reliable and efficient money movement for all participants in the ecosystem.

- **We facilitate secure, reliable and convenient transactions among financial institutions, merchants and consumers.** We have traditionally referred to this as the "four-party" model. As the payments ecosystem continues to evolve, we have broadened this model to include digital banks, digital wallets and a range of financial technology companies (fintechs), governments and non-governmental organizations (NGOs). We provide transaction processing services (primarily authorization, clearing and settlement) to our financial institution and merchant clients through VisaNet, our advanced transaction processing network. During fiscal year 2021, we saw 232 billion payments and cash transactions with Visa's brand, equating to an average of 637 million transactions per day. Of the 232 billion total transactions, 165 billion were processed by Visa.

- **We offer a wide range of Visa-branded payment products** that our 15,100 financial institution clients use to develop and offer core business solutions, including credit, debit, prepaid and cash access programs for individual, business and government account holders. During fiscal year 2021, Visa's total payments and cash volume was $13 trillion, and 3.7 billion credentials were available worldwide to be used at more than 80 million[(1)] merchant locations.

- **We take an open partnership approach** and seek to provide value by enabling access to our global network, including offering our technology capabilities through application programming interfaces (APIs). We partner with both traditional and emerging players to innovate and expand the payments ecosystem, allowing them to leverage the resources of our platform to scale and grow their businesses more quickly and effectively.

- **We are accelerating the migration to digital payments** and evolving Visa to be a "network of networks" to enable the movement of money through all available networks. We aim to provide a single connection point so that Visa clients can enable money movement for businesses, governments, and consumers regardless of which network is used to start or complete the transaction; ultimately, helping to unify a complex payments ecosystem. Visa's network of networks approach creates opportunities by facilitating person-to-person (P2P), business-to-consumer (B2C), business-to-business (B2B), business-to-small business (B2b) and government-to-consumer (G2C) payments, in addition to consumer to business (C2B) payments.

- **We provide value added services** to our clients, including issuer solutions; acceptance solutions; risk and identity solutions; and advisory services.

- **We invest in and promote our brand** to the benefit of our clients and partners through advertising, promotional and sponsorship initiatives with FIFA, the International Olympic Committee, the International Paralympic Committee and the National Football League (NFL), among others. We also use these sponsorship assets to showcase our payment innovations.

(1) Data provided to Visa by acquiring institutions and other third parties.

FISCAL YEAR 2021 KEY STATISTICS

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(1) Please see *Item 7–Management's Discussion and Analysis of Financial Condition and Results of Operations* for a reconciliation of our GAAP to non-GAAP financial results.

OUR CORE BUSINESS

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In an example of a typical Visa C2B payment transaction, the consumer purchases goods or services from a merchant using a Visa card or payment product. The merchant presents the transaction data to an acquirer, usually a bank or third-party processing firm that supports acceptance of Visa cards or payment products, for verification and processing. Through VisaNet, the acquirer presents the transaction data to Visa, which in turn contacts the issuer to check the account holder's account or credit line for authorization. After the transaction is authorized, the issuer effectively pays the acquirer an amount equal to the value of the transaction, minus the interchange reimbursement fee, and then posts the transaction to the consumer's account. The acquirer pays the amount of the purchase, minus the merchant discount rate (MDR), to the merchant.

Visa earns revenue by facilitating money movement across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies. Net revenues consist of service revenues, data processing revenues, international transaction revenues and other revenues, minus client incentive arrangements we have with our clients. We have one reportable segment, which is Payment Services. We generally do not experience any pronounced seasonality in our business.

Visa is not a financial institution. We do not issue cards, extend credit, or set rates and fees for account holders of Visa products nor do we earn revenues from, or bear credit risk with respect to, any of these activities. Interchange reimbursement fees reflect the value merchants receive from accepting our products and play a key role in balancing the costs and benefits that account holders and merchants derive from participating in our payments networks. Generally, interchange reimbursement fees are collected from acquirers and paid to issuers. We establish default interchange reimbursement fees that apply absent other established settlement terms. In addition, we do not earn revenues from the fees that merchants are charged by acquirers for acceptance, including the MDR. Our acquiring clients are generally responsible for soliciting merchants as well as establishing and earning these fees.

Our net revenues in fiscal year 2021 consisted of the following:

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Visa's strategy is to accelerate our revenue growth in consumer payments, new flows and value added services, and fortify the key foundations of our business model.

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We seek to accelerate revenue growth in three primary areas — consumer payments, new flows and value added services.

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Consumer Payments

We are accelerating efforts to move approximately $18 trillion(2) in consumer spending still exchanged in cash and check to cards and digital accounts on Visa's network of networks.

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Core Products

Visa's growth has been driven by the strength of our core products — credit, debit and prepaid products.

Credit: Credit cards and digital credentials allow consumers and businesses to access credit to pay for goods and services. Credit cards are affiliated with programs operated by financial institution clients, co-brand partners, fintechs and affinity partners.

Debit: Debit cards and digital credentials allow consumers and small businesses to purchase goods and services using funds held in their bank accounts. Debit cards enable account holders to transact in person, online or via mobile without needing cash or checks and without accessing a line of credit. The Visa/PLUS Global ATM network also provides debit, credit and prepaid account holders with cash access, and other banking capabilities, in more than 200 countries and territories worldwide through issuing and acquiring partnerships with both financial institutions and independent ATM operators.

(2) Estimate as of December 2018.

Prepaid: Prepaid cards and digital credentials draw from a designated balance funded by individuals, businesses or governments. Prepaid cards address many use cases and needs, including general purpose reloadable, payroll, government and corporate disbursements, healthcare, gift and travel. Visa-branded prepaid cards also play an important part in financial inclusion, bringing payment solutions to those with limited or no access to traditional banking products.

Capabilities

We offer capabilities, tools and solutions that enable consumer payments and help our clients grow as digital commerce, new technologies and new participants continue to transform the payments ecosystem. Some of our offerings include:

v-20210930_g10.jpg***Tap to Pay***

As we seek to improve the user experience in the face-to-face environment, contactless payments or tap to pay, which is tapping a contactless card or mobile device on a terminal to make a payment, has emerged as a preferred way to pay among consumers in many countries around the world. Tap to pay adoption is growing and many consumers have come to expect touchless payment experiences. In addition, Visa continues to work with payments industry partners and governments to support raising contactless payment limits.

Globally we have more than 20 countries with more than 90 percent contactless penetration and nearly 70 countries where tap to pay is more than 50 percent of face-to-face transactions. Excluding the United States, nearly 70 percent of face-to-face transactions globally were contactless. In the U.S., Visa has more than 15 percent contactless penetration. We have 400 million tap-to-pay-enabled Visa cards, and now three cities have above 25 percent face-to-face tap-to-pay penetration: New York, San Francisco and San Jose. We have activated nearly 500 contactless public transport projects worldwide and have nearly 750 projects in our pipeline.

v-20210930_g11.jpg***Tokenization***

Visa Token Service (VTS) brings trust to digital commerce innovation. As consumers increasingly rely on digital transactions, VTS is designed to enhance the digital ecosystem through improved authorization, reduced fraud and improved customer experience. VTS helps protect digital transactions by replacing 16-digit Visa account numbers with a token protecting the underlying account information. This security technology can work for a variety of payment transactions, both in the physical and online space.

The issuance of network tokens continues to accelerate. In the past 17 months, we have more than doubled the number of network tokens issued from one billion to 2.6 billion. By comparison, it took nearly six years to reach our first one billion network tokens.

v-20210930_g12.jpg***Click to Pay***

Click to Pay provides a simplified and more consistent cardholder checkout experience online by removing time-consuming key entry of personal information and enabling consumer and transaction data to be passed securely between payments network participants. Based on the EMV® Secure Remote Commerce industry standard, Click to Pay brings a standardized and streamlined approach to online checkout and meets the needs of consumers shopping across a growing number of connected devices. The goal of Click to Pay is to make digital payments safe, consistent, and interoperable like the checkout experience in physical stores.

v-20210930_g13.jpg***Cryptocurrency***

We enable cryptocurrencies for everyday payments through our global presence, partnership approach and trusted brand. We want to serve as the bridge between the crypto ecosystem and our global network, which would enable our clients to provide consumers the ability to easily convert cryptocurrencies into fiat and access our global network of more than 80 million merchant locations and 15,100 financial institutions. In fiscal year 2021, we had $3.5 billion in payments volume on crypto-linked card programs, which are crypto wallets linked to Visa credentials

where cryptocurrencies are converted to fiat currency before funds can be accessed through the Visa credential. We are advancing this effort through our partnerships with nearly 60 crypto platforms on crypto-linked Visa card programs. We are also building infrastructure capabilities and value added services to support crypto use cases, including future settlement in digital currencies, a new Visa Crypto API platform to help financial institutions create a cryptocurrency offering, assisting central banks as they evaluate digital currencies and a growing number of other services and infrastructure capabilities.

New Flows

New flows represent a $185 trillion[(3)] volume opportunity. Visa's network of networks approach creates opportunities to capture new sources of money movement through card and non-card flows for consumers, businesses and governments around the world by facilitating P2P, B2C, B2B, B2b and G2C payments.

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Visa Direct

Visa Direct is Visa's global, real-time[(4)] push payments platform, which reverses the traditional card payment flow by allowing payment originators, through their acquirer, to push funds directly to eligible debit and prepaid cards or accounts. It helps facilitate fast, simple and secure money movement around the world, enabling businesses and consumers to send money directly to a bank account or card, including domestic or cross-border payouts and payments, P2P, payments to small businesses, and corporate, worker, insurance and government payouts.

In fiscal year 2021, we had 5.2 billion Visa Direct transactions, an increase of 50 percent year over year, and more than 20 use cases and 500 programs. Visa Direct connected 16 card-based networks, 66 automated clearing house (ACH) schemes, seven real time payment (RTP) networks and five gateways. With the addition of Visa Direct Payouts, Visa Direct provides access to almost 6 billion credentials across more than 200 countries and territories.

Visa Business Solutions

We are also extending our network with B2B payments. Our three strategic areas of focus include investing and growing card-based payments, accelerating our efforts in non-card, cross-border payments and digitizing domestic accounts payable and accounts receivable processes. We offer a portfolio of business payment solutions, including small business, corporate (travel) cards, purchasing cards, virtual cards and digital credentials, non-card cross-border B2B payment options and disbursement accounts, covering most major industry segments around the world. Business solutions are designed to bring efficiency, controls and automation to small businesses, commercial and government payment processes, ranging from employee travel to fully integrated, invoice-based payables.

Visa B2B Connect is a multilateral B2B cross-border payments network designed to facilitate transactions from the bank of origin directly to the beneficiary bank, helping streamline settlement and optimize payments for financial institutions' corporate client base. The network delivers B2B cross-border payments that are predictable, flexible, data-rich, secure and cost-effective. Visa B2B Connect continues to scale, with the ability to operate in more than 100 countries and territories.

[(3)] McKinsey Global Payments Map and Visa Analysis, 2018.
[(4)] Actual fund availability varies by receiving financial institution, receiving account type, region and whether the transaction is domestic or cross-border.

Value Added Services

Value added services represent an opportunity for us to diversify our revenue with products and solutions that differentiate our network, deepen our client relationships and deliver innovative solutions across other networks.

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Issuer Solutions

Visa Debit Processing Service (DPS) is one of the largest issuer processors of Visa debit transactions in the world and is able to deliver agility at scale. Visa DPS provides a wide range of debit, prepaid and credit value added services to clients including call center services, data analytics, campaign management, fraud and risk solutions, and a white-label branded mobile app. Visa DPS continues to extend and expand our capabilities in modern, API-based issuer processing solutions called DPS Forward, which will be used for both the U.S. and international markets. We have expanded Visa DPS into Europe, providing European issuers in select countries access to a comprehensive and end-to-end solution, from core processing services to value added services.

We also provide a range of other services and digital solutions to issuers, such as account controls, digital issuance, branded consumer experiences and buy now pay later (BNPL) capabilities. BNPL or installment payments allow shoppers the flexibility to pay for a purchase in equal payments over a defined period of time. Visa is investing in installments as a payments strategy — by offering our own solution, Visa Installments — and by partnering with innovative installments providers who use our cards and services to support a wider variety of installment options. Visa Installments offers issuing banks the opportunity to offer Visa cardholders the option to divide their total purchase amount into smaller payments during or after checkout, at the store and online at participating merchants.

Acceptance Solutions

Cybersource is a global payment management platform that provides modular, digital capabilities in addition to the traditional gateway function of connecting merchants to payment processing. Using Cybersource, merchants of all sizes can improve the way their consumers engage and transact, mitigate fraud and security risk, lower operational costs and adapt to changing business requirements. Cybersource white-labeled capabilities provide new and enhanced payment integrations with ecommerce platforms, enabling sellers and acquirers to provide tailored commerce experiences with payments seamlessly embedded. Cybersource enables an omnichannel solution with a cloud-based architecture to deliver more innovation at the point-of-sale.

In addition, we provide secure, reliable services for merchants and acquirers that reduce friction and drive acceptance. Examples include Global Urban Mobility, which allows transit operators to accept Visa contactless payments in addition to proprietary closed-loop payment solutions; Rapid Seller Onboarding, which enables digital onboarding of small businesses and acquirers; and Visa Account Updater, which provides updated account information to merchants to strengthen customer relationships and retention. Visa also offers dispute management services, including a network agnostic solution with Verifi that enables merchants to prevent and resolve disputes with a single connection.

Risk and Identity Solutions

Visa's risk and identity solutions transform data into insights for near real-time decisions and facilitate account holder authentication to help clients prevent fraud and protect account holder data. With the increasing popularity of omnichannel commerce among consumers, preventing fraud helps increase trust in digital payments. Solutions such as Visa Advanced Authorization, Visa Secure, Visa Advanced Identity Score, Visa Consumer Authentication Service, and payment-decisioning solutions from CardinalCommerce empower financial institutions and merchants with tools that help automate and simplify fraud prevention and enhance payment security.

These value added payment security tools layer on top of a suite of programs that protect the safety and integrity of the payment ecosystem, and along with our investments in intelligence and technology, help to prevent, detect and mitigate threats. These programs and Visa’s fraud prevention expertise are among the core benefits of being part of the Visa network. Through the combined efforts of security and identity tools and services, payment and cyber intelligence, insights and learnings from client/partner breach investigations and law enforcement engagement, Visa helps protect financial institutions and merchants from fraud and solve payment security challenges.

Advisory Services

Visa Consulting and Analytics is the payments consulting advisory arm of Visa. The combination of our deep payments expertise, proprietary analytical models applied to a breadth of data and our economic intelligence allows us to identify actionable insights, make recommendations and help implement solutions that can drive better business decisions and measurable outcomes for clients. Visa Consulting and Analytics offers consulting services for issuers, acquirers, merchants, fintechs and other partners, spanning the entire customer journey from acquisition to retention.

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We are fortifying the key foundations of our business model, which consist of becoming a network of networks, our technology platforms, security, brand and talent.

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Network of Networks

Visa strives to become a network of networks, offering a single connection point for senders and receivers to enable money movement to all endpoints and to all form factors, using all available networks.

Technology Platforms

Visa's technology platforms include software, hardware, data centers and a large telecommunications infrastructure, each with a distinct architecture and operational footprint wrapped with several layers of security and protection technologies. Visa's three data centers are a critical part of our global processing environment and have a high redundancy of network connectivity, power and cooling designed to provide continuous availability of systems. Together, these systems deliver the secure, convenient and reliable service that our clients and consumers expect from the Visa brand.

Security

Our in-depth, multi-layer security approach includes a formal program to devalue sensitive and/or personal data through various cryptographic means; embedded security in the software development lifecycle; identity and access management controls to protect against unauthorized access; and advanced cyber detection and response capabilities. We deploy security tools that help keep our clients and consumers safe, while providing buyer and seller solutions that help make Visa the best way to pay and be paid. We also invest significantly in our comprehensive approach to cybersecurity. We deploy security technologies to strengthen data confidentiality, integrity and service availability, emphasizing core cybersecurity capabilities to minimize risk.

Brand

Visa's brand strength helps deliver added value to our clients and their customers, financial institutions, merchants and partners through compelling brand expressions, a wide range of products and services as well as innovative brand and marketing efforts. In line with our commitment to an expansive and diverse range of partnerships for the benefit of our stakeholders, Visa is the only brand in the world that is a top sponsor of FIFA, the Olympic Games, and the NFL and is one of the most active sponsors of women's football around the world.

This year, we launched a multi-year brand initiative to spotlight the diverse capabilities of our network and our commitment to enabling global economic inclusion. The "Meet Visa" campaign reintroduced Visa as a network working for everyone.

Talent

Attracting, developing and retaining the best talent globally is critical to our continued success. Our workforce grew from approximately 20,500 in fiscal year 2020 to approximately 21,500 employees in fiscal year 2021. Visa employees are located in more than 80 countries, with more than 49 percent located outside the U.S. Voluntary workforce turnover (rolling 12-month attrition) was 9.3 percent as of September 30, 2021. At the end of fiscal year 2021, Visa's global workforce was 58 percent male and 42 percent female, and women represented 35 percent of Visa's leadership (defined as vice president level and above). In the U.S., ethnicity of our workforce was 41 percent Asian, 7 percent Black, 12 percent Hispanic, 3 percent Other and 37 percent White. For our U.S. leadership, the breakdown was 20 percent Asian, 6 percent Black, 12 percent Hispanic, 2 percent Other and 59 percent White.

At Visa, we have an unwavering commitment to inclusion and diversity, and we foster an inclusive workplace to encourage diversity of thought, culture and background. In 2020, we established "Stand Together" goals in support of social justice and racial equality in the U.S. focused on our people, our community and our company. We are proud of the progress we made in fiscal year 2021, including the launch of the Visa Black Scholars and Jobs Program in the U.S. with the inaugural class of 50 Visa Black Scholars who will participate in year-round programs and training aimed at developing their professional and technical skills. Upon graduation, all Scholars who have met their commitments will be offered a full-time job with Visa.

We have also increased the number of underrepresented employees in the U.S. We are supporting Visa's commitment to recruit and retain diverse talent by launching employee development programs and partnering with several non-profit and community organizations, as well as historically black colleges and a generally more diverse set of universities to develop our talent pipeline. Visa is committed to pay equity, regardless of gender or race/ethnicity, and conducts pay equity analyses on an annual basis. More details regarding our human capital management, as well as enhanced workforce disclosures that include our 2020 Consolidated EEO-1 Report and our 2020 Environmental, Social and Governance (ESG) Report can be found on our website at *usa.visa.com/about-visa/esg.html*.

For additional information, please see the section titled "Talent and Human Capital Management" in Visa's 2021 Proxy Statement.

FINTECH AND DIGITAL PARTNERSHIPS

Fintechs are key enablers of new payment experiences and new flows. Our work with fintechs has opened new points of acceptance, extended credit at the point of sale, made cross-border money flows more efficient, moved B2B spend onto Visa's network, expedited payroll and provided digital wallet customers access to our services.

To better serve fintechs, Visa has a suite of streamlined commercial programs and digital onboarding tools. Our Fintech Fast Track program enables qualifying fintechs to quickly launch and scale their programs. The program has welcomed hundreds of fintechs who are actively engaged in the program.

With our startup engagement programs, the Visa Everywhere Initiative and the Inclusive Fintech 50, early-stage companies can build payment solutions based on our capabilities. With Visa Fintech Partner Connect, a program launched globally this year, we are helping our clients tap into innovations emerging from the fintech community. The program is designed to help financial institutions quickly connect with a vetted and curated set of technology providers, helping Visa's issuing partners create digital-first experiences without the cost and complexity of building the back-end technology in-house.

MERGERS AND ACQUISITIONS AND STRATEGIC INVESTMENTS

Visa continually explores opportunities to augment our capabilities and provide meaningful value to our clients. Mergers and acquisitions and strategic investments complement our internal development and enhance our partnerships to align with Visa's priorities. Visa applies a rigorous business analysis to our acquisitions and investments to ensure they will differentiate our network, provide value added services and accelerate growth.

In fiscal year 2021, we acquired YellowPepper to accelerate our network of networks strategy in Latin America and the Caribbean by becoming a single point of access for initiating multiple transaction types and significantly reducing the time-to-market and cost for issuers and processors to launch card and account agnostic payments solutions.

On June 24, 2021, we signed a definitive agreement to acquire Tink AB (Tink), a European open banking platform that enables financial institutions, fintechs and merchants to build tailored financial management tools, products and services for European consumers and businesses based on their financial data.

On July 22, 2021, we signed a definitive agreement to acquire The Currency Cloud Group Limited (Currencycloud), a UK-based global platform that enables banks and fintechs to provide innovative foreign exchange solutions for cross-border payments. The Tink and Currencycloud transactions are subject to regulatory approvals and other customary closing conditions.

Environmental, Social and Governance

As a trusted brand, Visa has an opportunity and responsibility to contribute to a more inclusive, equitable and sustainable world. We believe that economies that include everyone everywhere, uplift everyone everywhere. As we build business resilience and long-term value, we are committed to managing the risks and opportunities that arise from ESG issues. We are focused on empowering people and economies; securing commerce and protecting customers; investing in our workforce; protecting the planet; and operating responsibly. Our 2020 ESG report, which provides enhanced ESG disclosures is available on our website at *usa.visa.com/about-visa/esg.html*.

INTELLECTUAL PROPERTY

We own and manage the Visa brand, which stands for acceptance, security, convenience, speed and reliability. Our portfolio of Visa-owned trademarks is important to our business. Generally, trademark registrations are valid indefinitely as long as they are in use and/or maintained. We give our clients access to these assets through agreements with our issuers and acquirers, which authorize the use of our trademarks in connection with their participation in our payments network. Additionally, we have filed patent applications in the U.S. and international jurisdictions covering certain aspects of our proprietary technology and new innovations, and own a number of patents, patent applications and other intellectual property relating to our business. We rely on a combination of patent, trademark, copyright and trade secret laws in the U.S. and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our proprietary technology.

COMPETITION

The global payments industry continues to undergo dynamic change. Existing and emerging competitors compete with Visa's network and payment solutions for consumers and for participation by financial institutions and merchants. Technology and innovation are shifting consumer habits and driving growth opportunities in ecommerce, mobile payments, blockchain technology and digital currencies. These advances are enabling new entrants, many of which depart from traditional network payment models. In certain countries, the evolving regulatory landscape is creating local networks or enabling additional processing competition.

We compete against all forms of payment. This includes paper-based payments, primarily cash and checks, and all forms of electronic payments. Our electronic payment competitors principally include:

Global or Multi-Regional Networks: These networks typically offer a range of branded, general purpose card payment products that consumers can use at millions of merchant locations around the world. Examples include Mastercard, American Express, Discover, JCB and UnionPay. These competitors may be more concentrated in specific geographic regions, such as JCB in Japan and Discover in the U.S., or have a leading position in certain countries, such as UnionPay in China. See *Item 1A—Risk Factors—Regulatory Risks—Government-imposed obligations and/or restrictions on international payment systems may prevent us from competing against providers in certain countries, including significant markets such as China, India and Russia*. Based on available data, Visa is one of the largest retail electronic funds transfer networks used throughout the world.

The following chart compares our network with these network competitors for calendar year 2020[1]:

	Visa	Mastercard	American Express	JCB	Diners Club
Payments Volume ($B)	8,911	4,743	1,005	308	166
Total Volume ($B)	11,383	6,337	1,011	317	178
Total Transactions (B)	205	126	9	5	3
Cards (M)	3,586	2,334	112	141	65

(1) Mastercard, American Express, JCB and Diners Club / Discover data sourced from The Nilson Report issue 1199 (June 2021). Mastercard excludes Maestro and Cirrus figures. American Express, Diners Club / Discover, and JCB include business from third-party issuers. JCB figures include other payment-related products and some figures are estimates.

Local and Regional Networks: Operated in many countries, these networks often have the support of government influence or mandate. In some cases, they are owned by financial institutions or payment processors. These networks typically focus on debit payment products, and may have strong local acceptance, and recognizable brands. Examples include STAR, NYCE, and Pulse in the U.S., Interac in Canada, EFTPOS in Australia and Mir in Russia.

Alternative Payment Providers: These providers such as digital wallets, closed commerce ecosystems, BNPL solutions, cryptocurrency platforms, and account-to-account systems often have a primary focus of enabling payments through ecommerce and mobile channels; however, they are expanding or may expand their offerings to the physical point of sale. These companies may process payments using in-house account transfers between parties, electronic funds transfer networks like the ACH, global or local networks like Visa, or some combination of the foregoing. In some cases, these entities are both a partner and a competitor to Visa.

ACH and RTP Networks: These networks are often governed by local regulations. Primarily focused on interbank transfers, many are adding capabilities that may make them more competitive for retail payments. We also compete with closed-loop payment systems, emerging payments networks, wire transfers and electronic benefit transfers.

Payment Processors: We compete with payment processors for the processing of Visa transactions. These processors may benefit from mandates requiring them to handle processing under local regulation. For example, as a result of regulation in Europe under the Interchange Fee Regulation (IFR), we may face competition from other networks, processors and other third parties who could process Visa transactions directly with issuers and acquirers.

Value Added Products and Service Providers: We face competition from companies that provide alternatives to our value added products and services, including information services and consulting firms that provide consulting services and insights to financial institutions, merchants and governments and technology companies that provide cyber and fraud solutions. Regulatory initiatives could also lead to increased competition in this space.

We believe our fundamental value proposition of security, convenience, speed and reliability as well as the number of credentials and our acceptance footprint help us to succeed. In addition, we understand the needs of the individual markets in which we operate and partner with local financial institutions, merchants, fintechs, governments, NGOs and business organizations to provide tailored and innovative solutions. Our network of networks strategy implies that we have and we will continue to utilize other networks to facilitate the movement of money. We believe Visa is well-positioned competitively due to our global brand, our broad set of payment products and value added services, and our proven track record of processing payment transactions securely and reliably.

GOVERNMENT REGULATION

As a global payments technology company, we are subject to complex and evolving global regulations in the various jurisdictions in which our products and services are used. The most significant government regulations that impact our business are discussed below. For further discussion of how global regulations may impact our business, see *Item 1A-Risk Factors-Regulatory Risks*.

Anti-Corruption, Anti-Money Laundering, Anti-Terrorism and Sanctions: We are subject to anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and other laws that generally prohibit the making or offering of improper payments to foreign government officials and political figures for the purpose of obtaining or retaining business or to gain an unfair business advantage. We are also subject to anti-money laundering and anti-terrorist financing laws and regulations, including the U.S. Bank Secrecy Act. In addition, we are subject to economic and trade sanctions programs administered by the Office of Foreign Assets Control (OFAC) in the U.S. Therefore, we do not permit financial institutions or other entities that are domiciled in countries or territories subject to comprehensive OFAC trade sanctions (currently, Cuba, Iran, North Korea, Syria and Crimea), or that are included on OFAC's list of Specially Designated Nationals and Blocked Persons, to issue or acquire Visa cards or engage in transactions using our services.

Government-Imposed Market Participation Restrictions: Certain governments, including China, India, Indonesia, Russia, Thailand and Vietnam, have taken actions to promote domestic payments systems and/or certain issuers, payments networks or processors, by imposing regulations that favor domestic providers, impose local ownership requirements on processors, require data localization or mandate that domestic processing be done in that country.

Interchange Rates and Fees: An increasing number of jurisdictions around the world regulate or influence debit and credit interchange reimbursement rates in their regions. For example, the U.S. Dodd-Frank Wall Street Reform and Consumer Act (Dodd-Frank Act) limits interchange reimbursement rates for certain debit card transactions in the U.S., the European Union (EU) IFR limits interchange rates in Europe (as discussed below), and the Reserve Bank of Australia and the Central Bank of Brazil regulate average permissible levels of interchange.

Internet Transactions: Many jurisdictions have adopted regulations that require payment system participants to monitor, identify, filter, restrict or take other actions with regard to certain types of payment transactions on the Internet, such as gambling, digital currencies, the purchase of cigarettes or alcohol and other controversial transaction types.

Network Exclusivity and Routing: In the U.S., the Dodd-Frank Act limits network exclusivity and restrictions on merchant routing choice for the debit and prepaid market segments. Other jurisdictions impose similar limitations, such as the IFR's prohibition in Europe on restrictions that prevent multiple payment brands or functionality on the same card.

No-surcharge Rules: We have historically enforced rules that prohibit merchants from charging higher prices to consumers who pay using Visa products instead of other means. However, merchants' ability to surcharge varies by geographic market as well as Visa product type, and continues to be impacted by litigation, regulation and legislation.

Privacy and Data Protection: Aspects of our operations or business are subject to privacy, data use and data security regulations, which impact the way we use and handle data, operate our products and services and even impact our ability to offer a product or service. In addition, regulators are proposing new laws or regulations that could require Visa to adopt certain cybersecurity and data-handling practices, create new individual privacy rights and impose increased obligations on companies handling personal data.

Supervisory Oversight of the Payments Industry: Visa is subject to financial sector oversight and regulation in substantially all of the jurisdictions in which we operate. In the U.S., for example, the Federal Financial Institutions Examination Council (FFIEC) has supervisory oversight over Visa under applicable federal banking laws and policies as a technology service provider to U.S. financial institutions. The federal banking agencies comprising the FFIEC are the Federal Reserve Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the National Credit Union Administration. Visa also may be separately examined by the Bureau of Consumer Financial Protection as a service provider to the banks that issue Visa-branded consumer credit and debit card products. Central banks in other countries/regions, including Europe, India, Russia, Ukraine and the United Kingdom (as discussed below), have recognized or designated Visa as a retail payment system under various types of financial stability regulations. Visa is also subject to oversight by banking and financial sector authorities in other jurisdictions, such as Brazil and Hong Kong.

European and United Kingdom Regulations and Supervisory Oversight: Visa in Europe continues to be subject to complex and evolving regulation in the United Kingdom and the European

Economic Area (EEA). Specifically, in the United Kingdom, Visa Europe is designated as a Recognized Payment System, bringing it within the scope of the Bank of England's supervisory powers and subject to various requirements, including on issues such as governance and risk management designed to maintain the stability of the United Kingdom's financial system. Visa Europe is also regulated by the United Kingdom's Payment Systems Regulator (PSR), which has wide-ranging powers and authority to review our business practices, systems, rules and fees with respect to promoting competition and innovation in the United Kingdom, and ensuring payments meet account holder needs.

Furthermore, there are a number of EU regulations that impact our business. As discussed above, the IFR regulates interchange rates within Europe, requires Visa Europe to separate its payment card scheme activities from processing activities for accounting, organization, and decision-making purposes within the EU and imposes limitations on network exclusivity and routing. National competent authorities in the EU are responsible for monitoring and enforcing the IFR in their markets. We are also subject to regulations governing privacy and data protection, anti-bribery, anti-money laundering, anti-terrorism and sanctions. Other regulations in Europe, such as the second Payment Services Directive (PSD2), require, among other things, that our financial institution clients provide certain customer account access rights to emerging non-financial institution players. PSD2 also includes strong customer authentication requirements for certain transactions that could impose both operational complexity on Visa and negatively impact consumer payment experiences.

Post-Brexit, the United Kingdom has adopted various European regulations, including regulations that impact the payments ecosystem such as the IFR and PSD2. The PSR is responsible for monitoring Visa Europe's compliance with the IFR as adopted in the United Kingdom.

ESG and Sustainability: Certain governments around the world are adopting laws and regulations pertaining to ESG performance, transparency and reporting. Regulations may include mandated corporate reporting on ESG overall (e.g., EU Sustainable Reporting Directive) or in individual areas such as mandated reporting on climate-related financial disclosures.

Additional Regulatory Developments: Various regulatory agencies across the world also continue to examine a wide variety of other issues, including mobile payment transactions, tokenization, access rights for non-financial institutions, money transfer services, identity theft, account management guidelines, disclosure rules, security and marketing that could affect our financial institution clients and our business. Furthermore, following the passage of PSD2 in Europe, several countries, including Australia, Brazil, Canada, Hong Kong and Mexico, are contemplating granting or have already granted various types of access rights to third party processors, including access to consumer account data maintained by our financial institution clients. These changes could have negative implications for our business depending on how the regulations are framed and implemented.

AVAILABLE INFORMATION

Our corporate website is *usa.visa.com/about-visa.html*. Our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, proxy statements and any amendments to those reports filed or furnished pursuant to the U.S. Securities Exchange Act of 1934, as amended, can be viewed at *www.sec.gov* and our investor relations website at *investor.visa.com* as soon as reasonably practicable after these materials are electronically filed with or furnished to the U.S. Securities and Exchange Commission (SEC). In addition, we routinely post financial and other information, which could be deemed to be material to investors, on our investor relations website. Information regarding our ESG, corporate responsibility and sustainability initiatives is also available on our website at *usa.visa.com/about-visa/esg.html.* The content of any of our websites referred to in this report is not incorporated by reference into this report or any other filings with the SEC.

ITEM 1A. Risk Factors

Regulatory Risks

We are subject to complex and evolving global regulations that could harm our business and financial results.

As a global payments technology company, we are subject to complex and evolving regulations that govern our operations. See *Item 1—Business—Government Regulation* for more information on the most significant areas of regulation that affect our business. The impact of these regulations on us, our clients, and other third parties could limit our ability to enforce our payments system rules; require us to adopt new rules or change existing rules; affect our existing contractual arrangements; increase our compliance costs; require us to make our technology or intellectual property available to third parties, including competitors, in an undesirable manner; and reduce our revenue opportunities. As discussed in more detail below, we may face differing rules and regulations in matters like interchange reimbursement rates, preferred routing, domestic processing requirements, currency conversion, point-of-sale transaction rules and practices, privacy, data use or protection, licensing requirements, and associated product technology. As a result, the Visa operating rules and our other contractual commitments may differ from country to country or by product offering. Complying with these and other regulations increases our costs and could reduce our revenue opportunities. Our diversification into new product offerings and participation in new flows could also introduce new licensing and other regulatory obligations that impact our business.

If widely varying regulations come into existence worldwide, we may have difficulty rapidly adjusting our product offerings, services, fees and other important aspects of our business in the regions where we operate. Our compliance programs and policies are designed to support our compliance with a wide array of regulations and laws, such as anti-money laundering, anti-corruption, competition, money transfer services, privacy and sanctions, and we continually enhance our compliance programs as regulations evolve. However, we cannot guarantee that our practices will be deemed compliant by all applicable regulatory authorities. In the event our controls should fail or we are found to be out of compliance for other reasons, we could be subject to monetary damages, civil and criminal penalties, litigation, investigations and proceedings, and damage to our global brands and reputation. Furthermore, the evolving and increased regulatory focus on the payments industry could negatively impact or reduce the number of Visa products our clients issue, the volume of payments we process, our revenues, our brands, our competitive positioning, our ability to use our intellectual property to differentiate our products and services, the quality and types of products and services we offer, the countries in which our products are used, and the types of consumers and merchants who can obtain or accept our products, all of which could harm our business.

Increased scrutiny and regulation of the global payments industry, including with respect to interchange reimbursement fees, merchant discount rates, operating rules, risk management protocols and other related practices, could harm our business.

Regulators around the world have been establishing or increasing their authority to regulate certain aspects of the payments industry. See *Item 1—Business —Government Regulation* for more information. In the U.S. and many other jurisdictions, we have historically set default interchange reimbursement fees. Even though we generally do not receive any revenue related to interchange reimbursement fees in a payment transaction (in the context of credit and debit transactions, those fees are paid by the acquirers to the issuers; the reverse is true for certain transactions like ATM), interchange reimbursement fees are a factor on which we compete with other payments providers and are therefore an important determinant of the volume of transactions we process. Consequently, changes to these fees, whether voluntarily or by mandate, can substantially affect our overall payments volumes and revenues.

Interchange reimbursement fees, certain operating rules and related practices continue to be subject to increased government regulation globally, and regulatory authorities and central banks in a number of jurisdictions have reviewed or are reviewing these fees, rules, and practices. For example, regulations adopted by the U.S. Federal Reserve cap the maximum U.S. debit interchange reimbursement rate received by large financial institutions at 21 cents plus 5 basis points per transaction, plus a possible fraud adjustment of 1 cent. The Dodd-Frank Act also limits issuers' and our ability to adopt network exclusivity and preferred routing in the debit and prepaid area, which also impacts our business. Earlier this year, the Federal Reserve issued a notice of proposed rulemaking that would, among other things, require issuers to ensure that at least two networks are available for routing card not present debit transactions. Various stakeholder groups are also advocating that the Federal Reserve further lower interchange fees on debit transactions and restrict the ability of payments networks to enter into certain incentive and growth agreements with issuers. In addition, there continues to be interest in further regulation of interchange fees and routing practices by members of Congress and state legislators in the U.S. The EU's IFR places an effective cap on consumer credit and consumer debit interchange fees for both domestic and cross-border transactions within the EEA (30 basis points and 20 basis points, respectively). EU member states have the ability to further reduce these interchange levels within their territories. The European Commission concluded its impact assessment of the IFR, indicating that while it does not intend to expand the legislation at this time, it will continue to monitor market dynamics. Countries in other parts of the world, including the Latin America region, have either adopted or are exploring interchange caps. For example, in March 2017, Argentina's central bank passed regulations that cap interchange fees on credit and debit transactions. In March 2018, Brazil adopted interchange caps on debit transactions and in March 2020, the Congress in Costa Rica passed legislation allowing the Central Bank to regulate interchange and other fees. This trend to regulate pricing continued in Latin America in 2021, when the President in Chile signed legislation to create a committee to set interchange caps. Finally, in Australia, the Reserve Bank completed its review of the country's payment system regulations and made a series of preliminary recommendations including, to further lower interchange rates for debit transactions, and set expectations for issuers and acquirers in the country to support greater issuance and acceptance of dual-badged debit cards and allow merchant choice routing on certain transactions.

When we cannot set default interchange reimbursement rates at optimal levels, issuers and acquirers may find our payments system less attractive. This may increase the attractiveness of other payments systems, such as our competitors' closed-loop payments systems with direct connections to both merchants and consumers. We believe some issuers may react to such regulations by charging new or higher fees, or reducing certain benefits to consumers, which make our products less appealing to consumers. Some acquirers may elect to charge higher MDR regardless of the Visa interchange reimbursement rate, causing merchants not to accept our products or to steer customers to alternative payments systems or forms of payment. In addition, in an effort to reduce the expense of their payment programs, some issuers and acquirers have obtained, and may continue to obtain, incentives from us, including reductions in the fees that we charge, which may directly impact our revenues.

In addition to the regulation of interchange reimbursement fees, a number of regulators impose restrictions on other aspects of our payments business. For example, many governments including, but not limited to governments in India and Turkey are using regulation to further drive down MDR, which could negatively affect the economics of our transactions. Some countries in Latin America, like Peru and Chile are relying on antitrust-driven regulatory actions that can have implications for how the payments ecosystem and four party model operate. The PSR's review of the acquiring market in the United Kingdom could lead to additional regulatory pressure on our business. With increased merchant lobbying, we could also begin to see regulatory interest in network fees. Government regulations or pressure may also require us to allow other payments networks to support Visa products or services, or to have the other network's functionality or brand marks on our products. As innovations in payment technology have enabled us to expand into new products and services, they have also expanded the potential scope of regulatory influence. For instance, new products and capabilities, including tokenization, push payments, and non-card based payment flows (e.g., Visa B2B Connect) could bring increased licensing or authorization requirements in the countries where the product or capability is offered. In addition, the EU's requirement to separate scheme and processing adds costs and impacts the execution of our commercial, innovation and product strategies.

We are also subject to central bank oversight in a growing number of countries, including, Brazil, India, Russia, the United Kingdom and within the EU. Furthermore, some countries with existing oversight frameworks are looking to further enhance their regulatory powers. This oversight could result in new governance, reporting, licensing, cybersecurity, processing infrastructure, capital, or credit risk management requirements. We could also be required to adopt policies and practices designed to mitigate settlement and liquidity risks, including increased requirements to maintain sufficient levels of capital and financial resources locally, as well as localized risk management or governance. Increased oversight could also include new criteria for member participation and merchant access to our payments system. Additionally, regulators in other jurisdictions are considering or adopting approaches based on similar regulatory principles.

Regulators around the world increasingly take note of each other's approaches to regulating the payments industry. Consequently, a development in one jurisdiction may influence regulatory approaches in another. The risks created by a new law, regulation or regulatory outcome in one jurisdiction have the potential to be replicated and to negatively affect our business in another jurisdiction or in other product offerings. For example, our settlement with the European Commission on cross-border interchange rates has drawn some preliminary attention of regulators in other parts of the world. Similarly, new regulations involving one product offering may prompt regulators to extend the regulations to other product offerings. For example, credit payments could become subject to similar regulation as debit payments (or vice versa). For instance, the Reserve Bank of Australia initially capped credit interchange, but subsequently capped debit interchange as well.

Government-imposed obligations and/or restrictions on international payment systems may prevent us from competing against providers in certain countries, including significant markets such as China, India and Russia.

Governments in a number of jurisdictions shield domestic payment card networks, brands, and processors from international competition by imposing market access barriers and preferential domestic regulations. To varying degrees, these policies and regulations affect the terms of competition in the marketplace and undermine the competitiveness of international payments networks. Public authorities may impose regulatory requirements that favor domestic providers or mandate that domestic payments or data processing be performed entirely within that country, which could prevent us from managing the end-to-end processing of certain transactions.

In Russia, legislation effectively prevents us from processing domestic transactions. The central bank controlled national payment card system (NSPK) is the only entity allowed to process domestically. In China, UnionPay remains the sole processor of domestic payment card transactions and operates the sole domestic acceptance mark. Although we have filed an application with the People's Bank of China (PBOC) to operate a Bank Card Clearing Institution (BCCI) in China, the timing and the procedural steps for approval remain uncertain. The approval process might require several years, and there is no guarantee that the license to operate a BCCI will be approved or, if we obtain such license, that we will be able to successfully compete with domestic payments networks.

Regulatory initiatives in India also suggest growing nationalistic priorities, including a data localization mandate passed by the government, which has cost implications for us and could affect our ability to effectively compete with domestic payment providers. Furthermore, any inability to meet the requirements of the data localization mandate could impact our ability to do business in India. In Europe, with the support of the European Central Bank, a group of European banks have announced their intent to launch a pan-European payment system, the European Payments Initiative or EPI, with the purported intent to reduce the risks of disintermediation by international technology companies and continued reliance on international payments networks for intra-Europe card transactions. Furthermore, regional groups of countries, such as the Gulf Cooperation Council (GCC) and a number of countries in Southeast Asia, are considering, or may consider, efforts to restrict our participation in the processing of regional transactions. The African Development Bank has also indicated an interest in supporting national payment systems in its efforts to expand financial inclusion and strengthen regional financial stability. Finally, some countries such as South Africa are mandating on-shore processing of domestic transactions. Geopolitical events, including sanctions, trade tensions or other types of activities could potentially intensify any or all of these activities, which could adversely affect our business.

Due to our inability to manage the end-to-end processing of transactions for cards in certain countries (e.g., Russia and Thailand), we depend on our close working relationships with our clients or third-party processors to ensure transactions involving our products are processed effectively. Our ability to do so may be adversely affected by regulatory requirements and policies pertaining to transaction routing or on-shore processing.

Co-badging and co-residency regulations may pose additional challenges in markets where Visa competes with national networks for issuance and routing. For example, in China, certain banks have issued dual-branded cards for which domestic transactions in China are processed by UnionPay and transactions outside of China are processed by us or other international payments networks. The PBOC is contemplating that dual-branded cards could be phased out over time as new licenses are issued to international companies to participate in China's domestic payments market. Accordingly, we have been working with Chinese issuers to issue Visa-only branded cards for international travel, and later for domestic transactions after we obtain a BCCI license. However, notwithstanding such efforts, the phase out of dual-branded cards may decrease our payment volumes and impact the revenue we generate in China. Furthermore, as discussed above, Australia is contemplating additional requirements to mandate dual-badged or co-badged cards that support the local domestic debit network, Eftpos.

Mir and UnionPay have grown rapidly in Russia and China, respectively, and are actively pursuing international expansion plans, which could potentially lead to regulatory pressures on our international routing rule (which requires that international transactions on Visa cards be routed over VisaNet). Furthermore, although regulatory barriers shield Mir and UnionPay from competition in Russia and China, respectively, alternative payment providers such as Alipay and WeChat Pay have rapidly expanded into ecommerce, offline, and cross-border payments, which could make it difficult for us to compete even if our license is approved in China. NetsUnion Clearing Corp, a

Chinese digital transaction routing system, and other such systems could have a competitive advantage in comparison with international payments networks.

Finally, central banks in a number of countries, including those in Argentina, Australia, Brazil, Canada and Russia, are in the process of developing or expanding national real-time payments networks with the goal of driving a greater number of domestic transactions onto these systems. Similarly, an increasing number of jurisdictions are exploring the concept of building central bank digital currencies for retail payments. If successfully deployed, these national payment platforms and digital currencies could have significant implications for Visa's domestic and cross-border payments, including potential disintermediation.

In general, national laws that protect or otherwise support domestic providers or processing may increase our costs; decrease our payments volumes and impact the revenue we generate in those countries; decrease the number of Visa products issued or processed; impede us from utilizing our global processing capabilities and controlling the quality of the services supporting our brands; restrict our activities; limit our growth and the ability to introduce new products, services and innovations; force us to leave countries or prevent us from entering new markets; and create new competitors, all of which could harm our business.

Laws and regulations regarding the handling of personal data and information may impede our services or result in increased costs, legal claims, or fines against us.

Our business relies on the processing of data in many jurisdictions and the movement of data across national borders. Legal requirements relating to the collection, storage, handling, use, disclosure, transfer, and security of personal data continue to evolve, and regulatory scrutiny in this area is increasing around the world. For example, in July 2020 the Court of Justice of the European Union (CJEU) ruled to invalidate the U.S./EU Privacy Shield — a legal framework that allowed participating companies to transfer personal data from EU member states to the U.S. Visa has never used the Privacy Shield framework for its transfers, and relies instead on standard contractual clauses. However, the CJEU ruling made clear that these transfer mechanisms will be subject to additional scrutiny as well. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. For example, the EU's and UK's General Data Protection Regulation (GDPR) extends the scope of the EU and UK data protection law to all companies processing data of EU and UK residents, regardless of the company's location. The law requires companies to comply with a broad range of requirements regarding the handling of personal information. Although we have a global data privacy program that addresses the requirements applicable to our international business, our ongoing efforts to comply with GDPR and rapidly emerging privacy and data protection laws in countries such as India or states in the U.S. such as Colorado and Virginia may increase the complexity of our compliance operations, entail substantial expenses, divert resources from other initiatives and projects, and could limit the services we are able to offer.

Furthermore, inconsistent local and regional regulations restricting location, movement, collection, use and management of data may limit our ability to innovate or compete in certain jurisdictions. For example, China adopted its first comprehensive privacy law, the Personal Information Protection Law (PIPL), which took effect in November 2021. Although certain details of PIPL may require further regulatory clarification or guidance, Visa could be impacted more significantly if our license is approved and we begin conducting domestic bank card clearing activity in China. Lastly, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase. The enactment of more restrictive laws, rules, regulations, or future enforcement actions or investigations could impact us through increased costs or restrictions on our business, and noncompliance could result in regulatory penalties and significant legal liability.

We may be subject to tax examinations or disputes, or changes in tax laws.

We exercise significant judgment and make estimates in calculating our worldwide provision for income taxes and other tax liabilities. Although we believe our tax estimates are reasonable, many factors may limit their accuracy. We are currently under examination by, or in disputes with, the U.S. Internal

Revenue Service, the UK's HM Revenue and Customs as well as tax authorities in other jurisdictions, and we may be subject to additional examinations or disputes in the future. Relevant tax authorities may disagree with our tax treatment of certain material items and thereby increase our tax liability. Failure to sustain our position in these matters could harm our cash flow and financial position. In addition, changes in existing laws in the U.S. or foreign jurisdictions, including unilateral actions of foreign jurisdictions to introduce digital services taxes, or changes resulting from the Organisation for Economic Cooperation and Development's Programme of Work, related to the revision of profit allocation and nexus rules and design of a system to ensure multinational enterprises pay a minimum level of tax to the countries where we earn revenue, may also materially affect our effective tax rate. A substantial increase in our tax payments could have a material, adverse effect on our financial results. See also *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Litigation Risks

We may be adversely affected by the outcome of litigation or investigations, despite certain protections that are in place.

We are involved in numerous litigation matters, investigations, and proceedings asserted by civil litigants, governments, and enforcement bodies investigating or alleging, among other things, violations of competition and antitrust law, consumer protection law, privacy law and intellectual property law (these are referred to as “actions” in this section). Details of the most significant actions we face are described more fully in *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. These actions are inherently uncertain, expensive and disruptive to our operations. In the event we are found liable in any material action, particularly in a large class action lawsuit, such as one involving an antitrust claim entitling the plaintiff to treble damages in the U.S., or we incur liability arising from a government investigation, we may be required to pay significant awards, settlements or fines. In addition, settlement terms, judgments, orders or pressures resulting from actions may harm our business by influencing or requiring us to modify, among other things, the default interchange reimbursement rates we set, the Visa operating rules or the way in which we enforce those rules, our fees or pricing, or the way we do business. These actions or their outcomes may also influence regulators, investigators, governments or civil litigants in the same or other jurisdictions, which may lead to additional actions against Visa. Finally, we are required by some of our commercial agreements to indemnify other entities for litigation brought against them, even if Visa is not a defendant.

For certain actions like those that are U.S. covered litigation or VE territory covered litigation, as described in *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report, we have certain financial protections pursuant to the respective retrospective responsibility plans. The two retrospective responsibility plans are different in the protections they provide and the mechanisms by which we are protected. The failure of one or both of the retrospective responsibility plans to adequately insulate us from the impact of such settlements, judgments, losses, or liabilities could materially harm our financial condition or cash flows, or even cause us to become insolvent.

Business Risks

We face intense competition in our industry.

The global payments space is intensely competitive. As technology evolves, new competitors or methods of payment emerge, and existing clients and competitors assume different roles. Our products compete with cash, checks, electronic funds, virtual currency payments, global or multi-regional networks, other domestic and closed-loop payments systems, and alternative payment providers primarily focused on enabling payments through ecommerce and mobile channels. As the global payments space becomes more complex, we face increasing competition from our clients, other emerging payment providers such as fintechs, other digital payments, technology companies that have developed payments systems enabled through online activity in ecommerce, social media, and mobile channels, as well as governments in a number of jurisdictions (e.g. Brazil, India and Russia), that are developing, supporting and/or operating national schemes, real time payments networks and other payment platforms.

Our competitors may acquire or develop substantially better technology, have more widely adopted delivery channels or have greater financial resources. They may offer more effective, innovative or a wider range of programs, products and services. They may use more effective advertising and marketing strategies that result in broader brand recognition, and greater use, including with respect to issuance and merchant acceptance. They may also develop better security solutions or more favorable pricing arrangements. Moreover, even if we successfully adapt to technological change and the proliferation of alternative types of payment services by developing and offering our own services in these areas, such services may provide less favorable financial terms for us than we currently receive from VisaNet transactions, which could hurt our financial results and prospects.

Certain of our competitors operate with different business models, have different cost structures or participate in different market segments. Those business models may ultimately prove more successful or more adaptable to regulatory, technological and other developments. In some cases, these competitors have the support of government mandates that prohibit, limit or otherwise hinder our ability to compete for transactions within certain countries and regions. Some of our competitors, including American Express, Discover, private-label card networks, virtual currency providers, technology companies that enable the exchange of digital assets, and certain alternative payments systems like Alipay and WeChat Pay, operate closed-loop payments systems, with direct connections to both merchants and consumers. Government actions or initiatives such as the Dodd-Frank Act, the IFR in Europe, or real time payment initiatives by governments such as the U.S. Federal Reserve's FedNow or the Central Bank of Brazil's Pix system may provide competitors with increased opportunities to derive competitive advantages from these business models, and may create new competitors, including in some cases the government itself. Similarly, regulation in Europe under PSD2 and the IFR may require us to open up access to, and allow participation in, our network to additional participants, and reduce the infrastructure investment and regulatory burden on competitors. We also run the risk of disintermediation due to factors such as emerging technologies and platforms, including mobile payments, alternative payment credentials, other ledger technologies or payment forms, and by virtue of increasing bilateral agreements between entities that prefer not to use our payments network for processing transactions. For example, merchants could process transactions directly with issuers, or processors could process transactions directly with issuers and acquirers.

We expect the competitive landscape to continue to shift and evolve. For example:

- we, along with our competitors, clients, network participants, and others are developing or participating in alternative payments systems or products, such as mobile payment services, ecommerce payment services, P2P payment services, real-time and faster payment initiatives, and payment services that permit ACH or direct debits from or to consumer checking accounts, that could either reduce our role or otherwise disintermediate us from the transaction processing or the value added services we provide to support such processing. Examples include initiatives from The Clearing House, an association consisting of large financial institutions that has developed its own faster payments system; Early Warning Services, which operates Zelle, a bank-offered alternative network that provides another platform for faster funds or real-time payments across a variety of payment types, including P2P, corporate and government disbursement, bill pay and deposit check transactions; and cryptocurrency or stablecoin-based payments initiatives.

- similarly, many countries are developing or promoting domestic networks, switches and real-time payment systems (e.g. India, Russia, as well as Europe). To the extent these governments mandate local banks and merchants to use and accept these systems for domestic or other transactions, prohibit international payments networks, like Visa, from participating on those systems, and/or impose restrictions or prohibitions, on international payments networks from offering payment services on such transactions, we could face the risk of our business being disintermediated in those countries. For example, in Argentina, the government has mandated local acquirers to use debit card credentials to initiate payment transactions on a government-sponsored national real-time payment system. Furthermore, in some regions (e.g., Southeast Asia; the Middle East), through intergovernmental organizations such as the Association of Southeast Asian Nations and the GCC, some countries are looking into cross-border connectivity of such domestic systems;

- parties that process our transactions may try to minimize or eliminate our position in the payments value chain;

- parties that access our payment credentials, tokens and technologies, including clients, technology solution providers or others might be able to migrate or steer account holders and other clients to alternative payment methods or use our payment credentials, tokens and technologies to establish or help bolster alternate payment methods and platforms;

- participants in the payments industry may merge, form joint ventures or enable or enter into other business combinations that strengthen their existing business propositions or create new, competing payment services; and

- new or revised industry standards related to online checkout and web payments, cloud-based payments, tokenization or other payments-related technologies set by individual countries, regions or organizations such as the International Organization for Standardization, American National Standards Institute, World Wide Web Consortium, European Card Standards Group, PCI Co, Nexo and EMVCo may result in additional costs and expenses for Visa and its clients, or otherwise negatively impact the functionality and competitiveness of our products and services.

As the competitive landscape is quickly evolving, we may not be able to foresee or respond sufficiently to emerging risks associated with new businesses, products, services and practices. We may be asked to adjust our local rules and practices, develop or customize certain aspects of our payment services, or agree to business arrangements that may be less protective of Visa's proprietary technology and interests in order to compete and we may face increasing operational costs and risk of litigation concerning intellectual property. Our failure to compete effectively in light of any such developments could harm our business and prospects for future growth.

Our revenues and profits are dependent on our client and merchant base, which may be costly to win, retain, and develop.

Our financial institution clients and merchants can reassess their commitments to us at any time or develop their own competitive services. While we have certain contractual protections, our clients, including some of our largest clients, generally have flexibility to issue non-Visa products. Further, in certain circumstances, our financial institution clients may decide to terminate our contractual relationship on relatively short notice without paying significant early termination fees. Because a significant portion of our net revenues is concentrated among our largest clients, the loss of business from any one of these larger clients could harm our business, results of operations, and financial condition. For more information, please see *Note 14—Enterprise-wide Disclosures and Concentration of Business* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

In addition, we face intense competitive pressure on the prices we charge our financial institution clients. In order to stay competitive, we may need to adjust our pricing or offer incentives to our clients to increase payments volume, enter new market segments, adapt to regulatory changes, and expand their use and acceptance of Visa products and services. These include up-front cash payments, fee discounts, rebates, credits, performance-based incentives, marketing, and other support payments that impact our revenues and profitability. In addition, we offer incentives to certain merchants or acquirers to win routing preference in relation to other network options or forms of payment. Market pressures on pricing, incentives, fee discounts, and rebates could moderate our growth. If we are not able to implement cost containment and productivity initiatives in other areas of our business or increase our volumes in other ways to offset or absorb the financial impact of these incentives, fee discounts, and rebates, it may harm our net revenues and profits.

In addition, it may be difficult or costly for us to acquire or conduct business with financial institutions or merchants that have longstanding exclusive, or nearly exclusive, relationships with our competitors. These financial institutions or merchants may be more successful and may grow more quickly than our existing clients or merchants. In addition, if there is a consolidation or acquisition of one or more of our largest clients or co-brand partners by a financial institution client or merchant with a strong relationship with one of our competitors, it could result in our business shifting to a competitor, which could put us at a competitive disadvantage and harm our business.

Merchants' and processors' continued push to lower acceptance costs and challenge industry practices could harm our business.

We rely in part on merchants and their relationships with our clients to maintain and expand the use and acceptance of Visa products. Certain merchants and merchant-affiliated groups have been exerting their influence in the global payments system in certain jurisdictions, such as the U.S., Canada and Europe, to attempt to lower their acceptance costs by lobbying for new legislation, seeking regulatory intervention, filing lawsuits and in some cases, refusing to accept Visa products. If they are successful in their efforts, we may face increased compliance and litigation expenses, issuers may decrease their issuance of our products, and consumer usage of our products could be adversely impacted. For example, in the U.S., certain stakeholders have raised concerns regarding how payment security standards and rules may impact debit routing choice and the cost of payment card acceptance. In addition to ongoing litigation related to the U.S. migration to EMV-capable cards and point-of-sale terminals, U.S. merchant-affiliated groups and processors have expressed concerns regarding the EMV certification process and some policymakers have expressed concerns about the roles of industry bodies such as EMVCo and the Payment Card Industry Security Standards Council in the development of payment card standards. Additionally, some merchants and processors have advocated for changes to industry practices and Visa acceptance requirements at the point of sale, including the ability for merchants to accept only certain types of Visa products, to mandate only PIN authenticated transactions, to differentiate or steer among Visa product types issued by different financial institutions, and to impose surcharges on customers presenting Visa products as their form of payment. If successful, these efforts could adversely impact consumers' usage of our products, lead to regulatory enforcement and/or litigation, increase our compliance and litigation expenses, and harm our business.

We depend on relationships with financial institutions, acquirers, processors, merchants, payment facilitators, ecommerce platforms, fintechs and other third parties.

As noted above, our relationships with industry participants are complex and require us to balance the interests of multiple third parties. For instance, we depend significantly on relationships with our financial institution clients and on their relationships with account holders and merchants to support our programs and services, and thereby compete effectively in the marketplace. We engage in discussions with merchants, acquirers, ecommerce platforms and processors to provide incentives to promote routing preference and acceptance growth. We also engage in many payment card co-branding efforts with merchants, who receive incentives from us. As emerging participants such as fintechs enter the payments industry, we engage in discussions to address the role they may play in the ecosystem, whether as, for example, an issuer, merchant, ecommerce platform or digital wallet provider. As these and other relationships become more prevalent and take on a greater importance to our business, our success will increasingly depend on our ability to sustain and grow these relationships. In addition, we depend on our clients and third parties, including network partners, vendors and suppliers, to submit, facilitate and process transactions properly, provide various services associated with our payments network on our behalf, and otherwise adhere to our operating rules and applicable laws. To the extent that such parties fail to perform or deliver adequate services, it may result in negative experiences for account holders or others when using their Visa-branded payment products, which could harm our business and reputation.

Our business could be harmed if we are not able to maintain and enhance our brand, if events occur that have the potential to damage our brand or reputation, or if we experience brand disintermediation.

Our brand is globally recognized and is a key asset of our business. We believe that our clients and account holders associate our brand with acceptance, security, convenience, speed, and reliability. Our success depends in large part on our ability to maintain the value of our brand and reputation of our products and services in the payments ecosystem, elevate the brand through new and existing products, services and partnerships, and uphold our corporate reputation. The popularity of products that we have developed in partnership with technology companies and financial institutions may have the potential to cause consumer confusion or brand disintermediation at the point-of-sale and decrease the value of our brand. Our brand reputation may be negatively impacted by a number of factors, including authorization, clearing and settlement service disruptions; data security breaches; compliance failures by Visa, including our employees, agents, clients, partners or suppliers; failure to meet our environmental, social and governance goals; negative perception of our industry, the industries of our clients, Visa-accepting merchants, or our clients’ customers, including third party payments providers; ill-perceived actions or affiliations by clients, partners or other third parties, such as sponsorship or co-brand partners; and fraudulent, controversial or illegal activities using our payment products. If we are unable to maintain our reputation, the value of our brand may be impaired, which could harm our relationships with clients, account holders, governments and the public, as well as impact our business.

Global economic, political, market, health and social events or conditions, including the ongoing effects of the coronavirus pandemic, may harm our business.

More than half of our net revenues are earned outside the U.S. International cross-border transaction revenues represent a significant part of our revenue and are an important part of our growth strategy. Our revenues are dependent on the volume and number of payment transactions made by consumers, governments, and businesses whose spending patterns may be affected by prevailing economic, political, market, health and social events or conditions. Adverse macroeconomic conditions, including recessions, inflation, high unemployment, currency fluctuations, actual or anticipated large-scale defaults or failures, or a slowdown of global trade could decrease consumer and corporate confidence and reduce consumer, small business, government, and corporate spending which have a direct impact on our revenues. In addition, outbreaks of illnesses, pandemics like COVID-19, or other local or global health issues, political uncertainties, international hostilities, armed conflict, or unrest, climate-related events, including the increasing frequency of extreme weather events, and natural disasters could have similar impacts on our operations, clients, third-party suppliers, activities in a particular location or globally, and cross-border travel and spend. Geopolitical trends towards nationalism, protectionism, and restrictive visa requirements, as well as continued activity and uncertainty around economic sanctions, tariffs or trade restrictions could limit the expansion of our business in those regions. In addition, as governments, investors and other stakeholders face additional pressures to accelerate actions to address climate change and other environmental, governance and social topics, governments may implement regulations or investors and other stakeholders may impose new expectations or focus investments in ways that cause significant shifts in disclosure, commerce and consumption behaviors that may have negative impacts on our business. As a result of any of these factors, any decline in cross-border travel and spend could impact the number of cross-border transactions we process and our currency exchange activities, which in turn would reduce our international transaction revenues.

A decline in economic, political, market, health and social conditions could impact our clients as well, and their decisions could reduce the number of cards, accounts, and credit lines of their account holders, which ultimately impact our revenues. They may also implement cost-reduction initiatives that reduce or eliminate marketing budgets, and decrease spending on optional or enhanced value added services from us. Any events or conditions that impair the functioning of the financial markets, tighten the credit market, or lead to a downgrade of our current credit rating could increase our future borrowing costs and impair our ability to access the capital and credit markets on favorable terms, which could affect our liquidity and capital resources, or significantly increase our cost of capital. If clients default on their settlement obligations, it may also impact our liquidity. Any of these events could adversely affect our volumes and revenue.

The ongoing effects of the coronavirus pandemic remain difficult to predict due to numerous uncertainties, including the transmissibility, severity, duration and resurgence of the outbreak; new variants of the virus; the uptake and effectiveness of health and safety measures or actions that are voluntarily adopted by the public or required by governments or public health authorities, including vaccines and treatments; the speed and strength of an economic recovery, including the reopening of borders and the resumption of international travel; and the impact to our employees and our operations, the business of our clients, suppliers and business partners; and other factors such as:

- third party disruptions, including potential outages at network providers, call centers and other suppliers;

- increased consumer dispute volumes due to travel or event cancellations and the speed or accuracy in processing refunds;

- increased cyber and payment fraud risk, as cybercriminals attempt DDoS related attacks, phishing scams and other disruptive actions, given the shift to online banking, ecommerce and other online activity, as well as more employees working remotely as a result of the ongoing pandemic;

- challenges to the availability and reliability of our network due to changes to normal operations, including the possibility of one or more clusters of COVID-19 cases occurring at our data centers, affecting our employees, or affecting the systems or employees of our issuers, acquirers or merchants;

- additional regulatory requirements, including, for example, government initiatives or requests to reduce or eliminate payments fees or other costs. A number of countries have taken steps to temporarily cap interchange or other fees on electronic payments as part of their COVID-19 economic relief measures. It is possible that some or all of these caps may become permanent over time, or that we see governments introduce additional and/or new pricing caps in future economic relief initiatives. In addition, proponents of interchange and/or MDR regulation may try to position government intervention as necessary to support recovery efforts. In an overall soft global economy, such pricing measures could result in additional financial pressures on our business; and

- workforce impacts, such as difficulty recruiting, retaining, training, motivating and developing employees due to evolving health and safety protocols; changing worker expectations and talent marketplace variability regarding flexible work models; restrictions on immigration, travel and employee mobility; and the challenges of maintaining our strong corporate culture, which values communication, collaboration and connections, despite a majority of employees working from home.

Our indemnification obligation to fund settlement losses of our clients exposes us to significant risk of loss and may reduce our liquidity.

We indemnify issuers and acquirers for settlement losses they may suffer due to the failure of another issuer or acquirer to honor its settlement obligations in accordance with the Visa operating rules. In certain instances, we may indemnify issuers or acquirers in situations in which a transaction is not processed by our system. This indemnification creates settlement risk for us due to the timing difference between the date of a payment transaction and the date of subsequent settlement. Our indemnification exposure is generally limited to the amount of unsettled Visa card payment transactions at any point in time and any subsequent amounts that may fall due relating to adjustments for previously processed transactions. Concurrent settlement failures or insolvencies involving more than one of our largest clients, several of our smaller clients, or systemic operational failures could negatively impact our financial position. Even if we have sufficient liquidity to cover a settlement failure or insolvency, we may be unable to recover the amount of such payment. This could expose us to significant losses and harm our business. See *Note 12—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Technology and Cybersecurity Risks

Failure to anticipate, adapt to, or keep pace with, new technologies in the payments industry could harm our business and impact future growth.

The global payments industry is undergoing significant and rapid technological change, including mobile and other proximity and in-app payment technologies, ecommerce, tokenization, cryptocurrencies, distributed ledger and blockchain technologies, and new authentication technologies such as biometrics, 3D Secure 2.0 and dynamic cardholder verification values or dCVV2. As a result, we expect new services and technologies to continue to emerge and evolve, including those developed by Visa such as our cross-border B2B payment service, Visa B2B Connect. In addition to our own initiatives and innovations, we work closely with third parties, including potential competitors, for the development of, and access to, new technologies. It is difficult, however, to predict which technological developments or innovations will become widely adopted and how those technologies may be regulated. Moreover, some of the new technologies could be subject to intellectual property-related lawsuits or claims, potentially impacting our development efforts and/or requiring us to obtain licenses. If we or our partners fail to adapt and keep pace with new technologies in the payments space in a timely manner, it could harm our ability to compete, decrease the value of our products and services to our clients, impact our intellectual property or licensing rights, harm our business and impact our future growth.

A disruption, failure or breach of our networks or systems, including as a result of cyber-attacks, could harm our business.

Our cybersecurity and processing systems, as well as those of financial institutions, merchants, and third-party service providers, have experienced in limited instances and may continue to experience errors, interruptions, delays or damage from a number of causes, including power outages, hardware, software and network failures, computer viruses, malware or other destructive software, internal design, manual or user errors, cyber-attacks, terrorism, workplace violence or wrongdoing, catastrophic events, natural disasters, severe weather conditions and other effects from climate change. In addition, there is risk that third party suppliers of hardware and infrastructure required to operate our data centers and support employee productivity could be impacted by supply chain disruptions, such as manufacturing and shipping delays. An extended supply chain disruption could also impact processing or delivery of technology services.

Furthermore, our visibility and role in the global payments industry may also put our company at a greater risk of being targeted by hackers. In the normal course of our business, we have been the target of malicious cyber-attack attempts. We have been, and may continue to be, impacted by attacks and data security breaches of financial institutions, merchants, or third-party processors. We are also aware of instances where nation states have sponsored attacks against some of our financial institution clients, and other instances where merchants and issuers have encountered substantial data security breaches affecting their customers, some of whom were Visa account holders. Such attacks and breaches have resulted, and may continue to result in, fraudulent activity and ultimately, financial losses to Visa's clients, and it is difficult to predict the direct or indirect impact of future attacks or breaches to our business.

Numerous and evolving cybersecurity threats, including advanced and persistent cyber-attacks, phishing and social engineering schemes, particularly on our internet-facing applications, could compromise the confidentiality, availability, and integrity of data in our systems or the systems of our third-party service providers. Because the techniques used to obtain unauthorized access, or to disable or degrade systems change frequently, have become increasingly more complex and sophisticated, and may be difficult to detect for periods of time, we may not anticipate these acts or respond adequately or timely. The security measures and procedures we, our financial institution and merchant clients, other merchants and third-party service providers in the payments ecosystem have in place to protect sensitive consumer data and other information may not be successful or sufficient to counter all data security breaches, cyber-attacks, or system failures. In some cases, the mitigation efforts may be dependent on third parties who may not deliver to the required contractual standards, who may not be able to timely patch vulnerabilities or fix security defects, or whose hardware, software or network services may be subject to error, defect, delay, outage or lack appropriate malware prevention to prevent breaches or data exfiltration incidents. Although we devote significant resources to our cybersecurity, acquired entities, and supplier risk management programs and have implemented security measures to protect our systems and data, and to prevent, detect and respond to data security incidents, there can be no assurance that our efforts will prevent these threats.

These events could significantly disrupt our operations; impact our clients and consumers; damage our reputation and brand; result in litigation or claims, violations of applicable privacy and other laws, and increased regulatory review or scrutiny, investigations, actions, fines or penalties; result in damages or changes to our business practices; decrease the overall use and acceptance of our products; decrease our volume, revenues and future growth prospects; and be costly, time consuming and difficult to remedy. In the event of damage or disruption to our business due to these occurrences, we may not be able to successfully and quickly recover all of our critical business functions, assets, and data through our business continuity program. Furthermore, while we maintain insurance, our coverage may not sufficiently cover all types of losses or claims that may arise.

Structural and Organizational Risks

We may not achieve the anticipated benefits of our acquisitions or strategic investments, and may face risks and uncertainties as a result.

As part of our overall business strategy, we make acquisitions and strategic investments. We may not achieve the anticipated benefits of our current and future acquisitions and strategic investments and they may involve significant risks and uncertainties, including:

- disruption to our ongoing business, including diversion of resources and management's attention from our existing business;
- greater than expected investment of resources or operating expenses;
- failure to adequately develop our acquired entities;
- the data security, cybersecurity and operational resilience posture of our acquired entities, or companies we invest in or partner with, may not be adequate and may be more susceptible to cyber incidents;
- difficulty, expense or failure of implementing controls, procedures and policies at the acquired entities;
- challenges of integrating new employees, business cultures, business systems and technologies;
- failure to retain employees, clients or partners of our acquired entities;
- in the case of foreign acquisitions, risks related to the integration of operations across different cultures and languages;
- disruptions, costs, liabilities, judgments, settlements or business pressures resulting from litigation matters, investigations or legal proceedings involving the acquisitions or strategic investments;
- the inability to pursue aspects of the acquired entities due to outcomes in litigation matters, investigations or legal proceedings;
- failure to obtain the necessary government or other approvals at all, on a timely basis or without the imposition of burdensome conditions or restrictions;
- the economic, political, regulatory and compliance risks associated with entering into a new business or operating in new regions or countries. For more information on regulatory risks, please see *Item 1—Business—Government Regulations* and *Item 1A—Risk Factors—Regulatory Risks* above;
- discovery of unidentified issues and related liabilities after the acquisition or investment was made;

- failure to mitigate the deficiencies and liabilities of the acquired entities;
- dilutive issuance of equity securities, if new securities are issued;
- the incurrence of debt;
- negative impact on our financial position and/or statement of operations; and
- anticipated benefits, synergies or value of the investment or acquisition not materializing.

We may be unable to attract, hire, and retain a highly qualified and diverse workforce, including key management.

The talents and efforts of our employees, particularly our key management, are vital to our success. The market for highly skilled workers and leaders in our industry, especially in fintech, technology and other specialized areas, is extremely competitive. Our management team has significant industry experience and would be difficult to replace. We may be unable to retain them or to attract other highly qualified employees, particularly if we do not offer employment terms that are competitive with the rest of the labor market. Ongoing changes in laws and policies regarding immigration and work authorizations have made it more difficult for employees to work in, or transfer among, jurisdictions in which we have operations and could continue to impair our ability to attract and retain qualified employees. Failure to attract, hire, develop, motivate, and retain highly qualified and diverse employee talent; to meet our goals related to fostering an inclusive and diverse culture, including increasing the number of underrepresented employees in the U.S.; to develop and implement an adequate succession plan for the management team; to maintain a corporate culture that fosters innovation, collaboration and inclusion; or to design and successfully implement flexible work models that meet the expectations of employees and prospective employees could disrupt our operations and adversely affect our business and our future success. These challenges may be further amplified by the ongoing coronavirus pandemic.

The conversions of our class B and class C common stock or series A, B and C preferred stock into shares of class A common stock would result in voting dilution to, and could impact the market price of, our existing class A common stock.

The market price of our class A common stock could fall as a result of many factors. The value of our class B and C common stock and series A, B and C preferred stock is tied to the value of the class A common stock. Under our U.S. retrospective responsibility plan, upon final resolution of our U.S. covered litigation, all class B common stock will become convertible into class A common stock. In September 2020, we released $7.3 billion of the as-converted value from our series B and series C preferred stock and issued series A preferred stock in connection with that release. Visa will continue to release value from the series B and series C preferred stock in stages based on developments in current and potential litigation under our Europe retrospective responsibility plan. The series B and series C preferred stock will become fully convertible to series A preferred stock or class A common stock no later than 2028 (subject to a holdback to cover any pending claims). Visa may take action on the class B common stock and series B and C preferred stock at a certain valuation and due to unforeseen circumstances the overall value of the class B and C common stock and series A, B and C preferred stock as determined by the class A common stock price, may later decrease. Conversion of our class B and class C common stock into class A common stock, or our series A, B and C preferred stock into class A common stock, would increase the amount of class A common stock outstanding, which could adversely affect the market price of our existing class A common stock and would dilute the voting power of existing class A common stockholders.

Holders of our class B and C common stock and series A, B and C preferred stock may have different interests than our class A common stockholders concerning certain significant transactions.

Although their voting rights are limited, holders of our class B and C common stock and, in certain specified circumstances, holders of our series A, B and C preferred stock, can vote on certain significant transactions. With respect to our class B and C common stock, these transactions include a proposed consolidation or merger, a decision to exit our core payments business and any other vote required under Delaware law. With respect to our series A, B and C preferred stock, voting rights are limited to proposed consolidations or mergers in which holders of the series A, B and C preferred stock would receive shares of stock or other equity securities with preferences, rights and privileges that are not substantially identical to the preferences, rights and privileges of the applicable series of preferred stock; or, in the case of series B and C preferred stock, holders would receive securities, cash or other property that is different from what our class A common stockholders would receive. Because the holders of classes of capital stock other than class A common stock are our current and former financial institution clients, they may have interests that diverge from our class A common stockholders. As a result, the holders of these classes of capital stock may not have the same incentive to approve a corporate action that may be favorable to the holders of class A common stock, and their interests may otherwise conflict with interests of our class A common stockholders.

Delaware law, provisions in our certificate of incorporation and bylaws, and our capital structure could make a merger, takeover attempt, or change in control difficult.

Provisions contained in our certificate of incorporation and bylaws and our capital structure could delay or prevent a merger, takeover attempt, or change in control that our stockholders may consider favorable. For example, except for limited exceptions:

- no person may beneficially own more than 15 percent of our class A common stock (or 15 percent of our total outstanding common stock on an as-converted basis), unless our board of directors approves the acquisition of such shares in advance;
- no competitor or an affiliate of a competitor may hold more than 5 percent of our total outstanding common stock on an as-converted basis;
- the affirmative votes of the class B and C common stock and series A, B and C preferred stock are required for certain types of consolidations or mergers;
- our stockholders may only take action during a stockholders' meeting and may not act by written consent; and
- only the board of directors, Chairman, or CEO or any stockholders who have owned continuously for at least one year not less than 15 percent of the voting power of all shares of class A common stock outstanding may call a special meeting of stockholders.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

At September 30, 2021, we owned or leased 123 office locations in 77 countries around the world, including three global processing centers located in the U.S. and the United Kingdom. Our corporate headquarters are located in owned and leased premises in the San Francisco Bay Area.

We believe that these facilities are suitable and adequate to support our ongoing business needs.

ITEM 3. Legal Proceedings

Refer to *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our class A common stock has been listed on the New York Stock Exchange under the symbol "V" since March 19, 2008. At November 10, 2021, we had 330 stockholders of record of our class A common stock. The number of beneficial owners is substantially greater than the number of record holders, because a large portion of our class A common stock is held in "street name" by banks and brokers. There is currently no established public trading market for our class B or C common stock. As of November 10, 2021, there were 1,243 and 435 holders of record of our class B and C common stock, respectively.

On October 22, 2021, our board of directors declared a quarterly cash dividend of $0.375 per share of class A common stock (determined in the case of class B and C common stock and series A, B and C convertible participating preferred stock on an as-converted basis) payable on December 7, 2021, to holders of record as of November 12, 2021 of our common and preferred stock.

Subject to legally available funds, we expect to continue paying quarterly cash dividends on our outstanding common and preferred stock in the future. However, the declaration and payment of future dividends is at the sole discretion of our board of directors after taking into account various factors, including our financial condition, settlement indemnifications, operating results, available cash and current and anticipated cash needs.

Issuer Purchases of Equity Securities

The table below presents our purchases of common stock during the quarter ended September 30, 2021:

Period	Total Number of Shares Purchased	Average Purchase Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(1)]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[(1)]
	(in millions, except per share data)			
July 1-31, 2021	2	$ 243.34	2	$ 7,302
August 1-31, 2021	6	$ 233.92	6	$ 5,942
September 1-30, 2021	5	$ 224.87	5	$ 4,679
Total	**13**	**$ 231.33**	**13**	

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

See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report for further discussion on our share repurchase programs.

EQUITY COMPENSATION PLAN INFORMATION

The table below presents information as of September 30, 2021, for the Visa 2007 Equity Incentive Compensation Plan (the "EIP") and the Visa Inc. Employee Stock Purchase Plan (the "ESPP"), which were approved by our stockholders. We do not have any equity compensation plans that have not been approved by our stockholders. For a description of the awards issued under the EIP and the ESPP, see *Note 17—Share-based Compensation* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Plan Category	(a) Number Of Shares of Class A Common Stock Issuable Upon Exercise of Outstanding Options And Rights	Weighted-Average Exercise Price of Outstanding Options	Number of Shares of Class A Common Stock Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected In Column (a))
	(in millions, except weighted-average exercise price)		
Equity compensation plans approved by stockholders	12 [1]	$ 134.56 [2]	113 [3]

[1] As of September 30, 2021, the maximum number of shares issuable consisted of 6 million outstanding options, 5 million outstanding restricted stock units and 1 million outstanding performance shares under the EIP and less than 1 million outstanding purchase rights under the ESPP.

[2] The weighted-average exercise price is calculated based solely on the exercise prices of the outstanding stock options and does not reflect the shares that will be issued upon the vesting of outstanding restricted stock units and performance shares, which have no exercise price. Additionally, it excludes the weighted-average exercise price of the outstanding purchase rights under the ESPP, as the exercise price is based on the future stock price, net of discount, at the end of each monthly purchase over the offering period.

[3] As of September 30, 2021, 98 million shares and 15 million shares remain available for issuance under the EIP and the ESPP, respectively.

ITEM 6. [Reserved]

ITEM 7. 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 liquidity and capital resources of Visa Inc. and its subsidiaries ("Visa," "we," "us," "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 the consolidated financial statements and related notes included in Item 8—Financial Statements and Supplementary Data of this report.

This section of this Form 10-K generally discusses fiscal 2021 compared to fiscal 2020. Discussions of fiscal 2020 compared to 2019 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our fiscal 2020 Form 10-K, filed with the United States Securities and Exchange Commission on November 19, 2020.

Overview

Visa is a global payments technology company that enables innovative, reliable and secure electronic payments across more than 200 countries and territories. We facilitate global commerce and money movement across a global network of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies. Our advanced transaction processing network, VisaNet, enables authorization, clearing and settlement of payment transactions and allows us to offer products and solutions that facilitate secure, reliable, and efficient money movement for all participants in the ecosystem.

Financial overview. A summary of our as-reported U.S. GAAP and non-GAAP operating results are as follows:

	For the Years Ended September 30,			% Change[1]	
	2021	**2020**	**2019**	**2021 vs. 2020**	**2020 vs. 2019**
	(in millions, except percentages and per share data)				
Net revenues	**$ 24,105**	$ 21,846	$ 22,977	10 %	(5 %)
Operating expenses	**$ 8,301**	$ 7,765	$ 7,976	7 %	(3 %)
Net income	**$ 12,311**	$ 10,866	$ 12,080	13 %	(10 %)
Diluted earnings per share	**$ 5.63**	$ 4.89	$ 5.32	15 %	(8 %)
Non-GAAP operating expenses[2]	**$ 8,077**	$ 7,702	$ 7,596	5 %	1 %
Non-GAAP net income[2]	**$ 12,933**	$ 11,193	$ 12,274	16 %	(9 %)
Non-GAAP diluted earnings per share[2]	**$ 5.91**	$ 5.04	$ 5.40	17 %	(7 %)

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

(2) For a full reconciliation of our GAAP to non-GAAP financial results, see tables in *Non-GAAP financial results* below.

Coronavirus. As the effects of an evolving coronavirus ("COVID-19") pandemic continues, much remains uncertain. Our priority remains the safety of our employees, clients and the communities in which we live and operate. We are taking a phased approach to reopening our offices, with most of our employees currently working remotely. We continue to remain in close and regular contact with our employees, clients, partners and governments globally to help them navigate these challenging times.

The ongoing effects of COVID-19 remain difficult to predict due to numerous uncertainties, including the transmissibility, severity, duration and resurgence of the outbreak; new variants of the virus; the uptake and effectiveness of health and safety measures or actions that are voluntarily adopted by the public or required by governments or public health authorities, including vaccines and treatments; the speed and strength of an economic recovery, including the reopening of borders and the resumption of international travel; and the impact to our employees and our operations, the business of our clients, suppliers and business partners; and other factors identified in Part I, Item 1A "Risk Factors" in this Form 10-K. We will continue to evaluate the nature and extent of the impact to our business.

Highlights for fiscal 2021. Net revenues were $24.1 billion, an increase of 10% over the prior year, primarily due to the year-over-year growth in payments volume, processed transactions and cross-border volume, helped by fewer COVID-19 restrictions, partially offset by higher client incentives. Exchange rate movements and our hedging program positively impacted our net revenues growth by approximately half a percentage point.

GAAP operating expenses were $8.3 billion and increased 7% over the prior year, primarily driven by higher personnel and marketing expenses, partially offset by lower general and administrative expenses. Non-GAAP operating expenses were $8.1 billion and increased 5% over the prior year, primarily driven by higher personnel and marketing expenses, partially offset by lower general and administrative expenses. Exchange rate movements negatively impacted our operating expense growth by approximately half a percentage point.

Non-GAAP financial results. We use non-GAAP financial measures of our performance which exclude certain items which we believe are not representative of our continuing operations, as they may be non-recurring or have no cash impact, and may distort our longer-term operating trends. We consider non-GAAP measures useful to investors because they provide greater transparency into management's view and assessment of our ongoing operating performance.

- *Gains and losses on equity investments.* Gains and losses on equity investments include periodic non-cash fair value adjustments and gains and losses upon sale of an investment. These long-term investments are strategic in nature and are primarily private company investments. Gains and losses and the related tax impacts associated with these investments are tied to the performance of the companies that we invest in and therefore do not correlate to the underlying performance of our business.

- *Amortization of acquired intangible assets.* Amortization of acquired intangible assets consists of amortization of intangible assets such as developed technology, customer relationships and brands acquired in connection with business combinations executed beginning in fiscal 2019. Amortization charges for our acquired intangible assets are non-cash and are significantly affected by the timing, frequency and size of our acquisitions, rather than our core operations. As such, we have excluded this amount and the related tax impact to facilitate an evaluation of our current operating performance and comparison to our past operating performance.

- *Acquisition-related costs.* Acquisition-related costs consist primarily of one-time transaction and integration costs associated with our business combinations. These costs include professional fees, technology integration fees, restructuring activities and other direct costs related to the purchase and integration of acquired entities. It also includes retention equity and deferred equity compensation when they are agreed upon as part of the purchase price of the transaction but are required to be recognized as expense post-combination. We have excluded these amounts and the related tax impacts as the expenses are recognized for a limited duration and do not reflect the underlying performance of our business.

- *Remeasurement of deferred tax balances.* During fiscal 2021, in connection with the UK enacted legislation on June 10, 2021 that increases the tax rate from 19% to 25%, effective April 1, 2023, we remeasured our UK deferred tax liabilities, resulting in the recognition of a non-recurring, non-cash income tax expense of $1.0 billion.

  During fiscal 2020, in connection with the UK enacted legislation that repealed the previous tax rate reduction from 19% to 17% that was effective on April 1, 2020, we remeasured our UK deferred tax liabilities as of the enactment date, resulting in the recognition of a non-recurring, non-cash income tax expense of $329 million. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

- *Indirect taxes.* During fiscal 2021, we recognized a one-time charge within general and administrative expense of $152 million, before tax. Net of the related income tax benefit of $40 million, determined by applying applicable tax rates, non-GAAP net income increased by $112 million. This charge is to record our estimate of probable additional indirect taxes, related to prior periods, for which we could be liable as a result of certain changes in applicable law. This one-time charge is not representative of our ongoing operations.

- *Resolution of a tax item.* During fiscal 2020, we resolved a long-outstanding tax matter, dating back more than 12 years, relating to certain tax filing positions taken prior to our initial public offering. The resolution of this matter resulted in the recognition of a one-time charge to income tax expense of $28 million, which we believe is not representative of our continuing operations and ongoing effective tax rate.

- *Litigation provision.* During fiscal 2019, we recorded a litigation provision of $370 million and related tax benefits of $83 million associated with the interchange multidistrict litigation. The tax impact is determined by applying applicable federal and state tax rates to the litigation provision. Under the U.S. retrospective responsibility plan, we recover the monetary liabilities related to the U.S. covered litigation through a reduction to the conversion rate of our class B common stock to shares of class A common stock. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Non-GAAP operating expenses, non-operating income (expense), income tax provision, effective income tax rate, net income and diluted earnings per share should not be relied upon as substitutes for, or considered in isolation from, measures calculated in accordance with U.S. GAAP. The following tables reconcile our as-reported financial measures, calculated in accordance with U.S. GAAP, to our respective non-GAAP financial measures:

	For the Year Ended September 30, 2021					
	Operating Expenses	Non-operating Income (Expense)	Income Tax Provision	Effective Income Tax Rate[1]	Net Income	Diluted Earnings Per Share[1]
	(in millions, except percentages and per share data)					
As reported	$ 8,301	$ 259	$ 3,752	23.4 %	$ 12,311	$ 5.63
(Gains) losses on equity investments, net	—	(712)	(159)		(553)	(0.25)
Amortization of acquired intangible assets	(51)	—	12		39	0.02
Acquisition-related costs	(21)	—	4		17	0.01
Remeasurement of deferred tax balances	—	—	(1,007)		1,007	0.46
Indirect taxes	(152)	—	40		112	0.05
Non-GAAP	$ 8,077	$ (453)	$ 2,642	17.0 %	$ 12,933	$ 5.91

	For the Year Ended September 30, 2020					
	Operating Expenses	Non-operating Income (Expense)	Income Tax Provision	Effective Income Tax Rate[1]	Net Income	Diluted Earnings Per Share[1]
	(in millions, except percentages and per share data)					
As reported	$ 7,765	$ (291)	$ 2,924	21.2 %	$ 10,866	$ 4.89
(Gains) losses on equity investments, net	—	(101)	(23)		(78)	(0.04)
Amortization of acquired intangible assets	(46)	—	11		35	0.02
Acquisition-related costs	(17)	—	4		13	0.01
Remeasurement of deferred tax balances	—	—	(329)		329	0.15
Resolution of a tax item	—	—	(28)		28	0.01
Non-GAAP	$ 7,702	$ (392)	$ 2,559	18.6 %	$ 11,193	$ 5.04

	For the Year Ended September 30, 2019					
	Operating Expenses	Non-operating Income (Expense)	Income Tax Provision	Effective Income Tax Rate[(1)]	Net Income	Diluted Earnings Per Share[(1)]
	(in millions, except percentages and per share data)					
As reported	$ 7,976	$ (117)	$ 2,804	18.8 %	$ 12,080	$ 5.32
(Gains) losses on equity investments, net	—	(131)	(30)		(101)	(0.04)
Amortization of acquired intangible assets	(6)	—	1		5	—
Acquisition-related costs	(4)	—	1		3	—
Litigation provision	(370)	—	83		287	0.13
Non-GAAP	$ 7,596	$ (248)	$ 2,859	18.9 %	$ 12,274	$ 5.40

(1) Figures in the table may not recalculate exactly due to rounding. Effective income tax rate, diluted earnings per share and their respective totals are calculated based on unrounded numbers.

Common stock repurchases. In January 2021, our board of directors authorized an $8.0 billion share repurchase program (the "January 2021 Program"). During fiscal 2021, we repurchased 40 million shares of our class A common stock in the open market for $8.7 billion. As of September 30, 2021, our January 2021 Program had remaining authorized funds of $4.8 billion for share repurchase. See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Pending acquisitions. On June 24, 2021, we entered into a definitive agreement to acquire Tink AB ("Tink") for €1.8 billion, inclusive of cash and retention incentives. This acquisition is subject to customary closing conditions, including regulatory reviews and approvals.

On July 22, 2021, we entered into a definitive agreement to acquire The Currency Cloud Group Limited ("Currencycloud"). The acquisition values Currencycloud at £700 million, inclusive of cash and retention incentives. The financial consideration will be reduced by the outstanding equity of Currencycloud that we already own. This acquisition is subject to customary closing conditions, including regulatory reviews and approvals.

Terminated acquisition. On January 12, 2021, Visa and Plaid Inc. mutually terminated their merger agreement announced on January 13, 2020. See *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Payments volume and processed transactions. Payments volume is the primary driver for our service revenues, and the number of processed transactions is the primary driver for our data processing revenues.

Payments volume represents the aggregate dollar amount of purchases made with cards and other form factors carrying the Visa, Visa Electron, V PAY and Interlink brands and excludes Europe co-badged volume. Nominal payments volume is denominated in U.S. dollars and is calculated each quarter by applying an established U.S. dollar/local currency exchange rate for each local currency in which our volumes are reported. Processed transactions represent transactions using cards and other form factors carrying the Visa, Visa Electron, V PAY, Interlink and PLUS brands processed on Visa's networks.

Table of Contents

The following tables present nominal payments and cash volume:

	U.S.			International			Visa Inc.		
	12 months ended June 30,[1]			12 months ended June 30,[1]			12 months ended June 30,[1]		
	2021	2020	% Change[2]	2021	2020	% Change[2]	2021	2020	% Change[2]
	(in billions, except percentages)								
Nominal payments volume									
Consumer credit	**$ 1,641**	$ 1,518	8 %	**$ 2,396**	$ 2,362	1 %	**$ 4,036**	$ 3,880	4 %
Consumer debit[3]	**2,387**	1,848	29 %	**2,440**	1,975	24 %	**4,828**	3,824	26 %
Commercial[4]	**697**	641	9 %	**406**	370	10 %	**1,103**	1,011	9 %
Total nominal payments volume[2]	**$ 4,725**	$ 4,007	18 %	**$ 5,243**	$ 4,707	11 %	**$ 9,968**	$ 8,714	14 %
Cash volume[5]	**635**	573	11 %	**1,927**	2,045	(6 %)	**2,561**	2,619	(2 %)
Total nominal volume[2],[6]	**$ 5,359**	$ 4,580	17 %	**$ 7,169**	$ 6,753	6 %	**$ 12,529**	$ 11,333	11 %

	U.S.			International			Visa Inc.		
	12 months ended June 30,[1]			12 months ended June 30,[1]			12 months ended June 30,[1]		
	2020	2019	% Change[2]	2020	2019	% Change[2]	2020	2019	% Change[2]
	(in billions, except percentages)								
Nominal payments volume									
Consumer credit	$ 1,518	$ 1,540	(1 %)	$ 2,362	$ 2,484	(5 %)	$ 3,880	$ 4,024	(4 %)
Consumer debit[3]	1,848	1,699	9 %	1,975	1,878	5 %	3,824	3,577	7 %
Commercial[4]	641	634	1 %	370	381	(3 %)	1,011	1,015	— %
Total nominal payments volume[2]	$ 4,007	$ 3,873	3 %	$ 4,707	$ 4,743	(1 %)	$ 8,714	$ 8,616	1 %
Cash volume[5]	573	573	— %	2,045	2,262	(10 %)	2,619	2,835	(8 %)
Total nominal volume[2],[6]	$ 4,580	$ 4,447	3 %	$ 6,753	$ 7,005	(4 %)	$ 11,333	$ 11,451	(1 %)

The following table presents the change in nominal and constant payments and cash volume:

	International				Visa Inc.			
	12 months ended June 30, 2021 vs 2020[1],[2]		12 months ended June 30, 2020 vs 2019[1],[2]		12 months ended June 30, 2021 vs 2020[1],[2]		12 months ended June 30, 2020 vs 2019[1],[2]	
	Nominal	Constant[7]	Nominal	Constant[7]	Nominal	Constant[7]	Nominal	Constant[7]
Payments volume growth								
Consumer credit growth	1 %	(1 %)	(5 %)	(3 %)	4 %	3 %	(4 %)	(2 %)
Consumer debit growth[3]	24 %	21 %	5 %	8 %	26 %	25 %	7 %	8 %
Commercial growth[4]	10 %	7 %	(3 %)	— %	9 %	8 %	— %	1 %
Total payments volume growth	11 %	9 %	(1 %)	2 %	14 %	13 %	1 %	2 %
Cash volume growth[5]	(6 %)	(3 %)	(10 %)	(7 %)	(2 %)	— %	(8 %)	(5 %)
Total volume growth	6 %	5 %	(4 %)	(1 %)	11 %	10 %	(1 %)	1 %

(1) Service revenues in a given quarter are assessed based on nominal payments volume in the prior quarter. Therefore, service revenues reported for the 12 months ended September 30, 2021, 2020 and 2019, were based on nominal payments volume reported by our financial institution clients for the 12 months ended June 30, 2021, 2020 and 2019, respectively. On occasion, previously presented volume information may be updated. Prior period updates are not material.

(2) Figures in the tables may not recalculate exactly due to rounding. Percentage changes and totals are calculated based on unrounded numbers.

(3) Includes consumer prepaid volume and Interlink volume.

(4) Includes large, medium and small business credit and debit, as well as commercial prepaid volume.

(5) Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks.

(6) Total nominal volume is the sum of total nominal payments volume and cash volume. Total nominal volume is provided by our financial institution clients, subject to review by Visa.

(7) Growth on a constant-dollar basis excludes the impact of foreign currency fluctuations against the U.S. dollar.

The following table provides the number of processed transactions:

	For the Years Ended September 30,			% Change[1]	
	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
	(in millions, except percentages)				
Visa processed transactions	**164,733**	140,839	138,329	17 %	2 %

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

Results of Operations

Net Revenues

Our net revenues are primarily generated from payments volume on Visa products for purchased goods and services, as well as the number of transactions processed on our network. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report for further discussion on the components of our net revenues.

The following table presents our net revenues earned in the U.S. and internationally:

	For the Years Ended September 30,			% Change[1]	
	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
	(in millions, except percentages)				
U.S.	**$ 11,160**	$ 10,125	$ 10,279	10 %	(1 %)
International	**12,945**	11,721	12,698	10 %	(8 %)
Net revenues	**$ 24,105**	$ 21,846	$ 22,977	10 %	(5 %)

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

Net revenues increased in fiscal 2021 primarily due to the year-over-year growth in payments volume, processed transactions and cross-border volume, helped by fewer COVID-19 restrictions, partially offset by higher client incentives.

Our net revenues are impacted by the overall strengthening or weakening of the U.S. dollar as payments volume and related revenues denominated in local currencies are converted to U.S. dollars. In fiscal 2021, exchange rate movements and our hedging program positively impacted our net revenues growth by approximately half a percentage point.

The following table presents the components of our net revenues:

	For the Years Ended September 30,			% Change[1]	
	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
	(in millions, except percentages)				
Service revenues	**$ 11,475**	$ 9,804	$ 9,700	17 %	1 %
Data processing revenues	**12,792**	10,975	10,333	17 %	6 %
International transaction revenues	**6,530**	6,299	7,804	4 %	(19 %)
Other revenues	**1,675**	1,432	1,313	17 %	9 %
Client incentives	**(8,367)**	(6,664)	(6,173)	26 %	8 %
Net revenues	**$ 24,105**	$ 21,846	$ 22,977	10 %	(5 %)

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

- *Service revenues* increased primarily due to 14% growth in nominal payments volume. Service revenues were also impacted by select pricing modifications and business mix.
- *Data processing revenues* increased due to 17% growth in processed transactions, as the business laps the initial impacts of COVID-19 starting in March 2020.
- *International transaction revenues* increased primarily due to growth in nominal cross-border volumes, excluding transactions within Europe, of 4%, as the business laps the initial impacts of COVID-19 starting in March 2020 and border restrictions were relaxed in various markets.
- *Other revenues* increased as the business laps the initial impacts of COVID-19 starting in March 2020, driven by higher consulting and data services revenues.
- *Client incentives* increased in conjunction with the increase in payments volume during fiscal 2021. The amount of client incentives we record in future periods will vary based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Operating Expenses

Our operating expenses consist of the following:

- *Personnel expenses* include salaries, employee benefits, incentive compensation, share-based compensation, contractor expense and severance charges.
- *Marketing expenses* include expenses associated with advertising and marketing campaigns, sponsorships and other related promotions of the Visa brand.
- *Network and processing expenses* mainly represent expenses for the operation of our processing network, including maintenance, equipment rental and fees for other data processing services.
- *Professional fees* mainly consist of fees for consulting, legal and other professional services.
- *Depreciation and amortization expenses* include amortization of purchased and internally developed software, as well as depreciation expense for property and equipment. Also included in this amount is amortization of finite-lived intangible assets primarily obtained through acquisitions.
- *General and administrative expenses* consist mainly of card benefits, indirect taxes, facilities costs, travel and meeting costs, foreign exchange gains and losses and other corporate expenses incurred in support of our business.
- *Litigation provision* represents litigation expenses and is based on management's understanding of our litigation profile, the specifics of the cases, advice of counsel to the extent appropriate and management's best estimate of incurred loss.

Table of Contents

The following table presents the components of our total operating expenses:

	For the Years Ended September 30,			% Change[1]	
	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
	(in millions, except percentages)				
Personnel	**$ 4,240**	$ 3,785	$ 3,444	12 %	10 %
Marketing	**1,136**	971	1,105	17 %	(12 %)
Network and processing	**730**	727	721	— %	1 %
Professional fees	**403**	408	454	(1 %)	(10 %)
Depreciation and amortization	**804**	767	656	5 %	17 %
General and administrative	**985**	1,096	1,196	(10 %)	(8 %)
Litigation provision	**3**	11	400	(76 %)	(97 %)
Total operating expenses[2]	**$ 8,301**	$ 7,765	$ 7,976	7 %	(3 %)

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

(2) Operating expenses for fiscal 2021 and 2019 include significant items that we do not believe are indicative of our operating performance. See *Overview* within this *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*

- *Personnel expenses* increased primarily due to higher headcount and incentive compensation, reflecting our strategy to invest in future growth.
- *Marketing expenses* increased as we lapped reductions in spending in the prior year at the outset of COVID-19 as well as higher spending in client marketing and various campaigns, including the Olympic Games Tokyo 2020, which were held in Summer 2021.
- *General and administrative expenses* decreased due to lower travel expenses, favorable foreign currency fluctuations and lower usage of travel related card benefits, partially offset by a one-time charge to record our estimate of probable additional indirect taxes, related to prior periods, for which we could be liable as a result of certain changes in applicable laws.

Non-operating Income (Expense)

Non-operating income (expense) primarily includes interest expense, gains and losses earned on investments, income from derivative instruments not associated with our core business, as well as the non-service components of net periodic pension income and expense.

The following table presents the components of our non-operating income (expense):

	For the Years Ended September 30,			% Change[1]	
	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
	(in millions, except percentages)				
Interest expense, net	**$ (513)**	$ (516)	$ (533)	(1 %)	(3 %)
Investment income and other	**772**	225	416	243 %	(46 %)
Total non-operating income (expense)	**$ 259**	$ (291)	$ (117)	(189 %)	148 %

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

- *Interest expense, net* decreased primarily as a result of lower interest related to income tax liabilities, partially offset by an increase in interest expense due to the issuance of debt in fiscal 2020. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

- *Investment income and other* increased primarily due to higher gains from our equity investments, partially offset by lower interest income on our cash and investments. See *Note 6—Fair Value Measurements and Investments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Effective Income Tax Rate

The following table presents our effective income tax rates:

	For the Years Ended September 30,		
	2021	2020	2019
Effective income tax rate	**23 %**	21 %	19 %

The effective tax rate in fiscal 2021 differs from the effective tax rate in fiscal 2020 mainly due to the following:

- during fiscal 2021, a $1.0 billion non-recurring non-cash tax expense related to the remeasurement of UK deferred tax liabilities, as discussed below;
- during fiscal 2021, $255 million of tax benefits recognized as a result of the conclusion of audits by taxing authorities; and
- during fiscal 2020, a $329 million non-recurring, non-cash tax expense related to the remeasurement of UK deferred tax liabilities, as discussed below.

On June 10, 2021, the UK enacted legislation that increases the tax rate from 19% to 25%, effective April 1, 2023. On July 22, 2020, the UK enacted legislation that repealed the previous tax rate reduction from 19% to 17% that was effective on April 1, 2020. As a result, in fiscal 2021 and fiscal 2020, we recorded non-recurring, non-cash tax expense related to the remeasurement of our UK deferred tax liabilities, primarily related to intangibles recorded upon the acquisition of Visa Europe Limited ("Visa Europe") in fiscal 2016.

Liquidity and Capital Resources

Management of Our Liquidity

We regularly evaluate cash requirements for current operations, commitments, development activities and capital expenditures, and we may elect to raise additional funds for these purposes in the future through the issuance of either debt or equity. Our treasury policies provide management with the guidelines and authority to manage liquidity risk in a manner consistent with our corporate objectives.

The objectives of our treasury policies are to:

- provide adequate liquidity to cover operating expenditures and liquidity contingency scenarios;
- ensure timely completion of payments settlement activities;
- ensure payments on required litigation settlements;
- make planned capital investments in our business;
- pay dividends and repurchase our shares at the discretion of our board of directors; and
- invest excess cash in securities that enable us to first meet our working capital and liquidity needs, and earn additional income.

Based on our current cash flow budgets and forecasts of our short-term and long-term liquidity needs, we believe that our current and projected sources of liquidity will be sufficient to meet our projected liquidity needs for more than the next 12 months. We will continue to assess our liquidity position and potential sources of supplemental liquidity in view of our operating performance, current economic and capital market conditions and other relevant circumstances.

Cash Flow Data

The following table summarizes our cash flow activity for the fiscal years presented:

	For the Years Ended September 30,		
	2021	**2020**	**2019**
		(in millions)	
Total cash provided by (used in):			
Operating activities	**$ 15,227**	$ 10,440	$ 12,784
Investing activities	**(152)**	1,427	(591)
Financing activities	**(14,410)**	(3,968)	(12,061)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	**(37)**	440	(277)
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	**$ 628**	$ 8,339	$ (145)

Operating activities. Cash provided by operating activities in fiscal 2021 was higher than the prior fiscal year primarily due to growth in our underlying business, lower client incentive payments and timing and impact of COVID-19 on settlement in the prior fiscal year.

Investing activities. Cash was used in investing activities in fiscal 2021 compared to cash provided by investing activities in fiscal 2020, primarily due to higher purchases, net of proceeds from sales and maturities of investment securities.

Financing activities. Cash used in financing activities in fiscal 2021 was higher than the prior fiscal year primarily due to the absence of proceeds received from the issuance of senior notes in the prior year, the $3.0 billion principal debt payment upon maturity of our senior notes and higher share repurchases. See *Note 10—Debt and Note 15—Stockholders' Equity*, to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Sources of Liquidity

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

Cash, cash equivalents and investments. As of September 30, 2021, our cash and cash equivalents balance were $16.5 billion and our available-for-sale debt securities were $3.2 billion. Our investment portfolio is designed to invest cash in securities which enables us to meet our working capital and liquidity needs. Our investment portfolio consists of debt securities issued by the U.S. Treasury or U.S. government-sponsored agencies. $1.5 billion of the investments are classified as current and are available to meet short-term liquidity needs. The remaining non-current investments have stated maturities of more than one year from the balance sheet date; however, they are also generally available to meet short-term liquidity needs.

Factors that may impact the liquidity of our investment portfolio include, but are not limited to, changes to credit ratings of the securities, uncertainty related to regulatory developments, actions by central banks and other monetary authorities and the ongoing strength and quality of credit markets. We will continue to review our portfolio in light of evolving market and economic conditions. However, if current market conditions deteriorate, the liquidity of our investment portfolio may be impacted and we could determine that some of our investments are impaired, which could adversely impact our financial results. We have policies that limit the amount of credit exposure to any one financial institution or type of investment.

Commercial paper program. We maintain a commercial paper program to support our working capital requirements and for other general corporate purposes. Under the program, we are authorized to issue up to $3.0 billion in outstanding notes, with maturities up to 397 days from the date of issuance. At September 30, 2021, we had no outstanding obligations under the program. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Credit facility. We have an unsecured $5.0 billion revolving credit facility (the "Credit Facility") which expires on July 25, 2024. As of September 30, 2021, there were no borrowings under the Credit Facility. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

U.S. Litigation escrow account. Pursuant to the terms of the U.S. retrospective responsibility plan, which was created to insulate Visa and our class A common shareholders from financial liability for certain litigation cases, we maintain a U.S. litigation escrow account from which monetary liabilities from settlements of, or judgments in, the U.S. covered litigation will be payable. As these funds are restricted for the sole purpose of making payments related to the U.S. covered litigation matters, we do not rely on them for other operational needs. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Credit Ratings

Various factors affect our credit ratings, including changes in our operating performance, the economic environment, conditions in the electronic payments industry, our financial position and changes in our business strategy. Our credit ratings are published by nationally recognized statistical rating organizations in the U.S. and have not changed from the prior-year comparable period. We do not currently foresee any reasonable circumstances under which our credit ratings would be significantly downgraded. If a downgrade were to occur, it could adversely impact, among other things, our future borrowing costs and access to capital markets.

Uses of Liquidity

Payments settlement. Payments settlement due to and from our financial institution clients can represent a substantial daily liquidity requirement. Most U.S. dollar settlements are settled within the same day and do not result in a receivable or payable balance, while settlements in currencies other than the U.S. dollar generally remain outstanding for one to two business days, which is consistent with industry practice for such transactions. In general, during fiscal 2021, we were not required to fund settlement-related working capital. At September 30, 2021, we held $9.1 billion of our total available liquidity to fund daily settlement in the event one or more of our financial institution clients are unable to settle, with the remaining liquidity available to support our working capital and other liquidity needs. See *Note 12—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Litigation. Judgments in and settlements of litigation or other fines imposed in investigations and proceedings, other than the U.S. covered litigation and VE territory covered litigation, which are covered by the U.S. and Europe retrospective responsibility plans, could give rise to future liquidity needs. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Common stock repurchases. During fiscal 2021, we repurchased 40 million shares of our class A common stock in the open market for $8.7 billion. As of September 30, 2021, our January 2021 Program had remaining authorized funds of $4.8 billion. See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Dividends. During fiscal 2021, we declared and paid $2.8 billion in dividends at a quarterly rate of $0.32 per share. On October 22, 2021, our board of directors declared a quarterly cash dividend of $0.375 per share of class A common stock (determined in the case of class B and C common stock and series A, B and C convertible participating preferred stock on an as-converted basis). We expect to pay approximately $812 million in connection with this dividend on December 7, 2021. See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We expect to continue paying quarterly dividends in cash, subject to approval by the board of directors. All preferred and class B and C common stock will share ratably on an as-converted basis in such future dividends.

Capital expenditures. During fiscal 2021, our capital expenditures decreased slightly. We expect to continue investing in technology assets and payments system infrastructure to support our digital solutions and core business initiatives.

Senior notes. As of September 30, 2021, we had an outstanding aggregate principal amount relating to our fixed-rate senior notes of $21.0 billion with maturity dates ranging from September 2022 to August 2050. During fiscal 2021, we repaid $3.0 billion of principal upon maturity of our senior notes. A principal payment of $1.0 billion is due on September 14, 2022 on our fixed-rate senior notes issued in December 2015, for which we have sufficient liquidity. In August 2020, we issued a $500 million green bond as part of our commitment to sustainable living and a sustainable payments ecosystem. In fiscal 2021, we allocated $165 million to eligible green projects. See *Note 10—Debt to* our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Client incentives. As the future cash payments for these agreements, which range in terms from less than one to fifteen years, are based on specific performance requirements, the timing of payments can vary. As of September 30, 2021, we had $5.4 billion of client incentives liability recorded on the consolidated balance sheet related to these agreements. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Uncertain tax positions. As of September 30, 2021, we had liabilities for uncertain tax positions of $1.8 billion for which we cannot determine the range and timing of the cash payments. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Pending acquisitions. On June 24, 2021, we entered into a definitive agreement to acquire Tink for €1.8 billion, inclusive of cash and retention incentives. This acquisition is subject to customary closing conditions, including regulatory reviews and approvals.

On July 22, 2021, we entered into a definitive agreement to acquire Currencycloud for a value of £700 million, inclusive of cash and retention incentives. The financial consideration will be reduced by the outstanding equity of Currencycloud that we already own. This acquisition is subject to customary closing conditions, including regulatory reviews and approvals. See *Note 2—Acquisitions* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Other uses of cash. The following table represents material, expected or contractually committed future obligations as of September 30, 2021. We believe that we will be able to fund these obligations through cash generated from our operations and available credit facility.

	Payments Due by Period				
	Less than 1 Year	**1-3 Years**	**3-5 Years**	**More than 5 Years**	**Total**
			(in millions)		
Purchase obligations[1]	$ 1,730	$ 685	$ 384	$ 569	$ 3,368
Leases not yet commenced[2]	1	41	58	367	467
Transition tax[3]	87	249	455	—	791
Total	**$ 1,818**	**$ 975**	**$ 897**	**$ 936**	**$ 4,626**

(1) Represents agreements to purchase goods and services that specify significant terms, including: fixed or minimum quantities to be purchased, minimum or variable price provisions, and the approximate timing of the transaction. For obligations where the individual years of spend are not specified in the contract, we have estimated the timing of when these amounts will be spent.

(2) Represents future payments under leases that have not yet commenced and are not included in the consolidated balance sheet. For future lease payments related to leases that have commenced and are included in the consolidated balance sheet, see *Note 9—Leases* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(3) Amounts presented relate to the estimated transition tax, net of foreign tax credit carryovers, on certain foreign earnings of non-U.S. subsidiaries recognized during fiscal 2018 in connection with the Tax Cuts and Jobs Act.

Indemnifications

We indemnify our financial institution clients for settlement losses suffered due to the failure of any other client to fund its settlement obligations in accordance with our operating rules. The amount of the indemnification is limited to the amount of unsettled Visa payment transactions at any point in time. We maintain and regularly review global settlement risk policies and procedures to manage settlement risk, which may require clients to post collateral if certain credit standards are not met. See *Note 1—Summary of Significant Accounting Policies* and *Note 12—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Accounting Pronouncements Not Yet Adopted

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Board Update ("ASU") 2019-12, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in the existing guidance and making other minor improvements. The amendments in the ASU are effective on October 1, 2021. The adoption is not expected to have a material impact on our consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, which clarifies that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the fair value measurement alternative. The amendments in the ASU are effective on October 1, 2021. The adoption is not expected to have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate or another reference rate expected to be discontinued because of reference rate reform. Subsequently, the FASB also issued an amendment to this standard. The amendments in the ASU are effective upon issuance through December 31, 2022. We are evaluating the effect ASU 2020-04 and its subsequent amendment will have on our consolidated financial statements. The adoption is not expected to have a material impact on our consolidated financial statements.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require us to make judgments, assumptions and estimates that affect the amounts reported. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We have established policies and control procedures which seek to ensure that estimates and assumptions are appropriately governed and applied consistently from period to period. However, actual results could differ from our assumptions and estimates, and such differences could be material.

We believe that the following accounting estimates are the most critical to fully understand and evaluate our reported financial results, as they require our most subjective or complex management judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain and unpredictable.

Revenue Recognition—Client Incentives

Critical estimates. We enter into long-term incentive agreements with financial institution clients, merchants and other business partners for various programs that provide cash and other incentives designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to our network and driving innovation. These incentives are primarily accounted for as reductions to net revenues; however, if a separate identifiable benefit at fair value can be established, they are accounted for as operating expenses. Incentives are recognized systematically and rationally based on management's estimate of each client's performance. These estimates are regularly reviewed and adjusted as appropriate based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Assumptions and judgment. Estimation of client incentives relies on forecasts of payments and transaction volume, card issuance and card conversion. Performance is estimated using client-reported information, transactional information accumulated from our systems, historical information, market and economic conditions and discussions with our clients, merchants and business partners.

Impact if actual results differ from assumptions. If actual performance is not consistent with our estimates, client incentives may be materially different than initially recorded. Increases in incentive payments are generally driven by increased payments and transaction volume, which drive our net revenues. As a result, in the event incentive payments exceed estimates, such payments are not expected to have a material effect on our financial condition, results of operations or cash flows. The cumulative impact of a revision in estimates is recorded in the period such revisions become probable and estimable. For the year ended September 30, 2021, client incentives represented 26% of gross revenues.

Legal and Regulatory Matters

Critical estimates. We are currently involved in various legal proceedings, the outcomes of which are not within our complete control or may not be known for prolonged periods of time. Management is required to assess the probability of loss and estimate the amount of such loss, if any, in preparing our consolidated financial statements.

Assumptions and judgment. We evaluate the likelihood of a potential loss from legal or regulatory proceedings to which we are a party. We record a liability for such claims when a loss is deemed probable and the amount can be reasonably estimated. Significant judgment may be required in the determination of both probability and whether a potential loss is reasonably estimable. Our judgments are subjective based on management's understanding of the litigation profile, the specifics of each case, our history with similar proceedings, advice of in-house and outside legal counsel to the extent appropriate and management's best estimate of incurred loss. As additional information becomes available, we reassess the potential loss related to pending claims and may revise our estimates.

We have entered into loss sharing agreements that reduce our potential liability under certain litigation. However, our U.S. retrospective responsibility plan only addresses monetary liabilities from settlements of, or final judgments in, the U.S. covered litigation. The plan's mechanisms include the use of the U.S. litigation escrow account. The accrual related to the U.S. covered litigation could be either higher or lower than the U.S. litigation escrow account balance. Our Europe retrospective responsibility plan only covers Visa Europe territory covered litigation (and resultant liabilities and losses) relating to the covered period, subject to certain limitations, and does not cover any fines or penalties incurred in the European Commission proceedings or any other matter. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Impact if actual results differ from assumptions. Due to the inherent uncertainties of the legal and regulatory processes in the multiple jurisdictions in which we operate, our judgments may be materially different than the actual outcomes, which could have material adverse effects on our business, financial conditions and results of operations. See *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Income Taxes

Critical estimates. In calculating our effective income tax rate, we make judgments regarding certain tax positions, including the timing and amount of deductions and allocations of income among various tax jurisdictions.

Assumptions and judgment. We have various tax filing positions with regard to the timing and amount of deductions and credits and the allocation of income among various tax jurisdictions, based on our interpretation of local tax laws. We also inventory, evaluate and measure all uncertain tax positions taken or expected to be taken on tax returns and to record liabilities for the amount of such positions that may not be sustained, or may only be partially sustained, upon examination by the relevant taxing authorities.

Impact if actual results differ from assumptions. Although we believe that our estimates and judgments are reasonable, actual results may differ from these estimates. Some or all of these judgments are subject to review by the taxing authorities. If one or more of the taxing authorities were to successfully challenge our right to realize some or all of the tax benefit we have recorded, and we were unable to realize this benefit, it could have a material adverse effect on our financial results and cash flows.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential economic loss arising from adverse changes in market factors. Our exposure to financial market risks results primarily from fluctuations in foreign currency exchange rates, interest rates and equity prices. Aggregate risk exposures are monitored on an ongoing basis.

Foreign Currency Exchange Rate Risk

We are exposed to risks from foreign currency exchange rate fluctuations that are primarily related to changes in the functional currency value of revenues generated from foreign currency-denominated transactions and changes in the functional currency value of payments in foreign currencies. We manage these risks by entering into foreign currency forward contracts that hedge exposures of the variability in the functional currency equivalent of anticipated non-functional currency denominated cash flows. Our foreign currency exchange rate risk management program reduces, but does not entirely eliminate, the impact of foreign currency exchange rate movements.

At September 30, 2021 and 2020, the aggregate notional amounts of our foreign currency forward contracts outstanding in our exchange rate risk management program, including contracts not designated for cash flow hedge accounting, were $2.7 billion and $3.9 billion, respectively. The aggregate notional amount outstanding at September 30, 2021 is fully consistent with our strategy and treasury policy aimed at reducing foreign exchange risk below a predetermined and approved threshold. However, actual results could materially differ from our forecast. At September 30, 2021, the effect of a hypothetical 10% weakening in the value of the functional currencies is estimated to create an additional fair value loss of approximately $190 million on our outstanding foreign currency forward contracts. The loss from this hypothetical weakening would be largely offset by a corresponding gain on our cash flows from foreign currency-denominated revenues and payments. See *Note 1—Summary of Significant Accounting Policies* and *Note 13—Derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

We are further exposed to foreign currency exchange rate risk related to translation as the functional currency of Visa Europe is the Euro. Translation from the Euro to the U.S. dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive income (loss) on the consolidated balance sheets. A hypothetical 10% change in the Euro against the U.S. dollar compared to the exchange rate at September 30, 2021 would result in a foreign currency translation adjustment of $2.0 billion. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

We are also subject to foreign currency exchange risk in daily settlement activities. This risk arises from the timing of rate setting for settlement with clients relative to the timing of market trades for balancing currency positions. Risk in settlement activities is limited through daily operating procedures, including the utilization of Visa settlement systems and our interaction with foreign exchange trading counterparties.

Interest Rate Risk

Our investment portfolio assets are held in both fixed-rate and adjustable-rate securities. Investments in fixed-rate instruments carry a degree of interest rate risk. The fair value of fixed-rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling-rate environment creates reinvestment risk because as securities mature, the proceeds are reinvested at a lower rate, generating less interest income.

At September 30, 2021 and 2020, the fair value of our fixed-rate investment securities were $5.5 billion and $4.0 billion, respectively, and the fair value of our adjustable-rate investment securities were $0.2 billion and $2.0 billion, respectively. At September 30, 2021, a hypothetical 100 basis point increase in interest rates would create an estimated decrease in the fair value of our investment securities of approximately $40 million. Any realized gains or losses resulting from such interest rate changes would only occur if we sold the investments prior to maturity. Historically, we have been able to hold investments until maturity.

We have interest rate and cross-currency swap agreements on a portion of our outstanding senior notes that allow us to manage our interest rate exposure through a combination of fixed and floating rates and reduce our overall cost of borrowing. Together these swap agreements effectively convert a portion of our U.S. dollar denominated fixed-rate payments into U.S. dollar and Euro denominated floating-rate payments. By entering into interest rate swaps, we have assumed risks associated with market interest rate fluctuations. A hypothetical 100 basis point increase in interest rates would have resulted in an increase of approximately $40 million in annual interest expense. See *Note 13—Derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Equity Investment Risk

As of September 30, 2021 and 2020, the carrying value of our non-marketable equity securities was $1.5 billion and $1.0 billion, respectively. These investments are subject to a wide variety of market-related risks that could substantially reduce or increase the carrying value of our holdings. A decline in financial condition or operating results of these investments could result in a loss of all or a substantial part of our carrying value in these companies. We regularly review our non-marketable equity securities for possible impairment, which generally involves an analysis of the facts and changes in circumstances influencing the investment, expectations of the entity's cash flows and capital needs, and the viability of its business model.

Pension Plan Risk

At September 30, 2021 and 2020, our U.S. defined benefit pension plan assets were $1.3 billion and $1.1 billion, respectively, and projected benefit obligations were $0.9 billion at each year end. A material adverse decline in the value of pension plan assets and/or in the discount rate for benefit obligations would result in a decrease in the funded status of the pension plans, an increase in pension cost and an increase in required funding. As of September 30, 2021, a hypothetical 10% decrease in the value of pension plan assets and a 1% decrease in the discount rate would result in an aggregate decrease of approximately $225 million in the funded status and an increase of approximately $26 million in pension cost.

At September 30, 2021 and 2020, our non-U.S. defined benefit pension plan assets were $0.5 billion at each year end, and projected benefit obligations were $0.5 billion and $0.6 billion, respectively. A material adverse decline in the value of pension plan assets and/or in the discount rate for benefit obligations would result in a decrease in the funded status of the pension plans, an increase in pension cost and an increase in required funding. As of September 30, 2021, a hypothetical 10% decrease in the value of pension plan assets and a 1% decrease in the discount rate would result in an aggregate decrease of approximately $166 million in the funded status and an increase of approximately $16 million in pension cost.

We will continue to monitor the performance of pension plan assets and market conditions as we evaluate the amount of our contribution to the pension plans for fiscal 2022, if any, which would be made in September 2022.

ITEM 8. Financial Statements and Supplementary Data

VISA INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
Visa Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Visa Inc. and subsidiaries (the Company) as of September 30, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended September 30, 2021, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of September 30, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2021, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Report of Independent Registered Public Accounting Firm—(Continued)

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the accrued litigation liability for class members opting out of the Damages Class settlement in the Interchange Multidistrict Litigation (MDL)

As discussed in Notes 5 and 20 to the consolidated financial statements, the Company is involved in various legal proceedings including the *Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions,* and has recorded an accrued litigation liability of $881 million as of September 30, 2021. In preparing its consolidated financial statements, the Company is required to assess the probability of loss associated with each legal proceeding and amount of such loss, if any. The outcome of legal proceedings to which the Company is a party is not within the complete control of the Company or may not be known for prolonged periods of time.

We identified the assessment of the accrued liability for class members opting out of the Damages Class settlement, also known as the *MDL – Individual Merchant Actions*, as a critical audit matter. This proceeding involves complex claims that are subject to substantial uncertainties and unascertainable damages. The assessment of the accrued litigation liability for the *MDL – Individual Merchant Actions* required especially challenging auditor judgment due to the assumptions and estimation associated with the consideration and evaluation of possible outcomes. Changes to the outcome could have a significant effect on the estimated amount of the liability.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's litigation accrual process for the *MDL – Individual Merchant Actions*. We assessed the amounts accrued by reading letters received directly from the Company's external legal counsel and in-house legal counsel that discussed the Company's legal matters, including the *MDL – Individual Merchant Actions*. We considered relevant publicly available information, such as published news articles about the Company and its legal matters, including the *MDL – Individual Merchant Actions*. We evaluated the Company's ability to estimate its monetary exposure by comparing historically recorded liabilities to actual monetary amounts incurred upon resolution of legal matters for merchants that opted out of the previous MDL class settlement. To assess the estimated monetary exposure in the Company’s analysis, we compared such amounts to the complete population of amounts attributable to opt-out merchants. We also performed sensitivity analysis over the Company’s monetary exposure calculations.

Report of Independent Registered Public Accounting Firm—(Continued)

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Santa Clara, California
November 18, 2021

VISA INC.

CONSOLIDATED BALANCE SHEETS

	September 30,	
	2021	2020
	(in millions, except per share data)	
Assets		
Cash and cash equivalents	**$ 16,487**	$ 16,289
Restricted cash equivalents—U.S. litigation escrow	**894**	901
Investment securities	**2,025**	3,752
Settlement receivable	**1,758**	1,264
Accounts receivable	**1,968**	1,618
Customer collateral	**2,260**	1,850
Current portion of client incentives	**1,359**	1,214
Prepaid expenses and other current assets	**856**	757
Total current assets	**27,607**	27,645
Investment securities	**1,705**	231
Client incentives	**3,245**	3,175
Property, equipment and technology, net	**2,715**	2,737
Goodwill	**15,958**	15,910
Intangible assets, net	**27,664**	27,808
Other assets	**4,002**	3,413
Total assets	**$ 82,896**	$ 80,919
Liabilities		
Accounts payable	**$ 266**	$ 174
Settlement payable	**2,443**	1,736
Customer collateral	**2,260**	1,850
Accrued compensation and benefits	**1,211**	821
Client incentives	**5,243**	4,176
Accrued liabilities	**2,334**	1,840
Current maturities of debt	**999**	2,999
Accrued litigation	**983**	914
Total current liabilities	**15,739**	14,510
Long-term debt	**19,978**	21,071
Deferred tax liabilities	**6,128**	5,237
Other liabilities	**3,462**	3,891
Total liabilities	**45,307**	44,709
Commitments and contingencies (Note 18)		
Equity		
Preferred stock, $0.0001 par value, 25 shares authorized and 5 shares issued and outstanding as follows:		
Series A convertible participating preferred stock, less than one shares issued and outstanding at September 30, 2021 and 2020 (the “series A preferred stock”)	**486**	2,437
Series B convertible participating preferred stock, 2 shares issued and outstanding at September 30, 2021 and 2020 (the “series B preferred stock”)	**1,071**	1,106
Series C convertible participating preferred stock, 3 shares issued and outstanding at September 30, 2021 and 2020 (the “series C preferred stock”)	**1,523**	1,543
Class A common stock, $0.0001 par value, 2,001,622 shares authorized, 1,677 and 1,683 shares issued and outstanding at September 30, 2021 and 2020, respectively	**—**	—
Class B common stock, $0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at September 30, 2021 and 2020	**—**	—
Class C common stock, $0.0001 par value, 1,097 shares authorized, 10 and 11 shares issued and outstanding at September 30, 2021 and 2020, respectively	**—**	—
Right to recover for covered losses	**(133)**	(39)
Additional paid-in capital	**18,855**	16,721
Accumulated income	**15,351**	14,088
Accumulated other comprehensive income (loss), net:		
Investment securities	**(1)**	3
Defined benefit pension and other postretirement plans	**(49)**	(196)

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

VISA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended September 30,		
	2021	**2020**	**2019**
	(in millions, except per share data)		
Net revenues	**$ 24,105**	$ 21,846	$ 22,977
Operating Expenses			
Personnel	**4,240**	3,785	3,444
Marketing	**1,136**	971	1,105
Network and processing	**730**	727	721
Professional fees	**403**	408	454
Depreciation and amortization	**804**	767	656
General and administrative	**985**	1,096	1,196
Litigation provision	**3**	11	400
Total operating expenses	**8,301**	7,765	7,976
Operating income	**15,804**	14,081	15,001
Non-operating Income (Expense)			
Interest expense, net	**(513)**	(516)	(533)
Investment income and other	**772**	225	416
Total non-operating income (expense)	**259**	(291)	(117)
Income before income taxes	**16,063**	13,790	14,884
Income tax provision	**3,752**	2,924	2,804
Net income	**$ 12,311**	$ 10,866	$ 12,080
Basic Earnings Per Share			
Class A common stock	**$ 5.63**	$ 4.90	$ 5.32
Class B common stock	**$ 9.14**	$ 7.94	$ 8.68
Class C common stock	**$ 22.53**	$ 19.58	$ 21.30
Basic Weighted-average Shares Outstanding			
Class A common stock	**1,691**	1,697	1,742
Class B common stock	**245**	245	245
Class C common stock	**10**	11	12
Diluted Earnings Per Share			
Class A common stock	**$ 5.63**	$ 4.89	$ 5.32
Class B common stock	**$ 9.13**	$ 7.93	$ 8.66
Class C common stock	**$ 22.51**	$ 19.56	$ 21.26
Diluted Weighted-average Shares Outstanding			
Class A common stock	**2,188**	2,223	2,272
Class B common stock	**245**	245	245
Class C common stock	**10**	11	12

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

VISA INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended September 30,		
	2021	**2020**	**2019**
	(in millions)		
Net income	**$ 12,311**	$ 10,866	$ 12,080
Other comprehensive income (loss), net of tax:			
Investment securities:			
Net unrealized gain (loss)	**(4)**	1	20
Income tax effect	**1**	—	(5)
Reclassification adjustments	**(1)**	(3)	1
Income tax effect	**—**	1	—
Defined benefit pension and other postretirement plans:			
Net unrealized actuarial gain (loss) and prior service credit (cost)	**178**	(7)	(174)
Income tax effect	**(41)**	1	36
Reclassification adjustments	**13**	18	9
Income tax effect	**(3)**	(3)	(2)
Derivative instruments:			
Net unrealized gain (loss)	**19**	(547)	233
Income tax effect	**(1)**	119	(25)
Reclassification adjustments	**15**	(81)	(85)
Income tax effect	**1**	19	16
Foreign currency translation adjustments	**(95)**	1,511	(1,228)
Other comprehensive income (loss), net of tax	**82**	1,029	(1,204)
Comprehensive income	**$ 12,393**	$ 11,895	$ 10,876

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

Table of Contents

VISA INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Preferred Stock			Common Stock								
	Series A	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)											
Balance as of September 30, 2020	—	2	3	1,683	245	11	$5,086	$ (39)	$16,721	$ 14,088	$ 354	$36,210
Net income										12,311		12,311
Other comprehensive income (loss), net of tax											82	82
Comprehensive income												12,393
Adoption of new accounting standards										3		3
VE territory covered losses incurred								(147)				(147)
Recovery through conversion rate adjustment							(55)	53				(2)
Conversion of series A preferred stock upon sales into public market	— [1]			28			(1,951)		1,951			—
Conversion of class C common stock upon sales into public market				2		(1)						—
Share-based compensation, net of forfeitures									542			542
Vesting of restricted stock and performance-based shares				3								—
Restricted stock and performance-based shares settled in cash for taxes				(1)					(144)			(144)
Cash proceeds from issuance of class A common stock under employee equity plans				2					208			208
Cash dividends declared and paid, at a quarterly amount of $0.32 per class A common stock										(2,798)		(2,798)
Repurchase of class A common stock				(40)					(423)	(8,253)		(8,676)
Balance as of September 30, 2021	**— [1]**	**2**	**3**	**1,677**	**245**	**10**	**$3,080**	**$ (133)**	**$18,855**	**$ 15,351**	**$ 436**	**$37,589**

[1] Increase, decrease or balance is less than one million shares.

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

VISA INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Preferred Stock			Common Stock								
	Series A	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)											
Balance as of September 30, 2019	—	2	3	1,718	245	11	$5,462	$ (171)	$16,541	$ 13,502	$ (650)	$34,684
Net income										10,866		10,866
Other comprehensive income (loss), net of tax											1,029	1,029
Comprehensive income												11,895
Adoption of new accounting standards										25	(25)	—
VE territory covered losses incurred								(37)				(37)
Recovery through conversion rate adjustment							(164)	169				5
Issuance of series A preferred stock	— [(1)]						(5)					(5)
Conversion of series A preferred stock upon sales into public market	— [(1)]			3			(207)		207			—
Conversion of class C common stock upon sales into public market				3		— [(1)]						—
Share-based compensation, net of forfeitures									416			416
Vesting of restricted stock and performance-based shares				3								—
Restricted stock and performance-based shares settled in cash for taxes				(1)					(160)			(160)
Cash proceeds from issuance of class A common stock under employee equity plans				1					190			190
Cash dividends declared and paid, at a quarterly amount of $0.30 per class A common stock										(2,664)		(2,664)
Repurchase of class A common stock				(44)					(473)	(7,641)		(8,114)
Balance as of September 30, 2020	— [(1)]	2	3	1,683	245	11	$5,086	$ (39)	$16,721	$ 14,088	$ 354	$36,210

[(1)] Increase, decrease or balance is less than one million shares.

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

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Preferred Stock		Common Stock								
	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)										
Balance as of September 30, 2018	2	3	1,768	245	12	$ 5,470	$ (7)	$ 16,678	$ 11,318	$ 547	$ 34,006
Net income									12,080		12,080
Other comprehensive income (loss), net of tax										(1,204)	(1,204)
Comprehensive income											10,876
Adoption of new accounting standards									385	7	392
VE territory covered losses incurred							(172)				(172)
Recovery through conversion rate adjustment						(8)	8				—
Conversion of class C common stock upon sales into public market			2		(1)						—
Share-based compensation, net of forfeitures								407			407
Vesting of restricted stock and performance-based shares			3								—
Restricted stock and performance-based shares settled in cash for taxes			(1)					(111)			(111)
Cash proceeds from issuance of class A common stock under employee equity plans			2					162			162
Cash dividends declared and paid, at a quarterly amount of $0.25 per class A common stock									(2,269)		(2,269)
Repurchase of class A common stock			(56)					(595)	(8,012)		(8,607)
Balance as of September 30, 2019	2	3	1,718	245	11	$ 5,462	$ (171)	$ 16,541	$ 13,502	$ (650)	$ 34,684

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

VISA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended September 30,		
	2021	2020	2019
	(in millions)		
Operating Activities			
Net income	**$ 12,311**	$ 10,866	$ 12,080
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Client incentives	**8,367**	6,664	6,173
Share-based compensation	**542**	416	407
Depreciation and amortization of property, equipment, technology and intangible assets	**804**	767	656
Deferred income taxes	**873**	307	214
VE territory covered losses incurred	**(147)**	(37)	(172)
(Gains) losses on equity investments, net	**(712)**	(101)	(131)
Other	**(109)**	(44)	(140)
Change in operating assets and liabilities:			
Settlement receivable	**(468)**	1,858	(1,533)
Accounts receivable	**(343)**	(43)	(333)
Client incentives	**(7,510)**	(8,081)	(6,430)
Other assets	**(147)**	(402)	(310)
Accounts payable	**88**	21	(24)
Settlement payable	**679**	(2,384)	1,931
Accrued and other liabilities	**929**	923	627
Accrued litigation	**70**	(290)	(231)
Net cash provided by (used in) operating activities	**15,227**	10,440	12,784
Investing Activities			
Purchases of property, equipment and technology	**(705)**	(736)	(756)
Investment securities:			
Purchases	**(5,111)**	(2,075)	(2,653)
Proceeds from maturities and sales	**5,701**	4,510	3,996
Acquisitions, net of cash and restricted cash acquired	**(75)**	(77)	(699)
Purchases of / contributions to other investments	**(71)**	(267)	(501)
Other investing activities	**109**	72	22
Net cash provided by (used in) investing activities	**(152)**	1,427	(591)
Financing Activities			
Repurchase of class A common stock	**(8,676)**	(8,114)	(8,607)
Repayments of debt	**(3,000)**	—	—
Dividends paid	**(2,798)**	(2,664)	(2,269)
Proceeds from issuance of senior notes	**—**	7,212	—
Payment of deferred purchase consideration related to the Visa Europe acquisition	**—**	—	(1,236)
Cash proceeds from issuance of class A common stock under employee equity plans	**208**	190	162
Restricted stock and performance-based shares settled in cash for taxes	**(144)**	(160)	(111)
Payments to settle derivative instruments	**—**	(333)	—
Other financing activities	**—**	(99)	—
Net cash provided by (used in) financing activities	**(14,410)**	(3,968)	(12,061)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	**(37)**	440	(277)
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	**628**	8,339	(145)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	**19,171**	10,832	10,977
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year	**$ 19,799**	$ 19,171	$ 10,832
Supplemental Disclosure			
Cash paid for income taxes, net	**$ 3,012**	$ 2,671	$ 2,648
Interest payments on debt	**$ 643**	$ 537	$ 537
Accruals related to purchases of property, equipment and technology	**$ 41**	$ 38	$ 95

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

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

Note 1—Summary of Significant Accounting Policies

Organization. Visa Inc. ("Visa" or the "Company") is a global payments technology company that enables innovative, reliable and secure electronic payments across more than 200 countries and territories. Visa and its wholly-owned consolidated subsidiaries operate one of the world's largest electronic payments network — VisaNet — which facilitates authorization, clearing and settlement of payment transactions and enables the Company to offer products and solutions that facilitate secure, reliable and efficient money movement for all participants in the ecosystem. Visa is not a financial institution and does not issue cards, extend credit or set rates and fees for account holders of Visa products. In most cases, account holder and merchant relationships belong to, and are managed by, Visa's financial institution clients.

Consolidation and basis of presentation. The consolidated financial statements include the accounts of Visa and its consolidated entities and are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company consolidates its majority-owned and controlled entities, including variable interest entities ("VIEs") for which the Company is the primary beneficiary. The Company's investments in VIEs have not been material to its consolidated financial statements as of and for the periods presented. All significant intercompany accounts and transactions are eliminated in consolidation.

The Company's activities are interrelated, and each activity is dependent upon and supportive of the other. All significant operating decisions are based on analysis of Visa as a single global business. Accordingly, the Company has one reportable segment, Payment Services.

Use of estimates. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. These estimates may change as new events occur and additional information is obtained, and will be recognized in the consolidated financial statements in the period in which such changes occur. Future actual results could differ materially from these estimates. As the effects of an evolving coronavirus ("COVID-19") pandemic continues, much remains uncertain. There have been no comparable recent events and as a result the ultimate impact of COVID-19 and the extent to which COVID-19 and new variants continue to impact the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and difficult to predict. The use of estimates in specific accounting policies is described further below as appropriate.

Cash, cash equivalents, restricted cash, and restricted cash equivalents. Cash and cash equivalents include cash and certain highly liquid investments with original maturities of 90 days or less from the date of purchase. Cash equivalents are primarily recorded at cost, which approximates fair value due to their generally short maturities. The Company defines restricted cash and restricted cash equivalents as cash and cash equivalents that cannot be withdrawn or used for general operating activities. See *Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents.*

Restricted cash equivalents—U.S. litigation escrow. The Company maintains an escrow account from which monetary liabilities from settlements of, or judgments in, the U.S. covered litigation are paid. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* for a discussion of the U.S. covered litigation. The escrow funds are held in money market investments, together with the interest earned, less applicable taxes payable, and classified as restricted cash equivalents on the consolidated balance sheets. Interest earned on escrow funds is included in non-operating income (expense) on the consolidated statements of operations.

Fair value. The Company measures certain financial assets and liabilities at fair value on a recurring basis. Certain non-financial assets such as goodwill, intangible assets and property, equipment and technology are measured at cost and only recognized at fair value if they are deemed to be impaired. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are reported under a three-level valuation hierarchy. See *Note 6—Fair Value Measurements and Investments.*

Marketable equity securities. Marketable equity securities, which are reported in investment securities on the consolidated balance sheets, include mutual fund investments related to various employee compensation and benefit plans. Trading activity in these investments is at the direction of the Company's employees. These investments are held in a trust and are not available for the Company's operational or liquidity needs. Interest and dividend income as well as gains and losses, realized and unrealized, from changes in fair value are recorded in non-operating income (expense), and offset in personnel expense on the consolidated statements of operations.

Available-for-sale debt securities. The Company's investment in debt securities, which are classified as available-for-sale and reported in investment securities on the consolidated balance sheets, include U.S. government-sponsored debt securities and U.S. Treasury securities. These securities are recorded at cost at the time of purchase and are carried at fair value. The Company considers these securities to be available-for-sale to meet working capital and liquidity needs. Investments with original maturities of greater than 90 days and stated maturities of less than one year from the balance sheet date, or investments that the Company intends to sell within one year, are classified as current assets, while all other securities are classified as non-current assets. Unrealized gains and losses are reported in accumulated other comprehensive income (loss) on the consolidated balance sheets. The specific identification method is used to calculate realized gain or loss on the sale of securities, which is recorded in non-operating income (expense) on the consolidated statements of operations. Interest income is recognized when earned and is included in non-operating income (expense) on the consolidated statements of operations.

The Company evaluates its debt securities for impairment on an ongoing basis. When there has been a decline in fair value of a debt security below the amortized cost basis, the Company recognizes an impairment if: (1) it has the intent to sell the security; (2) it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis; or (3) it does not expect to recover the entire amortized cost basis of the security. If the Company identifies that the decline in fair value has resulted from credit losses, the credit loss component is recognized as an allowance on the balance sheet and in non-operating income (expense) on the consolidated statements of operations. The non-credit loss component remains in accumulated other comprehensive income (loss) until realized from a sale or subsequent impairment.

Non-marketable equity securities. The Company's non-marketable equity securities, which are reported in other assets on the consolidated balance sheets, include investments in privately held companies without readily determinable market values. All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in non-operating income (expense).

The Company applies the equity method of accounting for investments in other entities when it holds between 20% and 50% ownership in the entity or when it exercises significant influence. Under the equity method, the Company's share of each entity's profit or loss is reflected in non-operating income (expense) on the consolidated statements of operations. The equity method of accounting is also used for flow-through entities such as limited partnerships and limited liability companies when the investment ownership percentage is equal to or greater than 5% of outstanding ownership interests, regardless of whether the Company has significant influence over the investees.

The Company applies the fair value measurement alternative for investments in other entities when it holds less than 20% ownership in the entity and does not exercise significant influence, or for flow-through entities when the investment ownership is less than 5% and the Company does not exercise significant influence. These investments consist of equity holdings in non-public companies and are recorded in other assets on the consolidated balance sheets. The Company adjusts the carrying value of these equity securities to fair value when transactions for identical or similar investments of the same issuer are observable.

The Company regularly reviews investments accounted for under the equity method and the fair value measurement alternative for possible impairment, which generally involves an analysis of the facts and changes in circumstances influencing the investment, expectations of the entity's cash flows and capital needs, and the viability of its business model.

Financial instruments. The Company considers the following to be financial instruments: cash, cash equivalents, restricted cash, restricted cash equivalents, investment securities, settlement receivable and payable, accounts receivable, customer collateral, non-marketable equity investments and derivative instruments. See *Note 6—Fair Value Measurements and Investments.*

Settlement receivable and payable. The Company operates systems for authorizing, clearing and settling payment transactions worldwide. Most U.S. dollar settlements with the Company's financial institution clients are settled within the same day and do not result in a receivable or payable balance. Settlements in currencies other than the U.S. dollar generally remain outstanding for one to two business days, resulting in amounts due from and to clients. These amounts are presented as settlement receivable and settlement payable on the consolidated balance sheets.

Customer collateral. The Company holds cash deposits and other non-cash assets from certain clients in order to ensure their performance of settlement obligations arising from Visa payment services are processed in accordance with the Company's operating rules. The cash collateral assets are restricted and fully offset by corresponding liabilities and both balances are presented on the consolidated balance sheets. Pledged securities are held by a custodian in an account under the Company's name and ownership; however, the Company does not have the right to repledge these securities, but may sell these securities in the event of default by the client on its settlement obligations. Letters of credit are provided primarily by client financial institutions to serve as irrevocable guarantees of payment. Guarantees are provided primarily by parent financial institutions to secure the obligations of their subsidiaries. The Company routinely evaluates the financial viability of institutions providing the letters of credit and guarantees. See *Note 12—Settlement Guarantee Management.*

Guarantees and indemnifications. The Company recognizes an obligation at inception for guarantees and indemnifications that qualify for recognition, regardless of the probability of occurrence. The Company indemnifies its financial institution clients for settlement losses suffered due to the failure of any other client to fund its settlement obligations in accordance with the Visa operating rules. The Company estimates expected credit losses and recognizes an allowance for those credit losses related to its settlement indemnification obligations. The estimated fair value of the liability for settlement indemnification is included in accrued liabilities on the consolidated balance sheets.

Property, equipment and technology, net. Property, equipment and technology are recorded at historical cost less accumulated depreciation and amortization, which are computed on a straight-line basis over the asset's estimated useful life. Depreciation and amortization of technology, furniture, fixtures and equipment are computed over estimated useful lives ranging from 2 to 10 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or lease term. Building improvements are depreciated between 3 and 40 years, and buildings are depreciated over 40 years. Improvements that increase functionality of the asset are capitalized and depreciated over the asset's remaining useful life. Land and construction-in-progress are not depreciated. Fully depreciated assets are retained in property, equipment and technology, net, until removed from service.

Technology includes purchased and internally developed software, including technology assets obtained through acquisitions. Internally developed software represents software primarily used by the VisaNet electronic payments network. Internal and external costs incurred during the preliminary project stage are expensed as incurred. Qualifying costs incurred during the application development stage are capitalized. Once the project is substantially complete and ready for its intended use these costs are amortized on a straight-line basis over the technology's estimated useful life. Acquired technology assets are initially recorded at fair value and amortized on a straight-line basis over the estimated useful life.

The Company evaluates the recoverability of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If the sum of expected undiscounted net future cash flows is less than the carrying amount of an asset or asset group, an impairment loss is recognized to the extent that the carrying amount of the asset or asset group exceeds its fair value. See *Note 7—Property, Equipment and Technology, Net*.

Leases. The Company determines if an arrangement is a lease at its inception. Right-of-use ("ROU") assets, and corresponding lease liabilities, are recognized at the commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As a majority of the

Company’s leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU asset also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. The Company does not record a ROU asset and corresponding liability for leases with terms of 12 months or less.

Lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. The Company does not combine lease payments with non-lease components for any of its leases. Operating leases are recorded as ROU assets, which are included in other assets on the consolidated balance sheets. The current portion of lease liabilities are included in accrued liabilities and the long-term portion is included in other liabilities on the consolidated balance sheets. The Company's lease cost is included in general and administrative expense in the consolidated statements of operations and consists of amounts recognized under lease agreements, adjusted for impairment and sublease income.

Intangible assets, net. The Company records identifiable intangible assets at fair value on the date of acquisition and evaluates the useful life of each asset.

Finite-lived intangible assets primarily consist of customer relationships and trade names obtained through acquisitions. Finite-lived intangible assets are amortized on a straight-line basis and are tested for recoverability if events or changes in circumstances indicate that their carrying amounts may not be recoverable. These intangibles have useful lives ranging from 3 to 15 years. See *Note 8—Intangible Assets and Goodwill*.

Indefinite-lived intangible assets consist of trade name, customer relationships and reacquired rights. Intangible assets with indefinite useful lives are not amortized but are evaluated for impairment annually or more frequently if events or changes in circumstances indicate that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative impairment test for indefinite-lived intangible assets. The Company assesses each category of indefinite-lived intangible assets for impairment on an aggregate basis, which may require the allocation of cash flows and/or an estimate of fair value to the assets or asset group. Impairment exists if the fair value of the indefinite-lived intangible asset is less than the carrying value. The Company relies on a number of factors when completing impairment assessments, including a review of discounted net future cash flows, business plans and the use of present value techniques.

The Company performed its annual impairment review of indefinite-lived intangible assets as of February 1, 2021, and concluded there was no impairment as of that date. No recent events or changes in circumstances indicate that impairment of the Company's indefinite-lived intangible assets existed as of September 30, 2021.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is not amortized but is evaluated for impairment at the reporting unit level annually or more frequently if events or changes in circumstances indicate that impairment may exist.

The Company performed its annual impairment review of goodwill as of February 1, 2021, and concluded there was no impairment as of that date. No recent events or changes in circumstances indicate that impairment existed as of September 30, 2021.

Accrued litigation. The Company evaluates the likelihood of an unfavorable outcome in legal or regulatory proceedings to which it is a party and records a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These judgments are subjective, based on the status of such legal or regulatory proceedings, the merits of the Company's defenses and consultation with corporate and external legal counsel. Actual outcomes of these legal and regulatory proceedings may differ materially from the Company's estimates. The Company expenses legal costs as incurred in professional fees in the consolidated statements of operations. See *Note 20—Legal Matters.*

Revenue recognition. The Company's net revenues are comprised principally of the following categories: service revenues, data processing revenues, international transaction revenues and other revenues, reduced by client incentives. As a payments network service provider, the Company's obligation to the customer is to stand ready to provide continuous access to our payments network over the contractual term. Consideration is variable based primarily upon the amount and type of transactions and payments volume on Visa's products. The Company recognizes revenue, net of sales and other similar taxes, as the payments network services are performed in an amount that reflects the consideration the Company expects to receive in exchange for those services. Fixed fees for payments network services are generally recognized ratably over the related service period. The Company has elected the optional exemption to not disclose the remaining performance obligations related to payments network services and other performance obligations which are constrained by and dependent upon the future performance of its clients, which are variable in nature. The Company also recognizes revenues, net of sales and other similar taxes, from other value added services, including issuer solutions, acceptance solutions, risk and identity solutions and advisory services, as these value added services are performed.

Service revenues consist mainly of revenues earned for services provided in support of client usage of Visa payment services. Current quarter service revenues are primarily assessed using a calculation of current quarter's pricing applied to the prior quarter's payments volume. The Company also earns revenues from assessments designed to support ongoing acceptance and volume growth initiatives, which are recognized in the same period the related volume is transacted.

Data processing revenues consist of revenues earned for authorization, clearing, settlement, value added services, network access and other maintenance and support services that facilitate transaction and information processing among the Company's clients globally. Data processing revenues are recognized in the same period the related transactions occur or services are performed.

International transaction revenues are earned for cross-border transaction processing and currency conversion activities. Cross-border transactions arise when the country of origin of the issuer or financial institution originating the transaction is different from that of the beneficiary. International transaction revenues are recognized in the same period the cross-border transactions occur or services are performed.

Other revenues consist mainly of value added services, license fees for use of the Visa brand or technology, fees for account holder services, certification, licensing and card benefits, such as extended account holder protection and concierge services. Other revenues are recognized in the same period the related transactions occur or services are performed.

Client incentives. The Company enters into long-term contracts with financial institution clients, merchants and strategic partners for various programs that provide cash and other incentives designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to Visa's network and driving innovation. Incentives are classified as reductions to revenues within client incentives, unless the incentive is a cash payment made in exchange for a distinct good or service provided by the customer, in which case the payment is classified as operating expense. The Company generally capitalizes upfront and fixed incentive payments under these agreements and amortizes the amounts as a reduction to revenues ratably over the contractual term. Incentives that are earned by the customer based on performance targets are recorded as reductions to revenues based on management's estimate of each client's future performance. These accruals are regularly reviewed and estimates of performance are adjusted, as appropriate, based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Marketing. The Company expenses costs for the production of advertising as incurred. The cost of media advertising is expensed when the advertising takes place. Sponsorship costs are recognized over the period in which the Company benefits from the sponsorship rights. Promotional items are expensed as incurred, when the related services are received, or when the related event occurs.

Income taxes. The Company's income tax expense consists of two components: current and deferred. Current income tax expense represents taxes paid or payable for the current period. Deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to temporary differences between the financial statement carrying amounts and the respective tax basis of existing assets and liabilities, and operating loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing whether deferred tax assets are realizable, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is recorded for the portions that are not expected to be realized based on the level of historical taxable income, projections of future taxable income over the periods in which the temporary differences are deductible, and qualifying tax planning strategies.

Where interpretation of the tax law may be uncertain, the Company recognizes, measures and discloses income tax uncertainties. The Company accounts for interest expense and penalties related to uncertain tax positions in non-operating income (expense) in the consolidated statements of operations. The Company files a consolidated federal income tax return and, in certain states, combined state tax returns. The Company elects to claim foreign tax credits in any given year if such election is beneficial to the Company. See *Note 19—Income Taxes*.

Pension and other postretirement benefit plans. The Company's defined benefit pension and other postretirement benefit plans are actuarially evaluated, incorporating various critical assumptions including the discount rate and the expected rate of return on plan assets (for qualified pension plans). The discount rate is based on a cash flow matching analysis, with the projected benefit payments matching spot rates from a yield curve developed from high-quality corporate bonds. The expected rate of return on pension plan assets is primarily based on the targeted allocation, and evaluated for reasonableness by considering such factors as: (i) actual return on plan assets; (ii) historical rates of return on various asset classes in the portfolio; (iii) projections of returns on various asset classes; and (iv) current and prospective capital market conditions and economic forecasts. Any difference between actual and expected plan experience, including asset return experience, in excess of a 10% corridor is recognized in net periodic pension cost over the expected average employee future service period, which ranges from approximately 7 to 9 years for the U.S. and non-U.S. pension plans. Other assumptions involve demographic factors such as retirement age, mortality, attrition and the rate of compensation increases. The Company evaluates assumptions annually and modifies them as appropriate.

The Company recognizes settlement losses when it settles pension benefit obligations, including making lump-sum cash payments to plan participants in exchange for their rights to receive specified pension benefits, when certain thresholds are met. See *Note 11—Pension and Other Postretirement Benefits*.

Foreign currency remeasurement and translation. The Company's functional currency is the U.S. dollar for the majority of its foreign operations except for Visa Europe Limited ("Visa Europe") whose functional currency is the Euro. Transactions denominated in currencies other than the applicable functional currency are converted to the functional currency at the exchange rate on the transaction date. At period end, monetary assets and liabilities are remeasured to the functional currency using exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities are remeasured at historical exchange rates. Resulting foreign currency transaction gains and losses related to conversion and remeasurement are recorded in general and administrative expense in the consolidated statements of operations and were not material for fiscal 2021, 2020 and 2019.

Where a non-U.S. currency is the functional currency, translation from that functional currency to the U.S. dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet dates and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive income (loss) on the consolidated balance sheets.

Derivative financial instruments. The Company uses foreign exchange forward derivative contracts to reduce its exposure to foreign currency rate changes on forecasted non-functional currency denominated operational cash flows. The terms of these derivative contracts designated as cash flow hedges are generally no more than 12 months. The Company uses regression analysis to assess hedge effectiveness prospectively and retrospectively. The effectiveness tests are performed on foreign exchange forward contracts based on changes in the spot rate of the derivative instrument compared to changes in the spot rate of the forecasted hedged transaction.

Derivatives are carried at fair value on a gross basis on the consolidated balance sheets. Gains and losses resulting from changes in the fair value of cash flow hedges are accounted for in accumulated other comprehensive income (loss) on the consolidated balance sheets. When the forecasted transaction occurs and is recognized in earnings, the amount in accumulated other comprehensive income (loss) related to that hedge is reclassified to the consolidated statements of operations in the corresponding account where revenue or expense is recorded. Forward points are excluded from effectiveness testing and measurement purposes and are reported in earnings. Cash flow hedges are subject to master netting agreements, which provide the Company with a legal right to net settle multiple payable and receivable positions with the same counterparty, in a single currency through a single payment. However, the Company presents fair values on a gross basis on the consolidated balance sheets.

The Company holds foreign exchange forward contracts which were designated as a net investment hedge against a portion of the Company's net investment in Visa Europe. The Company also holds interest rate and cross-currency swap agreements on a portion of the outstanding senior notes that allows the Company to manage its interest rate exposure through a combination of fixed and floating rates and reduce the overall cost of borrowing. The Company designated the interest rate swaps as a fair value hedge and the cross-currency swap as a net investment hedge. Gains and losses related to changes in fair value hedges are recognized in non-operating income (expense) along with a corresponding loss or gain related to the change in fair value of the underlying hedged item in the same line item in the consolidated statements of operations. Gains and losses related to changes in the fair value of net investment hedges are recorded in other comprehensive income (loss). Amounts excluded from the effectiveness testing of net investment hedges are recognized in non-operating income (expense).

The Company utilizes foreign exchange derivative contracts to hedge against foreign currency exchange rate fluctuations related to certain monetary assets and liabilities denominated in foreign currency. Gains and losses resulting from changes in the fair value of these derivative instruments not designated for hedge accounting are recorded in general and administrative expense for hedges of operating activity, or non-operating income (expense) for hedges of non-operating activity.

Cash flows associated with a cash flow hedge are classified as an operating activity on the consolidated statement of cash flows. Cash flows associated with a fair value hedge may be included in operating, investing or financing activities depending on the classification of the items being hedged. Cash flows associated with a net investment hedge are classified as an investing activity. See *Note 13—Derivative Financial Instruments*.

Share-based compensation. The Company recognizes share-based compensation cost, net of estimated forfeitures, using the fair value method of accounting. The Company recognizes compensation cost for awards with only service conditions on a straight-line basis over the requisite service period, which is generally the vesting period. Compensation cost for performance-based awards is recognized on a graded-vesting basis. The amount is initially estimated based on target performance and is adjusted as appropriate based on management's best estimate throughout the performance period. See *Note 17—Share-based Compensation.*

Earnings per share. The Company calculates earnings per share using the two-class method to reflect the different rights of each class and series of outstanding common stock. The dilutive effect of incremental common stock equivalents is reflected in diluted earnings per share by application of the treasury stock method. See *Note 16—Earnings Per Share.*

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Board Update ("ASU") 2016-13, which requires the measurement and recognition of expected credit losses for financial assets and certain other instruments held at amortized cost, replacing the incurred loss model. Subsequently, the FASB also issued amendments to this standard. The Company adopted the guidance effective October 1, 2020 using the modified retrospective transition method with comparative periods continuing to be reported using the previous applicable guidance. The adoption did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, which simplifies the accounting for goodwill impairments by eliminating Step 2 from the goodwill impairment test. An entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount, which is Step 1 of the goodwill impairment test. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. The Company adopted the standard effective October 1, 2020 on a prospective basis. The adoption had no impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, which modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. The Company adopted this standard effective October 1, 2020. The adoption did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing, modifying or adding certain disclosures. The Company adopted this standard effective October 1, 2020. The adoption did not have a material impact on the consolidated financial statements.

Note 2—Acquisitions

Pending Acquisitions

On June 24, 2021, Visa entered into a definitive agreement to acquire Tink AB ("Tink") for €1.8 billion, inclusive of cash and retention incentives. Tink is a European open banking platform that enables financial institutions, fintechs and merchants to build tailored financial management tools, products and services for European consumers and businesses based on their financial data. This acquisition is subject to customary closing conditions, including regulatory reviews and approvals.

On July 22, 2021, Visa entered into a definitive agreement to acquire The Currency Cloud Group Limited ("Currencycloud"), a UK-based global platform that enables banks and fintechs to provide innovative foreign exchange solutions for cross-border payments. The acquisition values Currencycloud at £700 million, inclusive of cash and retention incentives. The financial consideration will be reduced by the outstanding equity of Currencycloud that Visa already owns. This acquisition is subject to customary closing conditions, including regulatory reviews and approvals.

Terminated Acquisition

On January 12, 2021, Visa and Plaid Inc. mutually terminated their merger agreement announced on January 13, 2020. See *Note 20—Legal Matters*.

Note 3—Revenues

The nature, amount, timing and uncertainty of the Company's revenues and cash flows and how they are affected by economic factors are most appropriately depicted through the Company's revenue categories and geographical markets. The following tables disaggregate the Company's net revenues by revenue category and by geography for the years ended September 30, 2021, 2020, and 2019:

	For the Years Ended September 30,		
	2021	**2020**	**2019**
		(in millions)	
Service revenues	**$ 11,475**	$ 9,804	$ 9,700
Data processing revenues	**12,792**	10,975	10,333
International transaction revenues	**6,530**	6,299	7,804
Other revenues	**1,675**	1,432	1,313
Client incentives	**(8,367)**	(6,664)	(6,173)
Net revenues	**$ 24,105**	$ 21,846	$ 22,977

	For the Years Ended September 30,		
	2021	**2020**	**2019**
		(in millions)	
U.S.	**$ 11,160**	$ 10,125	$ 10,279
International	**12,945**	11,721	12,698
Net revenues	**$ 24,105**	$ 21,846	$ 22,977

Remaining performance obligations are comprised of deferred revenues and unbilled contract revenues that will be invoiced and recognized as revenues in future periods primarily related to value added services. As of September 30, 2021, the remaining performance obligations were $1.7 billion. The Company expects approximately half to be recognized as revenue in the next two years and the remaining thereafter. However, the amount and timing of revenue recognition is affected by several factors, including contract modifications and terminations, which could impact the estimate of amounts allocated to remaining performance obligations and when such revenues could be recognized.

Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

The Company reconciles cash, cash equivalents, restricted cash and restricted cash equivalents reported in the consolidated balance sheets that aggregate to the beginning and ending balances shown in the consolidated statements of cash flows as follows:

	September 30,	
	2021	2020
	(in millions)	
Cash and cash equivalents	**$ 16,487**	$ 16,289
Restricted cash and restricted cash equivalents:		
U.S. litigation escrow	**894**	901
Customer collateral	**2,260**	1,850
Prepaid expenses and other current assets	**158**	131
Cash, cash equivalents, restricted cash and restricted cash equivalents	**$ 19,799**	$ 19,171

Note 5—U.S. and Europe Retrospective Responsibility Plans

U.S. Retrospective Responsibility Plan

The Company has established several related mechanisms designed to address potential liability under certain litigation referred to as the "U.S. covered litigation." These mechanisms are included in and referred to as the U.S. retrospective responsibility plan and consist of a U.S. litigation escrow agreement, the conversion feature of the Company's shares of class B common stock, the indemnification obligations of the Visa U.S.A. Inc. ("Visa U.S.A.") members, an interchange judgment sharing agreement, a loss sharing agreement and an omnibus agreement, as amended.

U.S. covered litigation consists of a number of matters that have been settled or otherwise fully or substantially resolved, as well as the following:

- *the Interchange Multidistrict Litigation*. In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, 1:05-md-01720-JG-JO (E.D.N.Y.) or MDL 1720, including all cases currently included in MDL 1720, any other case that includes claims for damages relating to the period prior to the Company's IPO that has been or is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction;

- any claim that challenges the reorganization or the consummation thereof; provided that such claim is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction; and

- any case brought after October 22, 2015 by a merchant that opted out of the Rule 23(b)(3) settlement class in MDL 1720 that arises out of facts or circumstances substantially similar to those alleged in MDL 1720 and that is not transferred to or otherwise included in MDL 1720. See *Note 20—Legal Matters*.

U.S. litigation escrow agreement. In accordance with the U.S. litigation escrow agreement, the Company maintains an escrow account, from which settlements of, or judgments in, the U.S. covered litigation are paid. The amount of the escrow is determined by the board of directors and the Company's litigation committee, all members of which are affiliated with, or act for, certain Visa U.S.A. members. The accrual related to the U.S. covered litigation could be either higher or lower than the U.S. litigation escrow account balance. See *Note 20—Legal Matters*.

The following table presents the changes in the restricted cash equivalents—U.S. litigation escrow account by fiscal year:

	2021	2020
	(in millions)	
Balance at beginning of period	**$ 901**	$ 1,205
Return of takedown payment to the litigation escrow account	**—**	467
Payments to opt-out merchants[1] and interest earned on escrow funds	**(7)**	(771)
Balance at end of period	**$ 894**	$ 901

(1) These payments are associated with the interchange multidistrict litigation. See *Note 20—Legal Matters*.

Conversion feature. Under the terms of the plan, when the Company funds the U.S. litigation 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. This has the same economic effect on diluted class A common stock earnings per share as repurchasing the Company's class A common stock, because it reduces the class B conversion rate and consequently the as-converted class A common stock share count. See *Note 15—Stockholders' Equity*.

Indemnification obligations. To the extent that amounts available under the U.S. litigation escrow arrangement and other agreements in the plan are insufficient to fully resolve the U.S. covered litigation, the Company will use commercially reasonable efforts to enforce the indemnification obligations of Visa U.S.A.'s members for such excess amounts, including but not limited to enforcing indemnification obligations pursuant to Visa U.S.A.'s certificate of incorporation and bylaws and in accordance with their membership agreements.

Interchange judgment sharing agreement. Visa U.S.A. and Visa International Service Association ("Visa International") have entered into an interchange judgment sharing agreement with certain Visa U.S.A. members that have been named as defendants in the interchange multidistrict litigation, which is described in *Note 20—Legal Matters*. Under this judgment sharing agreement, Visa U.S.A. members that are signatories will pay their membership proportion of the amount of a final judgment not allocated to the conduct of Mastercard.

Loss sharing agreement. Visa has entered into a loss sharing agreement with Visa U.S.A., Visa International and certain Visa U.S.A. members. The loss sharing agreement provides for the indemnification of Visa U.S.A., Visa International and, in certain circumstances, Visa with respect to: (i) the amount of a final judgment paid by Visa U.S.A. or Visa International in the U.S. covered litigation after the operation of the interchange judgment sharing agreement, plus any amounts reimbursable to the interchange judgment sharing agreement signatories; or (ii) the damages portion of a settlement of a U.S. covered litigation that is approved as required under Visa U.S.A.'s certificate of incorporation by the vote of Visa U.S.A.'s specified voting members. The several obligation of each bank that is a party to the loss sharing agreement will equal the amount of any final judgment enforceable against Visa U.S.A., Visa International or any other signatory to the interchange judgment sharing agreement, or the amount of any approved settlement of a U.S. covered litigation, multiplied by such bank's then-current membership proportion as calculated in accordance with Visa U.S.A.'s certificate of incorporation.

On October 22, 2015, Visa entered into an amendment to the loss sharing agreement. The amendment includes within the scope of U.S. covered litigation any action brought after the amendment by an opt-out from the Rule 23(b)(3) Settlement Class in MDL 1720 that arises out of facts or circumstances substantially similar to those alleged in MDL 1720 and that is not transferred to or otherwise included in MDL 1720. On the same date, Visa entered into amendments to the interchange judgment sharing agreement and omnibus agreement that include any such action within the scope of those agreements as well.

Omnibus agreement. Visa entered into an omnibus agreement with Mastercard and certain Visa U.S.A. members that confirmed and memorialized the signatories' intentions with respect to the loss sharing agreement, the interchange judgment sharing agreement and other agreements relating to the interchange multidistrict litigation, see *Note 20—Legal Matters.* Under the omnibus agreement, the monetary portion of any settlement of the interchange multidistrict litigation covered by the omnibus agreement would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. In addition, the monetary portion of any judgment assigned to Visa-related claims in accordance with the omnibus agreement would be treated as a Visa portion. Visa would have no liability for the monetary portion of any judgment assigned to Mastercard-related claims in accordance with the omnibus agreement, and if a judgment is not assigned to Visa-related claims or Mastercard-related claims in accordance with the omnibus agreement, then any monetary liability would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. The Visa portion of a settlement or judgment covered by the omnibus agreement would be allocated in accordance with specified provisions of the Company's U.S. retrospective responsibility plan. The litigation provision on the consolidated statements of operations was not impacted by the execution of the omnibus agreement.

On August 26, 2014, Visa entered into an amendment to the omnibus agreement. The omnibus amendment makes applicable to certain settlements in opt-out cases in the interchange multidistrict litigation the settlement-sharing provisions of the omnibus agreement, pursuant to which the monetary portion of any settlement of the interchange multidistrict litigation covered by the omnibus agreement would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. The omnibus amendment also provides that in the event of termination of the class settlement agreement, Visa and Mastercard would make mutually acceptable arrangements so that Visa shall have received two-thirds and Mastercard shall have received one-third of the total of (i) the sums paid to defendants as a result of the termination of the settlement agreement and (ii) the takedown payments previously made to defendants.

Europe Retrospective Responsibility Plan

UK loss sharing agreement. The Company has entered into a loss sharing agreement with Visa Europe and certain of Visa Europe's member financial institutions located in the United Kingdom (the "UK LSA members"). Each of the UK LSA members has agreed, on a several and not joint basis, to compensate the Company for certain losses which may be incurred by the Company, Visa Europe or their affiliates as a result of certain existing and potential litigation relating to the setting and implementation of domestic multilateral interchange fee rates in the United Kingdom prior to the closing of the Visa Europe acquisition (the "Closing"), subject to the terms and conditions set forth therein and, with respect to each UK LSA member, up to a maximum amount of the up-front cash consideration received by such UK LSA member. The UK LSA members' obligations under the UK loss sharing agreement are conditional upon, among other things, either (a) losses valued in excess of the sterling equivalent on June 21, 2016 of €1.0 billion having arisen in UK covered claims (and such losses having reduced the conversion rate of the series B preferred stock accordingly), or (b) the conversion rate of the series B preferred stock having been reduced to zero pursuant to losses arising in claims relating to multilateral interchange fee rate setting in the Visa Europe territory.

Litigation management deed. The Company has entered into a litigation management deed with Visa Europe which sets forth the agreed upon procedures for the management of the VE territory covered litigation, the allocation of losses resulting from this litigation (the "VE territory covered losses") between the series B and C preferred stock, and any accelerated conversion or reduction in the conversion rate of the shares of series B and C preferred stock. The litigation management deed applies only to VE territory covered litigation (and resultant losses and liabilities). The litigation management deed provides that the Company will generally control the conduct of the VE territory covered litigation, subject to certain obligations to report and consult with the litigation management committees for VE territory covered litigation (the "VE territory litigation management committees"). The VE territory litigation management committees, which are composed of representatives of certain Visa Europe members, have also been granted consent rights to approve certain material decisions in relation to the VE territory covered litigation.

The Company obtained certain protections for VE territory covered losses through the series B and C preferred stock, the UK loss sharing agreement, and the litigation management deed, referred to as the "Europe retrospective responsibility plan." The plan covers VE territory covered litigation (and resultant liabilities and losses) relating to the covered period, which generally refers to the period before the Closing. Visa's protection from the plan is further limited to 70% of any liabilities where the claim relates to inter-regional multilateral interchange fee rates where the issuer is located outside the Visa Europe territory, and the merchant is located within the Visa Europe territory. The plan does not protect the

Company in Europe against all types of litigation or remedies or fines imposed in competition law enforcement proceedings, only the interchange litigation specifically covered by the plan’s terms.

Unlike the U.S. retrospective responsibility plan, the Europe retrospective responsibility plan does not have an escrow account that is used to fund settlements or judgments. The Company is entitled to recover VE territory covered losses through a periodic adjustment to the class A common stock conversion rates applicable to the series B and C preferred stock. The total amount of protection available through the preferred stock component of the Europe retrospective responsibility plan is equivalent to the as-converted value of the preferred stock, which can be calculated at any point in time as the product of: (a) the outstanding number of shares of preferred stock; (b) the current conversion rate applicable to each class of preferred stock; and (c) Visa's class A common stock price. This amount differs from the value of the preferred stock recorded within stockholders' equity on the Company's consolidated balance sheets. The book value of the preferred stock reflects its historical value recorded at the Closing less VE territory covered losses recovered through a reduction of the applicable conversion rate. The book value does not reflect changes in the underlying class A common stock price subsequent to the Closing.

Visa Inc. net income will not be impacted by VE territory covered losses as long as the as-converted value of the preferred stock is greater than the covered loss. VE territory covered losses will be recorded when the loss is deemed to be probable and reasonably estimable, or in the case of attorney's fees, when incurred. Concurrently, the Company will record a reduction to stockholders' equity, which represents the Company's right to recover such losses through adjustments to the conversion rate applicable to the preferred stock. The reduction to stockholders' equity is recorded in a contra-equity account referred to as "right to recover for covered losses."

As required by the litigation management deed, at the fourth anniversary of the Visa Europe acquisition, Visa, in consultation with the VE territories litigation management committee, carried out a release assessment of the extent to which, if at all, it would be appropriate to effect a partial conversion of series B or C preferred stock into class A common stock or series A preferred stock. After the completion of this assessment, in September 2020, the Company released $7.3 billion of the as-converted value from its series B and C preferred stock and issued 374,819 shares of series A preferred stock (the "Fourth anniversary release"). Each holder of a share of series B and C preferred stock received a number of series A preferred stock equal to the applicable conversion adjustment divided by 100. The Company paid $5 million in cash in lieu of issuing fractional shares of series A preferred stock. The release resulted in a downward adjustment to the series B and C preferred stock conversion rates. See *Note 15—Stockholders' Equity.*

VE territory covered losses may be recorded before the corresponding adjustment to the applicable conversion rate is effected. Adjustments to the conversion rate may be executed once in any six-month period unless a single, individual loss greater than €20 million is incurred, in which case, the six-month limitation does not apply. When the adjustment to the conversion rate is made, the amount previously recorded in "right to recover for covered losses" as contra-equity will then be recorded against the book value of the preferred stock within stockholders' equity. During the year ended September 30, 2021, the Company recovered $55 million of VE territory covered losses through adjustments to the class A common stock conversion rates applicable to the series B and C preferred stock.

The following table presents the activities related to VE territory covered losses in preferred stock and "right to recover for covered losses" within stockholders' equity during the year ended September 30, 2021:

	Preferred Stock		Right to Recover for Covered Losses
	Series B	Series C	
	(in millions)		
Balance as of September 30, 2020	$ 1,106	$ 1,543	$ (39)
VE territory covered losses incurred[1]	—	—	(147)
Recovery through conversion rate adjustment[2]	(35)	(20)	53
Balance as of September 30, 2021	**$ 1,071**	**$ 1,523**	**$ (133)**

(1) VE territory covered losses incurred reflect settlements with merchants and additional legal costs. See *Note 20—Legal Matters*.

(2) Adjustment to right to recover for covered losses for the conversion rate adjustment differs from the actual recovered amount due to differences in foreign exchange rates between the time the losses were incurred and the subsequent recovery through the conversion rate adjustment.

The following table presents the as-converted value of the preferred stock available to recover VE territory covered losses compared to the book value of preferred stock recorded in stockholders' equity within the Company's consolidated balance sheets as of September 30, 2021 and 2020:

	September 30,			
	2021		2020	
	As-converted Value of Preferred Stock[(1),(2)]	Book Value of Preferred Stock[(1)]	As-converted Value of Preferred Stock[(1),(3)]	Book Value of Preferred Stock[(1)]
	(in millions)			
Series B preferred stock	**$ 3,493**	**$ 1,071**	$ 3,168	$ 1,106
Series C preferred stock	**4,806**	**1,523**	4,331	1,543
Total	**8,299**	**2,594**	7,499	2,649
Less: right to recover for covered losses	**(133)**	**(133)**	(39)	(39)
Total recovery for covered losses available	**$ 8,166**	**$ 2,461**	$ 7,460	$ 2,610

(1) Figures in the table may not recalculate exactly due to rounding. As-converted and book values are based on unrounded numbers.

(2) As of September 30, 2021, the as-converted value of preferred stock is calculated as the product of: (a) 2 million and 3 million shares of the series B and C preferred stock outstanding, respectively; (b) 6.321 and 6.834, the class A common stock conversion rate applicable to the series B and C preferred stock outstanding, respectively; and (c) $222.75, Visa's class A common stock closing stock price.

(3) As of September 30, 2020, the as-converted value of preferred stock is calculated as the product of: (a) 2 million and 3 million shares of the series B and C preferred stock outstanding, respectively; (b) 6.387 and 6.861, the class A common stock conversion rate applicable to the series B and C preferred stock outstanding, respectively; and (c) $199.97, Visa's class A common stock closing stock price.

Note 6—Fair Value Measurements and Investments

The Company measures certain assets and liabilities at fair value. See *Note 1—Summary of Significant Accounting Policies*.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value Measurements at September 30 Using Inputs Considered as			
	Level 1		Level 2	
	2021	2020	2021	2020
	(in millions)			
Assets				
Cash equivalents and restricted cash equivalents:				
Money market funds	**$ 11,779**	$ 12,522	**$ —**	$ —
U.S. government-sponsored debt securities	**—**	—	**100**	1,469
U.S. Treasury securities	**2,400**	650	**—**	—
Investment securities:				
Marketable equity securities	**490**	148	**—**	—
U.S. government-sponsored debt securities	**—**	—	**245**	2,582
U.S. Treasury securities	**2,985**	1,253	**—**	—
Other current and non-current assets:				
Money market funds	**4**	—	**—**	—
Derivative instruments	**—**	—	**410**	512
Total	**$ 17,658**	$ 14,573	**$ 755**	$ 4,563
Liabilities				
Accrued compensation and benefits:				
Deferred compensation liability	**$ 167**	$ 135	**$ —**	$ —
Accrued and other liabilities:				
Derivative instruments	**—**	—	**109**	181
Total	**$ 167**	$ 135	**$ 109**	$ 181

Level 1 assets and liabilities. Money market funds, marketable equity securities and U.S. Treasury securities are classified as Level 1 within the fair value hierarchy, as fair value is based on unadjusted quoted prices in active markets for identical assets and liabilities. The Company's deferred compensation liability is measured at fair value based on marketable equity securities held under the deferred compensation plan.

Level 2 assets and liabilities. The fair value of U.S. government-sponsored debt securities, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. Derivative instruments are valued using inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

U.S. government-sponsored debt securities and U.S. Treasury securities. As of September 30, 2021 and 2020, gross unrealized gains and losses were not material. As of September 30, 2021, $4.0 billion of the Company's debt securities are due within one year and $1.7 billion is due between one to five years.

Assets Measured at Fair Value on a Non-recurring Basis

Non-marketable equity securities. The Company's non-marketable equity securities are investments in privately held companies without readily determinable market values. These investments are classified as Level 3 due to the absence of quoted market prices, the inherent lack of liquidity and the fact that inputs used to measure fair value are unobservable and require management's judgment.

The following table summarizes the total carrying value of the Company's non-marketable equity securities held as of September 30, 2021 including cumulative unrealized gains and losses:

	September 30, 2021
	(in millions)
Initial cost basis	$ 874
Adjustments:	
Upward adjustments	607
Downward adjustments (including impairment)	(13)
Carrying amount, end of period	**$ 1,468**

Unrealized gains and losses included in the carrying value of the Company's non-marketable equity securities still held as of September 30, 2021 and 2020 were as follows:

	For the Years Ended September 30,	
	2021	2020
	(in millions)	
Upward adjustments	**$ 484**	$ 102
Downward adjustments (including impairment)	**$ (3)**	$ (6)

Investment Income

Investment income is recorded as non-operating income (expense) in the Company's consolidated statements of operations and consisted of the following:

	For the Years Ended September 30,		
	2021	2020	2019
	(in millions)		
Interest and dividend income on cash and investments	**$ (16)**	$ 80	$ 247
Realized gains (losses), net on debt securities	**—**	4	1
Equity securities:			
Unrealized gains (losses), net	**721**	115	117
Realized gains (losses), net	**26**	1	18
Investment income	**$ 731**	$ 200	$ 383

Other Fair Value Disclosures

Debt. Debt instruments are measured at amortized cost on the Company's consolidated balance sheets. The fair value of the debt instruments, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. If measured at fair value in the financial statements, these instruments would be classified as Level 2 in the fair value hierarchy. As of September 30, 2021, the carrying value and estimated fair value of debt was $21.0 billion and $22.5 billion, respectively. As of September 30, 2020, the carrying value and estimated fair value of debt was $24.1 billion and $26.6 billion, respectively.

Other financial instruments not measured at fair value. The following financial instruments are not measured at fair value on the Company's consolidated balance sheet at September 30, 2021, but disclosure of their fair values is required: settlement receivable and payable and customer collateral. The estimated fair value of such instruments at September 30, 2021 approximates their carrying value due to their generally short maturities. If measured at fair value in the financial statements, these financial instruments would be classified as Level 2 in the fair value hierarchy.

Note 7—Property, Equipment and Technology, Net

Property, equipment and technology, net, consisted of the following:

	September 30,	
	2021	2020
	(in millions)	
Land	**$ 72**	$ 71
Buildings and building improvements	**1,008**	1,007
Furniture, equipment and leasehold improvements	**2,048**	1,997
Construction-in-progress	**226**	163
Technology	**4,320**	3,923
Total property, equipment and technology	**7,674**	7,161
Accumulated depreciation and amortization	**(4,959)**	(4,424)
Property, equipment and technology, net	**$ 2,715**	$ 2,737

Technology consists of both purchased and internally developed software. Internally developed software primarily represents software utilized by the VisaNet electronic payments network. At September 30, 2021 and 2020, accumulated amortization for technology was $3.2 billion and $2.7 billion, respectively.

At September 30, 2021, estimated future amortization expense on technology is as follows:

	For the Years Ending September 30,						
	2022	2023	2024	2025	2026	Thereafter	Total
	(in millions)						
Estimated future amortization expense	$ 408	$ 307	$ 217	$ 134	$ 56	$ 18	**$ 1,140**

For fiscal 2021, 2020 and 2019, depreciation and amortization expense related to property, equipment and technology was $721 million, $687 million and $596 million, respectively.

Note 8—Intangible Assets and Goodwill

Indefinite-lived and finite-lived intangible assets consisted of the following:

	September 30,					
	2021			2020		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in millions)					
Finite-lived intangible assets:						
Customer relationships	**$ 726**	**$ (440)**	**$ 286**	$ 709	$ (376)	$ 333
Trade names	**199**	**(148)**	**51**	199	(134)	65
Reseller relationships	**95**	**(92)**	**3**	95	(89)	6
Other	**16**	**(15)**	**1**	17	(14)	3
Total finite-lived intangible assets	**1,036**	**(695)**	**341**	1,020	(613)	407
Indefinite-lived intangible assets:						
Customer relationships and reacquired rights	**23,239**	**—**	**23,239**	23,317	—	23,317
Visa trade name	**4,084**	**—**	**4,084**	4,084	—	4,084
Total indefinite-lived intangible assets	**27,323**	**—**	**27,323**	27,401	—	27,401
Total intangible assets	**$ 28,359**	**$ (695)**	**$ 27,664**	$ 28,421	$ (613)	$ 27,808

For fiscal 2021, 2020 and 2019, amortization expense related to finite-lived intangible assets was $83 million, $80 million and $60 million, respectively.

At September 30, 2021, estimated future amortization expense on finite-lived intangible assets is as follows:

	For the Years Ending September 30,						
	2022	2023	2024	2025	2026	Thereafter	Total
	(in millions)						
Estimated future amortization expense	$ 78	$ 55	$ 53	$ 42	$ 27	$ 86	**$ 341**

The changes in goodwill during the years ended September 30, 2021 and 2020 are as follows:

	2021	2020
	(in millions)	
Goodwill, beginning of period	**$ 15,910**	$ 15,656
Goodwill from acquisitions, net of adjustments	**63**	48
Foreign currency translation	**(15)**	206
Goodwill, end of period	**$ 15,958**	$ 15,910

During fiscal 2021, 2020 or 2019, there was no impairment related to the Company's intangible assets and goodwill.

Note 9—Leases

The Company entered into various operating lease agreements primarily for real estate. The Company's leases have original lease periods expiring between fiscal 2022 and 2031. Many leases include one or more options to renew. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments under the Company's lease arrangements are generally fixed. At September 30, 2021, the Company had no finance leases.

At September 30, 2021 and 2020, ROU assets included in other assets on the consolidated balance sheets was $515 million and $508 million, respectively. At September 30, 2021 and 2020, the current portion of lease liabilities included in accrued liabilities on the consolidated balance sheets was $103 million and $97 million, respectively, and the long-term portion included in other liabilities was $471 million and $473 million, respectively.

During fiscal 2021 and 2020, total operating lease cost was $111 million and $114 million, respectively. At September 30, 2021 and 2020, the weighted-average remaining lease term for operating leases was approximately 6 years and the weighted-average discount rate for operating leases was 2.23% and 2.29%, respectively.

At September 30, 2021, the present value of future minimum lease payments was as follows:

	September 30, 2021
	(in millions)
2022	$ 120
2023	108
2024	100
2025	85
2026	75
Thereafter	132
Total undiscounted lease payments	**620**
Less: imputed interest	(46)
Present value of lease liabilities	**$ 574**

During fiscal 2021 and 2020, ROU assets obtained in exchange for lease liabilities was $96 million and $76 million, respectively.

At September 30, 2021, the Company had additional operating leases that had not yet commenced with lease obligations of $467 million. These operating leases will commence between fiscal 2022 and 2023 with non-cancellable lease terms of 1 to 15 years.

Note 10—Debt

The Company had outstanding debt as follows:

	September 30, 2021	September 30, 2020	Effective Interest Rate[1]
	(in millions, except percentages)		
2.20% Senior Notes due December 2020	**$ —**	$ 3,000	2.30 %
2.15% Senior Notes due September 2022	**1,000**	1,000	2.30 %
2.80% Senior Notes due December 2022	**2,250**	2,250	2.89 %
3.15% Senior Notes due December 2025	**4,000**	4,000	3.26 %
1.90% Senior Notes due April 2027	**1,500**	1,500	2.02 %
0.75% Senior Notes due August 2027	**500**	500	0.84 %
2.75% Senior Notes due September 2027	**750**	750	2.91 %
2.05% Senior Notes due April 2030	**1,500**	1,500	2.13 %
1.10% Senior Notes due February 2031	**1,000**	1,000	1.20 %
4.15% Senior Notes due December 2035	**1,500**	1,500	4.23 %
2.70% Senior Notes due April 2040	**1,000**	1,000	2.80 %
4.30% Senior Notes due December 2045	**3,500**	3,500	4.37 %
3.65% Senior Notes due September 2047	**750**	750	3.73 %
2.00% Senior Notes due August 2050	**1,750**	1,750	2.09 %
Total debt	**21,000**	24,000	
Unamortized discounts and debt issuance costs	**(161)**	(178)	
Hedge accounting fair value adjustments[2]	**138**	248	
Total carrying value of debt	**$ 20,977**	$ 24,070	
Reported as:			
Current maturities of debt	**$ 999**	$ 2,999	
Long-term debt	**19,978**	21,071	
Total carrying value of debt	**$ 20,977**	$ 24,070	

(1) Effective interest rates disclosed do not reflect hedge accounting adjustments.

(2) Represents the change in fair value of interest rate swap agreements entered into on a portion of the outstanding senior notes. See *Note 1—Summary of Significant Accounting Policies* and *Note 13—Derivative Financial Instruments*.

Senior Notes

The Company's outstanding senior notes, or collectively, the "Notes", are senior unsecured obligations of the Company, ranking equally and ratably among themselves and with the Company's existing and future unsecured and unsubordinated debt. The Notes are not secured by any assets of the Company and are not guaranteed by any of the Company's subsidiaries. As of September 30, 2021, the Company was in compliance with all related covenants. Each series of Notes may be redeemed as a whole or in part at the Company's option at any time at specified redemption prices.

During the year ended September 30, 2021, the Company repaid $3.0 billion of principal upon maturity of its senior notes.

In August 2020, the Company issued fixed-rate senior notes in a public offering in an aggregate principal amount of $3.3 billion with maturities of 7, 10 and a half and 30 years. The August 2027 Notes, 2031 Notes and 2050 Notes, or collectively, the “August 2020 Notes”, have interest rates of 0.75%, 1.10% and 2.00%, respectively. Interest on the August 2020 Notes is payable semi-annually on February 15 and August 15 of each year, commencing on February 15, 2021. The net aggregate proceeds, after deducting discounts and debt issuance costs, were approximately $3.2 billion. The net proceeds from the offering of the August 2027 Notes will be used to fund eligible green projects and the net proceeds from the offering of the 2031 Notes and 2050 Notes will be used for general corporate purposes.

In April 2020, the Company issued fixed-rate senior notes in a public offering in an aggregate principal amount of $4.0 billion with maturities of 7, 10 and 20 years. The April 2027 Notes, 2030 Notes and 2040 Notes, or collectively, the “April 2020 Notes”, have interest rates of 1.90%, 2.05% and 2.70%, respectively. Interest on the April 2020 Notes is payable semi-annually on April 15 and October 15 of each year, commencing October 15, 2020. The net aggregate proceeds, after deducting discounts and debt issuance costs, were approximately $4.0 billion. The net proceeds from the offering of the April 2020 Notes will be used for general corporate purposes.

Commercial Paper Program

Visa maintains a commercial paper program to support its working capital requirements and for other general corporate purposes. Under the program, the Company is authorized to issue up to $3.0 billion in outstanding notes, with maturities up to 397 days from the date of issuance. As of September 30, 2021 and 2020, the Company had no outstanding obligations under the program.

Credit Facility

On July 25, 2019, the Company entered into an amended and restated credit agreement for a 5 year, unsecured $5.0 billion revolving credit facility (the "Credit Facility"), which will expire on July 25, 2024. The Credit Facility is not governed by any financial covenants. This Credit Facility is maintained to ensure the integrity of the payment card settlement process and for general corporate purposes. Interest on borrowings under the Credit Facility will be charged at the London Interbank Offered Rate or an alternative base rate, in each case plus applicable margins that fluctuate based on the applicable credit rating of the Company's senior unsecured long-term debt. The Company has agreed to pay a commitment fee which will fluctuate based on such applicable rating of the Company. As of September 30, 2021 and 2020, the Company had no amounts outstanding under the Credit Facility.

At September 30, 2021, future principal payments on the Company’s outstanding debt were as follows:

	For the Years Ending September 30,						
	2022	2023	2024	2025	2026	Thereafter	Total
	(in millions)						
Future principal payments	$ 1,000	$ 2,250	$ —	$ —	$ 4,000	$ 13,750	**$ 21,000**

Note 11—Pension and Other Postretirement Benefits

The Company sponsors various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for all eligible employees residing in the U.S. The Company also sponsors other pension benefit plans that provide benefits for internationally-based employees at certain non-U.S. locations.

Disclosures presented below include the U.S. pension plans and the non-U.S. plans, comprising only the Visa Europe plans. Disclosures relating to other U.S. postretirement benefit plans and other non-U.S. pension benefit plans are not included as they are immaterial, individually and in aggregate. The Company uses a September 30 measurement date for its pension and other postretirement benefit plans.

Defined benefit pension plans. The U.S. pension benefits under the defined benefit pension plan were earned based on a cash balance formula. An employee’s cash balance account was credited with an amount equal to 6% of eligible compensation plus interest based on 30-year Treasury securities. In October 2015, the Company’s board of directors approved an amendment of the U.S. qualified defined benefit pension plan such that the Company discontinued employer provided credits after December 31, 2015. Plan participants continue to earn interest credits on existing balances at the time of the freeze.

The funding policy for the U.S. pension benefits is to contribute annually no less than the minimum required contribution under ERISA.

Under the Visa Europe plans, retirement benefits are provided based on the participants' final pensionable pay and are currently closed to new entrants. However, future benefits continue to accrue for active participants. The

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2021

funding policy is to contribute in accordance with the appropriate funding requirements agreed with the trustees of the UK pension plans. Additional funding amounts may be agreed to with the UK pension plan trustees.

Summary of Plan Activities

A reconciliation of pension benefit obligations, plan assets, funded status and amounts recognized in the Company's consolidated balance sheets were as follows:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2021	2020	2021	2020
	(in millions)			
Change in pension benefit obligation:				
Benefit obligation at beginning of period	**$ 920**	$ 919	**$ 563**	$ 528
Service cost	**—**	—	**4**	4
Interest cost	**25**	28	**10**	10
Actuarial (gain) loss	**(8)**	37	**(53)**	11
Benefit payments	**(60)**	(64)	**(28)**	(17)
Foreign currency exchange rate changes	**—**	—	**24**	27
Benefit obligation at end of period	**$ 877**	$ 920	**$ 520**	$ 563
Accumulated benefit obligation	**$ 877**	$ 920	**$ 520**	$ 563
Change in plan assets:				
Fair value of plan assets at beginning of period	**$ 1,142**	$ 1,090	**$ 525**	$ 490
Actual return on plan assets	**205**	114	**9**	5
Company contribution	**1**	2	**21**	22
Benefit payments	**(60)**	(64)	**(28)**	(17)
Foreign currency exchange rate changes	**—**	—	**21**	25
Fair value of plan assets at end of period	**$ 1,288**	$ 1,142	**$ 548**	$ 525
Funded status at end of period	**$ 411**	$ 222	**$ 28**	$ (38)
Recognized in consolidated balance sheets:				
Non-current asset	**$ 417**	$ 229	**$ 30**	$ —
Current liability	**(1)**	(1)	**—**	—
Non-current liability	**(5)**	(6)	**(2)**	(38)
Funded status at end of period	**$ 411**	$ 222	**$ 28**	$ (38)

Amounts recognized in accumulated other comprehensive income (loss) before tax consist of the following:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2021	2020	2021	2020
	(in millions)			
Net actuarial (gain) loss	**$ (11)**	$ 135	**$ 47**	$ 93

Benefit obligations in excess of plan assets were as follows:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2021	2020	2021	2020
	(in millions)			
Accumulated benefit obligation in excess of plan assets				
Accumulated benefit obligation at end of period	**$ (6)**	$ (7)	**$ (520)**	$ (563)
Fair value of plan assets at end of period	**$ —**	$ —	**$ 548**	$ 525
Projected benefit obligation in excess of plan assets				
Benefit obligation at end of period	**$ (6)**	$ (7)	**$ (520)**	$ (563)
Fair value of plan assets at end of period	**$ —**	$ —	**$ 548**	$ 525

Net periodic benefit cost consists of the following:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2021	2020	2019	2021	2020	2019
	(in millions)					
Service cost	**$ —**	$ —	$ —	**$ 4**	$ 4	$ 4
Interest cost	**25**	28	32	**10**	10	13
Expected return on assets	**(70)**	(72)	(71)	**(17)**	(15)	(18)
Amortization of actuarial (gain) loss	**3**	6	—	**4**	2	—
Settlement (gain) loss	**(1)**	8	7	**2**	—	—
Total net periodic benefit cost	**$ (43)**	$ (30)	$ (32)	**$ 3**	$ 1	$ (1)

The service cost component of net periodic benefit cost is presented in personnel expenses while the other components are presented in other non-operating income (expense) on the Company's consolidated statements of operations.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) consist of the following:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2021	2020	2019	2021	2020	2019
	(in millions)					
Current year actuarial (gain) loss	**$ (143)**	$ (5)	$ 114	**$ (45)**	$ 21	$ 27
Amortization of actuarial gain (loss)	**(3)**	(14)	(7)	**(6)**	(2)	—
Current year prior service cost	**—**	—	—	**—**	—	1
Total recognized in other comprehensive (income) loss	**$ (146)**	$ (19)	$ 107	**$ (51)**	$ 19	$ 28
Total recognized in net periodic benefit cost and other comprehensive (income) loss	**$ (189)**	$ (49)	$ 75	**$ (48)**	$ 20	$ 27

For the year ended September 30, 2021, the net gain was primarily attributable to market-driven increases in the fair value of plan assets combined with an increase in the discount rate.

Weighted-average actuarial assumptions used to estimate the benefit obligation and net periodic benefit cost were as follows:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2021	2020	2019	2021	2020	2019
Discount rate for benefit obligation:						
Pension	**2.98 %**	2.88 %	3.26 %	**2.10 %**	1.60 %	1.80 %
Discount rate for net periodic benefit cost:						
Pension	**2.88 %**	3.27 %	4.23 %	**1.60 %**	1.80 %	2.90 %
Expected long-term rate of return on plan assets	**6.50 %**	7.00 %	7.00 %	**3.50 %**	3.00 %	3.00 %
Rate of increase[(1)] in compensation levels for:						
Benefit obligation	**NA**	NA	NA	**2.50 %**	2.50 %	2.50 %
Net periodic benefit cost	**NA**	NA	NA	**2.50 %**	2.50 %	2.50 %

(1) This assumption is not applicable for the U.S. plans due to the amendment of the U.S. qualified defined benefit pension plan in October 2015, which discontinued the employer provided credits effective after December 31, 2015.

The U.S. plans include a cash balance plan with promised interest crediting rates. Under the plan rules, for fiscal 2021, 2020 and 2019, the weighted average interest crediting rates for the benefit obligation were 1.98%,1.88%, 2.26%, respectively, and the weighted average interest crediting rates for the benefit cost set at the beginning of the period were 1.88%, 2.26% and 3.23% for fiscal 2021, 2020 and 2019, respectively.

Pension Plan Assets

Pension plan assets are managed with a long-term perspective to ensure that there is an adequate level of assets to support benefit payments to participants over the life of the pension plan. Pension plan assets are managed by external investment managers. Investment manager performance is measured against benchmarks for each asset class on a quarterly basis. An independent consultant assists management with investment manager selections and performance evaluations.

Pension plan assets are broadly diversified to maintain a prudent level of risk and to provide adequate liquidity for benefit payments. The Company generally evaluates and rebalances pension plan assets, as appropriate, to ensure that allocations are consistent with its investment strategy and within target allocation ranges. For U.S. pension plan assets, the Company's investment strategy is to invest in the following: equity securities of 35% to 65%, fixed income securities of 43% to 53% and other, primarily consisting of cash equivalents to meet near term expected benefit payments and expenses, of up to 4%. At September 30, 2021, U.S. pension plan asset allocations for these categories were 50%, 48% and 2%, respectively, which were within target allocation ranges.

For non-U.S. pension plan assets, the Company's investment strategy is to invest in the following: equity funds of 12%, interest and inflation hedging assets of 50% and other of 38%, consisting of cash and cash equivalents, corporate debt and asset-backed securities, multi-asset funds and property. At September 30, 2021, non-U.S. pension plan asset allocations for these categories were 12%, 45% and 43%, respectively, which generally aligned with the target allocations.

The following tables set forth by level, within the fair value hierarchy, the pension plans' investments at fair value as of September 30, 2021 and 2020, including the impact of transactions that were not settled at the end of September:

	U.S. Plans							
	Fair Value Measurements at September 30 Using Inputs Considered as							
	Level 1		Level 2		Level 3		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	(in millions)							
Cash equivalents	**$ 20**	$ 17	**$ —**	$ —	**$ —**	$ —	**$ 20**	$ 17
Collective investment funds	**—**	—	**548**	509	**—**	—	**548**	509
Corporate debt securities	**—**	—	**455**	373	**—**	—	**455**	373
U.S. government-sponsored debt securities	**—**	—	**28**	30	**—**	—	**28**	30
U.S. Treasury securities	**105**	84	**—**	—	**—**	—	**105**	84
Asset-backed securities	**—**	—	**—**	—	**31**	37	**31**	37
Equity securities	**101**	92	**—**	—	**—**	—	**101**	92
Total	**$ 226**	$ 193	**$ 1,031**	$ 912	**$ 31**	$ 37	**$ 1,288**	$ 1,142

	Non-U.S. Plans							
	Fair Value Measurements at September 30 Using Inputs Considered as							
	Level 1		Level 2		Level 3		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	(in millions)							
Cash and cash equivalents	**$ 18**	$ 6	**$ —**	$ —	**$ —**	$ —	**$ 18**	$ 6
Corporate debt securities	**—**	—	**51**	48	**—**	—	**51**	48
Asset-backed securities	**—**	—	**—**	—	**78**	67	**78**	67
Equity funds	**—**	—	**68**	65	**—**	—	**68**	65
Multi-asset securities[1]	**—**	—	**333**	339	**—**	—	**333**	339
Total	**$ 18**	$ 6	**$ 452**	$ 452	**$ 78**	$ 67	**$ 548**	$ 525

(1) Multi-asset securities represent pension plan assets that are invested in funds comprised of broad ranges of assets.

Level 1 assets. Cash equivalents, which comprise of money market funds, U.S. Treasury securities and equity securities are classified as Level 1 within the fair value hierarchy, as fair value is based on unadjusted quoted prices in active markets for identical assets.

Level 2 assets. Collective investment funds are unregistered investment vehicles that generally commingle the assets of multiple fiduciary clients, such as pension and other employee benefit plans, to invest in a portfolio of stocks, bonds or other securities. Although the collective investment funds held by the plan are ultimately invested in publicly traded equity securities, their own unit values are not directly observable, and therefore they are classified as Level 2. Equity funds are investments in mutual funds that in-turn ultimately invest in equity securities of various jurisdictions. These are classified as level 2 as the equity funds held by the plan are not actively traded but the fair value of underlying securities are generally, although not always, determined with observable data and inputs. The fair values of corporate debt, multi-asset and U.S. government-sponsored securities are based on quoted prices in active markets for similar, not identical, assets.

Level 3 assets. Asset-backed securities are bonds that are backed by various types of assets and primarily consist of mortgage-backed securities. Asset-backed securities are classified as Level 3 due to a lack of observable inputs in measuring fair value.

Cash Flows

Expected future employer contributions and benefit payments are as follows:

	U.S. Plans	Non-U.S. Plans
	(in millions)	
Expected employer contributions		
2022	$ 1	$ 21
Expected benefit payments		
2022	$ 122	$ 8
2023	$ 93	$ 8
2024	$ 84	$ 9
2025	$ 80	$ 9
2026	$ 72	$ 9
2027-2031	$ 278	$ 50

Other Benefits

The Company sponsors a defined contribution plan, or 401(k) plan, that covers substantially all of its employees residing in the U.S. In fiscal 2021, 2020 and 2019, personnel costs included $141 million, $140 million, and $121 million, respectively, of expenses attributable to the Company's employees under the 401(k) plan. The Company's contributions to this 401(k) plan are funded on a current basis, and the related expenses are recognized in the period that the payroll expenses are incurred.

Note 12—Settlement Guarantee Management

The Company indemnifies its clients for settlement losses suffered due to failure of any other client to fund its settlement obligations in accordance with the Visa operating rules. This indemnification creates settlement risk for the Company due to the difference in timing between the date of a payment transaction and the date of subsequent settlement.

Historically, the Company has experienced minimal losses as a result of its settlement risk guarantee. However, the Company's future obligations, which could be material under its guarantees, are not determinable as they are dependent upon future events.

The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time, which vary significantly day to day. During the year ended September 30, 2021, the Company's maximum daily settlement exposure was $105.0 billion and the average daily settlement exposure was $65.1 billion.

The Company maintains and regularly reviews global settlement risk policies and procedures to manage settlement exposure, which may require clients to post collateral if certain credit standards are not met. At September 30, 2021 and 2020, the Company held the following collateral to manage settlement exposure:

	September 30,	
	2021	2020
	(in millions)	
Restricted cash and restricted cash equivalents	**$ 2,260**	$ 1,850
Pledged securities at market value	**254**	228
Letters of credit	**1,518**	1,306
Guarantees	**758**	717
Total	**$ 4,790**	$ 4,101

Note 13—Derivative Financial Instruments

As of September 30, 2021 and 2020, the aggregate notional amount of the Company's derivative contracts outstanding in its hedge program was $11.2 billion and $10.7 billion, respectively. As of September 30, 2021 and 2020, the aggregate notional amount of the derivative contracts not designated as hedging instruments was $0.8 billion and $1.6 billion, respectively.

As of September 30, 2021 and 2020, the following table shows the Company's derivative instruments at gross fair value:

	Balance Sheet Location	September 30, 2021	September 30, 2020
		(in millions)	
Assets			
Designated as Hedging Instrument:			
Foreign exchange contracts	Prepaid expenses and other current assets and other assets	**$ 270**	$ 257
Interest rate swap	Other assets	**$ 138**	$ 248
Not Designated as Hedging Instrument:			
Foreign exchange contracts	Prepaid expenses and other current assets	**$ 2**	$ 7
Liabilities			
Designated as Hedging Instrument:			
Foreign exchange contracts	Accrued liabilities	**$ 13**	$ 39
Cross-currency swap	Other liabilities	**$ 90**	$ 137
Not Designated as Hedging Instrument:			
Foreign exchange contracts	Accrued liabilities	**$ 6**	$ 5

For fiscal 2021, 2020 and 2019, the Company recognized pre-tax net gains (losses) in other comprehensive income (loss) related to net investment hedges of $20 million, ($318) million and $234 million, respectively. For fiscal 2021, 2020 and 2019, the Company recognized an increase in earnings of $156 million, $150 million and $95 million, respectively, related to excluded forward points and interest differentials from forward contracts and swap agreements.

Credit and market risks. The Company's derivative financial instruments are subject to both credit and market risk. The Company monitors the credit-worthiness of the financial institutions that are counterparties to its derivative financial instruments and does not consider the risks of counterparty nonperformance to be significant. The Company mitigates this risk by entering into master netting agreements, and such agreements require each party to post collateral against its net liability position with the respective counterparty. As of September 30, 2021, the Company has received collateral of $35 million from counterparties, which is included in accrued liabilities in the consolidated balance sheets, and posted collateral of $9 million, which is included in prepaid expenses and other current assets in the consolidated balance sheets. Notwithstanding the Company's efforts to manage foreign exchange risk, there can be no absolute assurance that its hedging activities will adequately protect against the risks associated with foreign currency fluctuations. As of September 30, 2021, credit and market risks related to derivative instruments were not considered significant.

Note 14—Enterprise-wide Disclosures and Concentration of Business

The Company's long-lived net property and equipment and ROU assets are classified by major geographic areas as follows:

	September 30,	
	2021	2020
	(in millions)	
U.S.	**$ 1,286**	$ 1,350
International	**596**	558
Total	**$ 1,882**	$ 1,908

Revenues by geographic market is primarily based on the location of the issuing financial institution. Net revenues earned in the U.S. were approximately 46% of total net revenues in each of fiscal 2021 and fiscal 2020 and 45% of total net revenues in fiscal 2019. No individual country, other than the U.S., generated more than 10% of total net revenues in these years.

In fiscal 2021, the Company had one client that accounted for 11% of its total net revenues. In fiscal 2020, the Company had two clients that accounted for 11% and 10% of its total net revenues, respectively. In fiscal 2019, no clients generated greater than 10% of the Company's total net revenues.

Note 15—Stockholders' Equity

Series A preferred stock issuance. In September 2020, the Company issued 374,819 shares of series A preferred stock in connection with the Fourth anniversary release. See *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

As-converted class A common stock. The number of shares of each series and class, and the number of shares of class A common stock on an as-converted basis at September 30, 2021 and 2020, were as follows:

	September 30,					
	2021			2020		
	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock[1]	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock[1]
	(in millions, except conversion rate)					
Series A preferred stock	**—** [2]	**100.0000**	**7**	— [2]	100.0000	35
Series B preferred stock	**2**	**6.3210**	**16**	2	6.3870	16
Series C preferred stock	**3**	**6.8340**	**22**	3	6.8610	22
Class A common stock[3]	**1,677**	**—**	**1,677**	1,683	—	1,683
Class B common stock	**245**	**1.6228** [4]	**398**	245	1.6228 [4]	398
Class C common stock	**10**	**4.0000**	**41**	11	4.0000	43
Total			**2,161**			2,197

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

(2) The number of shares outstanding was less than one million.

(3) Class A common stock shares outstanding reflect repurchases that settled on or before September 30, 2021 and 2020.

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

Reduction in as-converted shares. Under the terms of the Europe retrospective responsibility plan, the Company is entitled to recover VE territory covered losses through periodic adjustments to the class A common stock conversion rates applicable to the series B and C preferred stock. The recovery has the same economic effect on earnings per share as repurchasing the Company's class A common stock, because it reduces the series B and C preferred stock conversion rates and consequently, reduces the as-converted class A common stock share count. See *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

The following table presents the reduction in as-converted series B and C preferred stock after the Company recovered VE territory covered losses through conversion rate adjustments and the Fourth anniversary release:

	For the Years Ended September 30,					
	2021		2020		2019	
	Series B	Series C	Series B	Series C	Series B	Series C
	(in millions, except per share data)					
Reduction in equivalent number of as-converted shares of class A common stock	— [1]	— [1]	16	22	— [1]	— [1]
Effective price per share[2]	**$ 220.84**	**$ 220.71**	$ 194.31	$ 194.33	$ 141.32	$ 150.26
Recovery through conversion rate adjustment	**$ 35**	**$ 20**	$ 72	$ 92	$ 6	$ 2
Fourth anniversary release	**$ —**	**$ —**	$ 3,084	$ 4,216	$ —	$ —

(1) The reduction in equivalent number of shares of class A common stock was less than one million shares.

(2) Effective price per share for each adjustment made during the year is calculated using the volume-weighted average price of the Company's class A common stock over a pricing period in accordance with the Company's current certificates of designations for its series B and C preferred stock. Effective price per share for each fiscal year is calculated using the weighted-average effective prices of the respective adjustments made during the year.

Under the terms of the U.S. retrospective responsibility plan, when the Company makes a deposit into the litigation escrow account, the shares of class B common stock are subject to dilution through a reduction to the conversion rate of the shares of class B common stock to shares of class A common stock. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

The following table presents the reduction in as-converted class B common stock after deposits into the litigation escrow account for the following fiscal years:

	For the Years Ended September 30,		
	2021	2020	2019
	(in millions, except per share data)		
Reduction in equivalent number of as-converted shares of class A common stock	**—**	—	2
Effective price per share[1]	**$ —**	$ —	$ 174.73
Deposits under the U.S. retrospective responsibility plan	**$ —**	$ —	$ 300

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

Common stock repurchases. The following table presents share repurchases in the open market for the following fiscal years:

	For the Years Ended September 30,		
	2021	**2020**	**2019**
	(in millions, except per share data)		
Shares repurchased in the open market[1]	**40**	44	56
Average repurchase price per share[2]	**$ 219.03**	$ 183.00	$ 154.01
Total cost[2]	**$ 8,676**	$ 8,114	$ 8,607

(1) Shares repurchased in the open market reflect repurchases that settled during fiscal 2021, 2020 and 2019. All shares repurchased in the open market have been retired and constitute authorized but unissued shares.

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

In January 2020, the Company's board of directors authorized a $9.5 billion share repurchase program and in January 2021, authorized an additional $8.0 billion share repurchase program (the "January 2021 Program"). These authorizations have no expiration date. As of September 30, 2021, the Company's January 2021 Program had remaining authorized funds of $4.8 billion. All share repurchase programs authorized prior to January 2021 have been completed.

Dividends. In fiscal 2021, 2020 and 2019, the Company declared and paid dividends of $2.8 billion, $2.7 billion and $2.3 billion, respectively, at a quarterly rate of $0.32, $0.30 and $0.25 per share, respectively. On October 22, 2021, the Company's board of directors declared a quarterly cash dividend of $0.375 per share of class A common stock (determined in the case of class B and C common stock and series A, B and C preferred stock on an as-converted basis), which will be paid on December 7, 2021, to all holders of record of the Company's common and preferred stock as of November 12, 2021.

Class B common stock. The class B common stock is not convertible or transferable until the date on which all of the U.S. covered litigation has been finally resolved. This transfer restriction is subject to limited exceptions, including transfers to other holders of class B common stock. After termination of the restrictions, the class B common stock will be convertible into class A common stock if transferred to a person that was not a Visa Member (as defined in the current certificate of incorporation) or similar person or an affiliate of a Visa Member or similar person. Upon such transfer, each share of class B common stock will automatically convert into a number of shares of class A common stock based upon the applicable conversion rate in effect at the time of such transfer.

Adjustment of the conversion rate occurs upon: (i) the completion of any follow-on offering of class A common stock completed to increase the size of the U.S. litigation escrow account (or any cash deposit by the Company in lieu thereof) resulting in a further corresponding decrease in the conversion rate; or (ii) the final resolution of the U.S. covered litigation and the release of funds remaining on deposit in the U.S. litigation escrow account to the Company resulting in a corresponding increase in the conversion rate. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Class C common stock. As of September 30, 2021, all of the shares of class C common stock have been released from transfer restrictions. A total of 141 million shares have been converted from class C to class A common stock upon their sale into the public market.

Preferred stock. In connection with the Visa Europe acquisition, three new series of preferred stock of the Company were created. Upon issuance, all of the preferred stock participate on an as-converted basis in regular quarterly cash dividends declared on the Company's class A common stock. Preferred stock may be issued as redeemable or non-redeemable, and has preference over any class of common stock with respect to the payment of dividends and distribution of the Company's assets in the event of a liquidation or dissolution.

The series B and C preferred stock is convertible upon certain conditions into shares of class A common stock or series A preferred stock. The shares of series B and C preferred stock are subject to restrictions on transfer and may become convertible in stages based on developments in the VE territory covered litigation. The shares of series B and C preferred stock will become fully convertible on the 12th anniversary of the closing of the Visa Europe acquisition, subject only to a holdback to cover any then-pending claims. Upon any such conversion of the series B and C preferred stock (whether by such 12th anniversary, or thereafter with respect to claims pending on such anniversary), the conversion rate would be adjusted downward and the holder would receive either class A common stock or series A preferred stock (for those who are not eligible to hold class A common stock pursuant to the Company's charter). The conversion rates may also be reduced from time to time to offset certain liabilities.

The series A preferred stock, generally designed to be economically equivalent to the Company's class A common stock, is freely transferable and each share of series A preferred stock will automatically convert into 100 shares of class A common stock upon a transfer to any holder that is eligible to hold class A common stock under the charter. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Voting rights. The holders of the series B and C preferred stock have no right to vote on any matters, except for certain defined matters, including, in specified circumstances, any consolidation, merger, combination or similar transaction of the Company in which the preferred stockholders would either (i) receive shares of common stock or other equity securities of the Company with preferences, rights and privileges that are not substantially identical to the preferences, rights and privileges of the applicable series of preferred stock or (ii) receive securities, cash or other property that is different from what the Company's class A common stockholders would receive. With respect to these limited matters on which the holders of preferred stock may vote, approval by the preferred stockholders requires the affirmative vote of the outstanding voting power of each such series of preferred stock, each such series voting as a single class. In either case, the series B and C preferred stockholders are entitled to cast a number of votes equal to the number of shares held by each such holder. Holders of the series A preferred stock, upon issuance at conversion, will have similar voting rights to the rights of the holders of the series B and C preferred stock.

Class A common stockholders have the right to vote on all matters on which stockholders generally are entitled to vote. Class B and C common stockholders have no right to vote on any matters, except for certain defined matters, including (i) any decision to exit the core payments business, in which case the class B and C common stockholders will vote together with the class A common stockholders in a single class, and (ii) in specified circumstances, any consolidation, merger, combination or similar transaction of the Company, in which case the class B and C common stockholders will vote together as a single class. In either case, the class B and C common stockholders are entitled to cast a number of votes equal to the number of shares of class B or C common stock held multiplied by the applicable conversion rate in effect on the record date. Holders of the Company's common stock have no right to vote on any amendment to the current certificate of incorporation that relates solely to any series of preferred stock.

Note 16—Earnings Per Share

Basic earnings per share is computed by dividing net income available to each class of shares by the weighted-average number of shares of common stock outstanding and participating securities during the period. Participating securities include the Company's series A, B and C preferred stock and restricted stock units ("RSUs") that contain non-forfeitable rights to dividends or dividend equivalents. Net income is allocated to each class of common stock and participating securities based on its proportional ownership on an as-converted basis. The weighted-average number of shares outstanding of each class of common stock reflects changes in ownership over the periods presented. See *Note 15—Stockholders' Equity*.

Diluted earnings per share is computed by dividing net income available by the weighted-average number of shares of common stock outstanding, participating securities and, if dilutive, potential class A common stock equivalent shares outstanding during the period. Dilutive class A common stock equivalents may consist of: (1) shares of class A common stock issuable upon the conversion of series A, B and C preferred stock and class B and C common stock based on the conversion rates in effect through the period, and (2) incremental shares of class A common stock calculated by applying the treasury stock method to the assumed exercise of employee stock options, the assumed purchase of stock under the Company's Employee Stock Purchase Plan and the assumed vesting of unearned performance shares.

The following table presents earnings per share for fiscal 2021:

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)[(1)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[(2)]	Income Allocation (A)[(1)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[(2)]
	(in millions, except per share data)					
Class A common stock	$ 9,527	1,691	$ 5.63	$ 12,311	2,188 (3)	$ 5.63
Class B common stock	2,244	245	$ 9.14	2,242	245	$ 9.13
Class C common stock	237	10	$ 22.53	236	10	$ 22.51
Participating securities	303	Not presented	Not presented	303	Not presented	Not presented
Net income	**$ 12,311**					

The following table presents earnings per share for fiscal 2020:

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)[(1)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[(2)]	Income Allocation (A)[(1)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[(2)]
	(in millions, except per share data)					
Class A common stock	$ 8,310	1,697	$ 4.90	$ 10,866	2,223 (3)	$ 4.89
Class B common stock	1,951	245	$ 7.94	1,948	245	$ 7.93
Class C common stock	214	11	$ 19.58	214	11	$ 19.56
Participating securities	391	Not presented	Not presented	391	Not presented	Not presented
Net income	$ 10,866					

The following table presents earnings per share for fiscal 2019:

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)[(1)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[(2)]	Income Allocation (A)[(1)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)[(2)]
	(in millions, except per share data)					
Class A common stock	$ 9,273	1,742	$ 5.32	$ 12,080	2,272 (3)	$ 5.32
Class B common stock	2,130	245	$ 8.68	2,127	245	$ 8.66
Class C common stock	247	12	$ 21.30	246	12	$ 21.26
Participating securities	430	Not presented	Not presented	429	Not presented	Not presented
Net income	$ 12,080					

(1) Net income is allocated based on proportional ownership on an as-converted basis. The weighted-average number of shares of as-converted class B common stock used in the income allocation was 398 million for each of fiscal 2021 and 2020 and 400 million for fiscal 2019. The weighted-average number of shares of as-converted class C common stock used in the income allocation was 42 million, 44 million and 46 million for fiscal 2021, 2020 and 2019, respectively. The weighted-average number of shares of preferred stock included within participating securities was 12 million and 1 million of as-converted series A preferred stock for fiscal 2021 and 2020, respectively, 16 million of as-converted series B preferred stock for fiscal 2021 and 32 million of as-converted series B preferred stock for each of fiscal 2020 and 2019, and 22 million, 43 million, and 44 million of as-converted series C preferred stock for fiscal 2021, 2020 and 2019, respectively.

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

(3) Weighted-average diluted shares outstanding are calculated on an as-converted basis, and include incremental common stock equivalents, as calculated under the treasury stock method. The common stock equivalents are not material for each of fiscal 2021, 2020 and 2019.

Note 17—Share-based Compensation

2007 Equity Incentive Compensation Plan

The Company's 2007 Equity Incentive Compensation Plan, or the EIP, authorizes the compensation committee of the board of directors to grant non-qualified stock options ("options"), restricted stock awards, RSUs and performance-based shares to its employees and non-employee directors. On January 26, 2021, the EIP was amended to extend the termination date from January 31, 2022 to January 26, 2031 and reduce the number of shares of class A common stock authorized for grant from 236 million to 198 million. Shares available for grant may be either authorized and unissued or previously issued shares subsequently acquired by the Company. Under the amended EIP, shares withheld for taxes, or shares used to pay the exercise or purchase price of an award, shall not again be available for future grant. The EIP will continue to be in effect until all of the common stock available under the EIP is delivered and all restrictions on those shares have lapsed, unless the EIP is terminated earlier by the Company's board of directors.

For fiscal 2021, 2020 and 2019, the Company recorded share-based compensation cost related to the EIP of $518 million, $393 million and $388 million, respectively, in personnel expense on its consolidated statements of operations. The related tax benefits for fiscal 2021, 2020 and 2019 were $73 million, $63 million and $59 million, respectively.

Options

Options issued under the EIP expire 10 years from the date of grant and primarily vest ratably over 3 years from the date of grant, subject to earlier vesting in full under certain conditions.

During fiscal 2021, 2020 and 2019, the fair value of each stock option was estimated on the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	For the Years Ended September 30,		
	2021	**2020**	**2019**
Expected term (in years)[1]	**4.07**	4.03	3.98
Risk-free rate of return[2]	**0.3 %**	1.6 %	2.9 %
Expected volatility[3]	**25.1 %**	18.7 %	20.2 %
Expected dividend yield[4]	**0.6 %**	0.7 %	0.7 %
Fair value per option granted	**$ 39.51**	$ 29.37	$ 25.89

(1) Based on Visa's historical exercise experience.
(2) Based upon the zero coupon U.S. treasury bond rate over the expected term of the awards.
(3) Based on the Company's implied and historical volatilities.
(4) Based on the Company's annual dividend rate on the date of grant.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2021

The following table summarizes the Company's option activity for fiscal 2021:

	Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value[(1)] (in millions)
Outstanding at September 30, 2020	5,786,549	$ 114.61		
Granted	1,022,430	$ 207.57		
Forfeited	(57,107)	$ 179.38		
Expired	—	$ —		
Exercised	(912,093)	$ 87.06		
Outstanding at September 30, 2021	**5,839,779**	**$ 134.56**	**6.56**	**$ 515**
Options exercisable at September 30, 2021	**3,736,509**	$ 105.05	5.55	$ 440
Options exercisable and expected to vest at September 30, 2021[(2)]	**5,783,092**	$ 133.93	6.54	$ 514

(1) Calculated using the closing stock price on the last trading day of fiscal 2021 of $222.75, less the option exercise price, multiplied by the number of instruments.

(2) Applied a forfeiture rate to unvested options outstanding at September 30, 2021 to estimate the options expected to vest in the future.

During fiscal 2021, 2020 and 2019, the total intrinsic value of options exercised was $124 million, $146 million and $107 million, respectively, and the tax benefit realized was $23 million, $31 million and $23 million, respectively. As of September 30, 2021, there was $23 million of total unrecognized compensation cost related to unvested options, which is expected to be recognized over a weighted-average period of approximately 0.42 years.

Restricted Stock Units

RSUs issued under the EIP primarily vest ratably over 3 years from the date of grant, subject to earlier vesting in full under certain conditions. Upon vesting, RSUs can be settled in class A common stock on a one-for-one basis or in cash, or a combination thereof, at the Company's option. The Company does not currently intend to settle any RSUs in cash. During the vesting period, RSU award recipients are eligible to receive dividend equivalents, but do not participate in the voting rights granted to the holders of the underlying class A common stock.

The fair value and compensation cost before estimated forfeitures for RSUs is calculated using the closing price of class A common stock on the date of grant. During fiscal 2021, 2020 and 2019, the weighted-average grant date fair value of RSUs granted was $209.00, $183.61 and $137.38, respectively. During fiscal 2021, 2020 and 2019, the total grant date fair value of RSUs vested was $331 million, $284 million and $228 million, respectively.

The following table summarizes the Company's RSU activity for fiscal 2021:

	Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value[1] (in millions)
Outstanding at September 30, 2020	4,690,500	$ 154.06		
Granted	2,486,219	$ 209.00		
Vested	(2,327,105)	$ 142.35		
Forfeited	(323,166)	$ 183.46		
Outstanding at September 30, 2021	**4,526,448**	**$ 188.16**	**0.87**	**$ 1,008**

(1) Calculated by multiplying the closing stock price on the last trading day of fiscal 2021 of $222.75 by the number of instruments.

At September 30, 2021, there was $452 million of total unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted-average period of approximately 0.87 years.

Performance-based Shares

For the Company's performance-based shares, in addition to service conditions, the ultimate number of shares to be earned depends on the achievement of both performance and market conditions. The performance condition is based on the Company's earnings per share target. The market condition is based on the Company's total shareholder return ranked against that of other companies that are included in the Standard & Poor's 500 Index. For fiscal 2021, the fair value of the performance-based shares incorporating the market condition is estimated on the grant date using a Monte Carlo simulation model with the following weighted-average assumptions: risk-free rate of return of 0.2%, expected term of 2 years, expected volatility of 27.2% and expected dividend yield of 0.6%. In fiscal 2021, 2020 and 2019, the weighted-average grant date fair value of performance-based shares granted was $229.81, $211.08 and $153.42 per share, respectively. Performance-based shares vest over three years and are subject to earlier vesting in full under certain conditions. During fiscal 2021, 2020 and 2019, the total grant date fair value of performance-based shares vested and earned was $47 million, $65 million and $41 million, respectively. Compensation cost for performance-based shares is initially estimated based on target performance. It is recorded net of estimated forfeitures and adjusted as appropriate throughout the performance period.

The following table summarizes the maximum number of performance-based shares which could be earned and related activity for fiscal 2021:

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value[(1)] (in millions)
Outstanding at September 30, 2020	994,800	$ 171.33		
Granted[(2)]	432,714	$ 229.81		
Vested and earned	(359,894)	$ 130.98		
Unearned	(203,760)	$ 224.79		
Forfeited	—	$ —		
Outstanding at September 30, 2021	**863,860**	**$ 204.82**	**0.82**	**$ 192**

(1) Calculated by multiplying the closing stock price on the last trading day of fiscal 2021 of $222.75 by the number of instruments.
(2) Represents the maximum number of performance-based shares which could be earned.

At September 30, 2021, there was $40 million of total unrecognized compensation cost related to unvested performance-based shares, which is expected to be recognized over a weighted-average period of approximately 0.82 years.

Employee Stock Purchase Plan

The Visa Inc. Employee Stock Purchase Plan (the "ESPP") permits eligible employees to purchase the Company's class A common stock at a 15% discount of the stock price on the purchase date, subject to certain restrictions. A total of 20 million shares of class A common stock have been reserved for issuance under the ESPP. In fiscal 2021, 2020 and 2019, the ESPP did not have a material impact on the consolidated financial statements.

Note 18—Commitments and Contingencies

Commitments. The Company has software licenses throughout the world with varying expiration dates. At September 30, 2021, future minimum payments on software licenses are as follows:

	For the Years Ending September 30,						
	2022	2023	2024	2025	2026	Thereafter	Total
	(in millions)						
Software licenses	$ 97	$ 35	$ 7	$ 6	$ —	$ —	**$ 145**

Note 19—Income Taxes

The Company's income before taxes by fiscal year consisted of the following:

	For the Years Ended September 30,		
	2021	2020	2019
		(in millions)	
U.S.	**$ 11,002**	$ 9,178	$ 9,536
Non-U.S.	**5,061**	4,612	5,348
Total income before taxes	**$ 16,063**	$ 13,790	$ 14,884

For fiscal 2021, U.S. income before taxes included $3.1 billion, and for fiscal 2020 and 2019 included $3.0 billion, of the Company's U.S. entities' income from operations outside of the U.S.

Income tax provision by fiscal year consisted of the following:

	For the Years Ended September 30,		
	2021	2020	2019
		(in millions)	
Current:			
U.S. federal	**$ 1,943**	$ 1,662	$ 1,504
State and local	**69**	212	243
Non-U.S.	**869**	743	843
Total current taxes	**2,881**	2,617	2,590
Deferred:			
U.S. federal	**(57)**	42	184
State and local	**(28)**	9	28
Non-U.S.	**956**	256	2
Total deferred taxes	**871**	307	214
Total income tax provision	**$ 3,752**	$ 2,924	$ 2,804

At September 30, 2021 and 2020, the tax effect of temporary differences that give rise to significant portions of deferred tax assets and liabilities, are presented below:

	September 30,	
	2021	2020
	(in millions)	
Deferred Tax Assets:		
Accrued compensation and benefits	**$ 166**	$ 114
Accrued litigation obligation	**234**	204
Client incentives	**327**	121
Net operating loss carryforwards	**104**	80
Comprehensive loss	**106**	148
Federal benefit of state taxes	**157**	203
Other	**55**	60
Valuation allowance	**(103)**	(84)
Deferred tax assets	**1,046**	846
Deferred Tax Liabilities:		
Property, equipment and technology, net	**(346)**	(343)
Intangible assets	**(6,452)**	(5,492)
Unrealized gains on equity securities	**(203)**	(48)
Foreign taxes	**(93)**	(137)
Deferred tax liabilities	**(7,094)**	(6,020)
Net deferred tax liabilities	**$ (6,048)**	$ (5,174)

On June 10, 2021, the UK enacted legislation that increases the tax rate from 19% to 25%, effective April 1, 2023. As a result, the Company recorded a $1.0 billion non-recurring, non-cash tax expense related to the remeasurement of its UK deferred tax liabilities, primarily related to intangibles recorded upon the acquisition of Visa Europe in fiscal 2016. The increase in deferred tax liabilities reflects the remeasurement of UK deferred tax liabilities.

The American Rescue Plan Act of 2021 (the “ARP Act”) was enacted in the U.S. on March 11, 2021. The ARP Act did not have a material impact on the Company’s financial results.

At September 30, 2021 and 2020, net deferred tax assets of $80 million and $63 million, respectively, are reflected in other assets on the consolidated balance sheets.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. The fiscal 2021 and 2020 valuation allowances relate primarily to foreign net operating losses from subsidiaries acquired in recent years.

As of September 30, 2021, the Company had $42 million federal, $15 million state and $390 million foreign net operating loss carryforwards from acquired subsidiaries. Federal net operating loss carryforwards generated in years prior to fiscal 2018 will expire in fiscal 2034 through 2037. State net operating loss carryforwards will expire in fiscal 2028 through 2035. Federal net operating losses generated after fiscal 2017 and foreign net operating losses may be carried forward indefinitely. The Company expects to fully utilize the state net operating loss carryforwards in future years.

The income tax provision differs from the amount of income tax determined by applying the applicable U.S. federal statutory rate to pretax income, as a result of the following:

	For the Years Ended September 30,					
	2021		2020		2019	
	(in millions, except percentages)					
U.S. federal income tax at statutory rate	**$ 3,373**	21 %	$ 2,896	21 %	$ 3,126	21 %
State income taxes, net of federal benefit	**222**	1 %	199	2 %	223	2 %
Non-U.S. tax effect, net of federal benefit	**(505)**	(3 %)	(483)	(4 %)	(527)	(4 %)
Remeasurement of deferred tax balances	**1,007**	6 %	329	2 %	—	— %
Conclusion of audits	**(255)**	(2 %)	—	— %	—	— %
Other, net	**(90)**	— %	(17)	— %	(18)	— %
Income tax provision	**$ 3,752**	23 %	$ 2,924	21 %	$ 2,804	19 %

In fiscal 2021 and fiscal 2020, the effective income tax rate was 23% and 21%, respectively. The effective tax rate in fiscal 2021 differs from the effective tax rate in fiscal 2020 primarily due to the following:

- during fiscal 2021, a $1.0 billion non-recurring non-cash tax expense related to the remeasurement of UK deferred tax liabilities, as discussed above;
- during fiscal 2021, $255 million of tax benefits recognized as a result of the conclusion of audits by taxing authorities; and
- during fiscal 2020, a $329 million non-recurring, non-cash tax expense related to the remeasurement of UK deferred tax liabilities, as discussed below.

In fiscal 2020 and fiscal 2019, the effective income tax rate was 21% and 19%, respectively. The effective tax rate in fiscal 2020 differs from the effective tax rate in fiscal 2019 mainly due to a $329 million non-recurring, non-cash tax expense related to the remeasurement of UK deferred tax liabilities, as a result of the enactment of UK legislation on July 22, 2020 that repealed the previous tax rate reduction from 19% to 17% that was effective April 1, 2020.

Current income taxes receivable at September 30, 2021 and 2020 of $83 million and $93 million, respectively, were included in prepaid expenses and other current assets. Non-current income taxes receivable at September 30, 2021 and 2020 of $974 million and $988 million, respectively, were included in other assets. Income taxes payable at September 30, 2021 and 2020 of $325 million and $134 million, respectively, were included in accrued liabilities. Accrued income taxes at September 30, 2021 and 2020 of $2.4 billion and $2.8 billion, respectively, were included in other liabilities.

The Company's operating hub in the Asia Pacific region is located in Singapore. Effective October 1, 2008 through September 30, 2023, it is subject to a tax incentive which is conditional upon meeting certain business operations and employment thresholds in Singapore. The tax incentive decreased Singapore tax by $273 million, $280 million and $324 million, and the gross benefit of the tax incentive on diluted earnings per share was $0.12, $0.13 and $0.14 in fiscal 2021, 2020 and 2019, respectively.

In accordance with *Accounting Standards Codification 740—Income Taxes*, the Company is required to inventory, evaluate and measure all uncertain tax positions taken or to be taken on tax returns, and to record liabilities for the amount of such positions that may not be sustained, or may only partially be sustained, upon examination by the relevant taxing authorities.

At September 30, 2021, 2020, and 2019, the Company's total gross unrecognized tax benefits were \$2.5 billion, \$2.6 billion and \$2.2 billion, respectively, exclusive of interest and penalties described below. Included in the \$2.5 billion, \$2.6 billion and \$2.2 billion are \$1.3 billion, \$1.6 billion and \$1.4 billion of unrecognized tax benefits, respectively, that if recognized, would reduce the effective tax rate in a future period.

A reconciliation of beginning and ending unrecognized tax benefits by fiscal year is as follows:

	2021	2020	2019
		(in millions)	
Balance at beginning of period	**$ 2,579**	$ 2,234	$ 1,658
Increases of unrecognized tax benefits related to prior years	**34**	66	216
Decreases of unrecognized tax benefits related to prior years	**(386)**	(83)	(13)
Increases of unrecognized tax benefits related to current year	**326**	376	384
Decreases related to settlements with taxing authorities	**(63)**	(12)	(9)
Reductions related to lapsing statute of limitations	**(2)**	(2)	(2)
Balance at end of period	**$ 2,488**	$ 2,579	$ 2,234

In fiscal 2021, 2020 and 2019, the Company recognized $1 million, $68 million and $66 million of net interest expense, respectively, related to uncertain tax positions. In fiscal 2021, 2020 and 2019, the Company accrued penalties related to uncertain tax positions of $3 million, $4 million and $5 million, respectively. At September 30, 2021 and 2020, the Company had accrued interest of $233 million, and accrued penalties of $34 million and $31 million, respectively, related to uncertain tax positions included in other long-term liabilities in its consolidated balance sheets.

The Company's U.S. federal income tax returns for fiscal 2013 through 2018 and refund claims filed for fiscal 2008 through 2012 are currently under examination. The Company's California income tax returns for fiscal 2012 through 2015 and refund claims filed for fiscal 2006 through 2011 are currently under examination. Except for the refund claims, the federal and California statutes of limitations have expired for fiscal years prior to 2012.

In September 2020, the Company accepted a settlement offer related to the examination of Canadian tax returns dating back to fiscal 2003, which was subject to approval by the Tax Court of Canada. On January 21, 2021, the Tax Court of Canada approved the settlement agreement related to the examination. The Company's income tax provision was adjusted to reflect the estimated impact of the settlement in fiscal 2020.

The India tax authorities completed the assessment of the Company's income tax returns for the taxable years falling within the period from fiscal 2010 to 2018, and made certain adjustments. The Company objected to these adjustments and filed appeals to the appellate authorities. While the timing and outcome of the final resolution of these appeals are uncertain, the Company believes that its income tax provision adequately reflects its income tax obligations in India.

The Company is also subject to examinations by various state and foreign tax authorities. All material state and foreign tax matters have been concluded for years through fiscal 2007. The timing and outcome of the final resolutions of the federal, state and foreign tax examinations and refund claims are uncertain. As such, it is not reasonably possible to estimate the impact that the final outcomes could have on the Company's unrecognized tax benefits in the next 12 months.

Note 20—Legal Matters

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

The litigation accrual is an estimate and is based on management's understanding of its litigation profile, the specifics of each case, advice of counsel to the extent appropriate and management's best estimate of incurred loss as of the balance sheet date.

The following table summarizes the activity related to accrued litigation by fiscal year:

	2021	2020
	(in millions)	
Balance at beginning of period	**$ 914**	$ 1,203
Provision for uncovered legal matters	**4**	10
Provision for covered legal matters	**125**	26
Reestablishment of prior accrual related to interchange multidistrict litigation	**—**	467
Payments for legal matters	**(60)**	(792)
Balance at end of period	**$ 983**	$ 914

Accrual Summary—U.S. Covered Litigation

Visa Inc., Visa U.S.A. and Visa International are parties to certain legal proceedings that are covered by the U.S. retrospective responsibility plan, which the Company refers to as the U.S. covered litigation. An accrual for the U.S. covered litigation and a charge to the litigation provision are recorded when a loss is deemed to be probable and reasonably estimable. In making this determination, the Company evaluates available information, including but not limited to actions taken by the litigation committee. The total accrual related to the U.S. covered litigation could be either higher or lower than the escrow account balance. See further discussion below under *Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions* and *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

The following table summarizes the accrual activity related to U.S. covered litigation by fiscal year:

	2021	2020
	(in millions)	
Balance at beginning of period	**$ 888**	$ 1,198
Reestablishment of prior accrual related to interchange multidistrict litigation	**—**	467
Payments for U.S. covered litigation	**(7)**	(777)
Balance at end of period	**$ 881**	$ 888

Accrual Summary—VE Territory Covered Litigation

Visa Inc., Visa International and Visa Europe are parties to certain legal proceedings that are covered by the Europe retrospective responsibility plan. Unlike the U.S. retrospective responsibility plan, the Europe retrospective responsibility plan does not have an escrow account that is used to fund settlements or judgments. The Company is entitled to recover VE territory covered losses through periodic adjustments to the conversion rates applicable to the series B and C preferred stock. An accrual for the VE territory covered losses and a reduction to stockholders' equity will be recorded when the loss is deemed to be probable and reasonably estimable. See further discussion below under *VE Territory Covered Litigation* and *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

The following table summarizes the accrual activity related to VE territory covered litigation by fiscal year:

	2021	2020
	(in millions)	
Balance at beginning of period	**$ 21**	$ 5
Accrual for VE territory covered litigation	**125**	26
Payments for VE territory covered litigation	**(44)**	(10)
Balance at end of period	**$ 102**	$ 21

U.S. Covered Litigation

Interchange Multidistrict Litigation (MDL) – Putative Class Actions

Beginning in May 2005, a series of complaints (the majority of which were styled as class actions) were filed in U.S. federal district courts by merchants against Visa U.S.A., Visa International and/or Mastercard, and in some cases, certain U.S. financial institutions. The Judicial Panel on Multidistrict Litigation issued an order transferring the cases to the U.S. District Court for the Eastern District of New York for coordination of pre-trial proceedings in MDL 1720. A group of purported class plaintiffs subsequently filed amended and supplemental class complaints. The individual and class complaints generally challenged, among other things, Visa's and Mastercard's purported setting of interchange reimbursement fees, their "no surcharge" and honor-all-cards rules, alleged tying and bundling of transaction fees, and Visa's reorganization and IPO, under the federal antitrust laws and, in some cases, certain state unfair competition laws. The complaints sought money damages, declaratory and injunctive relief, attorneys' fees and, in one instance, an order that the IPO be unwound.

Visa Inc., Visa U.S.A., Visa International, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs signed a settlement agreement (the "2012 Settlement Agreement") to resolve the class plaintiffs' claims. Pursuant to the 2012 Settlement Agreement, the Company deposited approximately $4.0 billion from the U.S. litigation escrow account and approximately $500 million attributable to interchange reductions for an eight-month period into court-authorized settlement accounts. Visa subsequently received from the Court and deposited into the Company's U.S. litigation escrow account "takedown payments" of approximately $1.1 billion. On June 30, 2016, the U.S. Court of Appeals for the Second Circuit vacated the lower court's certification of the merchant class, reversed the approval of the settlement, and remanded the case to the lower court for further proceedings.

On remand, the district court entered an order appointing interim counsel for two putative classes of plaintiffs, a "Damages Class" and an "Injunctive Relief Class." The plaintiffs purporting to act on behalf of the putative Damages Class subsequently filed a Third Consolidated Amended Class Action Complaint, seeking money damages and attorneys' fees, among other relief. A new group of purported class plaintiffs, acting on behalf of the putative Injunctive Relief Class, filed a class action complaint against Visa, Mastercard, and certain bank defendants seeking, among other things, an injunction against the setting of default interchange rates; against certain Visa operating rules relating to merchants, including the honor-all-cards rule; and against various transaction fees, including the fixed acquirer network fee, as well as attorneys' fees.

On September 17, 2018, Visa, Mastercard, and certain U.S. financial institutions reached an agreement with plaintiffs purporting to act on behalf of the putative Damages Class to resolve all Damages Class claims (the "Amended Settlement Agreement"), subject to court approval. The Amended Settlement Agreement supersedes the 2012 Settlement Agreement and includes, among other terms, a release from participating class members for liability arising out of conduct alleged by the Damages Class in the litigation, including claims that accrue no later than five years after the Amended Settlement Agreement becomes final. Participating class members will not release injunctive relief claims as a named representative or non-representative class member in the putative Injunctive Relief Class. The Amended Settlement Agreement also required an additional settlement payment from all defendants totaling $900 million, with the Company's share of $600 million paid from the Company's litigation escrow account established pursuant to the Company's retrospective responsibility plan. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.* The additional settlement payment was added to the approximately $5.3 billion previously deposited into settlement accounts by the defendants pursuant to the 2012 Settlement Agreement.

Following a motion by the Damages Class plaintiffs for final approval of the Amended Settlement Agreement, certain merchants in the proposed settlement class objected to the settlement and/or submitted requests to opt out of the settlement class. On December 13, 2019, the district court granted final approval of the Amended Settlement Agreement relating to claims by the Damages Class, which was subsequently appealed. Based on the percentage of class members (by payment volume) that opted out of the class, $700 million was returned to defendants. Visa’s portion of the takedown payment was calculated to be approximately $467 million, and upon receipt, was deposited into the U.S. litigation escrow account with a corresponding increase in accrued litigation to address opt-out claims.

On May 29, 2020, a complaint was filed by Old Jericho Enterprise, Inc. against Visa and Mastercard on behalf of a purported class of gasoline retailers operating in 24 states and the District of Columbia. On April 28, 2021, a complaint was filed by Hayley Lanning and others, and on June 16, 2021, a complaint was filed by Camp Grounds Coffee and others, each against Visa and Mastercard on behalf of a purported class of merchants located in 25 states and the District of Columbia who have taken payment using the Square card acceptance service. Each of these complaints alleges violations of the antitrust laws of those jurisdictions and seeks recovery for plaintiffs as indirect purchasers. To the extent that these plaintiffs' claims are not released by the Amended Settlement Agreement, Visa believes they are covered by the U.S. Retrospective Responsibility Plan.

On June 1, 2020, Visa, jointly with other defendants, served a motion for summary judgment regarding the claims in the Injunctive Relief Class complaint. The putative Injunctive Relief Class plaintiffs served a motion for partial summary judgment. On September 27, 2021, the district court certified without opt out rights an Injunctive Relief Class consisting of all merchants that accept Visa or Mastercard credit or debit cards in the United States at any time between December 18, 2020 and entry of final judgment.

Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions

Since May 2013, more than 50 cases have been filed in or removed to various federal district courts by hundreds of merchants generally pursuing damages claims on allegations similar to those raised in MDL 1720. The cases name as defendants Visa Inc., Visa U.S.A., Visa International, Mastercard Incorporated and Mastercard International Incorporated, although some also include certain U.S. financial institutions as defendants. A number of the cases include allegations that Visa has monopolized, attempted to monopolize, and/or conspired to monopolize debit card-related market segments. Some of the cases seek an injunction against the setting of default interchange rates; certain Visa operating rules relating to merchants, including the honor-all-cards rule; and various transaction fees, including the fixed acquirer network fee. In addition, some cases assert that Visa, Mastercard and/or their member banks conspired to prevent the adoption of chip-and-PIN authentication in the U.S. or otherwise circumvent competition in the debit market. Certain individual merchants have filed amended complaints to, among other things, add claims for injunctive relief and update claims for damages.

In addition to the cases filed by individual merchants, Visa, Mastercard, and/or certain U.S. financial institution defendants in MDL 1720 filed complaints against certain merchants in the Eastern District of New York seeking, in part, a declaration that Visa's conduct did not violate federal or state antitrust laws.

The individual merchant actions described in this section have been either assigned to the judge presiding over MDL 1720, or have been transferred or are being considered for transfer by the Judicial Panel on Multidistrict Litigation for inclusion in MDL 1720. These individual merchant actions are U.S. covered litigation for purposes of the U.S. retrospective responsibility plan. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Visa has reached settlements with a number of merchants representing approximately 40% of the Visa-branded payment card sales volume of merchants who opted out of the Amended Settlement Agreement with the Damages Class plaintiffs.

On June 1, 2020, Visa, jointly with other defendants, served motions for summary judgment regarding the claims in certain of the individual merchant actions, as well as certain declaratory judgment claims brought by Visa, Mastercard, and some U.S. financial institutions. Plaintiffs in certain of the individual merchant actions served motions for partial summary judgment.

The Company believes it has substantial defenses to the claims asserted in the putative class actions and individual merchant actions, but the final outcome of individual legal claims is inherently unpredictable. The Company could incur judgments, enter into settlements or revise its expectations regarding the outcome of merchants' claims, and such developments could have a material adverse effect on the Company's financial results in the period in which the effect becomes probable and reasonably estimable. While the U.S. retrospective responsibility plan is designed to address monetary liability in these matters, see *Note 5—U.S. and Europe Retrospective Responsibility Plans*, judgments or settlements that require the Company to change its business practices, rules, or contractual commitments could adversely affect the Company's financial results.

VE Territory Covered Litigation

Europe Merchant Litigation

Since July 2013, in excess of 750 Merchants (the capitalized term “Merchant,” when used in this section, means a merchant together with subsidiary/affiliate companies that are party to the same claim) have commenced proceedings against Visa Europe, Visa Inc. and other Visa subsidiaries in the UK, Belgium and Poland primarily relating to interchange rates in Europe and in some cases relating to fees charged by Visa and certain Visa rules. They seek damages for alleged anti-competitive conduct in relation to one or more of the following types of interchange fees for credit and debit card transactions: UK domestic, Irish domestic, other European domestic, intra-European Economic Area and/or other inter-regional. As of the filing date, Visa Europe, Visa Inc. and other Visa subsidiaries have settled the claims asserted by over 150 Merchants, leaving more than 550 Merchants with outstanding claims. In addition, over 30 additional Merchants have threatened to commence similar proceedings. Standstill agreements have been entered into with respect to some of those threatened Merchant claims, several of which have been settled. While the amount of interchange being challenged could be substantial, these claims have not yet been filed and their full scope is not yet known. The Company has learned that several additional European entities have indicated that they may also bring similar claims and the Company anticipates additional claims in the future.

A trial took place from November 2016 to March 2017, relating to claims asserted by only one Merchant. In judgments published in November 2017 and February 2018, the court found as to that Merchant that Visa’s UK domestic interchange did not restrict competition, but that if it had been found to be restrictive it would not be exemptible under applicable law. On July 4, 2018, the Court of Appeal overturned the lower court’s rulings, finding that Visa’s UK domestic interchange restricted competition and the question of whether Visa’s UK domestic interchange was exempt from the finding of restriction under applicable law had been incorrectly decided. Following an appeal to the Supreme Court of the United Kingdom, on June 17, 2020, the Supreme Court found that Visa’s UK domestic interchange restricted competition under applicable competition law. On September 30, 2021, Visa reached a confidential settlement agreement resolving the plaintiff’s claims. Certain other plaintiffs, whose claims were effectively stayed pending the Supreme Court of the United Kingdom's judgment, are moving their claims forward, mostly before the UK Competition Appeal Tribunal.

The full scope of potential damages is not yet known because not all Merchant claims have been served and Visa has substantial defenses. However, the claims that have been issued, served and/or preserved seek several billion dollars in damages.

Other Litigation

On November 14, 2021, a motion to certify a class action was filed against Visa and Mastercard in the Israel Central District Court. The motion asserts that interchange fees on cross-border transactions in Israel and the Honor All Cards rule are anti-competitive and seeks damages and injunctive relief.

Other Litigation

Canadian Merchant Litigation

Beginning in December 2010, a number of class action lawsuits were filed in Quebec, British Columbia, Ontario, Saskatchewan and Alberta against Visa Canada, Mastercard and ten financial institutions on behalf of merchants that accept payment by Visa and/or Mastercard credit cards. The actions alleged a violation of Canada’s price-fixing law and various common law claims based on separate Visa and Mastercard conspiracies in respect of default interchange and certain of the networks’ rules. In June 2017, Visa and Mastercard reached settlements with the plaintiffs. Courts in each of the five provinces approved the settlements and appeals of the decisions approving the settlements were rejected.

U.S. ATM Access Fee Litigation

National ATM Council Class Action. In October 2011, the National ATM Council and thirteen non-bank ATM operators filed a purported class action lawsuit against Visa (Visa Inc., Visa International, Visa U.S.A. and Plus System, Inc.) and Mastercard in the U.S. District Court for the District of Columbia. The complaint challenges Visa's rule (and a similar Mastercard rule) that if an ATM operator chooses to charge consumers an access fee for a Visa or Plus transaction, that fee cannot be greater than the access fee charged for transactions on other networks. Plaintiffs claim that the rule violates Section 1 of the Sherman Act, and seek treble damages, injunctive relief, and attorneys' fees. On August 4, 2021, the district court granted plaintiffs' motion for class certification, and on October 1, 2021, the U.S. Court of Appeals for the District of Columbia Circuit granted defendants' motion for leave to appeal the district court's decision.

Consumer Class Actions. In October 2011, a purported consumer class action was filed against Visa and Mastercard in the same federal court challenging the same ATM access fee rules. Two other purported consumer class actions challenging the rules, later combined, were also filed in October 2011 in the same federal court naming Visa, Mastercard and three financial institutions as defendants. Plaintiffs seek treble damages, restitution, injunctive relief, and attorneys' fees where available under federal and state law, including under Section 1 of the Sherman Act and consumer protection statutes. On September 20, 2019, plaintiffs in both cases filed motions for class certification. On August 4, 2021, the district court granted plaintiffs' motion for class certification in each case, and on October 1, 2021, the U.S. Court of Appeals for the District of Columbia Circuit granted defendants' motion for leave to appeal the district court's decision. On November 12, 2021, in the case in which the three financial institutions were named, the district court granted plaintiffs' motion for preliminary approval of a class action settlement with those institutions.

U.S. Department of Justice Civil Investigative Demand

On March 13, 2012, the Antitrust Division of the United States Department of Justice (the "Division") issued a Civil Investigative Demand, or "CID," to Visa Inc. seeking documents and information regarding a potential violation of Section 1 or 2 of the Sherman Act, 15 U.S.C. §§ 1, 2. The CID focuses on PIN-Authenticated Visa Debit and Visa's competitive responses to the Dodd-Frank Act, including Visa's fixed acquirer network fee. Visa is cooperating with the Division in connection with the CID.

Pulse Network

On November 25, 2014, Pulse Network LLC filed suit against Visa Inc. in federal district court in Texas. Pulse alleges that Visa has, among other things, monopolized and attempted to monopolize debit card network services markets. Pulse seeks unspecified treble damages, attorneys' fees and injunctive relief, including to enjoin the fixed acquirer network fee structure, Visa's conduct regarding PIN-Authenticated Visa Debit and Visa agreements with merchants and acquirers relating to debit acceptance. On August 31, 2018, the court granted Visa's motion for summary judgment, finding that Pulse did not have standing to pursue its claims. Pulse appealed the district court's summary judgment decision to the U.S. Court of Appeals for the Fifth Circuit.

EMV Chip Liability Shift

Following their initial complaint filed on March 8, 2016, B&R Supermarket, Inc., d/b/a Milam's Market, and Grove Liquors LLC filed an amended class action complaint on July 15, 2016, against Visa Inc., Visa U.S.A., Mastercard, Discover, American Express, EMVCo and certain financial institutions in the U.S. District Court for the Northern District of California. The amended complaint asserts that defendants, through EMVCo, conspired to shift liability for fraudulent, faulty or otherwise rejected payment card transactions from defendants to the purported class of merchants, defined as those merchants throughout the U.S. who have been subjected to the "Liability Shift" since October 2015. Plaintiffs claim that the so-called "Liability Shift" violates Sections 1 and 3 of the Sherman Act and certain state laws, and seek treble damages, injunctive relief and attorneys' fees.

EMVCo and the financial institution defendants were dismissed, and the matter was subsequently transferred to the U.S. District Court for the Eastern District of New York, which has clarified that this case is not part of MDL 1720.

On August 28, 2020, the district court granted plaintiffs’ motion for class certification.

Australian Competition & Consumer Commission

On July 12, 2019, the Australian Competition & Consumer Commission (ACCC) informed Visa that the ACCC had commenced an investigation into certain agreements and interchange fees relating to Visa Debit. On March 9, 2021, the ACCC accepted an undertaking by Visa to resolve the investigation. The investigation is closed.

Federal Trade Commission Civil Investigative Demand (Formerly Voluntary Access Letter)

On November 4, 2019, the Bureau of Competition of the United States Federal Trade Commission (the "Bureau") requested that Visa provide, on a voluntary basis, documents and information for an investigation as to whether Visa's actions inhibited merchant choice in the selection of debit payments networks in potential violation of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act. On June 9, 2020, the Federal Trade Commission issued a Civil Investigative Demand to Visa requesting additional documents and information, and Visa is cooperating with the Bureau.

Euronet Litigation

On December 13, 2019, Euronet 360 Finance Limited, Euronet Polska Spolka z.o.o. and Euronet Services spol. s.r.o. ("Euronet") served a claim in the UK alleging that certain rules affecting ATM access fees in Poland, the Czech Republic and Greece by Visa Inc. and Mastercard Incorporated, and certain of their subsidiaries, breach various competition laws. Euronet seeks damages, costs, and injunctive relief to prevent the defendants from enforcing the aforementioned rules. Trial has been scheduled for a date on or after October 2, 2023.

European Commission Staged Digital Wallets Investigation

On June 26, 2020, the European Commission ("EC") informed Visa that it has opened a preliminary investigation into Visa's rules regarding staged digital wallets and issued a request for information regarding such rules. Visa is cooperating with the EC.

Plaid Inc. Acquisition

On November 5, 2020, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Northern District of California seeking a permanent injunction to prevent Visa from acquiring Plaid Inc., alleging that the proposed acquisition would substantially lessen competition in violation of Section 7 of the Clayton Act and would constitute monopolization under Section 2 of the Sherman Act. The case was dismissed on January 12, 2021.

German ATM Litigation

In December 2020 and January 2021, six savings banks and cooperative banks filed claims in Germany against Visa Europe challenging Visa's ATM rules prohibiting the charging of access fees on domestic cash withdrawals with a credit card as anti-competitive. No damages were sought. The claims were withdrawn in August 2021.

U.S. Department of Justice Civil Investigative Demand (2021)

On March 26, 2021, the Antitrust Division of the U.S. Department of Justice (the "Division") issued a Civil Investigative Demand ("CID") to Visa seeking documents and information regarding a potential violation of Section 1 or 2 of the Sherman Act, 15 U.S.C. §§ 1, 2. The CID focuses on U.S. debit and competition with other payment methods and networks. Visa is cooperating with the Division in connection with the CID. On June 11, 2021, the Division issued a further CID seeking additional documents and information on the same subjects.

Foreign Currency Exchange Rate Litigation

On July 9, 2021, a class action complaint was filed against Visa in the U.S. District Court for the Northern District of California by several individuals on behalf of a nationwide class, and/or California, Washington, or Illinois subclasses, of cardholders who made a transaction in a foreign currency. The complaint alleges that Visa sets foreign exchange rates in violation of Visa's rules and bank cardholder agreements, and asserts claims for unjust enrichment and restitution as well as violations of the California Unfair Competition Law, the Washington Consumer Protection Act, and the Illinois Consumer Fraud Act. Plaintiffs seek an injunction, damages, disgorgement, and attorneys' fees among other relief. On October 18, 2021, Visa filed a motion to dismiss the complaint.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that is designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. These limitations include the possibility of human error, the circumvention or overriding of the controls and procedures and reasonable resource constraints. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

Management’s Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company’s internal control over financial reporting as of September 30, 2021. Based on management’s assessment, management has concluded that the Company’s internal control over financial reporting was effective as of September 30, 2021 using the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Our internal control over financial reporting is designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention or overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks discussed in *Item 1A—Risk Factors* of this report.

The effectiveness of our internal control over financial reporting as of September 30, 2021, has been audited by KPMG LLP, an independent registered public accounting firm and is included in *Item 8* of this report.

Changes in Internal Control over Financial Reporting

In preparation for management’s report on internal control over financial reporting, we documented and tested the design and operating effectiveness of our internal control over financial reporting. There have been no significant changes in our internal controls over financial reporting that occurred during our fourth quarter of fiscal 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information

Not applicable.

PART III

Certain information required by Part III is omitted from this Report and the Company will file a definitive proxy statement pursuant to Regulation 14A under the Exchange Act (the “Proxy Statement”) not later than 120 days after the end of the fiscal year ended September 30, 2021, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement that specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the report of the Audit and Risk Committee included in the Proxy Statement.

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this item concerning the Company’s directors, executive officers, the Code of Business Conduct and Ethics and corporate governance matters is incorporated herein by reference to the sections entitled *“Director Nominee Biographies,” “Executive Officers” and “Corporate Governance”* in our Proxy Statement.

The information required by this item regarding compliance with Section 16(a) of the Exchange Act pursuant to Item 405 of Regulation S-K is incorporated herein by reference to the section entitled *“Beneficial Ownership of Equity Securities”* in our Proxy Statement.

Our Code of Business Conduct and Ethics that is applicable to our directors, executive officers, senior financial officers, as well as our employees and contractors and our Corporate Governance Guidelines are available on the Investor Relations page of our website at http://investor.visa.com, under “Corporate Governance.” Printed copies of these documents are also available to stockholders without charge upon written request directed to Corporate Secretary, Visa Inc., P.O. Box 193243, San Francisco, California 94119 or corporatesecretary@visa.com.

ITEM 11. Executive Compensation

The information required by this item concerning director and executive compensation is incorporated herein by reference to the sections entitled *“Compensation of Non-Employee Directors” and “Executive Compensation”* in our Proxy Statement.

The information required by this item pursuant to Item 407(e)(4) of Regulation S-K is incorporated herein by reference to the section entitled *“Compensation Committee Interlocks and Insider Participation”* in our Proxy Statement.

The information required by this item pursuant to Item 407(e)(5) of Regulation S-K is incorporated herein by reference to the section entitled *“Compensation Committee Report”* in our Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item pursuant to Item 403 of Regulation S-K is incorporated herein by reference to the section entitled *“Beneficial Ownership of Equity Securities”* in our Proxy Statement.

For the information required by item 201(d) of Regulation S-K, refer to *Item 5* in this report.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item concerning related party transactions pursuant to Item 404 of Regulation S-K is incorporated herein by reference to the section entitled *“Certain Relationships and Related Person Transactions”* in our Proxy Statement.

The information required by this item concerning director independence pursuant to Item 407(a) of Regulation S-K is incorporated herein by reference to the section entitled *“Independence of Directors”* in our Proxy Statement.

ITEM 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the section entitled *"Independent Registered Public Accounting Firm Fees"* in our Proxy Statement.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

1. Consolidated Financial Statements

   See Index to Consolidated Financial Statements in *Item 8—Financial Statements and Supplementary Data* of this report.

2. Consolidated Financial Statement Schedules

   None.

3. The following exhibits are filed as part of this report or, where indicated, were previously filed and are hereby incorporated by reference:

   Refer to the Exhibit Index herein.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit Number	Filing Date
2.1	Amended and Restated Transaction Agreement, dated as of May 10, 2016, between Visa Inc. and Visa Europe Limited #	8-K	001-33977	2.1	5/10/2016
3.1	Seventh Restated Certificate of Incorporation of Visa Inc.	8-K	001-33977	3.1	1/27/2021
3.2	Amended and Restated Bylaws of Visa Inc.	8-K	001-33977	3.2	1/27/2021
4.1	Form of stock certificate of Visa Inc.	S-4/A	333-143966	4.1	9/13/2007
4.2	Form of specimen certificate for class B common stock of Visa Inc.	8-A	000-53572	4.1	1/28/2009
4.3	Form of specimen certificate for class C common stock of Visa Inc.	8-A	000-53572	4.2	1/28/2009
4.4	Indenture dated December 14, 2015 between Visa Inc. and U.S. Bank National Association	8-K	001-33977	4.1	12/14/2015
4.5	Form of 2.150% Senior Note due 2022	8-K	001-33977	4.1	9/11/2017
4.6	Form of 2.800% Senior Note due 2022	8-K	001-33977	4.4	12/14/2015
4.7	Form of 3.150% Senior Note due 2025	8-K	001-33977	4.5	12/14/2015
4.8	Form of 0.750% Senior Note due 2027	8-K	001-33977	4.1	8/17/2020
4.9	Form of 1.900% Senior Note due 2027	8-K	001-33977	4.1	4/2/2020
4.10	Form of 2.750% Senior Note due 2027	8-K	001-33977	4.2	9/11/2017
4.11	Form of 2.050% Senior Note due 2030	8-K	001-33977	4.2	4/2/2020
4.12	Form of 1.100% Senior Note due 2031	8-K	001-33977	4.2	8/17/2020
4.13	Form of 4.150% Senior Note due 2035	8-K	001-33977	4.6	12/14/2015
4.14	Form of 2.700% Senior Note due 2040	8-K	001-33977	4.3	4/2/2020
4.15	Form of 4.300% Senior Note due 2045	8-K	001-33977	4.7	12/14/2015
4.16	Form of 3.650% Senior Note due 2047	8-K	001-33977	4.3	9/11/2017
4.17	Form of 2.000% Senior Note due 2050	8-K	001-33977	4.3	8/17/2020
4.18	Certificate of Designations of Series A Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.1	6/21/2016
4.19	Certificate of Designations of Series B Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.2	6/21/2016
4.20	Certificate of Designations of Series C Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.3	6/21/2016
4.21+	Description of Securities				
10.1	Form of Indemnity Agreement	10-Q	001-33977	10.1	1/31/2020

10.2	Amended and Restated Global Restructuring Agreement, dated August 24, 2007, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc., Visa Europe Limited, Visa Canada Association, Inovant LLC, Inovant, Inc., Visa Europe Services, Inc., Visa International Transition LLC, VI Merger Sub, Inc., Visa USA Merger Sub Inc. and 1734313 Ontario Inc.	S-4/A	333-143966	Annex A	9/13/2007
10.3	Form of Escrow Agreement by and among Visa Inc., Visa U.S.A. Inc. and the escrow agent	S-4	333-143966	10.15	6/22/2007
10.4	Form of Framework Agreement by and among Visa Inc., Visa Europe Limited, Inovant LLC, Visa International Services Association and Visa U.S.A. Inc. †	S-4/A	333-143966	10.17	7/24/2007
10.5	Five Year Revolving Credit Agreement, amended and restated as of July 25, 2019, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and Visa Europe Limited, as borrowers, Bank of America, N.A., as administrative agent, JPMorgan Chase Bank N.A., as syndication agent, and the lenders referred to therein #	10-K	001-33977	10.5	11/13/2019
10.6	Form of Interchange Judgment Sharing Agreement by and among Visa International Service Association and Visa U.S.A. Inc., and the other parties thereto †	S-4/A	333-143966	10.13	7/24/2007
10.7	Interchange Judgment Sharing Agreement Schedule	8-K	001-33977	10.2	2/8/2011
10.8	Amendment of Interchange Judgment Sharing Agreement	10-K	001-33977	10.10	11/20/2015
10.9	Form of Loss Sharing Agreement by and among Visa U.S.A. Inc., Visa International Service Association, Visa Inc. and various financial institutions	S-4/A	333-143966	10.14	7/24/2007
10.10	Loss Sharing Agreement Schedule	8-K	001-33977	10.1	2/8/2011
10.11	Amendment of Loss Sharing Agreement	10-K	001-33977	10.13	11/20/2015
10.12	Form of Litigation Management Agreement by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and the other parties thereto	S-4/A	333-143966	10.18	8/22/2007
10.13	Omnibus Agreement, dated February 7, 2011, regarding Interchange Litigation Judgment Sharing and Settlement Sharing by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated and the parties thereto	8-K	001-33977	10.2	7/16/2012
10.14	Amendment, dated August 26, 2014, to the Omnibus Agreement regarding Interchange Litigation Judgment Sharing and Settlement Sharing by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated and the parties thereto	10-K	001-33977	10.14	11/21/2014
10.15	Second Amendment, dated October 22, 2015, to Omnibus Agreement regarding Interchange Litigation Judgment Sharing	10-K	001-33977	10.17	11/20/2015

10.16	Settlement Agreement, dated October 19, 2012, by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs to resolve the class plaintiffs' claims in the matter styled In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, No. 05-MD-1720	10-Q	001-33977	10.3	2/6/2013
10.17	Superseding and Amended Settlement Agreement, dated September 17, 2018, by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the damages class plaintiffs to resolve the damages class plaintiffs' claims in the matter styled In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, No. 05-MD-1720	8-K	001-33977	10.1	9/18/2018
10.18	Loss Sharing Agreement, dated as of November 2, 2015, among the UK Members listed on Schedule 1 thereto, Visa Inc. and Visa Europe Limited	8-K	001-33977	10.1	11/2/2015
10.19	Litigation Management Deed, dated as of June 21, 2016, by and among the VE Member Representative, Visa Inc., the LMC Appointing Members, the UK&I DCC Appointing Members, the Europe DCC Appointing Members and the UK&I DCC Interested Members	8-K	001-33977	10.1	6/21/2016
10.20*	Visa 2005 Deferred Compensation Plan, effective as of August 12, 2015	10-K	001-33977	10.21	11/20/2015
10.21*	Visa Directors Deferred Compensation Plan, as amended and restated as of July 22, 2014	10-K	001-33977	10.17	11/21/2014
10.22*	Visa Inc. 2007 Equity Incentive Compensation Plan, amended and restated as of January 26, 2021	8-K	001-33977	10.22	1/27/2021
10.23*	Visa Inc. Incentive Plan, as amended and restated as of February 3, 2016	DEF 14A	001-33977	Annex B	12/11/2015
10.24*	Visa Excess Thrift Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.31	11/21/2008
10.25*	Visa Excess Retirement Benefit Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.32	11/21/2008
10.26*	First Amendment, effective January 1, 2011, of the Visa Excess Retirement Benefit Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.34	11/18/2011
10.27*	Visa Inc. Executive Severance Plan, effective as of November 3, 2010	8-K	001-33977	10.1	11/9/2010
10.28*	Visa Inc. 2015 Employee Stock Purchase Plan	DEF 14A	001-33977	Appendix B	12/12/2014
10.29*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 18, 2013	10-Q	001-33977	10.1	1/30/2014

10.30*	Form of Alternate Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 18, 2013	10-Q	001-33977	10.5	1/30/2014
10.31*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.40	11/21/2014
10.32*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.41	11/21/2014
10.33*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.1	1/28/2016
10.34+	Form of Alternate Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2015				
10.35*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.1	1/31/2019
10.36*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.2	1/31/2019
10.37*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.3	1/31/2019
10.38*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.4	1/31/2019
10.39*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.5	1/31/2019
10.40*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.6	1/31/2019
10.41*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.7	1/31/2019
10.42*	Form of Letter Agreement relating to Visa Inc. Executive Severance Plan	8-K	001-33977	10.2	11/9/2010
10.43*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2017	10-Q	001-33977	10.1	2/1/2018

10.44+	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after January 1, 2021				
10.45*	Offer Letter, dated July 18, 2019, between Visa Inc. and Paul D. Fabara	10-K	001-33977	10.46	11/19/2020
10.46*	Amended and Restated Aircraft Time Sharing Agreement, effective November 1, 2019, between Visa Inc. and Alfred F. Kelly, Jr.	10-K	001-33977	10.48	11/13/2019
21.1+	List of Significant Subsidiaries of Visa Inc.				
23.1+	Consent of KPMG LLP, Independent Registered Public Accounting Firm				
31.1+	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer				
31.2+	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer				
32.1+	Section 1350 Certification of Principal Executive and Financial Officer				
101.INS+	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH+	Inline XBRL Taxonomy Extension Schema Document				
101.CAL+	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF+	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB+	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE+	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104+	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

† Confidential treatment has been requested for portions of this agreement. A completed copy of the agreement, including the redacted portions, has been filed separately with the SEC.
* Management contract, compensatory plan or arrangement.
+ Filed or furnished herewith.
# Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the SEC upon request; provided, however, that the parties may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any document so furnished.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

VISA INC.

By:	/s/ Alfred F. Kelly, Jr.
Name:	Alfred F. Kelly, Jr.
Title:	Chairman and Chief Executive Officer
Date:	November 18, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Alfred F. Kelly, Jr. **Alfred F. Kelly, Jr.**	Chairman and Chief Executive Officer, and Director (Principal Executive Officer)	November 18, 2021
/s/ Vasant M. Prabhu **Vasant M. Prabhu**	Vice Chair, Chief Financial Officer (Principal Financial Officer)	November 18, 2021
/s/ James H. Hoffmeister **James H. Hoffmeister**	Global Corporate Controller, Chief Accounting Officer (Principal Accounting Officer)	November 18, 2021
/s/ John F. Lundgren **John F. Lundgren**	Lead Independent Director	November 18, 2021
/s/ Lloyd A. Carney **Lloyd A. Carney**	Director	November 18, 2021
/s/ Mary B. Cranston **Mary B. Cranston**	Director	November 18, 2021
/s/ Francisco Javier Fernández-Carbajal **Francisco Javier Fernández-Carbajal**	Director	November 18, 2021
/s/ Ramon Laguarta **Ramon Laguarta**	Director	November 18, 2021
/s/ Robert W. Matschullat **Robert W. Matschullat**	Director	November 18, 2021
/s/ Denise M. Morrison **Denise M. Morrison**	Director	November 18, 2021
/s/ Suzanne Nora Johnson **Suzanne Nora Johnson**	Director	November 18, 2021
/s/ Linda J. Rendle **Linda J. Rendle**	Director	November 18, 2021
/s/ John A. C. Swainson **John A. C. Swainson**	Director	November 18, 2021
/s/ Maynard G. Webb, Jr. **Maynard G. Webb, Jr.**	Director	November 18, 2021

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

FORM 10-K

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

For the fiscal year ended September 30, 2020

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

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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)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value $0.0001 per share	V	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Class B common stock, par value $0.0001 per share
Class C common stock, par value $0.0001 per share

(Title of each Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer”

“accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of the registrant’s class A common stock, par value $0.0001 per share, held by non-affiliates (using the New York Stock Exchange closing price as of March 31, 2020, the last business day of the registrant’s most recently completed second fiscal quarter) was approximately $272.7 billion. There is currently no established public trading market for the registrant’s class B common stock, par value $0.0001 per share, or the registrant’s class C common stock, par value $0.0001 per share.

As of November 13, 2020, there were 1,692,383,762 shares outstanding of the registrant’s class A common stock, par value $0.0001 per share, 245,513,385 shares outstanding of the registrant’s class B common stock, par value $0.0001 per share, and 10,684,539 shares outstanding of the registrant’s class C common stock, par value $0.0001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s Proxy Statement for the 2021 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant’s fiscal year ended September 30, 2020.

TABLE OF CONTENTS

Unless the context indicates otherwise, reference to “Visa,” “Company,” “we,” “us” or “our” refers to Visa Inc. and its subsidiaries.

“Visa” and our other trademarks referenced in this report are Visa’s property. This report may contain additional trade names and trademarks of other companies. The use or display of other companies’ trade names or trademarks does not imply our endorsement or sponsorship of, or a relationship with these companies.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 that relate to, among other things, the impact on our future financial position, results of operations, and cash flows as a result of the coronavirus ("COVID-19"); prospects, developments, strategies and growth of our business; anticipated expansion of our products in certain countries; industry developments; anticipated benefits of our acquisitions; expectations regarding litigation matters, investigations and proceedings; timing and amount of stock repurchases; sufficiency of sources of liquidity and funding; effectiveness of our risk management programs; and expectations regarding the impact of recent accounting pronouncements on our consolidated financial statements. Forward-looking statements generally are identified by words such as "believes," "estimates," "expects," "intends," "may," "projects," "could," "should," "will," "continue" and other similar expressions. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in *Item 1—Business*, *Item 1A—Risk Factors*, *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations* and elsewhere in this report. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

PART I

ITEM 1. Business

OVERVIEW

Visa is one of the world's leaders in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payments network — enabling individuals, businesses and economies to thrive. We facilitate digital payments across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies.

Since Visa's inception in 1958, Visa has been in the business of facilitating payments between consumers and businesses. With new ways to pay, we have evolved into a global company that is a Trusted Engine of Commerce, providing payment solutions for everyone, everywhere. We are focused on extending, enhancing and investing in our proprietary network, VisaNet, while seeking new ways to offer products and services and become a single connection point for facilitating any payment transaction, both on the Visa network and beyond.

- **We facilitate secure, reliable and convenient transactions between financial institutions, merchants and consumers.** We traditionally have referred to this as the "four-party" model. As the payments ecosystem continues to evolve, we have broadened this model to include digital banks, wallets and a range of financial technology companies (fintechs), governments and non-governmental organizations. We provide transaction processing services (primarily authorization, clearing and settlement) to our financial institution and merchant clients through VisaNet. During fiscal year 2020, we saw 204 billion payments and cash transactions with Visa's brand, equating to an average of 559 million transactions a day. Of the 204 billion total transactions, 141 billion were processed by Visa.

- **We offer a wide range of Visa-branded payment products** that our 15,400 financial institution clients use to develop and offer core business solutions, including credit, debit, prepaid and cash access programs for individual, business and government account holders. During fiscal year 2020, Visa's total payments and cash volume was $11.3 trillion, and 3.5 billion credentials were available worldwide to be used at nearly 70 million merchant locations.

- **We take an open, partnership approach** and seek to provide value by enabling access to our global network, including offering our technology capabilities through application programming interfaces (APIs). We partner with both traditional and emerging players to innovate and expand the payments ecosystem, allowing them to leverage the resources of our platform to scale and grow their businesses more quickly and effectively. It also creates a more inclusive ecosystem with products that could reach the under and unbanked populations.

- **We are accelerating the migration to digital payments** and evolving Visa to be a "network of networks" to enable the movement of money on VisaNet and beyond. Visa's network of networks approach creates opportunities by facilitating person-to-person (P2P), business-to-consumer (B2C), business-to-business (B2B), business-to-small business (B2b) and government-to-consumer (G2C) payments.

- **We provide value added services** to our clients, including issuer and consumer solutions, merchant and acquirer solutions, fraud management and security services, data solutions, and consulting through Visa Consulting & Analytics.

- **We invest in and promote our brand** to the benefit of our clients and partners through advertising, promotional and sponsorship initiatives with FIFA, the International Olympic Committee, the International Paralympic Committee and the National Football League, among others. We also use these sponsorship assets to showcase our payment innovations.

FISCAL YEAR 2020 KEY STATISTICS

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(1) Please see *Item 7–Management's Discussion and Analysis of Financial Condition and Results of Operations* for a reconciliation of our non-GAAP financial results.

Revenue Details

Net revenues consist of service revenues, data processing revenues, international transaction revenues, and other revenues minus costs incurred under client incentive arrangements. We have one reportable segment, which is Payment Services. Visa earns revenue by facilitating payments across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies.

v-20200930_g3.jpg

(1) Figures in the tables may not recalculate exactly due to rounding.

Visa is not a financial institution. We do not issue cards, extend credit, or set rates and fees for account holders of Visa products. That is the role of our financial institution clients. We do not earn revenues from, or bear credit risk with respect to, interest or fees paid by account holders on Visa products. Interchange reimbursement fees represent a transfer of value between the financial institutions participating in our payments network. We administer the collection and remittance of interchange reimbursement fees through the settlement process, but we generally do not receive any revenue related to interchange reimbursement fees. In addition, we do not receive as revenue the fees that merchants are charged directly for acceptance by their acquirers.

ACCELERATING OUR BUSINESS: FISCAL YEAR 2020 KEY FOCUS AREAS

Fiscal year 2020 and COVID-19 have brought unprecedented challenges and widespread economic and social change. At the same time, the past fiscal year demonstrated the strength and resiliency of our strategy and the meaningful role we play at the center of the payments ecosystem. It has also accelerated progress, including accelerating the shift to ecommerce and the demand for contactless payments, providing significant opportunities for Visa that are aligned with our strategy. As we look to be a single point of connection for money movement globally, there are three primary levers to that growth — consumer payments, new flows and value added services. We are also building and acquiring new capabilities that can add value to our clients and strengthen the foundation of our business: technology, security, brand and talent.

1. Consumer Payments

For decades, Visa's growth has been driven by the strength of our core business solutions — credit, debit and prepaid products — as well as our global ATM network. As the pace of change accelerates each year, helped by the advancement of technology and our focus on the user experience in payments for both the face-to-face and ecommerce environments, we see significant opportunity for continued growth. We are accelerating efforts to move approximately $18 trillion in consumer spending still done in cash and check to cards and digital credentials on the Visa network.

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Core Business

Credit: Credit cards and digital credentials are issued by Visa's clients and allow consumers and businesses to access credit to pay for goods and services. Credit cards are affiliated with programs operated by financial institution clients, co-brand partners, fintechs and affinity partners. Visa does not extend credit to account holders; however, we provide technology, authorization services, fraud tools and brand support that issuers use to enable their credit programs. We also work with our clients on product design, consumer segmentation and consumer experience design to help them deliver products and services that match their customers' needs.

Debit: Debit cards and digital credentials are issued by financial institutions and allow consumers and small businesses to purchase goods and services using funds held in their bank accounts. Debit cards enable account holders to transact in person, online or via mobile without needing cash or checks and without accessing a line of credit. Visa provides a strong brand, network infrastructure (which includes processing, acceptance, product features and support, risk tools and services) and industry expertise to help issuers optimize their debit offerings.

Prepaid: Prepaid cards and digital credentials draw from a designated balance funded by individuals, businesses or governments. Prepaid cards address many use cases and needs, including general purpose reloadable, payroll, government and corporate disbursements, healthcare, gift and travel. Visa-branded prepaid cards also play an important part in financial inclusion, bringing payment solutions to those with limited or no access to traditional banking products.

Global ATM: The Visa/PLUS Global ATM network provides account holders with cash access, and other banking capabilities, in more than 200 countries and territories worldwide through issuing and acquiring partnerships with both financial institutions and independent ATM operators.

Engagement

Ecommerce

Ecommerce has evolved since the first online purchase was made on the Visa network more than 25 years ago. In fiscal year 2020, due in part to the COVID-19 pandemic, there was a significant acceleration in the shift away from cash to digital forms of payment. Ecommerce represents only about 14% of global retail spending, so there is still substantial opportunity for ecommerce growth. We are helping to transform the digital checkout experience by adding more security and removing friction with the launch of Visa Click to Pay. Enabled by the EMV® Secure Remote Commerce Specifications, Click to Pay simplifies the checkout experience, eliminating the need for a consumer to enter payment details each time they are paying online. This means greater consistency and fewer steps at checkout, regardless of one's payment choice. Consumers can click to pay with Visa with confidence when they see the Click to Pay icon, a stylized depiction of a fast forward icon, where Visa is accepted. v-20200930_g5.jpg(1)

During fiscal year 2020, Click to Pay went live with select merchants and payment processors and platforms in the U.S., and was enabled in new geographies, including Australia, Canada, China, Colombia, Hong Kong, Malaysia, Mexico, New Zealand, Poland, Qatar, Singapore, South Africa, Ukraine, United Arab Emirates and the United Kingdom.

Tap to Pay

As we seek to improve the user experience in the face-to-face environment, tap to pay, which is tapping a contactless card or mobile device on a terminal to make a payment, has emerged as the preferred way to check out amongst consumers in many markets around the world. Contactless penetration grew to 43% of all face-to-face transactions around the world in fiscal year 2020. In addition, Visa has worked with payments industry partners and governments to support raising contactless payments limits in markets around the world that require cardholder verification on tap to pay transactions. More than 50 markets across Europe, the Middle East, Africa and Canada have taken this step to help more individuals utilize this way to pay in fiscal year 2020.

The U.S. is one of the most significant opportunities for growth in tap to pay. Tap to pay awareness and adoption accelerated in the U.S. this year, and we expect that demand to continue to grow. More than 70% of face-to-face transactions at checkout in the U.S. occur at a merchant that has the ability to accept contactless payments, and more than 80 of the top 100 merchants by transactions are enabled for tap to pay.

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(1) The SRC payment icon is available for use in connection with implementations of the EMV® Secure Remote Commerce Specification.

Acceptance

A key component of how we expand our business focuses on growing access and increasing acceptance of our products around the world. Mobile connectivity, new acceptance devices untethered to landline infrastructure and new partnerships are enabling Visa payments in categories where card acceptance has typically been low, such as rent, parking and vending machines. We accomplish this in a few ways:

Drive new acceptance categories to uncover additional growth. We continue to expand our acceptance footprint in both mature and emerging markets, so that businesses and devices are enabled to send and receive funds via the Visa network in categories such as vending, laundry, gaming, parking, electric vehicle charging, rent and tuition. For example, in emerging markets, while 40% of the national GDP is contributed by small and micro-sellers, fewer than 10% of these sellers currently accept digital payments. In January 2020, Visa announced Tap to Phone technology to help sellers accept digital payments without any additional hardware. This technology allows micro-businesses to use smartphones to accept digital payments instead of a software terminal.

Promote inclusive financial access. According to the World Bank, 1.7 billion adults worldwide still lack access to formal financial services, which means they do not have access to the services that can help facilitate the growth of their economic livelihood. In 2015, Visa made a commitment to provide first-time access to a digital payments account for 500 million people worldwide by 2020 in support of the World Bank's goal of Universal Financial Access. We met this commitment ahead of schedule in 2019. We are continuing this work by supporting women's advancement, small businesses, and the expansion of financial inclusion through programs that support skill development and access to networks and financial services for under and unbanked populations. For example, in June, we announced a global commitment to elevate 50 million small and micro businesses worldwide in an effort to help local businesses in the wake of the COVID-19 pandemic. As part of the global commitment, Visa also formed the Visa Economic Empowerment Institute focused on economic and societal issues, including pandemic challenges small and micro businesses face and closing racial and gender opportunity gaps.

Credentials

Fintech/Open Partnership Model

As the payment ecosystem grows, so too does Visa's partnership model. Fintechs are key enablers of new payment experiences and new flows. Our work with fintechs helps to open new points of acceptance, create new digital banking experiences, move money across borders, embed Visa into B2B flows, speed up payroll and ensure digital wallet customers can access our services.

Fintechs prefer partnering with Visa because of the reach, capabilities, and security Visa offers. Today, Visa has partnered with fintechs across categories including digital wallets, neobanks, "Buy Now, Pay Later", B2B payments, cross-border remittance, payments infrastructure, and P2P payments.

To better serve fintechs, Visa has created a suite of streamlined commercial programs and digital onboarding tools. Our Fintech Fast Track program enables qualifying fintechs to quickly launch and scale their programs. The program has grown 360% year-over-year and has welcomed hundreds of fintechs who are actively engaged in the program. With our startup engagement programs, the Visa Everywhere Initiative and the Inclusive Fintech 50, early stage companies can build payment solutions based on our capabilities. All of our fintech resources are available online on Visa Partner, which provides a comprehensive set of services and resources so that partners can access APIs, apply for programs, complete an online licensing process and find relevant partners to help construct new flows.

2. New Flows

New flows represent a $185 trillion opportunity. Visa's network of networks approach creates opportunities to enable digital payments for consumers, businesses and governments around the world by facilitating P2P, B2C, B2B, B2b and G2C payments. Today, partners are increasingly using Visa's network infrastructure and capabilities to enable Visa to unlock a growing market opportunity.

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Visa Direct

Visa Direct is a global, real-time[2] push payments platform, which reverses the traditional card payment flow by allowing payment originators, through their acquirer, to push funds directly to cards, and with the acquisition of Earthport, Visa Direct can now also push directly to 1.5 billion additional bank accounts. In doing this, Visa Direct supports consumer and business money flows, which is estimated to be $65 trillion, for a variety of payment use cases, including corporate, government and worker payouts, P2P, real-time merchant settlement, and fast cross-border payment capabilities to more than 140 countries.

Visa Direct enables Visa to capture new flows with nearly 3.5 billion global transactions in 2020. This growth was fueled by the expansion of existing use cases, the extension of existing use cases to new countries, the development of new use cases, and the creation and deepening of partnerships worldwide. P2P continued to be a strong contributor, with more than 100 P2P providers globally, led by a 75% year-over-year growth in global P2P transactions. Additionally, we expanded P2P globally in domestic and cross-border capacities with many partners this year.

Many businesses also utilize Visa Direct to have real-time access to working capital to buy inventory, make payroll and service other cash flow needs to keep their businesses running, such as real-time merchant settlement and loan disbursements. During fiscal year 2020, Visa Direct enabled faster payouts to more than 2.35 million U.S. small businesses and sellers, helping to provide fast access to funds to improve cash flow. In the wake of COVID-19, we are seeing more governments adopt Visa Direct to distribute funds quickly, safely and broadly, often reaching the unbanked.

B2B

We are also extending our network with B2B payments. We offer a portfolio of business payment solutions, including small business, corporate (travel) cards, purchasing cards, virtual cards and digital credentials, non-card cross-border B2B payment options and disbursement accounts, covering most major industry segments around the world. Business solutions are designed to bring efficiency, controls and automation to small businesses, commercial and government payment processes, ranging from employee travel to fully integrated, invoice-based payables.

Businesses spend an estimated $120 trillion each year. Our three strategic areas of focus include investing and growing card-based payments, accelerating our efforts in non-card, cross-border payments and digitizing domestic accounts payable/accounts receivable processes.

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[2] Actual fund availability varies by receiving financial institution, receiving account type, region and whether the transaction is domestic or cross-border.

Our existing commercial card solutions generated nearly $1 trillion in payments volume in fiscal year 2020. We continue to invest across our small business, travel and entertainment, purchasing, fleet and virtual card solutions to further digitize how businesses pay other businesses.

Visa B2B Connect is a multilateral network that operates separately from VisaNet and facilitates B2B cross-border transactions directly from an originating bank to the recipient bank. This network gives financial institutions the ability to quickly and securely process high-value corporate cross-border payments globally and helps simplify and speed up the way businesses pay other businesses around the world. Visa B2B Connect's current reach includes 80 markets, and we expect that we will expand to 30 new markets over the next 18-24 months, aiming to reach scale by 2022. We are continuing to build out our capabilities and relationships to fuel future growth and to help our clients fulfill the international payments needs of their customers.

3. Value Added Services

As the payments category continues to evolve and expand in scope, size and complexity, our clients are increasingly looking for insights, and Visa is well positioned to support their needs. Value added services represent an opportunity for us to help our clients grow their businesses, often resulting in additional growth for our core business. In addition, they deepen our client relationships and deliver new sources of revenue. Today, we offer a suite of value added services, including issuer and consumer solutions, merchant and acquirer solutions, fraud management and security services, data products, and consulting and analytics.

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Issuer and Consumer Solutions

Visa DPS provides a wide range of debit, prepaid and credit value added services to clients including call center services, data analytics, campaign management, fraud and risk solutions, and a white-label branded mobile app. Our U.S. client base includes national banks, community banks and credit unions, as well as a rapidly increasing number of fintechs. DPS continues to extend and expand our capabilities in modern, API-based issuer processing solutions, which will be used for the U.S. and international markets.

We also provide a range of other services and digital solutions to issuers, such as account controls, digital issuance, branded consumer experiences and installments. Installment payments allow shoppers the flexibility to pay for a purchase in equal payments over a defined period of time. Visa is investing in installments as a payments strategy — both by building our own solution, Visa Installments — and by partnering with innovative installments providers who leverage our assets to support a wider variety of installment options. Visa Installments enables issuing banks to offer Visa cardholders the option to divide their total purchase amount into smaller payments during or after checkout, at the store and online — with a Visa card they already have in their wallet. Through Cybersource, Visa's global payment management platform, we are working with acquirers and fintech installment providers to enable this new way to pay for Cybersource's merchant customers.

Merchant and Acquirer Solutions

The Cybersource platform provides payment services for more than 450,000 clients. Cybersource's small business solutions are represented by the Authorize.Net brand in North America.

Through a single integration, Cybersource provides modular, digital capabilities beyond the traditional gateway function of connecting merchants to payment processing. Using Cybersource, merchants of all sizes can improve the way their consumers engage and transact, mitigate fraud and security risk, lower operational costs and adapt to changing business requirements. Cybersource's global footprint lets merchants accept payments in more than 190 countries and territories around the world and includes a broad choice of acquirers and processors, payment types and hardware components.

Cybersource white-labeled capabilities continue to drive innovation in the payments ecosystem and enable better customer experiences. Cybersource also invested in new and enhanced payment integrations with commerce platforms, enabling sellers and acquirers to provide tailored commerce experiences with payments seamlessly embedded.

Cybersource enables an omni-channel solution with a cloud-based architecture to deliver more innovation at the point-of-sale. Our omni-channel solution has been adopted by multiple retailers in the U.S. and in Europe.

Decision Manager delivered through Cybersource supports transaction security for sellers. It leverages the power of network-wide fraud insights and combines it with hundreds of standard API elements, including IP addresses, device fingerprints, order details and analytics, to produce more than 260 detectors in addition to a score for every transaction to help sellers separate fraudulent transactions from non-fraudulent ones. Decision Manager helps merchants reduce exposure to fraud, which is critical for optimizing both revenue and profits for merchants.

Visa continues to invest in its dispute management services. In fiscal year 2019, we acquired Verifi, a leader in technology solutions to reduce chargebacks. With this acquisition, Visa has been able to offer a network agnostic value added solution, enabling merchants to manage disputes across all their payment methods with a single connection.

Fraud Management and Security Services

Security and Identity

Trust is at the core of Visa. Through an evolving and multilayered approach, Visa strives to expect the unexpected, constantly monitoring our network and sharing intelligence with our partners. Our multi-prong security strategy is based on empowering consumers and clients through tools, resources and controls to make more informed risk decisions. To provide these tools, we invest in intelligence and technologies that improve fraud and authorization performance. In fiscal year 2020, Visa Advanced Authorization risk scored 141 billion Visa-processed transactions – each transaction across more than 500 risk factors in about one millisecond. In the last year, Visa's artificial intelligence (AI)-powered risk scoring engine helped financial institutions prevent nearly $25 billion in fraud.

We believe security is an integral driver for growth and innovation. Several developments over the course of fiscal year 2020 help demonstrate our approach:

- We continued to see the benefits of chip technology, where each transaction is accompanied by a one-time code that protects consumer information, in preventing counterfeit fraud and reducing fraud occurring in person at physical stores. In the U.S., for example, our most recent data shows an 87 percent decline in counterfeit fraud at chip-enabled merchants since 2015. Contactless-enabled payment cards use the same trusted security of chip cards. EMV® 3-D Secure (3DS) is a new generation of the protocol — developed by EMVCo's members along with other industry participants — and is designed to protect accounts from unauthorized use across desktop, laptop, mobile or other connected devices, making online purchases easier and more secure.

- A new digital tool was introduced to help U.S. financial institutions with their efforts to combat new account fraud and give consumers greater peace of mind. Advanced Identity Score combines

Visa’s AI and predictive machine learning capabilities with application and identity related data to generate a risk score for new account applications to help reduce fraud, prevent negative impacts to brand loyalty and trust, and eliminate operational costs due to remediation. Advanced Identity Score can decrease the number of new accounts opened with stolen identities, protect consumers against synthetic ID or account takeover fraud, save time and help eliminate a poor customer experience.

Visa is also committed to helping protect the broader payments ecosystem from growing cyber threats and fraud through continued investments in intelligence and technology. Visa operates a suite of programs to protect the safety and soundness of the payments ecosystem, investing in intelligence and technology to prevent, detect and mitigate security threats, and empowering our partners with the tools and data necessary to make better risk management decisions that are a core benefit of being part of the Visa network. Our security capabilities, programs and expertise help protect the integrity of the payments ecosystem by seeking to detect and disrupt fraud threats targeting financial institutions and merchants and removing bad actors from the ecosystem to provide the best possible consumer experience. This is achieved through the combined efforts of payment and cyber intelligence, insights and learnings from client/partner breach investigations, and law enforcement engagement to help financial institutions and merchants solve critical security challenges.

Visa Token Service

Visa Token Service is a security technology that helps combat fraud for both face-to-face and ecommerce digital transactions, including mobile and “Internet of Things (IoT)” payments. The technology replaces a consumer’s card-related sensitive information, such as personal account number, with a unique, one-time use identifier, or *token*, which protects transactions in a number of ways, including when a card or shopper is not physically present. Launched in 2014, tokenization has been brought to scale over the last six years. We expanded tokenization globally this year, crossing the 1.4 billion tokens milestone and enabling more than 8,300 issuers across 192 markets.

Following the acquisition of Rambus Payments’ token services business, Visa rebranded the business unit to Token ID - A Visa Solution. Token ID will expand Visa’s tokenization capabilities beyond card-based payments on the Visa network to include domestic card, automated clearing house (ACH) and real-time payment networks to facilitate secure payments across a broader range of global commerce types.

Data Solutions

Data lies at the heart of strategic decisions that governments, financial institutions, fintechs and merchants make to help meet their customers' needs, create new products and experiences, enhance security and bolster customer loyalty. Visa harnesses the power of our rich global datasets to deliver insights, benchmarks and predictive models that benefit our ecosystem.

With Visa’s Benchmarking and Operations Solutions, clients can identify opportunities to increase spend and authorization rates and reduce fraud, disputes, chargebacks and operational costs. Visa’s suite of Marketing Solutions uses Visa data to help issuers and merchants plan, target, and measure marketing campaigns and communications. Through Visa’s Underwriting Solutions, Visa is helping clients harness data to improve portfolio management strategies such as credit line increase programs, cross sale of lending products and working capital management for small businesses.

Visa Consulting & Analytics

Visa Consulting & Analytics is the payments consulting advisory arm of Visa. This group is a client-facing global team of more than 550 payments consultants, data scientists and economists in more than 100 cities. The combination of our deep payments expertise, our breadth of data and our economic intelligence allows us to identify actionable insights, recommendations and solutions that drive better business decisions and measurable outcomes for clients. Visa Consulting & Analytics offers consulting services for issuers, acquirers, merchants, fintechs and others that span the entire customer journey.

4. Foundational

The foundation of our business is comprised of our technology, security, brand and talent.

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Technology

Visa's technology platform comprises software, hardware, data centers and a vast telecommunications infrastructure, each with a distinct architecture and operational footprint wrapped with several layers of security and protection technologies. Together, these systems deliver the secure, convenient and reliable service that our clients and consumers expect of the Visa brand.

Software

As part of our global technology environment, we build and securely operate hundreds of commercial applications using a diverse set of technologies. Our software powers the core functions of our transaction processing — including authorization, clearing and settlement, and risk scoring — as well as our value added services. These applications together work to provide essential services to the payments ecosystem.

Hardware

We rely on a diverse array of sophisticated infrastructure systems that are tailored to our services. Visa's infrastructure is designed and configured with layers of redundancies. We have multiple instances of our software running on separate pieces of hardware, which is designed to provide continuous availability. Our disaster recovery capabilities are tiered so that our real-time transaction processing services can be continuously available.

Data Centers

Visa operates four data centers that are a critical part of our global processing environment and are built with the capacity to support Visa's growing power, cooling and space needs. All of our data centers have high redundancy of network connectivity, power and cooling designed to provide continuous availability of systems. We are continuing to reduce the carbon footprint of our data centers by deploying efficiency improvement strategies, including LED lighting, variable airflow automation controls and hot-and-cold air containment technologies.

Telecommunications

We connect our clients and partners to Visa's data centers through a massive telecommunications network covering more than 10 million route miles. Each network node is connected through redundant links, designed to provide high levels of security, availability and performance for our products and services.

Security

In parallel with our role in advancing the security of the broader payments ecosystem, Visa remains committed to championing cybersecurity. Our multifaceted security approach includes deploying security tools that help keep our clients and consumers safe, while providing solutions that make Visa the best way to pay and be paid.

We invest significantly in our comprehensive approach to cybersecurity at Visa. We deploy security technologies to protect against data confidentiality, integrity and availability risks, emphasizing core cybersecurity capabilities to minimize risk exposure. Our in-depth security approach applies multiple layers of protection to reduce the risk of any single control failing. These measures include:

- A formal program to devalue sensitive and/or personal data through various cryptographic means
- Embedded security in the software development lifecycle
- Identity and access management controls to protect against unauthorized access
- Development of advanced cyber detection and response capabilities

For example, Visa uses AI and deep learning technology to monitor our network and understand the threats aimed at our company. Our platform collects billions of security logs each day, providing insight across the network and within our infrastructure. We combine this data with external intelligence on attacks observed outside of our data centers and network. Using machine learning tools, we focus on the events that appear to pose a risk, enabling our cybersecurity team to intervene. We operate this platform globally, with teams in multiple time zones detecting and responding 24x7x365.

Brand

In recognition of our strength among clients and consumers, the Visa brand consistently ranks highly in external brand studies, including #1 on Forbes World's Best Regarded Companies (2019), #5 on BrandZ Top 100 Most Valuable Global Brands (2020), Forbes World's Most Valuable Brands and Interbrand's Best Global Brands, among others.

Visa's brand strength helps deliver added value to our clients and their customers, financial institutions, merchants and partners through compelling brand expressions, a wide range of products and services and innovative brand and marketing efforts.

In line with our commitment to an expansive and diverse range of partnerships for the benefit of all our stakeholders, Visa sponsors FIFA, the International Olympic Committee, the International Paralympic Committee and the National Football League. Visa is the only brand in the world that is a premier sponsor of all of these properties and also is the most active sponsor of women's football around the world. At the Olympic and Paralympic Games Tokyo 2020 (postponed from 2020 to 2021), the Visa brand is expected to be on full display when Visa features our products and technology to bring Japan's vision for the future of digital payments to life.

Talent

Central to our long-term strategy is attracting, developing and retaining the best talent globally with the right skills to drive our success. In fiscal year 2020, the COVID-19 pandemic had a significant impact on our human capital management. A large majority of our workforce worked remotely throughout the second half of 2020, and we instituted safety protocols and procedures for the essential employees who continued to work on site. Visa committed that no employee layoffs would occur in calendar year 2020 related directly to COVID-19. Visa's workforce grew in 2020 at a slower pace than prior years, increasing from approximately 19,500 employees in fiscal year 2019 to approximately 20,500 employees in fiscal year 2020. Voluntary workforce turnover (rolling 12-month attrition) was 6.3% in September 2020. At the end of fiscal year 2020, Visa's global workforce was 59% male and 41% female, and women represented 34% of Visa's leadership (defined as vice president level and above). In the U.S., ethnicity of our workforce was 38% White, 42% Asian, 11% Hispanic, 6% Black and 3% other. For our U.S. leadership, the breakdown was 63% White, 19% Asian, 12% Hispanic, 4% Black and 2% other.

Our culture is underpinned by our core values, including an unwavering commitment to inclusion and diversity. In 2020, we established goals to increase the number of employees from underrepresented groups at the vice president level and above in the U.S. by 50 percent in three years and to increase the number of employees from underrepresented groups in the U.S. by 50 percent in five years. Visa's commitment to diversity recruiting includes partnering with a number of non-profit and community organizations to support and develop a diverse talent pipeline. For example, Visa established the Black Scholars and Job program, a $10 million fund to create a dedicated Visa scholarship assistance program over the next five years, specifically for college-bound Black students. Upon graduation, all recipients who have met their commitments will be guaranteed a full-time job with Visa. Visa is committed to pay equity, regardless of gender or race/ethnicity, and conducts pay equity analyses on an annual basis.

For additional information, please see the section titled "Talent and Human Capital Management" in Visa's 2020 Proxy Statement.

Mergers and Acquisitions and Strategic Investments

Visa continually explores opportunities to augment our capabilities and provide meaningful value to our clients. Mergers and acquisitions and strategic investments complement our internal development and enhance our partnerships to align with Visa's priorities. Visa applies a rigorous integration approach to our acquisitions and investments to ensure they will differentiate our network, provide value added services and accelerate growth.

Plaid Acquisition. In January 2020, Visa entered into a definitive agreement to acquire Plaid, a network that makes it easy for people to securely connect their financial accounts to the apps they use to manage their financial lives. Plaid's products enable consumers to conveniently share their financial information with thousands of apps and services. Visa's acquisition of Plaid represents both an entry into new businesses and complementary enhancements to Visa's existing business. This acquisition is subject to customary closing conditions, including regulatory reviews and approvals.

On November 5, 2020, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Northern District of California seeking a permanent injunction to prevent Visa from acquiring Plaid, alleging that the proposed acquisition would substantially lessen competition in violation of Section 7 of the Clayton Act and would constitute monopolization under Section 2 of the Sherman Act. Visa intends to vigorously defend the lawsuit.

INTELLECTUAL PROPERTY

We own and manage the Visa brand, which stands for acceptance, security, convenience, speed and reliability. Our portfolio of Visa-owned trademarks is important to our business. Generally, trademark registrations are valid indefinitely as long as they are in use and/or maintained. We give our clients access to these assets through agreements with our issuers and acquirers, which authorize the use of our trademarks in connection with their participation in our payments network. Additionally, we have filed patent applications in the U.S. and international jurisdictions covering certain aspects of our proprietary technology and new innovations, and own a number of patents, patent applications and other intellectual property relating to our business. We rely on a combination of patent, trademark, copyright and trade secret laws in the U.S. and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our proprietary technology.

COMPETITION

The global payments industry continues to undergo dynamic change. Existing and emerging competitors compete with Visa's network and payment solutions for consumers and for participation by financial institutions and merchants. Technology and innovation are shifting consumer habits and driving growth opportunities in ecommerce, mobile payments, blockchain technology and digital currencies. These advances are enabling new entrants, many of which depart from traditional network payment models. In certain countries, the evolving regulatory landscape is changing how we compete, creating local networks or enabling additional processing competition.

We compete against all forms of payment. This includes paper-based payments, primarily cash and checks, and all forms of electronic payments. Our electronic payment competitors principally include:

Global or Multi-Regional Networks: These networks typically offer a range of branded, general purpose card payment products that can be used at millions of merchant locations around the world. Examples include Mastercard, American Express, Discover, JCB and UnionPay. These competitors may be more concentrated in specific geographic regions, such as JCB in Japan and Discover in the U.S., or have a leading position in certain countries. For example, UnionPay is the largest player in China, since international card networks were not allowed to process domestic transactions in China until the market started to open up with the first license approval for an international network in fiscal year 2020. See *Item 1A — Risk Factors — Regulatory Risks — Government-imposed obligations and/or restrictions on* *international payment systems may prevent us from competing against providers in certain countries, including significant markets such as China, India and Russia*. Based on available data, Visa is one of the largest retail electronic funds transfer networks used throughout the world. The following chart compares our network with these network competitors for calendar year 2019[(1)]:

	Visa	Mastercard	American Express	JCB	Diners Club
Payments Volume ($B)	8,941	4,767	1,225	313	179
Total Volume ($B)	11,757	6,468	1,241	320	194
Total Transactions (B)	207	122	9	4	3
Cards (M)	3,454	2,172	114	140	66

(1) Mastercard, American Express, JCB and Diners Club / Discover data sourced from The Nilson Report issue 1178 (June 2020). Mastercard excludes Maestro and Cirrus figures. American Express, Diners Club / Discover, and JCB include business from third-party issuers. JCB figures include other payment-related products and some figures are estimates.

Local and Regional Networks: Operated in many countries, these networks often have the support of government influence or mandate. In some cases, they are owned by financial institutions. These networks typically focus on debit payment products, and may have strong local acceptance, and recognizable brands. Examples include STAR, NYCE, and Pulse in the U.S., Interac in Canada, EFTPOS in Australia and Mir in Russia.

Alternate Payment Providers: These providers often have a primary focus of enabling payments through ecommerce and mobile channels, but are expanding or may expand their offerings to the physical point of sale. These companies may process payments using in-house account transfers between parties, electronic funds transfer networks like the ACH, global or local networks like Visa, or some combination of the foregoing. In some cases, these entities are both a partner and a competitor to Visa.

ACH and Real Time Payment (RTP) Networks: These networks are often governed by local regulations. Primarily focused on interbank transfers, many are adding capabilities that may make them more competitive for retail payments. We also compete with closed-loop payment systems, emerging payments networks, wire transfers and electronic benefit transfers.

Payment Processors: We compete with payment processors for the processing of Visa transactions. These processors may benefit from mandates requiring them to handle processing under local regulation. For example, as a result of regulation in Europe under the Interchange Fee Regulation (IFR), we may face competition from other networks, processors and other third-parties who could process Visa transactions directly with issuers and acquirers.

We believe our fundamental value proposition of acceptance, security, convenience, speed and reliability offers us a key competitive advantage. We succeed in part because we understand the needs of the individual markets in which we operate and partner with local financial institutions, merchants, fintechs, governments, non-governmental organizations and business organizations to provide tailored solutions. We believe Visa is well-positioned competitively due to our global brand, our broad set of Visa-branded payment products, and our proven track record of processing payment transactions securely and reliably through VisaNet.

SEASONALITY AND OTHER

We generally do not experience any pronounced seasonality in our business. No individual quarter of fiscal year 2020 or fiscal year 2019 accounted for more than 30 percent of our net revenues in those years.

In fiscal year 2020, we had two clients that accounted for 11% and 10% of our total net revenues, respectively. We believe this is the result of an unprecedented shift in revenue mix, including the decline in cross-border revenue as a result of the pandemic. In fiscal year 2019 and 2018, no client generated greater than 10% of our total net revenues.

WORKING CAPITAL

Payments settlement due to and from our financial institution clients can represent a substantial daily working capital requirement. Most U.S. dollar settlements are settled within the same day and do not result in a receivable or payable balance, while settlement in currencies other than the U.S. dollar generally remain outstanding for one to two business days, which is consistent with industry practice for such transactions.

GOVERNMENT REGULATION

As a global payments technology company, we are subject to complex and evolving global regulations in the various jurisdictions in which our products and services are used. The most significant government regulations that impact our business are discussed below. For further discussion of how global regulations may impact our business, see *Item 1A-Risk Factors-Regulatory Risks*.

Anti-Corruption, Anti-Money Laundering, Anti-Terrorism and Sanctions: We are subject to anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and other laws that generally prohibit the making or offering of improper payments to foreign government officials and political figures for the purpose of obtaining or retaining business or to gain an unfair business advantage. We are also subject to anti-money laundering and anti-terrorist financing laws and regulations, including the U.S. Bank Secrecy Act. In addition, we are subject to economic and trade sanctions programs administered by the Office of Foreign Assets Control (OFAC) in the U.S. Therefore, we do not permit financial institutions or other entities that are domiciled in countries or territories subject to comprehensive OFAC trade sanctions (currently, Cuba, Iran, North Korea, Syria and Crimea), or that are included on OFAC's list of Specially Designated Nationals and Blocked Persons, to issue or acquire Visa cards or engage in transactions using our services.

Government-Imposed Market Participation Restrictions: Certain governments, including China, India, Indonesia, Russia, Thailand and Vietnam, have taken actions to promote domestic payments systems and/or certain issuers, payments networks or processors, by imposing regulations that favor domestic providers, impose local ownership requirements on processors, require data localization or mandate domestic processing be done in that country.

Interchange Rates and Fees: An increasing number of jurisdictions around the world regulate or influence debit and credit interchange reimbursement rates in their regions. For example, the U.S. Dodd-Frank Wall Street Reform and Consumer Act (Dodd-Frank Act) limits interchange reimbursement rates for certain debit card transactions in the U.S., the European Union (EU) IFR limits interchange rates in Europe (as discussed below), and the Reserve Bank of Australia and the Central Bank of Brazil regulate average permissible levels of interchange.

Internet Transactions: Many jurisdictions have adopted regulations that require payments system participants to monitor, identify, filter, restrict or take other actions with regard to certain types of payment transactions on the Internet, such as gambling and the purchase of cigarettes or alcohol.

Network Exclusivity and Routing: In the U.S., the Dodd-Frank Act limits network exclusivity and preferred routing arrangements for the debit and prepaid market segments. Other jurisdictions impose similar limitations, such as the IFR's prohibition in Europe on restrictions that prevent multiple payment brands or functionality on the same card.

No-surcharge Rules: We have historically enforced rules that prohibit merchants from charging higher prices to consumers who pay using Visa products instead of other means. However, merchants' ability to surcharge varies by geographic market as well as Visa product type, and continues to be impacted by litigation, regulation and legislation.

Privacy and Data Protection: Aspects of our operations or business are subject to privacy, data use and data security regulations, which impact the way we use and handle data, operate our products and services and even impact our ability to offer a product or service. In addition, regulators are proposing new laws or regulations that could require Visa to adopt certain cybersecurity and data-handling practices, create new individual privacy rights and impose increased obligations on companies handling personal data.

Supervisory Oversight of the Payments Industry: Visa is subject to financial sector oversight and regulation in substantially all of the jurisdictions in which we operate. In the U.S., for example, the Federal Financial Institutions Examination Council (FFIEC) has supervisory oversight over Visa under applicable federal banking laws and policies as a technology service provider to U.S. financial institutions. The federal banking agencies comprising the FFIEC are the Federal Reserve Board, the Comptroller of the

Currency, the Federal Deposit Insurance Corporation and the National Credit Union Administration. Visa also may be separately examined by the Bureau of Consumer Financial Protection as a service provider to the banks that issue Visa-branded consumer credit and debit card products. Central banks in other countries/regions, including Europe, Russia, Ukraine and the United Kingdom (as discussed below), have recognized or designated Visa as a retail payment system under various types of financial stability regulations. Visa is also subject to oversight by banking and financial sector authorities in other jurisdictions, such as Brazil and Hong Kong.

European and United Kingdom Regulations and Supervisory Oversight: Visa in Europe continues to be subject to complex and evolving regulation in the European Economic Area (EEA). Visa Europe is designated as a Recognized Payment System in the United Kingdom, bringing it within the scope of the Bank of England's supervisory powers and subject to various requirements, including on issues such as governance and risk management designed to maintain the stability of the United Kingdom's financial system. Visa Europe is also subject to the European Central Bank's oversight, whose main focus is on the smooth operation of payment systems in the Euro area, including the security, operational reliability and business continuity of payment systems. Furthermore, Visa Europe is regulated by the United Kingdom's Payment Systems Regulator (PSR), which has wide-ranging powers and authority to review our business practices, systems, rules and fees with respect to promoting competition and innovation in the United Kingdom, and ensuring payments meet account holder needs. The PSR is also the regulator responsible for monitoring Visa Europe's compliance with the IFR in the United Kingdom. The IFR regulates interchange rates within Europe, requires Visa Europe to separate its payment card scheme activities from processing activities for accounting, organization, and decision-making purposes within the EU and imposes limitations on network exclusivity and routing. National competent authorities in the EU are responsible for monitoring and enforcing the IFR in their markets.

There are other regulations in the European Union that impact our business, as discussed above, including regulations governing privacy and data protection, anti-bribery, anti-money laundering, anti-terrorism and sanctions. Other regulations in Europe, such as the second Payment Services Directive (PSD2), require, among other things, that our financial institution clients provide certain customer account access rights to emerging non-financial institution players. PSD2 also includes strong customer authentication requirements for certain transactions that could impose both operational complexity on Visa and negatively impact consumer payment experiences.

As discussed in *Item 1A — Risk Factors — Business Risks — The United Kingdom's withdrawal from the European Union could harm our business and financial results, and* Brexit could lead to further legal and regulatory complexity in Europe.

Additional Regulatory Developments: Various regulatory agencies across the world also continue to examine a wide variety of other issues, including mobile payment transactions, tokenization, access rights for non-financial institutions, money transfer, identity theft, account management guidelines, disclosure rules, security and marketing that could affect our financial institution clients and us. Furthermore, following the passage of PSD2 in Europe, several countries, including Australia, Brazil, Canada, Hong Kong and Mexico, are contemplating granting or have already granted various types of access rights to third-party processors, including access to consumer account data maintained by our financial institution clients, which could have negative implications for our business depending on how the regulations are framed and implemented.

AVAILABLE INFORMATION

Our corporate website is *usa.visa.com/about-visa.html*. Our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, proxy statements and any amendments to those reports filed or furnished pursuant to the U.S. Securities Exchange Act of 1934, as amended, can be viewed at *http://www.sec.gov* and our investor relations website at *http://investor.visa.com* as soon as reasonably practicable after these materials are electronically filed with or furnished to the U.S. Securities and Exchange Commission (SEC). In addition, we routinely post financial and other information, which could be deemed to be material to investors, on our investor relations website. Information regarding our corporate responsibility and sustainability initiatives are also available on our website at *http://www.visa.com/responsibility*. The content of any of our websites referred to in this report is not incorporated by reference into this report or any other filings with the SEC.

ITEM 1A. Risk Factors

Regulatory Risks

We are subject to complex and evolving global regulations that could harm our business and financial results.

As a global payments technology company, we are subject to complex and evolving regulations that govern our operations. See *Item 1—Business—Government Regulation* for more information on the most significant areas of regulation that affect our business. The impact of these regulations on us, our clients, and other third parties could limit our ability to enforce our payments system rules; require us to adopt new rules or change existing rules; affect our existing contractual arrangements; increase our compliance costs; require us to make our technology or intellectual property available to third parties, including competitors, in an undesirable manner; and reduce our revenue opportunities. As discussed in more detail below, we may face differing rules and regulations in matters like interchange reimbursement rates, preferred routing, domestic processing requirements, currency conversion, point-of-sale transaction rules and practices, privacy, data use or protection, licensing requirements, and associated product technology. As a result, the Visa operating rules and our other contractual commitments may differ from country to country or by product offering. Complying with these and other regulations increases our costs and could reduce our revenue opportunities.

If widely varying regulations come into existence worldwide, we may have difficulty rapidly adjusting our product offerings, services, fees and other important aspects of our business in the regions where we operate. Our compliance programs and policies are designed to support our compliance with a wide array of regulations and laws, such as anti-money laundering, anti-corruption, competition, privacy and sanctions, and we continually enhance our compliance programs as regulations evolve. However, we cannot guarantee that our practices will be deemed compliant by all applicable regulatory authorities. In the event our controls should fail or we are found to be out of compliance for other reasons, we could be subject to monetary damages, civil and criminal penalties, litigation, investigations and proceedings, and damage to our global brands and reputation. Furthermore, the evolving and increased regulatory focus on the payments industry could negatively impact or reduce the number of Visa products our clients issue, the volume of payments we process, our revenues, our brands, our competitive positioning, our ability to use our intellectual property to differentiate our products and services, the quality and types of products and services we offer, the countries in which our products are used, and the types of consumers and merchants who can obtain or accept our products, all of which could harm our business.

Increased scrutiny and regulation of the global payments industry, including with respect to interchange reimbursement fees, merchant discount rates, operating rules, risk management protocols and other related practices, could harm our business.

Regulators around the world have been establishing or increasing their authority to regulate certain aspects of the payments industry. See *Item 1—Business —Government Regulation* for more information. In the U.S. and many other jurisdictions, we have historically set default interchange reimbursement fees. Even though we generally do not receive any revenue related to interchange reimbursement fees in a payment transaction (in the context of credit and debit transactions, those fees are paid by the acquirers to the issuers; the reverse is true for certain transactions like ATM), interchange reimbursement fees are a factor on which we compete with other payments providers and are therefore an important determinant of the volume of transactions we process. Consequently, changes to these fees, whether voluntarily or by mandate, can substantially affect our overall payments volumes and revenues.

Interchange reimbursement fees, certain operating rules and related practices continue to be subject to increased government regulation globally, and regulatory authorities and central banks in a number of jurisdictions have reviewed or are reviewing these fees, rules, and practices. For example, regulations adopted by the U.S. Federal Reserve cap the maximum U.S. debit interchange reimbursement rate received by large financial institutions at 21 cents plus 5 basis points per transaction, plus a possible fraud adjustment of 1 cent. The Dodd-Frank Act also limits issuers' and our ability to adopt network exclusivity and preferred routing in the debit and prepaid area, which also impacts our business. The EU's IFR places an effective cap on consumer credit and consumer debit interchange fees for both domestic and cross-border transactions within the EEA (30 basis points and 20 basis points, respectively). EU member states have the ability to further reduce these interchange levels within their territories. The European Commission concluded its impact assessment of the IFR, indicating that while it does not intend to expand the legislation at this time, it will continue to monitor market dynamics. Countries in other parts of the world, including the Latin America region, have either adopted or are exploring interchange caps. For example, in March 2017, Argentina's central bank passed regulations that cap interchange fees on credit and debit transactions. In March 2018, Brazil adopted interchange caps on debit transactions and in March 2020, the Congress in Costa Rica passed legislation allowing the Central Bank to regulate interchange and other fees. Finally, in Australia, the Reserve Bank is in the process of reviewing the country's payment system regulations, which could potentially result in lower and/or additional interchange caps and other restrictions on our business.

When we cannot set default interchange reimbursement rates at optimal levels, issuers and acquirers may find our payments system less attractive. This may increase the attractiveness of other payments systems, such as our competitors' closed-loop payments systems with direct connections to both merchants and consumers. We believe some issuers may react to such regulations by charging new or higher fees, or reducing certain benefits to consumers, which make our products less appealing to consumers. Some acquirers may elect to charge higher merchant discount rates (MDR) regardless of the Visa interchange reimbursement rate, causing merchants not to accept our products or to steer customers to alternate payments systems or forms of payment. In addition, in an effort to reduce the expense of their payment programs, some issuers and acquirers have obtained, and may continue to obtain, incentives from us, including reductions in the fees that we charge, which may directly impact our revenues.

In addition to the regulation of interchange reimbursement fees, a number of regulators impose restrictions on other aspects of our payments business. For example, many governments including, but not limited to governments in India and Turkey are using regulation to further drive down MDR, which could negatively affect the economics of our transactions. Some countries in Latin America, like Peru and Chile are relying on antitrust-driven regulatory actions that can have implications for how the payments ecosystem and four party model operate. The PSR's review of the acquiring market in the United Kingdom could lead to additional regulatory pressure on our business. With increased merchant lobbying, we could also begin to see regulatory interest in network fees. Government regulations or pressure may also require us to allow other payments networks to support Visa products or services, or to have the other network's functionality or brand marks on our products. As innovations in payment technology have enabled us to expand into new products and services, they have also expanded the potential scope of regulatory influence. For instance, new products and capabilities, including tokenization, push payments, and non-card based payment flows (e.g., B2B Connect) could bring increased licensing or authorization requirements in the countries where the product or capability is offered. In addition, the European Union's requirement to separate scheme and processing adds costs and impacts the execution of our commercial, innovation and product strategies.

We are also subject to central bank oversight in some markets, including, Brazil, Russia, the United Kingdom and within the European Union. This oversight could result in new governance, reporting, licensing, cybersecurity, processing infrastructure, capital, or credit risk management requirements. We could also be required to adopt policies and practices designed to mitigate settlement and liquidity risks, including increased requirements to maintain sufficient levels of capital and financial resources locally, as well as localized risk management or governance. They could also include new criteria for member participation and merchant access to our payments system. Additionally, regulators in other jurisdictions are considering or adopting approaches based on similar regulatory principles.

Regulators around the world increasingly take note of each other's approaches to regulating the payments industry. Consequently, a development in one jurisdiction may influence regulatory approaches in another. The risks created by a new law, regulation or regulatory outcome in one jurisdiction have the potential to be replicated and to negatively affect our business in another jurisdiction or in other product offerings. For example, our settlement with the European Commission on cross-border interchange rates has drawn some preliminary attention of regulators in other parts of the world. Similarly, new regulations involving one product offering may prompt regulators to extend the regulations to other product offerings. For example, credit payments could become subject to similar regulation as debit payments (or vice versa). For instance, the Reserve Bank of Australia initially capped credit interchange, but subsequently capped debit interchange as well.

Government-imposed obligations and/or restrictions on international payment systems may prevent us from competing against providers in certain countries, including significant markets such as China, India and Russia.

Governments in a number of jurisdictions shield domestic payment card networks, brands, and processors from international competition by imposing market access barriers and preferential domestic regulations. To varying degrees, these policies and regulations affect the terms of competition in the marketplace and undermine the competitiveness of international payments networks. Public authorities may impose regulatory requirements that favor domestic providers or mandate that domestic payments or data processing be performed entirely within that country, which could prevent us from managing the end-to-end processing of certain transactions.

In Russia, legislation effectively prevents us from processing domestic transactions. The central bank controlled national payment card system (NSPK) is the only entity allowed to process domestically. In China, UnionPay remains the sole processor of domestic payment card transactions and operates the sole domestic acceptance mark. Although we have filed an application with the People's Bank of China (PBOC) to operate a Bank Card Clearing Institution (BCCI) in China, the timing and the procedural steps for approval remain uncertain. The approval process might require several years, and there is no guarantee that the license to operate a BCCI will be approved or, if we obtain such license, that we will be able to successfully compete with domestic payments networks.

Regulatory initiatives in India also suggest growing nationalistic priorities, including a data localization mandate passed by the government, which has cost implications for us and could affect our ability to effectively compete with domestic payment providers. In Europe, with the support of the European Central Bank, a group of European banks have announced their intent to launch a pan-European payment system, the European Payments Initiative or EPI, with the purported intent to reduce the risks of disintermediation by international technology companies and continued reliance on international payments networks for intra-Europe card transactions. Furthermore, regional groups of countries, such as the Gulf Cooperation Council (GCC) and a number of countries in Southeast Asia, are considering, or may consider, efforts to restrict our participation in the processing of regional transactions. The African Development Bank has also indicated an interest in supporting national payment systems in its efforts to expand financial inclusion and strengthen regional financial stability. Finally, some countries such as South Africa are mandating on-shore processing of domestic transactions. Geopolitical events, including sanctions, trade tensions or other types of activities could potentially intensify any or all of these activities, which could adversely affect our business.

Due to our inability to manage the end-to-end processing of transactions for cards in certain countries (e.g., Russia and Thailand), we depend on our close working relationships with our clients or third-party processors to ensure transactions involving our products are processed effectively. Our ability to do so may be adversely affected by regulatory requirements and policies pertaining to transaction routing or on-shore processing.

Co-badging and co-residency regulations may pose additional challenges in markets where Visa competes with national networks for issuance and routing. For example, in China, certain banks have issued dual-branded cards for which domestic transactions in China are processed by UnionPay and transactions outside of China are processed by us or other international payments networks. The PBOC is contemplating that dual-branded cards could be phased out over time as new licenses are issued to international companies to participate in China's domestic payments market. Accordingly, we have been working with Chinese issuers to issue Visa-only branded cards for international travel, and later for domestic transactions after we obtain a BCCI license. However, notwithstanding such efforts, the phase out of dual-branded cards may decrease our payment volumes and impact the revenue we generate in China.

Mir and UnionPay have grown rapidly in Russia and China, respectively, and are actively pursuing international expansion plans, which could potentially lead to regulatory pressures on our international routing rule (which requires that international transactions on Visa cards be routed over VisaNet). Furthermore, although regulatory barriers shield Mir and UnionPay from competition in Russia and China, respectively, alternate payment providers such as Alipay and WeChat Pay have rapidly expanded into ecommerce, offline, and cross-border payments, which could make it difficult for us to compete even if our license is approved in China. Recently, with strong backing from China's government, a new digital transaction routing system known as NetsUnion was established. The PBOC allowed Alipay and other digital payment providers to invest in NetsUnion. It and other such systems could have a competitive advantage in comparison with international payments networks.

Finally, central banks, including those in Australia, Brazil and Russia, are in the process of developing or expanding national real-time payments networks with the goal of driving a greater number of domestic transactions onto these systems. Similarly, an increasing number of jurisdictions are exploring the concept of building central bank digital currencies for retail payments. If successfully deployed, these national payment platforms and digital currencies could have significant implications for Visa's domestic and cross-border payments, including potential disintermediation.

In general, national laws that protect or otherwise support domestic providers or processing may increase our costs; decrease our payments volumes and impact the revenue we generate in those countries; decrease the number of Visa products issued or processed; impede us from utilizing our global processing capabilities and controlling the quality of the services supporting our brands; restrict our activities; limit our growth and the ability to introduce new products, services and innovations; force us to leave countries or prevent us from entering new markets; and create new competitors, all of which could harm our business.

Laws and regulations regarding the handling of personal data and information may impede our services or result in increased costs, legal claims, or fines against us.

Our business relies on the processing of data in many jurisdictions and the movement of data across national borders. Legal requirements relating to the collection, storage, handling, use, disclosure, transfer, and security of personal data continue to evolve, and regulatory scrutiny in this area is increasing around the world. For example, in July 2020 the Court of Justice of the European Union (CJEU) ruled to invalidate the U.S./EU Privacy Shield - a legal framework that allowed participating companies to transfer personal data from EU member states to the U.S. Visa has never used the Privacy Shield framework for its transfers, and relies instead on Standard Contractual Clauses. However, the CJEU ruling made clear that these transfer mechanisms will be subject to additional scrutiny as well. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. For example, the EU's General Data Protection Regulation (GDPR) extends the scope of the EU data protection law to all companies processing data of EU residents, regardless of the company's location. The law requires companies to comply with a broad range of requirements regarding the handling of personal data. Although we have a global data privacy program that addresses the requirements applicable to our international business, our ongoing efforts to comply with GDPR and rapidly emerging privacy and data protection laws (such as the California Consumer Privacy Act and the Brazilian General Data Protection Law) may increase the complexity of our compliance operations, entail substantial expenses, divert resources from other initiatives and projects, and could limit the services we are able to offer. Inconsistent local and regional regulations restricting location, movement, collection, use and management of data may limit our ability to innovate or compete in certain jurisdictions. For example, India has adopted a data localization law that requires all payment system operators to store domestic transaction data only in India. Such data localization requirements have cost implications for us, impact our ability to utilize the efficiencies and value of our global network, and could affect our strategy. Furthermore, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase. The enactment of more restrictive laws, rules, regulations, or future enforcement actions or investigations could impact us through increased costs or restrictions on our business, and noncompliance could result in regulatory penalties and significant legal liability.

We may be subject to tax examinations or disputes, or changes in tax laws.

We exercise significant judgment in calculating our worldwide provision for income taxes and other tax liabilities. Although we believe our tax estimates are reasonable, many factors may limit their accuracy. We are currently under examination by, or in disputes with, the U.S. Internal Revenue Service, the UK's HM Revenue & Customs as well as tax authorities in other jurisdictions, and we may be subject to additional examinations or disputes in the future. Relevant tax authorities may disagree with our tax treatment of certain material items and thereby increase our tax liability. Failure to sustain our position in these matters could harm our cash flow and financial position. In addition, changes in existing laws in the U.S. or foreign jurisdictions, which may be more likely if there is a change in the U.S. administration, or changes resulting from the Organisation for Economic Cooperation and Development's Programme of Work, related to the revision of profit allocation and nexus rules and design of a system to ensure multinational enterprises pay a minimum level of tax, may also materially affect our effective tax rate. A substantial increase in our tax payments could have a material, adverse effect on our financial results. See also *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Litigation Risks

We may be adversely affected by the outcome of litigation or investigations, despite certain protections that are in place.

We are involved in numerous litigation matters, investigations, and proceedings asserted by civil litigants, governments, and enforcement bodies investigating or alleging, among other things, violations of competition and antitrust law, consumer protection law, privacy law, and intellectual property law (these are referred to as "actions" in this section). Details of the most significant actions we face are described more fully in *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. These actions are inherently uncertain, expensive, and disruptive to our operations. In the event we are found liable in any material action, particularly in a large class action lawsuit, such as one involving an antitrust claim entitling the plaintiff to treble damages in the U.S., or we incur liability arising from a government investigation, we may be required to pay significant awards, settlements, or fines. In addition, settlement terms, judgments, or pressures resulting from actions may harm our business by requiring us to modify, among other things, the default interchange reimbursement rates we set, the Visa operating rules or the way in which we enforce those rules, our fees or pricing, or the way we do business. These actions or their outcomes may also influence regulators, investigators, governments, or civil litigants in the same or other jurisdictions, which may lead to additional actions against Visa. Finally, we are required by some of our commercial agreements to indemnify other entities for litigation brought against them, even if Visa is not a defendant.

For certain actions like those that are U.S. covered litigation or VE territory covered litigation, as described in *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report, we have certain financial protections pursuant to the respective retrospective responsibility plans. The two retrospective responsibility plans are different in the protections they provide and the mechanisms by which we are protected. The failure of one or both of the retrospective responsibility plans to adequately insulate us from the impact of such settlements, judgments, losses, or liabilities could materially harm our financial condition or cash flows, or even cause us to become insolvent.

Business Risks

The extent to which the COVID-19 outbreak and measures taken in response thereto impact our business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict.

The global impacts of the COVID-19 outbreak and related government actions taken to reduce the spread of the virus have been weighing on the macroeconomic environment, and have significantly increased economic uncertainty and reduced economic activity. The outbreak has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place or total lock-down orders and business limitations and shutdowns that began in the second quarter of fiscal year 2020.

The spread of COVID-19 has caused us to modify our business practices (including restricting employee travel, implementing office closures, having our employees work remotely for the rest of 2020 and cancelling physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or as we determine are in the best interests of our employees, customers and business partners. The COVID-19 outbreak has also impacted scheduled events in which Visa is a sponsor as event organizers consult with health experts, government authorities and other stakeholders to prioritize the health and wellbeing of our global community. This has caused us to make modifications to some of our planned activities and has impacted some of our marketing initiatives.

Cross-border volume continues to be heavily impacted by the decline in travel. International cross-border transaction revenues represent a significant part of our revenue. In addition, we may experience financial losses due to a number of operational factors, including:

- merchant, acquirer and issuer failures and credit settlement risk, particularly with respect to the retail, travel and hospitality industries which have been impacted especially hard by the pandemic, including airlines, cruise ships, hotels, restaurants and entertainment events. The closings and/or failures of a large number of these businesses could result in financial stress on our acquiring partners, and potentially lead to settlement failures, triggering Visa's indemnification obligations. It could also lead to bankruptcies that may result in impairments to our assets or our receivables to be written-off;
- clients may re-negotiate existing agreements or seek early renewal of agreements due to the impact of the outbreak on their business, payments volume and incentives;
- the mix of Visa's clients or the amount of business we do with certain clients may change;
- third party disruptions, including potential outages at network providers, call centers and other suppliers;
- increased cyber and payment fraud risk related to COVID-19, as cybercriminals attempt DDoS related attacks, phishing scams and other disruptive actions, given the shift to online banking, e-

commerce and other online activity, as well as more employees working remotely as a result of the outbreak;

- challenges to the availability and reliability of our network due to changes to normal operations, including the possibility of one or more clusters of COVID-19 cases occurring at our data centers, affecting our employees, or affecting the systems or employees of our issuers, acquirers or merchants; and
- additional regulatory requirements, including, for example, government initiatives or requests to reduce or eliminate payments fees or other costs. A number of countries have taken steps to temporarily cap

interchange or other fees on electronic payments as part of their COVID-19 economic relief measures. It is possible that some or all of these caps may become permanent over time, or that we see governments introduce additional and/or new pricing caps in future economic relief initiatives. In addition, proponents of interchange and/or MDR regulation may try to position government intervention as necessary to support recovery efforts. In an overall soft global economy, such pricing measures could result in additional financial pressures on our business.

There are no comparable recent events that provide guidance as to the effect COVID-19 may have on our business, and, as a result, the ultimate impact of the outbreak is highly uncertain and subject to change. While we have taken measures to modify our business practices and reduce operating expenses, including scaling back hiring plans, restricting travel, lowering marketing spend and the use of external resources, the impact that COVID-19 will have on our business, results of operations and financial condition in the longer term remains difficult to predict due to numerous uncertainties, including the transmissibility, severity and duration of the outbreak, the effectiveness of social distancing measures or actions that are voluntarily adopted by the public or required by governments or public health authorities, the development and availability of effective treatments or vaccines, and the impact to our employees and our operations, the business of our clients, supplier and business partners, and other factors.

Consumers affected by COVID-19 may continue to demonstrate changed behavior even after the COVID-19 outbreak has subsided. For example, consumers may decrease discretionary spending on a permanent or long-term basis, certain industries may take longer to recover (particularly those that rely on travel or large gatherings) as consumers may be hesitant to return to full social interaction, and we may continue to see consumers decrease spending on credit products as economic worries continue, all of which may have adverse implications for our business.

As a result, we may continue to experience materially adverse impacts to our business as a result of the virus' global economic impact, including lower domestic and cross border spending trends, the availability of credit, adverse impacts on our liquidity, and any recessionary conditions that persist, and exacerbate many of the other known risks described in this "Risk Factors" section.

We face intense competition in our industry.

The global payments space is intensely competitive. As technology evolves, new competitors or methods of payment emerge, and existing clients and competitors assume different roles. Our products compete with cash, checks, electronic funds, virtual currency payments, global or multi-regional networks, other domestic and closed-loop payments systems, and alternative payment providers primarily focused on enabling payments through ecommerce and mobile channels. As the global payments space becomes more complex, we face increasing competition from our clients, other emerging payment providers such as fintechs, other digital payments, technology companies that have developed payments systems enabled through online activity in ecommerce and mobile channels, as well as governments in a number of jurisdictions (e.g. Brazil, India and Russia), that are developing, supporting and/or operating national schemes, real time payment networks, and other payment platforms.

Our competitors may develop substantially better technology, have more widely adopted delivery channels or have greater financial resources. They may offer more effective, innovative or a wider range of programs, products, and services. They may use more effective advertising and marketing strategies that result in broader brand recognition, and greater use, including with respect to issuance and merchant acceptance. They may also develop better security solutions or more favorable pricing arrangements. Moreover, even if we successfully adapt to technological change and the proliferation of alternative types of payment services by developing and offering our own services in these areas, such services may provide less favorable financial terms for us than we currently receive from VisaNet transactions, which could hurt our financial results and prospects.

Certain of our competitors operate with different business models, have different cost structures, or participate in different market segments. Those business models may ultimately prove more successful or more adaptable to regulatory, technological, and other developments. In some cases, these competitors have the support of government mandates that prohibit, limit, or otherwise hinder our ability to compete for transactions within certain countries and regions. Some of our competitors, including American Express, Discover, private-label card networks, virtual currency providers, technology companies that enable the exchange of digital assets, and certain alternate payments systems like Alipay and WeChat Pay, operate closed-loop payments systems, with direct connections to both merchants and consumers. Government actions or initiatives such as the Dodd-Frank Act, the IFR in Europe, or real time payment initiatives by governments such as the U.S. Federal Reserve's FedNow or the Central Bank of

Brazil's Pix system may provide competitors with increased opportunities to derive competitive advantages from these business models, and may create new competitors, including in some cases the government itself. Similarly, regulation in Europe under PSD2 and the IFR may require us to open up access to, and allow participation in, our network to additional participants, and reduce the infrastructure investment and regulatory burden on competitors. We also run the risk of disintermediation due to factors such as emerging technologies, including mobile payments, alternate payment credentials, other ledger technologies or payment forms, and by virtue of increasing bilateral agreements between entities that prefer not to use our payments network for processing transactions. For example, merchants could process transactions directly with issuers, or processors could process transactions directly with issuers and acquirers.

We expect the competitive landscape to continue to shift and evolve. For example:

- We, along with our competitors, clients, network participants, and others are developing or participating in alternate payment networks or products, such as mobile payment services, ecommerce payment services, P2P payment services, real-time and faster payment initiatives, and payment services that permit ACH or direct debits from or to consumer checking accounts, that could either reduce our role or otherwise disintermediate us from the transaction processing or the value added services we provide to support such processing. Examples include initiatives from The Clearing House, an association consisting of large financial institutions that has developed its own faster payments system; Early Warning Services, which operates Zelle, a bank-offered alternative network that provides another platform for faster funds or real-time payments across a variety of payment types, including P2P, corporate and government disbursement, bill pay and deposit check transactions; and crypto-currency or stablecoin-based payments initiatives.
- similarly, many countries are developing or promoting domestic networks, switches and real-time payment systems (e.g. India, Russia, as well as Europe). To the extent these governments mandate local banks and merchants to use and accept these systems for domestic or other transactions, prohibit international payments networks, like Visa, from participating on those systems, and/or impose restrictions or prohibitions, on international payments networks from offering payment services on such transactions, we could face the risk of our business being disintermediated in those countries. For example, in Argentina, the government recently issued a regulation that mandates local acquirers to use debit card credentials to initiate payment transactions on a government-sponsored national real-time payment system. Furthermore, in some regions (e.g., Southeast Asia; the Middle East), through intergovernmental organizations such as the Association of Southeast Asian Nations and the GCC, some countries are looking into cross-border connectivity of such domestic systems;
- parties that process our transactions may try to minimize or eliminate our position in the payments value chain;
- parties that access our payment credentials, tokens and technologies, including clients, technology solution providers or others might be able to migrate account holders and other clients to alternate payment methods or use our payment credentials, tokens and technologies to establish or help bolster alternate payment methods and platforms;
- participants in the payments industry may merge, form joint ventures or enable or enter into other business combinations that strengthen their existing business propositions or create new, competing payment services; and
- new or revised industry standards related to online checkout and web payments, cloud-based payments, tokenization or other payments-related technologies set by individual countries, regions or organizations such as the International Organization for Standardization, American National Standards Institute, World Wide Web Consortium, European Card Standards Group, PCI Co, Nexo and EMVCo may result in additional costs and expenses for Visa and its clients, or otherwise negatively impact the functionality and competitiveness of our products and services.

As the competitive landscape is quickly evolving, we may not be able to foresee or respond sufficiently to emerging risks associated with new businesses, products, services and practices. We may be asked to adjust our local rules and practices, develop or customize certain aspects of our payment services, or agree to business arrangements that may be less protective of Visa's proprietary technology and interests in order to compete and we may face increasing operational costs and risk of litigation concerning intellectual property. Our failure to compete effectively in light of any such developments could harm our business and prospects for future growth.

Our revenues and profits are dependent on our client and merchant base, which may be costly to win, retain, and maintain.

Our financial institution clients and merchants can reassess their commitments to us at any time or develop their own competitive services. While we have certain contractual protections, our clients, including some of our largest clients, generally have flexibility to issue non-Visa products. Further, in certain circumstances, our financial institution clients may decide to terminate our contractual relationship on relatively short notice without paying significant early termination fees. Because a significant portion of our net revenues is concentrated among our largest clients, the loss of business from any one of these larger clients could harm our business, results of operations, and financial condition. For more information, please see *Note 14—Enterprise-wide Disclosures and Concentration of Business* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

In addition, we face intense competitive pressure on the prices we charge our financial institution clients. In order to stay competitive, we may need to adjust our pricing or offer incentives to our clients to increase payments volume, enter new market segments, adapt to regulatory changes, and expand their use and acceptance of Visa products and services. These include up-front cash payments, fee discounts, rebates, credits, performance-based incentives, marketing, and other support payments that impact our revenues and profitability. In addition, we offer incentives to certain merchants or acquirers to win routing preference in situations where other network functionality is enabled on our products and there is a choice of network routing options. Market pressures on pricing, incentives, fee discounts, and rebates could moderate our growth. If we are not able to implement cost containment and productivity initiatives in other areas of our business or increase our volumes in other ways to offset or absorb the financial impact of these incentives, fee discounts, and rebates, it may harm our net revenues and profits.

In addition, it may be difficult or costly for us to acquire or conduct business with financial institutions or merchants that have longstanding exclusive, or nearly exclusive, relationships with our competitors. These financial institutions or merchants may be more successful and may grow more quickly than our existing clients or merchants. In addition, if there is a consolidation or acquisition of one or more of our largest clients or co-brand partners by a financial institution client or merchant with a strong relationship with one of our competitors, it could result in our business shifting to a competitor, which could put us at a competitive disadvantage and harm our business.

Merchants' and processors' continued push to lower acceptance costs and challenge industry practices could harm our business.

We rely in part on merchants and their relationships with our clients to maintain and expand the acceptance of Visa products. Certain merchants and merchant-affiliated groups have been exerting their influence in the global payments system in certain jurisdictions, such as the U.S., Canada and Europe, to attempt to lower their acceptance costs by lobbying for new legislation, seeking regulatory intervention, filing lawsuits and in some cases, refusing to accept Visa products. If they are successful in their efforts, we may face increased compliance and litigation expenses, issuers may decrease their issuance of our products, and consumer usage of our products could be adversely impacted. For example, in the U.S., certain stakeholders have raised concerns regarding how payment security standards and rules may impact debit routing choice and the cost of payment card acceptance. In addition to ongoing litigation related to the U.S. migration to EMV-capable cards and point-of-sale terminals, U.S. merchant-affiliated groups and processors have expressed concerns regarding the EMV certification process and some policymakers have expressed concerns about the roles of industry bodies such as EMVCo and the Payment Card Industry Security Standards Council in the development of payment card standards. Additionally, some merchants and processors have advocated for changes to industry practices and Visa acceptance requirements at the point of sale, including the ability for merchants to accept only certain types of Visa products, to mandate only PIN authenticated transactions, to differentiate or steer among Visa product types issued by different financial institutions, and to impose surcharges on customers presenting Visa products as their form of payment. If successful, these efforts could adversely impact consumers' usage of our products, lead to regulatory enforcement and/or litigation, increase our compliance and litigation expenses, and harm our business.

We depend on relationships with financial institutions, acquirers, processors, merchants, and other third parties.

As noted above, our relationships with industry participants are complex and require us to balance the interests of multiple third parties. For instance, we depend significantly on relationships with our financial institution clients and on their relationships with account holders and merchants to support our programs and services, and thereby compete effectively in the marketplace. We engage in discussions with merchants, acquirers, commerce platforms and processors to provide incentives to promote routing preference and acceptance growth. We also engage in many payment card co-branding efforts with merchants, who receive incentives from us. As emerging participants such as fintechs enter the payments industry, we engage in discussions to address the role they may play in the ecosystem, whether as, for example, an issuer, merchant, commerce platform or digital wallet provider. As these and other relationships become more prevalent and take on a greater importance to our business, our success will increasingly depend on our ability to sustain and grow these relationships. In addition, we depend on our clients and third parties, including network partners, vendors and suppliers, to submit, facilitate and process transactions properly, provide various services associated with our payments network on our behalf, and otherwise adhere to our operating rules and applicable laws. To the extent that such parties fail to perform or deliver adequate services, it may result in negative experiences for account holders or others when using their Visa-branded payment products, which could harm our business and reputation.

Our business could be harmed if we are not able to maintain and enhance our brand, if events occur that have the potential to damage our brand or reputation, or if we experience brand disintermediation.

Our brand is globally recognized and is a key asset of our business. We believe that our clients and account holders associate our brand with acceptance, security, convenience, speed, and reliability. Our success depends in large part on our ability to maintain the value of our brand and reputation of our products and services in the payments ecosystem, elevate the brand through new and existing products, services and partnerships, and uphold our corporate reputation. The popularity of products that we have developed in partnership with technology companies and financial institutions may have the potential to cause consumer confusion or brand disintermediation at the point-of-sale and decrease the value of our brand. Our brand reputation may be negatively impacted by a number of factors, including authorization, clearing and settlement service disruptions; data security breaches; compliance failures by Visa, including our employees, agents, clients, partners or suppliers; failure to meet our environmental, social and governance goals, negative perception of our industry, the industries of our clients or Visa-accepting merchants; ill-perceived actions by clients, partners or other third parties, such as sponsorship or co-brand partners; and fraudulent, risky, controversial or illegal activities using our payment products. If we are unable to maintain our reputation, the value of our brand may be impaired, which could harm our relationships with clients, account holders, and the public, as well as impact our business.

Global economic, political, market, health and social events or conditions may harm our business.

More than half of our net revenues are earned outside the U.S. International cross-border transaction revenues represent a significant part of our revenue and are an important part of our growth strategy. Our revenues are dependent on the volume and number of payment transactions made by consumers, governments, and businesses whose spending patterns may be affected by prevailing economic, political, market, health and social events or conditions. Adverse macroeconomic conditions, including recessions, inflation, high unemployment, currency fluctuations, actual or anticipated large-scale defaults or failures, or a slowdown of global trade could decrease consumer and corporate confidence and reduce consumer, small business, government, and corporate spending which have a direct impact on our revenues. In addition, outbreaks of illnesses, pandemics, or other local or global health issues, political uncertainties, international hostilities, armed conflict, or unrest, climate-related events, including the increasing frequency of extreme weather events, and natural disasters could have similar impacts on our operations, clients, third-party suppliers, activities in a particular location or globally, and cross-border travel and spend. Geopolitical trends towards nationalism, protectionism, and restrictive visa requirements, as well as continued activity and uncertainty around economic sanctions, tariffs or trade restrictions could limit the expansion of our business in those regions. As a result of any of these factors, any decline in cross-border travel and spend could impact the number of cross-border transactions we process and our currency exchange activities, which in turn would reduce our international transaction revenues.

A decline in economic, political, market, health and social conditions could impact our clients as well, and their decisions could reduce the number of cards, accounts, and credit lines of their account holders, which ultimately impact our revenues. They may also implement cost-reduction initiatives that reduce or eliminate marketing budgets, and decrease spending on optional or enhanced value added services from us. Any events or conditions that impair the functioning of the financial markets, tighten the credit market, or lead to a downgrade of our current credit rating could increase our future borrowing costs and impair our ability to access the capital and credit markets on favorable terms, which could affect our liquidity and capital resources, or significantly increase our cost of capital. If clients default on their settlement obligations, it may also impact our liquidity. Any of these events could adversely affect our volumes and revenue.

Our indemnification obligation to fund settlement losses of our clients exposes us to significant risk of loss and may reduce our liquidity.

We indemnify issuers and acquirers for settlement losses they may suffer due to the failure of another issuer or acquirer to honor its settlement obligations in accordance with the Visa operating rules. In certain instances, we may indemnify issuers or acquirers in situations in which a transaction is not processed by our system. This indemnification creates settlement risk for us due to the timing difference between the date of a payment transaction and the date of subsequent settlement. Our indemnification exposure is generally limited to the amount of unsettled Visa card payment transactions at any point in time and any subsequent amounts that may fall due relating to adjustments for previously processed transactions. Concurrent settlement failures or insolvencies involving more than one of our largest clients, several of our smaller clients, or systemic operational failures could negatively impact our financial position. Even if we have sufficient liquidity to cover a settlement failure or insolvency, we may be unable to recover the amount of such payment. This could expose us to significant losses and harm our business. See *Note 12—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

The United Kingdom's withdrawal from the European Union could harm our business and financial results.

In June 2016, voters in the United Kingdom approved the withdrawal of the United Kingdom from the European Union (commonly referred to as "Brexit"). In March 2017, the UK government initiated the exit process under Article 50 of the Treaty of the European Union, commencing a period of up to two years for the United Kingdom and the other EU member states to negotiate the terms of the withdrawal, which was subsequently postponed until January 31, 2020, at which point the United Kingdom formally withdrew from the EU. Since then the United Kingdom has continued to participate in the EU from a trade and economic perspective while the parties seek to negotiate a trade deal. The deadline for agreeing to a trade deal is December 31, 2020. Uncertainty over the terms of the United Kingdom's continued participation in the European Union could cause political and economic uncertainty in the United Kingdom and the rest of Europe, which could harm our business and financial results.

Brexit will lead to legal uncertainty and potentially divergent national laws and regulations in the United Kingdom and European Union. We, as well as our clients who have significant operations in the United Kingdom, may incur additional costs and expenses as we adapt to potentially divergent regulatory frameworks from the rest of the European Union and as a result, our Visa operating rules and contractual commitments in the United Kingdom and the rest of the European Union may be impacted. In addition, applications will need to be made for regulatory authorization and permission in separate EU member states following the post-Brexit transition period. These factors may impact our ability to operate and process data in the European Union and United Kingdom seamlessly. This and other Brexit-related issues may require changes to our legal entity structure and/or operations in the United Kingdom and the European Union. Any of these effects of Brexit, among others, could harm our business and financial results.

Technology and Cybersecurity Risks

Failure to anticipate, adapt to, or keep pace with, new technologies in the payments industry could harm our business and impact future growth.

The global payments industry is undergoing significant and rapid technological change, including mobile and other proximity and in-app payment technologies, ecommerce, tokenization, cryptocurrencies, distributed ledger and blockchain technologies, and new authentication technologies such as biometrics, 3D Secure 2.0 and dynamic cardholder verification values or dCVV2. As a result, we expect new services and technologies to continue to emerge and evolve, including those developed by Visa such as our cross-border B2B payment service, Visa B2B Connect. In addition to our own initiatives and innovations, we work closely with third parties, including potential competitors, for the development of, and access to, new technologies. It is difficult, however, to predict which technological developments or innovations will become widely adopted and how those technologies may be regulated. Moreover, some of the new technologies could be subject to intellectual property-related lawsuits or claims, potentially impacting our development efforts and/or requiring us to obtain licenses. If we or our partners fail to adapt and keep pace with new technologies in the payments space in a timely manner, it could harm our ability to compete, decrease the value of our products and services to our clients, impact our intellectual property or licensing rights, harm our business and impact our future growth.

A disruption, failure or breach of our networks or systems, including as a result of cyber-attacks, could harm our business.

Our cybersecurity and processing systems, as well as those of financial institutions, merchants, and third-party service providers, have experienced in limited instances and may continue to experience errors, interruptions, delays or damage from a number of causes, including power outages, hardware, software and network failures, computer viruses, malware or other destructive software, internal design, manual or usage errors, cyber-attacks, terrorism, workplace violence or wrongdoing, catastrophic events, natural disasters, severe weather conditions and other effects from climate change.

Furthermore, our visibility and role in the global payments industry may also put our company at a greater risk of being targeted by hackers. In the normal course of our business, we have been the target of malicious cyber-attack attempts. We have been, and may continue to be, impacted by attacks and data security breaches of financial institutions, merchants, or third-party processors. We are also aware of instances where nation states have sponsored attacks against some of our financial institution clients, and other instances where merchants and issuers have encountered substantial data security breaches affecting their customers, some of whom were Visa account holders. Such attacks and breaches have resulted, and may continue to result in, fraudulent activity and ultimately, financial losses to Visa's clients, and it is difficult to predict the direct or indirect impact of future attacks or breaches to our business.

Numerous and evolving cybersecurity threats, including advanced and persistent cyber-attacks, phishing and social engineering schemes, particularly on our internet applications, could compromise the confidentiality, availability, and integrity of data in our systems or the systems of our third-party service providers. Because the techniques used to obtain unauthorized access, or to disable or degrade systems change frequently, have become increasingly more complex and sophisticated, and may be difficult to detect for periods of time, we may not anticipate these acts or respond adequately or timely. The security measures and procedures we, our financial institution and merchant clients, other merchants and third-party service providers in the payments ecosystem have in place to protect sensitive consumer data and other information may not be successful or sufficient to counter all data security breaches, cyber-attacks, or system failures. In some cases, the mitigation efforts may be dependent on third parties who may not deliver to the required contractual standards, who may not be able to timely patch vulnerabilities or fix security defects, or whose hardware, software or network services may be subject to error, defect, delay, outage or lack appropriate malware prevention to prevent breaches or data exfiltration incidents. Although we devote significant resources to our cybersecurity and supplier risk management programs and have implemented security measures to protect our systems and data, and to prevent, detect and respond to data security incidents, there can be no assurance that our efforts will prevent these threats.

These events could significantly disrupt our operations; impact our clients and consumers; damage our reputation and brand; result in litigation or claims, violations of applicable privacy and other laws, and increased regulatory review or scrutiny, investigations, actions, fines or penalties; result in damages or changes to our business practices; decrease the overall use and acceptance of our products; decrease our volume, revenues and future growth prospects; and be costly, time consuming and difficult to remedy. In the event of damage or disruption to our business due to these occurrences, we may not be able to successfully and quickly recover all of our critical business functions, assets, and data through our business continuity program. Furthermore, while we maintain insurance, our coverage may not sufficiently cover all types of losses or claims that may arise.

Structural and Organizational Risks

We may not achieve the anticipated benefits of our acquisitions or strategic investments, and may face risks and uncertainties as a result.

As part of our overall business strategy, we make acquisitions and strategic investments. We may not achieve the anticipated benefits of our current and future acquisitions and strategic investments and they may involve significant risks and uncertainties, including:

- disruption to our ongoing business, including diversion of resources and management's attention from our existing business;

- greater than expected investment of resources or operating expenses;
- failure to develop the acquired business adequately;
- the data security, cybersecurity and operational resilience posture of our acquired companies, or companies we invest in or partner with, may not be adequate;
- difficulty, expense or failure of implementing controls, procedures and policies at the acquired company;
- challenges of integrating new employees, business cultures, business systems and technologies;
- failure to retain employees, clients or partners of the acquired business;
- in the case of foreign acquisitions, risks related to the integration of operations across different cultures and languages;
- disruptions, costs, liabilities, judgments, settlements or business pressures resulting from litigation matters, investigations or legal proceedings involving the acquisitions or strategic investments. For more information on the proposed acquisition of Plaid, please see *Item 1—Business—Mergers and Acquisitions and Strategic Investments*;
- the inability to pursue aspects of the acquired business due to outcomes in litigation matters, investigations or legal proceedings;
- failure to obtain the necessary government or other approvals at all, on a timely basis or without the imposition of burdensome conditions or restrictions;
- the economic, political, regulatory and compliance risks associated with entering into a new business or operating in new regions or countries. For more information on regulatory risks, please see *Item 1—Business—Government Regulations* and *Item 1A—Risk Factors—Regulatory Risks* above;
- discovery of unidentified issues and related liabilities after the acquisition or investment was made;
- failure to mitigate the deficiencies and liabilities of the acquired business;
- dilutive issuance of equity securities, if new securities are issued;
- the incurrence of debt;
- negative impact on our financial position and/or statement of operations; and
- anticipated benefits, synergies or value of the investment or acquisition not materializing.

We may be unable to attract, hire, and retain a highly qualified and diverse workforce, including key management.

The talents and efforts of our employees, particularly our key management, are vital to our success. Our management team has significant industry experience and would be difficult to replace. We may be unable to retain them or to attract other highly qualified employees, particularly if we do not offer employment terms that are competitive with the rest of the labor market. Ongoing changes in laws and policies regarding immigration and work authorizations have made it more difficult for employees to work in, or transfer among, jurisdictions in which we have operations and could continue to impair our ability to attract and retain qualified employees. Failure to attract, hire, develop, motivate, and retain highly qualified and diverse employee talent, to develop and implement an adequate succession plan for the management team, or to maintain a corporate culture that fosters innovation, and collaboration could disrupt our operations and adversely affect our business and our future success.

The conversions of our class B and class C common stock or series A, B and C preferred stock into shares of class A common stock would result in voting dilution to, and could impact the market price of, our existing class A common stock.

The market price of our class A common stock could fall as a result of many factors. The value of our class B and C common stock and series A, B and C preferred stock is tied to the value of the A common stock. Under our U.S. retrospective responsibility plan, upon final resolution of our U.S. covered litigation, all class B common stock will become convertible into class A common stock. In September 2020, we released $7.3 billion of the as-converted value from our series B and series C preferred stock and issued series A preferred stock in connection with that release. Visa may continue to release value from the series B and series C preferred stock in stages based on developments in current and potential litigation under our Europe retrospective responsibility plan. The series B and series C preferred stock will become fully convertible to series A preferred stock or class A common stock no later than 2028 (subject to a holdback to cover any pending claims). Visa may take action on the class B common stock and series B and C preferred stock at a certain valuation and due to unforeseen circumstances the overall value of the class B and C common stock and series B and C preferred stock as determined by the A common stock price, may later decrease. Conversion of our class B and class C common stock into class A common stock, or our series A, B and C preferred stock into class A common stock, would increase the amount of class A common stock outstanding, which could adversely affect the market price of our existing class A common stock and would dilute the voting power of existing class A common stockholders.

Holders of our class B and C common stock and series A, B and C preferred stock may have different interests than our class A common stockholders concerning certain significant transactions.

Although their voting rights are limited, holders of our class B and C common stock and, in certain specified circumstances, holders of our series A, B and C preferred stock, can vote on certain significant transactions. With respect to our class B and C common stock, these transactions include a proposed consolidation or merger, a decision to exit our core payments business and any other vote required under Delaware law. With respect to our series A, B and C preferred stock, voting rights are limited to proposed consolidations or mergers in which holders of the series A, B and C preferred stock would receive shares of stock or other equity securities with preferences, rights and privileges that are not substantially identical to the preferences, rights and privileges of the applicable series of preferred stock; or, in the case of series B and C preferred stock, holders would receive securities, cash or other property that is different from what our class A common stockholders would receive. Because the holders of classes of capital stock other than class A common stock are our current and former financial institution clients, they may have interests that diverge from our class A common stockholders. As a result, the holders of these classes of capital stock may not have the same incentive to approve a corporate action that may be favorable to the holders of class A common stock, and their interests may otherwise conflict with interests of our class A common stockholders.

Delaware law, provisions in our certificate of incorporation and bylaws, and our capital structure could make a merger, takeover attempt, or change in control difficult.

Provisions contained in our certificate of incorporation and bylaws and our capital structure could delay or prevent a merger, takeover attempt, or change in control that our stockholders may consider favorable. For example, except for limited exceptions:

- no person may beneficially own more than 15% of our class A common stock (or 15% of our total outstanding common stock on an as-converted basis), unless our board of directors approves the acquisition of such shares in advance;
- no competitor or an affiliate of a competitor may hold more than 5% of our total outstanding common stock on an as-converted basis;
- the affirmative votes of the class B and C common stock and series A, B and C preferred stock are required for certain types of consolidations or mergers;
- our stockholders may only take action during a stockholders’ meeting and may not act by written consent; and
- only the board of directors, Chairman, or CEO may call a special meeting of stockholders.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

At September 30, 2020, we owned or leased 125 offices in 78 countries around the world. Our corporate headquarters are located in owned and leased premises in the San Francisco Bay Area.

In addition, we owned or leased a total of four global processing centers located in the U.S., Singapore and the United Kingdom.

We believe that these facilities are suitable and adequate to support our ongoing business needs.

ITEM 3. Legal Proceedings

Refer to *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our class A common stock has been listed on the New York Stock Exchange under the symbol "V" since March 19, 2008. At November 13, 2020, we had 338 stockholders of record of our class A common stock. The number of beneficial owners is substantially greater than the number of record holders, because a large portion of our class A common stock is held in "street name" by banks and brokers. There is currently no established public trading market for our class B or C common stock. There were 1,309 and 467 holders of record of our class B and C common stock, respectively, as of November 13, 2020.

On October 23, 2020, our board of directors declared a quarterly cash dividend of $0.32 per share of class A common stock (determined in the case of class B and C common stock and series A, B and C preferred stock on an as-converted basis) payable on December 1, 2020, to holders of record as of November 13, 2020 of our common and preferred stock.

Subject to legally available funds, we expect to continue paying quarterly cash dividends on our outstanding common and preferred stock in the future. However, the declaration and payment of future dividends is at the sole discretion of our board of directors after taking into account various factors, including our financial condition, settlement indemnifications, operating results, available cash and current and anticipated cash needs.

Issuer Purchases of Equity Securities

The table below sets forth our purchases of common stock during the quarter ended September 30, 2020:

Period	Total Number of Shares Purchased	Average Purchase Price per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs[(1),(2)]	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Plans or Programs[(1),(2)]
	(in millions, except per share data)			
July 1-31, 2020	2	$ 192.83	2	$ 6,646
August 1-31, 2020	2	$ 195.97	2	$ 6,153
September 1-30, 2020	4	$ 201.33	4	$ 5,389
Total	**8**	**$ 197.73**	**8**	

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

(2) Our board of directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. In January 2020, our board of directors authorized a share repurchase program for $9.5 billion. This authorization has no expiration date. All share repurchase programs authorized prior to January 2020 have been completed.

EQUITY COMPENSATION PLAN INFORMATION

The table below presents information as of September 30, 2020, for the Visa 2007 Equity Incentive Compensation Plan (the "EIP") and the Visa Inc. Employee Stock Purchase Plan (the "ESPP"), which were approved by our stockholders. We do not have any equity compensation plans that have not been approved by our stockholders. For a description of the awards issued under the EIP and the ESPP, see *Note 17—Share-based Compensation* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Plan Category	(a) Number Of Shares of Class A Common Stock Issuable Upon Exercise of Outstanding Options And Rights	Weighted-Average Exercise Price of Outstanding Options	Number of Shares of Class A Common Stock Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected In Column (a))
	(in millions, except per weighted-average exercise price)		
Equity compensation plans approved by stockholders	12 [(1)]	$ 114.61 [(2)]	155 [(3)]

(1) The maximum number of shares issuable as of September 30, 2020 consisted of 6 million outstanding options, 5 million outstanding restricted stock units and 1 million outstanding performance shares under the EIP and less than 1 million outstanding purchase rights under the ESPP.

(2) The weighted-average exercise price is calculated based solely on the exercise prices of the outstanding stock options and does not reflect the shares that will be issued upon the vesting of outstanding restricted stock units and performance shares, which have no exercise price. Additionally, it excludes the weighted-average exercise price of the outstanding purchase rights under the ESPP, as the exercise price is based on the future stock price, net of discount, at the end of each monthly purchase over the offering period.

(3) As of September 30, 2020, 139 million shares and 16 million shares remain available for issuance under the EIP and the ESPP, respectively.

ITEM 6. Selected Financial Data

The following tables present selected Visa Inc. financial data for the past five fiscal years. The data below should be read in conjunction with *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Item 8—Financial Statements and Supplementary Data* of this report.

	For the Years Ended September 30,				
	2020	**2019**	**2018**	**2017**	**2016**
	(in millions, except per share data)				
Statement of Operations:					
Net revenues	**$ 21,846**	$ 22,977	$ 20,609	$ 18,358	$ 15,082
Operating expenses	**$ 7,765**	$ 7,976	$ 7,655	$ 6,214	$ 7,199 [1]
Operating income	**$ 14,081**	$ 15,001	$ 12,954	$ 12,144	$ 7,883
Net income	**$ 10,866** [2]	$ 12,080	$ 10,301 [3]	$ 6,699 [4]	$ 5,991
Basic earnings per share—class A common stock	**$ 4.90**	$ 5.32	$ 4.43	$ 2.80	$ 2.49
Diluted earnings per share—class A common stock	**$ 4.89**	$ 5.32	$ 4.42	$ 2.80	$ 2.48

	September 30,				
	2020	**2019**	**2018**	**2017**	**2016**
	(in millions, except per share data)				
Balance Sheet:					
Total assets	**$ 80,919**	$ 72,574	$ 69,225	$ 67,977	$ 64,035
Accrued litigation	**$ 914**	$ 1,203 [5]	$ 1,434 [5]	$ 982	$ 981
Long-term debt	**$ 21,071** [6]	$ 16,729	$ 16,630	$ 16,618 [6]	$ 15,882 [6]
Total equity	**$ 36,210**	$ 34,684	$ 34,006	$ 32,760	$ 32,912
Dividend declared and paid per common share	**$ 1.200**	$ 1.000	$ 0.825	$ 0.660	$ 0.560

(1) During fiscal 2016, upon consummation of the Visa Europe acquisition, we recorded a non-recurring loss of $1.9 billion, before tax, in operating expense resulting from the effective settlement of the Framework Agreement between us and Visa Europe.

(2) During fiscal 2020, in connection with the UK enacted legislation, we remeasured our net deferred tax liabilities resulting in the recognition of a non-recurring, non-cash income tax expense of $329 million. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(3) During fiscal 2018, as a result of the U.S. tax reform legislation, our net income reflected a lower statutory tax rate, a non-recurring, non-cash income tax benefit of approximately $1.1 billion from the remeasurement of our deferred tax liabilities, and a one-time transition tax of approximately $1.1 billion. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(4) During fiscal 2017, in connection with our legal entity reorganization, we eliminated deferred tax balances originally recognized upon the acquisition of Visa Europe, resulting in the recognition of a non-recurring, non-cash income tax provision of $1.5 billion.

(5) During fiscal 2019, related to the interchange multidistrict litigation, we made payments of $600 million, partially offset by an additional accrual of $370 million. During fiscal 2018, pursuant to an amended settlement agreement that superseded the 2012 Settlement Agreement related to the interchange multidistrict litigation, we recorded an accrual of $600 million. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(6) During fiscal 2020, 2017 and 2016, we issued fixed-rate senior notes in an aggregate principal amount of $7.3 billion, $2.5 billion and $16.0 billion, respectively. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

ITEM 7. 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 liquidity and capital resources of Visa Inc. and its subsidiaries ("Visa," "we," "us," "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 the consolidated financial statements and related notes included in Item 8—Financial Statements and Supplementary Data of this report.

This section of this Form 10-K generally discusses fiscal 2020 compared to fiscal 2019. Discussions of fiscal 2019 compared to 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our fiscal 2019 Form 10-K, filed with the United States Securities and Exchange Commission on November 14, 2019.

Overview

Visa is a global payments technology company that enables innovative, secure and reliable electronic payments across more than 200 countries and territories. We facilitate digital payments across a global network of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies. Our advanced transaction processing network, VisaNet, enables authorization, clearing and settlement of payment transactions and allows us to provide our financial institution and merchant clients a wide range of products, platforms and value added services.

Financial overview. Our as-reported U.S. GAAP and non-GAAP net income and diluted earnings per share are as follows:

	For the Years Ended September 30,			% Change[1]	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
	(in millions, except percentages and per share data)				
Net income, as reported	**$ 10,866**	$ 12,080	$ 10,301	(10)%	17 %
Diluted earnings per share, as reported	**$ 4.89**	$ 5.32	$ 4.42	(8)%	20 %
Non-GAAP net income[2]	**$ 11,193**	$ 12,274	$ 10,656	(9)%	15 %
Non-GAAP diluted earnings per share[2]	**$ 5.04**	$ 5.40	$ 4.58	(7)%	18 %

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

(2) For a full reconciliation of our non-GAAP financial results, see tables in *Non-GAAP financial results* below.

Coronavirus. COVID-19 continues to have an impact globally. While we have been actively monitoring the worldwide spread of COVID-19, the extent to which COVID-19 will ultimately impact our business remains difficult to predict. Our priority remains the safety of our employees, clients and the communities in which we live and operate. We are taking a measured approach in bringing our employees back in the office and will continue to have most of our employees work remotely for the rest of 2020. We continue to remain in close and regular contact with our employees, clients, partners and governments globally to help them navigate these challenging times.

Revenues in the latter half of fiscal 2020 were impacted by declines in volumes and transactions as a result of COVID-19, although we are exiting the year with improved results and most countries had stable to positive year-over-year domestic spending growth in the fiscal fourth quarter. Cross-border volume however, remained depressed, led by travel spending, as the majority of borders remain closed. While we have taken measures to modify our business practices and reduce operating expenses, including scaling back hiring plans, restricting travel, lowering marketing spend and the use of external resources, the impact that COVID-19 will have on our business remains difficult to predict due to numerous uncertainties, including the transmissibility, severity and duration of the outbreak, the effectiveness of social distancing measures or actions that are voluntarily adopted by the public or required by governments or public health authorities, the development and availability of effective treatments or vaccines, and the impact to our employees and our operations, the business of our clients, supplier and business partners, and other factors identified in Part I, Item 1A “Risk Factors” in this Form 10-K. We will continue to evaluate the nature and extent of the impact to our business.

Highlights for fiscal 2020. Net revenues for fiscal 2020 were $21.8 billion, a decrease of 5% over the prior year, primarily due to the year-over-year changes payments volume, cross-border volume and processed transactions, which were impacted by the spread of COVID-19 globally starting in the latter part of March 2020. Exchange rate movements in fiscal 2020, partially mitigated by our hedging program, negatively impacted our net revenues growth by approximately half a percentage point.

Total operating expenses for fiscal 2020 were $7.8 billion on a GAAP basis, and decreased 3% over the prior year, driven by lower litigation provision and our overall cost reduction strategy, offset by higher personnel and depreciation and amortization from our ongoing investments in support of our strategy for future growth. Total operating expenses for fiscal 2020 were $7.7 billion on a non-GAAP basis, and increased 1% over the prior year primarily driven by higher personnel, offset by our overall cost reduction strategy.

Non-GAAP financial results. We use non-GAAP financial measures of our performance which exclude certain items which we believe are not representative of our continuing operations, as they may be non-recurring or have no cash impact, and may distort our longer-term operating trends. We consider non-GAAP measures useful to investors because they provide greater transparency into management's view and assessment of our ongoing operating performance. Starting in fiscal 2020, we revised our non-GAAP methodology to also exclude the impact of gains and losses on our equity investments, amortization of acquired intangible assets and acquisition-related costs for acquisitions that closed in fiscal 2019 and subsequent periods. Prior year amounts have been restated to conform to our current presentation.

- *Gains and losses on equity investments.* Gains and losses on equity investments include periodic non-cash fair value adjustments and gains and losses upon sale of an investment. These long-term investments are strategic in nature and are primarily private company investments. Gains and losses and the related tax impacts associated with these investments are tied to the performance of the companies that we invest in and therefore do not correlate to the underlying performance of our business.

- *Amortization of acquired intangible assets.* Amortization of acquired intangible assets consists of amortization of intangible assets such as developed technology, customer relationships and brands acquired in connection with business combinations executed beginning in fiscal 2019. Amortization charges for our acquired intangible assets are non-cash and are significantly affected by the timing, frequency and size of our acquisitions, rather than our core operations. As such, we have excluded this amount and the related tax impact to facilitate an evaluation of our current operating performance and comparison to our past operating performance.

- *Acquisition-related costs.* Acquisition-related costs consist primarily of one-time transaction and integration costs associated with our business combinations. These costs include professional fees, technology integration fees, restructuring activities and other direct costs related to the purchase and integration of acquired entities. It also includes retention equity and deferred equity compensation when they are agreed upon as part of the purchase price of the transaction but are required to be recognized as expense post-combination. We have excluded these amounts and the related tax impacts as the expenses are recognized for a limited duration and do not reflect the underlying performance of our business.

- *Litigation provision.* During fiscal 2019 and 2018, we recorded a litigation provision of $370 million and $600 million, respectively, and related tax benefits of $83 million and $137 million, respectively, associated with the interchange multidistrict litigation. The tax impact is determined by applying applicable federal and state tax rates to the litigation provision. Under the U.S. retrospective responsibility plan, we recover the monetary liabilities related to the U.S. covered litigation through a reduction to the conversion rate of our class B common stock to shares of class A common stock. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

- *Charitable contributions*. During fiscal 2018, we donated investment securities to the Visa Foundation and recognized a non-cash general and administrative expense of $195 million, before tax, and recorded $193 million of realized gain on the donation of these investments as non-operating income. Net of the related cash tax benefit of $51 million, determined by applying applicable tax rates, non-GAAP net income decreased by $49 million.

- *Remeasurement of deferred tax balances.* During fiscal 2020, in connection with the UK enacted legislation that repealed the previous tax rate reduction from 19% to 17% that was effective on April 1, 2020, we remeasured our net deferred tax liabilities as of the enactment date, resulting in the recognition of a non-recurring, non-cash income tax expense of $329 million. During fiscal 2018, in connection with the Tax Cuts and Jobs Act (the "Tax Act") reduction of the corporate income tax rate, we remeasured our net deferred tax liabilities as of the enactment date, resulting in the recognition of a non-recurring, non-cash income tax benefit of $1.1 billion. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

- *Transition tax on foreign earnings.* During fiscal 2018, in connection with the Tax Act requirement that we include certain untaxed foreign earnings of non-U.S. subsidiaries in our fiscal 2018 taxable income, we recorded a one-time transition tax estimate of approximately $1.1 billion. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

- *Resolution of a tax item.* During fiscal 2020, we resolved a long-outstanding tax matter, dating back more than 12 years, relating to certain tax filing positions taken prior to our initial public offering. The resolution of this matter resulted in the recognition of a one-time charge to income tax expense of $28 million, which we believe is not representative of our continuing operations and ongoing effective tax rate.

Non-GAAP operating expenses, non-operating income (expense), income tax provision, effective income tax rate, net income and diluted earnings per share should not be relied upon as substitutes for measures calculated in accordance with U.S. GAAP. The following tables reconcile our as-reported financial measures, calculated in accordance with U.S. GAAP, to the respective non-GAAP financial measures:

	For the Year Ended September 30, 2020					
	Operating Expenses	**Non-operating Income (Expense)**	**Income Tax Provision**	**Effective Income Tax Rate[(1)]**	**Net Income**	**Diluted Earnings Per Share[(1)]**
	(in millions, except percentages and per share data)					
As reported	$ 7,765	$ (291)	$ 2,924	21.2 %	$ 10,866	$ 4.89
(Gains) Losses on equity investments, net	—	(101)	(23)		(78)	(0.04)
Amortization of acquired intangible assets	(46)	—	11		35	0.02
Acquisition-related costs	(17)	—	4		13	0.01
Remeasurement of deferred tax balances	—	—	(329)		329	0.15
Resolution of a tax item	—	—	(28)		28	0.01
Non-GAAP	$ 7,702	$ (392)	$ 2,559	18.6 %	$ 11,193	$ 5.04

	For the Year Ended September 30, 2019					
	Operating Expenses	Non-operating Income (Expense)	Income Tax Provision	Effective Income Tax Rate[1]	Net Income	Diluted Earnings Per Share[1]
	(in millions, except percentages and per share data)					
As reported	$ 7,976	$ (117)	$ 2,804	18.8 %	$ 12,080	$ 5.32
(Gains) Losses on equity investments, net	—	(131)	(30)		(101)	(0.04)
Amortization of acquired intangible assets	(6)	—	1		5	—
Acquisition-related costs	(4)	—	1		3	—
Litigation provision	(370)	—	83		287	0.13
Non-GAAP	$ 7,596	$ (248)	$ 2,859	18.9 %	$ 12,274	$ 5.40

	For the Year Ended September 30, 2018					
	Operating Expenses	Non-operating Income (Expense)	Income Tax Provision	Effective Income Tax Rate[1]	Net Income	Diluted Earnings Per Share[1]
	(in millions, except percentages and per share data)					
As reported	$ 7,655	$ (148)	$ 2,505	19.6 %	$ 10,301	$ 4.42
(Gains) Losses on equity investments, net	—	(98)	(25)		(73)	(0.03)
Charitable contribution	(195)	(193)	51		(49)	(0.02)
Litigation provision	(600)	—	137		463	0.20
Remeasurement of deferred tax balances	—	—	1,133		(1,133)	(0.49)
Transition tax on foreign earnings	—	—	(1,147)		1,147	0.49
Non-GAAP	$ 6,860	$ (439)	$ 2,654	20.3 %	$ 10,656	$ 4.58

[1] Figures in the table may not recalculate exactly due to rounding. Effective income tax rate, diluted earnings per share and their respective totals are calculated based on unrounded numbers.

Release of preferred stock. In September 2020, we released $7.3 billion of the as-converted value from our series B and C preferred stock (alternatively referred to as UK&I and Europe preferred stock, respectively) and issued 374,819 shares of series A preferred stock in connection with the first mandatory release assessment, as required by the litigation management deed entered into at the time of the Visa Europe acquisition. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Common stock repurchases. In January 2020, our board of directors authorized a $9.5 billion share repurchase program (the "January 2020 Program"). During fiscal 2020, we repurchased 44 million shares of our class A common stock in the open market for $8.1 billion. As of September 30, 2020, our January 2020 Program had remaining authorized funds of $5.5 billion for share repurchase. See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Senior notes. In fiscal 2020, we issued fixed-rate senior notes in public offerings in an aggregate principal amount of $7.3 billion with maturities ranging between 7 and 30 years. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Acquisition. On January 13, 2020, we entered into a definitive agreement to acquire Plaid Inc. for $5.3 billion. We will pay approximately $4.9 billion of cash and $0.4 billion of retention equity and deferred equity consideration. This acquisition is subject to customary closing conditions, including regulatory reviews and approvals.

On November 5, 2020, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Northern District of California seeking a permanent injunction to prevent Visa from acquiring Plaid, alleging that the proposed acquisition would substantially lessen competition in violation of Section 7 of the Clayton Act and would constitute monopolization under Section 2 of the Sherman Act. Visa intends to vigorously defend the lawsuit. See *Note 2—Acquisitions* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Payments volume and processed transactions. Payments volume is the primary driver for our service revenues, and the number of processed transactions is the primary driver for our data processing revenues.

Nominal payments volume growth in the U.S. for the 12 months ended June 30, 2020 and 2019 was 4% and 10%, respectively. The decrease in nominal international payments volume of 1% for the 12 months ended June 30, 2020[(1)] was negatively impacted by the overall strengthening of the U.S. dollar. On a constant-dollar basis, which excludes the impact of exchange rate movements, our international payments volume growth for the 12 months ended June 30, 2020 and 2019 was 2% and 9%, respectively. Growth in processed transactions reflects the ongoing worldwide shift to electronic payments, partially offset by the impact of COVID-19.

Table of Contents

The following tables present nominal payments and cash volume:

	U.S.			International			Visa Inc.		
	12 months ended June 30,[1]			12 months ended June 30,[1]			12 months ended June 30,[1]		
	2020	2019	% Change[2]	2020	2019	% Change[2]	2020	2019	% Change[2]
	(in billions, except percentages)								
Nominal payments volume									
Consumer credit	**$ 1,518**	$ 1,540	(1)%	**$ 2,361**	$ 2,484	(5)%	**$ 3,879**	$ 4,025	(4)%
Consumer debit[3]	**1,851**	1,699	9 %	**1,974**	1,877	5 %	**3,824**	3,576	7 %
Commercial[4]	**641**	634	1 %	**369**	381	(3)%	**1,010**	1,015	— %
Total nominal payments volume[2]	**$ 4,009**	$ 3,873	4 %	**$ 4,704**	$ 4,742	(1)%	**$ 8,713**	$ 8,615	1 %
Cash volume	**573**	573	— %	**2,046**	2,261	(9)%	**2,620**	2,834	(8)%
Total nominal volume[2], [5]	**$ 4,583**	$ 4,447	3 %	**$ 6,750**	$ 7,003	(4)%	**$ 11,333**	$ 11,450	(1)%

	U.S.			International			Visa Inc.		
	12 months ended June 30,[1]			12 months ended June 30,[1]			12 months ended June 30,[1]		
	2019	2018	% Change[2]	2019	2018	% Change[2]	2019	2018	% Change[2]
	(in billions, except percentages)								
Nominal payments volume									
Consumer credit	$ 1,540	$ 1,441	7 %	$ 2,484	$ 2,455	1 %	$ 4,025	$ 3,897	3 %
Consumer debit[3]	1,699	1,521	12 %	1,877	1,792	5 %	3,576	3,313	8 %
Commercial[4]	634	564	12 %	381	364	5 %	1,015	927	9 %
Total nominal payments volume[2]	$ 3,873	$ 3,526	10 %	$ 4,742	$ 4,611	3 %	$ 8,615	$ 8,137	6 %
Cash volume	573	563	2 %	2,261	2,437	(7)%	2,834	3,000	(6)%
Total nominal volume[2], [5]	$ 4,447	$ 4,089	9 %	$ 7,003	$ 7,048	(1)%	$ 11,450	$ 11,137	3 %

The following table presents the change in nominal and constant payments and cash volume:

	International				Visa Inc.			
	12 months ended June 30, 2020 vs 2019[1]		12 months ended June 30, 2019 vs 2018[1]		12 months ended June 30, 2020 vs 2019[1]		12 months ended June 30, 2019 vs 2018[1]	
	Nominal	Constant[6]	Nominal	Constant[6]	Nominal	Constant[6]	Nominal	Constant[6]
Payments volume growth								
Consumer credit growth	(5)%	(2)%	1 %	8 %	(4)%	(2)%	3 %	7 %
Consumer debit growth[3]	5 %	9 %	5 %	11 %	7 %	9 %	8 %	11 %
Commercial growth[4]	(3)%	— %	5 %	13 %	— %	1 %	9 %	12 %
Total payments volume growth[2]	(1)%	2 %	3 %	9 %	1 %	3 %	6 %	10 %
Cash volume growth	(9)%	(6)%	(7)%	— %	(8)%	(5)%	(6)%	— %
Total volume growth[2]	(4)%	(1)%	(1)%	6 %	(1)%	1 %	3 %	7 %

(1) Service revenues in a given quarter are assessed based on nominal payments volume in the prior quarter. Therefore, service revenues reported for the 12 months ended September 30, 2020, 2019 and 2018, were based on nominal payments volume reported by our financial institution clients for the 12 months ended June 30, 2020, 2019 and 2018, respectively.

(2) Figures in the tables may not recalculate exactly due to rounding. Percentage changes and totals are calculated based on unrounded numbers.

(3) Includes consumer prepaid volume and interlink volume.

(4) Includes large, medium and small business credit and debit, as well as commercial prepaid volume.

(5) Total nominal volume is the sum of total nominal payments volume and cash volume. Total nominal payments volume is the total monetary value of transactions for goods and services that are purchased on cards carrying the Visa, Visa Electron, Interlink and V PAY brands. Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks. Total nominal volume is provided by our financial institution clients, subject to review by Visa. On occasion, previously presented volume information may be updated. Prior period updates are not material.

(6) Growth on a constant-dollar basis excludes the impact of foreign currency fluctuations against the U.S. dollar.

Table of Contents

The following table provides the number of transactions involving cards and other form factors carrying the Visa, Visa Electron, Interlink, VPAY and PLUS cards processed on Visa's networks:

	For the Years Ended September 30,			% Change[1]	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
	(in millions, except percentages)				
Visa processed transactions	**140,839**	138,329	124,320	2 %	11 %

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

Financial Information Presentation

Net Revenues

Our net revenues are primarily generated from payments volume on Visa products for purchased goods and services, as well as the number of transactions processed on our network. We do not earn revenues from, or bear credit risk with respect to, interest or fees paid by account holders on Visa products. Our issuing clients have the responsibility for issuing cards and other payment products and determining the interest rates and fees paid by account holders. We generally do not earn revenues from the fees that merchants are charged for acceptance by acquirers, including the merchant discount rate. Our acquiring clients are generally responsible for soliciting merchants as well as establishing and earning these fees.

The following sets forth the components of our net revenues:

Service revenues consist mainly of revenues earned for services provided in support of client usage of Visa payment services. Current quarter service revenues are primarily assessed using a calculation of current quarter's pricing applied to the prior quarter's payments volume. Service revenues also include assessments designed to support ongoing acceptance and volume growth initiatives, which are recognized in the same period the related volumes are transacted.

Data processing revenues are earned for authorization, clearing, settlement, value added services, network access and other maintenance and support services that facilitate transaction and information processing among our clients globally. Data processing revenues are recognized in the same period the related transactions occur or services are performed.

International transaction revenues are earned for cross-border transaction processing and currency conversion activities. Cross-border transactions arise when the country of origin of the issuer, or financial institution originating the transaction, is different from that of the beneficiary. International transaction revenues are recognized in the same period the cross-border transactions occur or services are performed.

Other revenues consist mainly of value added services, license fees for use of the Visa brand or technology, fees for account holder services, certification, licensing and product enhancements, such as extended account holder protection and concierge services. Other revenues are recognized in the same period the related transactions occur or services are performed.

Client incentives consist of incentives provided in contracts with financial institution clients, merchants and strategic partners for various programs designed to grow payments volume, increase Visa product acceptance, win merchant routing transactions over our network and drive innovation. These incentives are primarily accounted for as reductions to revenues.

Operating Expenses

Personnel expenses include salaries, employee benefits, incentive compensation, share-based compensation, severance charges and contractor expense.

Marketing expenses include expenses associated with advertising and marketing campaigns, sponsorships and other related promotions of the Visa brand.

Network and processing expenses mainly represent expenses for the operation of our processing network, including maintenance, equipment rental and fees for other data processing services.

Professional fees mainly consist of fees for consulting, legal and other professional services.

Depreciation and amortization expenses include depreciation expense for property and equipment, as well as amortization of purchased and internally developed software. Also included in this amount is amortization of finite-lived intangible assets primarily obtained through acquisitions.

General and administrative expenses consist mainly of product enhancements, facilities costs, travel activities, indirect taxes, foreign exchange gains and losses and other corporate expenses incurred in support of our business.

Litigation provision represents litigation expenses and is based on management's understanding of our litigation profile, the specifics of the cases, advice of counsel to the extent appropriate and management's best estimate of incurred loss.

Non-operating Income (Expense)

Non-operating income (expense) primarily includes interest expense, gains and losses earned on investments, income from derivative instruments not associated with our core business, as well as the non-service components of net periodic pension income and expenses.

Results of Operations

Net Revenues

The following table sets forth our net revenues earned in the U.S. and internationally:

	For the Years Ended September 30,			$ Change		% Change[1]	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018	2020 vs. 2019	2019 vs. 2018
	(in millions, except percentages)						
U.S.	**$ 10,125**	$ 10,279	$ 9,332	$ (154)	$ 947	(1)%	10 %
International	**11,721**	12,698	11,277	(977)	1,421	(8)%	13 %
Net revenues	**$ 21,846**	$ 22,977	$ 20,609	$ (1,131)	$ 2,368	(5)%	11 %

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

Net revenues decreased in fiscal 2020 primarily due to the year-over-year changes in payments volume, cross-border volume and processed transactions, which were impacted by COVID-19 starting in the latter part of March 2020.

Our net revenues are impacted by the overall strengthening or weakening of the U.S. dollar as payments volume and related revenues denominated in local currencies are converted to U.S. dollars. Exchange rate movements in fiscal 2020, as partially mitigated by our hedging program, negatively impacted our net revenues growth by approximately half a percentage point.

The following table sets forth the components of our net revenues:

	For the Years Ended September 30,			$ Change		% Change[(1)]	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018	2020 vs. 2019	2019 vs. 2018
	(in millions, except percentages)						
Service revenues	**$ 9,804**	$ 9,700	$ 8,918	$ 104	$ 782	1 %	9 %
Data processing revenues	**10,975**	10,333	9,027	642	1,306	6 %	14 %
International transaction revenues	**6,299**	7,804	7,211	(1,505)	593	(19)%	8 %
Other revenues	**1,432**	1,313	944	119	369	9 %	39 %
Client incentives	**(6,664)**	(6,173)	(5,491)	(491)	(682)	8 %	12 %
Net revenues	**$ 21,846**	$ 22,977	$ 20,609	$ (1,131)	$ 2,368	(5)%	11 %

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

- *Service revenues* increased primarily due to 1% growth in nominal payments volume.
- *Data processing revenues* increased due to 2% growth in processed transactions, growth in value added services and select pricing modifications.
- *International transaction revenues* decreased due to a 23% decline in nominal cross-border volumes, excluding transactions within Europe, as COVID-19 spread globally starting in the latter part of March 2020. International transaction revenues were also impacted by select pricing modifications.
- *Other revenues* increased primarily due to the increase in consulting and marketing services related fees, other value added services and acquisition-related revenues.
- *Client incentives* increased mainly due to incentives recognized on long-term client contracts that were initiated or renewed during fiscal 2020 partially offset by the recent decline in global payments volume. The amount of client incentives we record in future periods will vary based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Operating Expenses

The following table sets forth the components of our total operating expenses:

	For the Years Ended September 30,			$ Change		% Change[1]	
				2020 vs. 2019	2019 vs. 2018	2020 vs. 2019	2019 vs. 2018
	2020	2019	2018				
	(in millions, except percentages)						
Personnel	**$ 3,785**	$ 3,444	$ 3,170	$ 341	$ 274	10 %	9 %
Marketing	**971**	1,105	988	(134)	117	(12)%	12 %
Network and processing	**727**	721	686	6	35	1 %	5 %
Professional fees	**408**	454	446	(46)	8	(10)%	2 %
Depreciation and amortization	**767**	656	613	111	43	17 %	7 %
General and administrative	**1,096**	1,196	1,145	(100)	51	(8)%	4 %
Litigation provision	**11**	400	607	(389)	(207)	(97)%	(34)%
Total operating expenses[2]	**$ 7,765**	$ 7,976	$ 7,655	$ (211)	$ 321	(3)%	4 %

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

(2) Operating expenses for fiscal 2019 and 2018 include significant items that we do not believe are indicative of our operating performance as they are related to the interchange multidistrict litigation provision or charitable donations. See *Overview* within this *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*

- *Personnel expenses* increased due to continued headcount growth in support of our investment strategy for future growth.

Table of Contents

- *Marketing expenses* decreased reflecting our overall cost reduction strategy, the absence of FIFA women's world cup and the delay of the Tokyo Olympics to fiscal 2021, partially offset by an increase in client marketing spend.

- *Professional fees* decreased reflecting our overall cost reduction strategy.

- *Depreciation and amortization expenses* increased primarily due to additional depreciation and amortization from our on-going investments, including acquisitions.

- *General and administrative expenses* decreased primarily due to travel restrictions and our overall cost reduction strategy.

- *Litigation provision* decreased primarily due to lower accruals for uncovered litigation in fiscal 2020 and a $370 million accrual in fiscal 2019 related to the interchange multidistrict litigation. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Non-operating Income (Expense)

The following table sets forth the components of our non-operating income (expense):

	For the Years Ended September 30,			$ Change		% Change[1]	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018	2020 vs. 2019	2019 vs. 2018
	(in millions, except percentages)						
Interest expense, net	**$ (516)**	$ (533)	$ (612)	$ 17	$ 79	(3)%	(13)%
Investment income and other	**225**	416	464	(191)	(48)	(46)%	(10)%
Total non-operating income (expense)	**$ (291)**	$ (117)	$ (148)	$ (174)	$ 31	148 %	(20)%

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

- *Interest expense, net* decreased primarily as a result of derivative instruments that lowered the cost of borrowing on a portion of our outstanding debt, offset by additional interest expense related to the issuance of debt in fiscal 2020. See *Note 10—Debt* and *Note 13—Derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

- *Investment income and other* decreased primarily due to lower gains on our equity investments and lower interest income on our cash and investments. See *Note 6—Fair Value Measurements and Investments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Effective Income Tax Rate

The following table sets forth our effective income tax rate:

	For the Years Ended September 30,			Change	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Effective income tax rate	**21 %**	19 %	20 %	2 %	(1)%

The effective tax rate in fiscal 2020 differs from the effective tax rate in fiscal 2019 mainly due to a \$329 million non-recurring, non-cash tax expense relating to the remeasurement of UK deferred tax liabilities, as a result of the enactment of UK legislation on July 22, 2020 that repealed the previous tax rate reduction from 19% to 17% that was effective on April 1, 2020. The remeasurement of UK deferred tax liabilities was primarily related to deferred taxes on intangibles recorded upon the acquisition of Visa Europe in fiscal 2016.

Liquidity and Capital Resources

Management of Our Liquidity

We regularly evaluate cash requirements for current operations, commitments, development activities and capital expenditures, and we may elect to raise additional funds for these purposes in the future through the issuance of either debt or equity. Our treasury policies provide management with the guidelines and authority to manage liquidity risk in a manner consistent with our corporate objectives.

The objectives of our treasury policies are to:

- provide adequate liquidity to cover operating expenditures and liquidity contingency scenarios;
- ensure timely completion of payments settlement activities;
- ensure payments on required litigation settlements;
- make planned capital investments in our business;
- pay dividends and repurchase our shares at the discretion of our board of directors; and
- invest excess cash in securities that enable us to first meet our working capital and liquidity needs, and earn additional income.

Based on our current cash flow budgets and forecasts of our short-term and long-term liquidity needs, we believe that our projected sources of liquidity will be sufficient to meet our projected liquidity needs for more than the next 12 months. We will continue to assess our liquidity position and potential sources of supplemental liquidity in view of our operating performance, current economic and capital market conditions and other relevant circumstances.

Cash Flow Data

The following table summarizes our cash flow activity for the fiscal years presented:

	For the Years Ended September 30,		
	2020	**2019**	**2018**
		(in millions)	
Total cash provided by (used in):			
Operating activities	**$ 10,440**	$ 12,784	$ 12,941
Investing activities	**1,427**	(591)	(3,084)
Financing activities	**(3,968)**	(12,061)	(10,790)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	**440**	(277)	(101)
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	**$ 8,339**	$ (145)	$ (1,034)

Operating activities. Cash provided by operating activities in fiscal 2020 was lower than the prior fiscal year primarily due to lower net income, higher client incentive payments and timing of settlement.

Investing activities. Cash provided by investing activities in fiscal 2020 was higher than the prior fiscal year primarily due to higher proceeds from sales and maturities of investment securities, combined with fewer investment security purchases, lower purchase consideration paid for acquisitions, net of cash and restricted cash acquired, due to fewer acquisitions and lower purchases of other investments.

Financing activities. Cash used in financing activities in fiscal 2020 was lower than the prior fiscal year primarily due to proceeds received from the issuance of senior notes, the absence of the deferred purchase consideration payment made in the prior year and lower share repurchases, partially offset by higher dividends paid. See *Note 10—Debt and Note 15—Stockholders' Equity*, to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Sources of Liquidity

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

Available-for-sale debt securities. Our investment portfolio is designed to invest cash in securities which enables us to meet our working capital and liquidity needs. Our investment portfolio consists of debt securities issued by the U.S. Treasury or U.S. government-sponsored agencies. The majority of these investments, $3.6 billion, are classified as current and are available to meet short-term liquidity needs. The remaining non-current investments have stated maturities of more than one year from the balance sheet date; however, they are also generally available to meet short-term liquidity needs.

Factors that may impact the liquidity of our investment portfolio include, but are not limited to, changes to credit ratings of the securities, uncertainty related to regulatory developments, actions by central banks and other monetary authorities and the ongoing strength and quality of credit markets. We will continue to review our portfolio in light of evolving market and economic conditions. However, if current market conditions deteriorate, the liquidity of our investment portfolio may be impacted and we could determine that some of our investments are impaired, which could adversely impact our financial results. We have policies that limit the amount of credit exposure to any one financial institution or type of investment.

Commercial paper program. We maintain a commercial paper program to support our working capital requirements and for other general corporate purposes. Under the program, we are authorized to issue up to $3.0 billion in outstanding notes, with maturities up to 397 days from the date of issuance. We had no outstanding obligations under the program at September 30, 2020. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Credit facility. We have an unsecured $5.0 billion revolving credit facility (the “Credit Facility”) which expires on July 25, 2024. There were no borrowings under the Credit Facility as of September 30, 2020. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Senior notes. In fiscal 2020, we issued fixed-rate senior notes in public offerings in an aggregate principal amount of $7.3 billion with maturities between 7 and 30 years. See *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

U.S. Litigation escrow account. Pursuant to the terms of the U.S. retrospective responsibility plan, which was created to insulate Visa and our class A common shareholders from financial liability for certain litigation cases, we maintain a U.S. litigation escrow account from which monetary liabilities from settlements of, or judgments in, the U.S. covered litigation will be payable. When we fund the U.S. litigation escrow account, the shares of class B common stock held by our stockholders are subject to dilution through an adjustment to the conversion rate of the shares of class B common stock to shares of class A common stock. The balance in this account at September 30, 2020, was $0.9 billion and is reflected as restricted cash equivalents in our consolidated balance sheets. As these funds are restricted for the sole purpose of making payments related to the U.S. covered litigation matters, as described below under *Uses of Liquidity*, we do not rely on them for other operational needs. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Credit Ratings

At September 30, 2020, our credit ratings by Standard and Poor’s and Moody’s were as follows:

	Standard and Poor's		Moody's	
Debt type	**Rating**	**Outlook**	**Rating**	**Outlook**
Short-term unsecured debt	A-1+	Stable	P-1	Stable
Long-term unsecured debt	AA-	Stable	Aa3	Stable

Various factors affect our credit ratings, including changes in our operating performance, the economic environment, conditions in the electronic payment industry, our financial position and changes in our business strategy. We do not currently foresee any reasonable circumstances under which our credit ratings would be significantly downgraded. If a downgrade were to occur, it could adversely impact, among other things, our future borrowing costs and access to capital markets.

Uses of Liquidity

Payments settlement. Payments settlement due to and from our financial institution clients can represent a substantial daily liquidity requirement. Most U.S. dollar settlements are settled within the same day and do not result in a receivable or payable balance, while settlements in currencies other than the U.S. dollar generally remain outstanding for one to two business days, which is consistent with industry practice for such transactions. In general, during fiscal 2020, we were not required to fund settlement-related working capital. Our average daily net settlement position was a net payable of $452 million. We hold approximately $7.7 billion of available liquidity globally as of September 30, 2020, in the form of cash, cash equivalents and available-for-sale investment securities, to fund daily settlement in the event one or more of our financial institution clients are unable to settle.

U.S. covered litigation. We are parties to legal and regulatory proceedings with respect to a variety of matters, including certain litigation that we refer to as the U.S. covered litigation. As noted above, monetary liabilities from settlements of, or judgments in, the U.S. covered litigation are payable from the U.S. litigation escrow account. In September 2018, Visa and other defendants entered into an Amended Settlement Agreement with plaintiffs in the interchange multidistrict litigation purporting to represent a class of plaintiffs seeking monetary damages, which superseded and amended the 2012 Settlement Agreement. In December 2019, the district court granted final approval of the Amended Settlement Agreement relating to claims by the Damages Class, which was subsequently appealed. Settlement discussions with plaintiffs purporting to act on behalf of the putative Injunctive Relief Class are ongoing.

During fiscal 2020, we have reached settlements with a number of merchants representing approximately 40% of the Visa-branded payment card sales volume of merchants who opted out of the Amended Settlement Agreement with the Damages Class plaintiffs. At September 30, 2020, the U.S. litigation escrow account had an available balance of $0.9 billion for settlement with opt-out merchants.

Other litigation. Judgments in and settlements of litigation, other than the U.S. covered litigation, including VE territory covered litigation or other fines imposed in investigations and proceedings, could give rise to future liquidity needs.

Common stock repurchases. During fiscal 2020, we repurchased 44 million shares of our class A common stock in the open market for $8.1 billion. As of September 30, 2020, our January 2020 Program had remaining authorized funds of $5.5 billion. See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Dividends. During fiscal 2020, we declared and paid $2.7 billion in dividends at a quarterly rate of $0.30 per share. On October 23, 2020, our board of directors declared a quarterly cash dividend of $0.32 per share of class A common stock (determined in the case of class B and C common stock and series A, UK&I and Europe preferred stock on an as-converted basis). We expect to pay approximately $703 million in connection with this dividend on December 1, 2020. See *Note 15—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We expect to continue paying quarterly dividends in cash, subject to approval by the board of directors. All preferred and class B and C common stock will share ratably on an as-converted basis in such future dividends.

Pension and other postretirement benefits. We sponsor various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for substantially all employees residing in the U.S. As a result of the acquisition of Visa Europe, we assumed the obligations related to Visa Europe's defined benefit plan, primarily consisting of the UK pension plans. Our policy with respect to our U.S. qualified pension plan is to contribute annually in September of each year, an amount not less than the minimum required under the Employee Retirement Income Security Act.

Our U.S. non-qualified pension and other postretirement benefit plans are funded on a current basis. In relation to the Visa Europe UK pension plans, our funding policy is to contribute in accordance with the appropriate funding requirements agreed with the trustees of our UK pension plans. Additional amounts may be agreed with the UK pension plan trustees. In fiscal 2020, we made contributions to our U.S. pension and other postretirement benefit plans of $3 million and to our Visa Europe's UK pension plans of $22 million. In fiscal 2021, given current projections and assumptions, we anticipate funding our U.S. pension and other postretirement benefit plans and Visa Europe's UK defined benefit pension plans by approximately $2 million and $10 million, respectively. The actual contribution amount will vary depending upon the funded status of the pension plan, movements in the discount rate, performance of the plan assets and related tax consequences. See *Note 11—Pension and Other Postretirement Benefits* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Capital expenditures. Our capital expenditures decreased slightly during fiscal 2020. We expect to continue investing in technology assets and payments system infrastructure to support our digital solutions and core business initiatives.

Senior notes. A principal payment of $3.0 billion is due on December 14, 2020 on our fixed-rate senior notes issued in December 2015, for which we have sufficient liquidity. See *Note 10—Debt to* our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Acquisitions. In fiscal 2020, we entered into a definitive agreement to acquire Plaid Inc. for $5.3 billion. We will pay approximately $4.9 billion of cash and $0.4 billion of retention equity and deferred equity consideration. On November 5, 2020, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Northern District of California seeking a permanent injunction to prevent Visa from acquiring Plaid. See *Note 2—Acquisitions* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements are primarily comprised of guarantees and indemnifications. Visa has no off-balance sheet arrangements, other than purchase order commitments, as discussed and reflected in our contractual obligations table below.

Indemnifications

We indemnify our financial institution clients for settlement losses suffered due to the failure of any other client to fund its settlement obligations in accordance with our operating rules. The amount of the indemnification is limited to the amount of unsettled Visa payment transactions at any point in time. We maintain and regularly review global settlement risk policies and procedures to manage settlement risk, which may require clients to post collateral if certain credit standards are not met. See *Note 1—Summary of Significant Accounting Policies* and *Note 12—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

In the ordinary course of business, we enter into contractual arrangements with financial institutions and other clients and partners under which we may agree to indemnify the client for certain types of losses incurred relating to the services we provide or otherwise relating to our performance under the applicable agreement.

Contractual Obligations

Our contractual commitments will have an impact on our future liquidity. The contractual obligations identified in the table below include both on- and off-balance sheet transactions that represent a material, expected or contractually committed future obligation as of September 30, 2020. We believe that we will be able to fund these obligations through cash generated from our operations and available credit facilities.

	Payments Due by Period				
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
	(in millions)				
Debt[1]	$ 3,643	$ 4,411	$ 1,046	$ 23,754	$ 32,854
Purchase obligations[2]	1,541	746	413	712	3,412
Leases[3]	108	216	209	554	1,087
Transition tax[4]	86	162	369	264	881
Dividends[5]	703	—	—	—	703
Total[6],[7],[8]	**$ 6,081**	**$ 5,535**	**$ 2,037**	**$ 25,284**	**$ 38,937**

(1) Amounts presented include payments for both interest and principal. Also see *Note 10—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(2) Represents agreements to purchase goods and services that specify significant terms, including: fixed or minimum quantities to be purchased, minimum or variable price provisions, and the approximate timing of the transaction. For obligations where the individual years of spend are not specified in the contract, we have estimated the timing of when these amounts will be spent.

(3) Includes operating leases for premises and equipment, which range in original lease terms from less than one year to twenty-six years.

(4) Amounts presented relate to the estimated transition tax, net of foreign tax credit carryovers, on certain foreign earnings of non-U.S. subsidiaries. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(5) Includes expected dividend amount of $703 million as dividends were declared on October 23, 2020 and will be paid on December 1, 2020 to all holders of record of Visa's common and preferred stock as of November 13, 2020.

(6) We have liabilities for uncertain tax positions of $2.0 billion as of September 30, 2020. At September 30, 2020, we had also accrued $233 million of interest and $31 million of penalties associated with our uncertain tax positions. We cannot determine the range of cash payments that will be made and the timing of the cash settlements, if any, associated with our uncertain tax positions. Therefore, no amounts related to these obligations have been included in the table.

(7) We evaluate the need to make contributions to our pension plan after considering the funded status of the pension plan, movements in the discount rate, performance of the plan assets and related tax consequences. Expected contributions to our pension plan have not been included in the table as such amounts are dependent upon the considerations discussed above, and may result in a wide range of amounts. See *Note 11—Pension and Other Postretirement Benefits* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report and the *Liquidity and Capital Resources* section of this *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

(8) Future cash payments for long-term contracts with financial institution clients and other business partners are not included in the table as the amounts are unknowable due to the inherent unpredictability of payment and transaction volume. These agreements, which range in terms from less than one to fifteen years, can provide card issuance and/or conversion support, volume/growth targets or marketing and program support based on specific performance requirements. As of September 30, 2020, we have $4.4 billion of client incentives liability recorded on the consolidated balance sheet related to these arrangements.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require us to make judgments, assumptions and estimates that affect the amounts reported. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We have established policies and control procedures which seek to ensure that estimates and assumptions are appropriately governed and applied consistently from period to period. However, actual results could differ from our assumptions and estimates, and such differences could be material.

We believe that the following accounting estimates are the most critical to fully understand and evaluate our reported financial results, as they require our most subjective or complex management judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain and unpredictable.

Revenue Recognition—Client Incentives

Critical estimates. We enter into long-term incentive agreements with financial institution clients, merchants and other business partners for various programs designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to our network and driving innovation. These incentives are primarily accounted for as reductions to net revenues; however, if a separate identifiable benefit at fair value can be established, they are accounted for as operating expenses. Incentives are recognized systematically and rationally based on management's estimate of each client's performance. These estimates are regularly reviewed and adjusted as appropriate based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Assumptions and judgment. Estimation of client incentives relies on forecasts of payments and transaction volume, card issuance and card conversion. Performance is estimated using client-reported information, transactional information accumulated from our systems, historical information, market and economic conditions and discussions with our clients, merchants and business partners.

Impact if actual results differ from assumptions. If actual performance is not consistent with our estimates, client incentives may be materially different than initially recorded. Increases in incentive payments are generally driven by increased payments and transaction volume, which drive our net revenues. As a result, in the event incentive payments exceed estimates, such payments are not expected to have a material effect on our financial condition, results of operations or cash flows. The cumulative impact of a revision in estimates is recorded in the period such revisions become probable and estimable. For the year ended September 30, 2020, client incentives represented 23% of gross revenues.

Legal and Regulatory Matters

Critical estimates. We are currently involved in various legal proceedings, the outcomes of which are not within our complete control or may not be known for prolonged periods of time. Management is required to assess the probability of loss and estimate the amount of such loss, if any, in preparing our consolidated financial statements.

Assumptions and judgment. We evaluate the likelihood of a potential loss from legal or regulatory proceedings to which we are a party. We record a liability for such claims when a loss is deemed probable and the amount can be reasonably estimated. Significant judgment may be required in the determination of both probability and whether a potential loss is reasonably estimable. Our judgments are subjective based on management's understanding of the litigation profile, the specifics of each case, our history with similar proceedings, advice of in-house and outside legal counsel to the extent appropriate and management's best estimate of incurred loss. As additional information becomes available, we reassess the potential loss related to pending claims and may revise our estimates.

We have entered into loss sharing agreements that reduce our potential liability under certain litigation. However, our U.S. retrospective responsibility plan only addresses monetary liabilities from settlements of, or final judgments in, the U.S. covered litigation. The plan's mechanisms include the use of the U.S. litigation escrow account. The accrual related to the U.S. covered litigation could be either higher or lower than the U.S. litigation escrow account balance. Our Europe retrospective responsibility plan only covers Visa Europe territory covered litigation (and resultant liabilities and losses) relating to the covered period, subject to certain limitations, and does not cover any fines or penalties incurred in the European Commission proceedings or any other matter. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Impact if actual results differ from assumptions. Due to the inherent uncertainties of the legal and regulatory processes in the multiple jurisdictions in which we operate, our judgments may be materially different than the actual outcomes, which could have material adverse effects on our business, financial conditions and results of operations. See *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Income Taxes

Critical estimates. In calculating our effective income tax rate, we make judgments regarding certain tax positions, including the timing and amount of deductions and allocations of income among various tax jurisdictions.

Assumptions and judgment. We have various tax filing positions with regard to the timing and amount of deductions and credits, the establishment of liabilities for uncertain tax positions and the allocation of income among various tax jurisdictions. We are also required to inventory, evaluate and measure all uncertain tax positions taken or to be taken on tax returns and to record liabilities for the amount of such positions that may not be sustained, or may only be partially sustained, upon examination by the relevant taxing authorities.

Impact if actual results differ from assumptions. Although we believe that our estimates and judgments are reasonable, actual results may differ from these estimates. Some or all of these judgments are subject to review by the taxing authorities. If one or more of the taxing authorities were to successfully challenge our right to realize some or all of the tax benefit we have recorded, and we were unable to realize this benefit, it could have a material adverse effect on our financial results and cash flows.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential economic loss arising from adverse changes in market factors. Our exposure to financial market risks results primarily from fluctuations in foreign currency exchange rates, interest rates and equity prices. Aggregate risk exposures are monitored on an ongoing basis.

Foreign Currency Exchange Rate Risk

We are exposed to risks from foreign currency exchange rate fluctuations that are primarily related to changes in the functional currency value of revenues generated from foreign currency-denominated transactions and changes in the functional currency value of payments in foreign currencies. We manage these risks by entering into foreign currency forward contracts that hedge exposures of the variability in the functional currency equivalent of anticipated non-functional currency denominated cash flows. Our foreign currency exchange rate risk management program reduces, but does not entirely eliminate, the impact of foreign currency exchange rate movements.

At September 30, 2020 and 2019, the aggregate notional amounts of our foreign currency forward contracts outstanding in our exchange rate risk management program, including contracts not designated for cash flow hedge accounting, were $3.9 billion and $3.1 billion, respectively. The aggregate notional amount outstanding at September 30, 2020 is fully consistent with our strategy and treasury policy aimed at reducing foreign exchange risk below a predetermined and approved threshold. However, actual results could materially differ from our forecast. The effect of a hypothetical 10% strengthening or weakening in the value of the functional currencies at September 30, 2020 is estimated to create an additional fair value gain of approximately $210 million or loss of approximately $260 million, respectively, on our outstanding foreign currency forward contracts. The gain or loss from this hypothetical strengthening or weakening would be largely offset by a corresponding gain or loss on our cash flows from foreign currency-denominated revenues and payments. See *Note 1—Summary of Significant Accounting Policies* and *Note 13—Derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

We are further exposed to foreign currency exchange rate risk related to translation as the functional currency of Visa Europe is the euro. Translation from the euro to the U.S. dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive income (loss) on the consolidated balance sheets. A hypothetical 10% change in the euro against the U.S. dollar compared to the exchange rate at September 30, 2020, would result in a foreign currency translation adjustment of $2.2 billion. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

We are also subject to foreign currency exchange risk in daily settlement activities. This risk arises from the timing of rate setting for settlement with clients relative to the timing of market trades for balancing currency positions. Risk in settlement activities is limited through daily operating procedures, including the utilization of Visa settlement systems and our interaction with foreign exchange trading counterparties.

Interest Rate Risk

Our investment portfolio assets are held in both fixed-rate and adjustable-rate securities. Investments in fixed-rate instruments carry a degree of interest rate risk. The fair value of fixed-rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling-rate environment creates reinvestment risk because as securities mature, the proceeds are reinvested at a lower rate, generating less interest income. Historically, we have been able to hold investments until maturity. Neither our statements of operations or cash flows have been, nor are they expected to be, materially impacted by a sudden change in market interest rates.

The fair value of our fixed-rate investment securities at September 30, 2020 and 2019 were $4.0 billion and $1.8 billion, respectively. The fair value of our adjustable-rate debt securities were $2.0 billion and $4.6 billion at September 30, 2020 and 2019, respectively. A hypothetical 100 basis point increase in interest rates would create an estimated decrease in fair value of approximately $3.5 million on our investment securities at September 30, 2020. A hypothetical 100 basis point decrease in interest rates would create an estimated increase in fair value of approximately $7.2 million on our investment securities at September 30, 2020.

In fiscal 2019, we entered into interest rate and cross-currency swap agreements on a portion of our outstanding senior notes that allow us to manage our interest rate exposure through a combination of fixed and floating rates and reduce our overall cost of borrowing. Together these swap agreements effectively convert a portion of our U.S. dollar denominated fixed-rate payments into euro denominated floating-rate payments. By entering into interest rate swaps, we have assumed risks associated with market interest rate fluctuations. A hypothetical 100 basis point increase in interest rates would have resulted in an increase of approximately $30 million in annual interest expense. See *Note 13—Derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Equity Investment Risk

As of September 30, 2020 and 2019, the carrying value of our non-marketable equity securities was $1.0 billion and $0.7 billion, respectively. These investments are subject to a wide variety of market-related risks that could substantially reduce or increase the fair value of our holdings. A decline in financial condition or operating results of these investments could result in a loss of all or a substantial part of our carrying value in these companies. We regularly review our non-marketable equity securities for possible impairment, which generally involves an analysis of the facts and changes in circumstances influencing the investment, expectations of the entity's cash flows and capital needs, and the viability of its business model.

Pension Plan Risk

At September 30, 2020 and 2019, our U.S. defined benefit pension plan assets were $1.1 billion and projected benefit obligations were $0.9 billion at each year end. A material adverse decline in the value of pension plan assets and/or in the discount rate for benefit obligations would result in a decrease in the funded status of the pension plan, an increase in pension cost and an increase in required funding. A hypothetical 10% decrease in the value of pension plan assets and a 1% decrease in the discount rate as of September 30, 2020 would result in an aggregate decrease of approximately $221 million in the funded status and an increase of approximately $44 million in pension cost.

At September 30, 2020 and 2019, our non-U.S. defined benefit pension plan assets were $0.5 billion at each year end and projected benefit obligations were $0.6 billion and $0.5 billion, respectively. A material adverse decline in the value of pension plan assets and/or in the discount rate for benefit obligations would result in a decrease in the funded status of the pension plan, an increase in pension cost and an increase in required funding. A hypothetical 10% decrease in the value of pension plan assets and a 1% decrease in the discount rate as of September 30, 2020 would result in an aggregate decrease of approximately $194 million in the funded status and an increase of approximately $17 million in pension cost.

We will continue to monitor the performance of pension plan assets and market conditions as we evaluate the amount of our contribution to the pension plans for fiscal 2021, if any, which would be made in September 2021.

ITEM 8. Financial Statements and Supplementary Data

VISA INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Visa Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Visa Inc. and subsidiaries (the Company) as of September 30, 2020 and 2019, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended September 30, 2020 and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of September 30, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2020, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for revenue from contracts with customers in the year ended September 30, 2019 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09 "Revenue from Contracts with Customers (Topic 606)".

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Report of Independent Registered Public Accounting Firm—(Continued)

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the accrued litigation liability for class members opting out of the Damages Class settlement in the Interchange Multidistrict Litigation (MDL)

As discussed in Note 20 to the consolidated financial statements, the Company is involved in various legal proceedings including the *Interchange Multidistrict Litigation (MDL) - Individual Merchant Actions*, and has recorded an accrued litigation liability of $914 million as of September 30, 2020. In preparing its consolidated financial statements, the Company is required to assess the probability of loss associated with each legal proceeding and amount of such loss, if any. The outcome of legal proceedings to which the Company is a party is not within the complete control of the Company or may not be known for prolonged periods of time.

We identified the assessment of the accrued liability for class matters opting out of the Damages Class settlement, also known as the *MDL - Individual Merchant Actions,* as a critical audit matter. This proceeding involves complex claims that are subject to substantial uncertainties and unascertainable damages. The assessment of the accrued litigation liability for the *MDL - Individual Merchant Actions* required especially challenging auditor judgment due to the assumptions and estimates associated with the consideration and evaluation of possible outcomes. Changes to the outcome could have a significant effect on the estimated amount of the liability.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's litigation accrual process, including internal controls over the Company's litigation accrual process for the *MDL - Individual Merchant Actions*. We assessed the amounts accrued by reading letters received directly from the Company's external legal counsel and in-house legal counsel that discussed the Company's legal matters, including the *MDL - Individual Merchant Actions*. We considered relevant publicly available information, such as published news articles, about the Company and its legal matters, including the *MDL - Individual Merchant Actions*. We evaluated the Company's ability to estimate its monetary exposure by comparing historically recorded liabilities to actual monetary amounts incurred upon resolution of legal matters for merchants that opted out of the previous MDL class settlement. To assess the estimated monetary exposure in the Company's analysis, we compared such amounts to the complete population of amounts attributable to opt-out merchants. We also performed sensitivity analysis over the Company's monetary exposure calculations.

Report of Independent Registered Public Accounting Firm—(Continued)

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Santa Clara, California
November 19, 2020

VISA INC.
CONSOLIDATED BALANCE SHEETS

	September 30,	
	2020	2019
	(in millions, except par value data)	
Assets		
Cash and cash equivalents	**$ 16,289**	$ 7,838
Restricted cash equivalents—U.S. litigation escrow	**901**	1,205
Investment securities	**3,752**	4,236
Settlement receivable	**1,264**	3,048
Accounts receivable	**1,618**	1,542
Customer collateral	**1,850**	1,648
Current portion of client incentives	**1,214**	741
Prepaid expenses and other current assets	**757**	712
Total current assets	**27,645**	20,970
Investment securities	**231**	2,157
Client incentives	**3,175**	2,084
Property, equipment and technology, net	**2,737**	2,695
Goodwill	**15,910**	15,656
Intangible assets, net	**27,808**	26,780
Other assets	**3,413**	2,232
Total assets	**$ 80,919**	$ 72,574
Liabilities		
Accounts payable	**$ 174**	$ 156
Settlement payable	**1,736**	3,990
Customer collateral	**1,850**	1,648
Accrued compensation and benefits	**821**	796
Client incentives	**4,176**	3,997
Accrued liabilities	**1,840**	1,625
Current maturities of debt	**2,999**	—
Accrued litigation	**914**	1,203
Total current liabilities	**14,510**	13,415
Long-term debt	**21,071**	16,729
Deferred tax liabilities	**5,237**	4,807
Other liabilities	**3,891**	2,939
Total liabilities	**44,709**	37,890
Commitments and contingencies (Note 18)		
Equity		
Preferred stock, $0.0001 par value, 25 shares authorized and 5 shares issued and outstanding as follows:		
Series A convertible participating preferred stock, less than one and no shares issued and outstanding at September 30, 2020 and 2019 (the “series A preferred stock”), respectively	**2,437**	—
Series B convertible participating preferred stock, 2 shares issued and outstanding at September 30, 2020 and 2019 (the “UK&I preferred stock”)	**1,106**	2,285
Series C convertible participating preferred stock, 3 shares issued and outstanding at September 30, 2020 and 2019 (the “Europe preferred stock”)	**1,543**	3,177
Class A common stock, $0.0001 par value, 2,001,622 shares authorized, 1,683 and 1,718 shares issued and outstanding at September 30, 2020 and 2019, respectively	**—**	—
Class B common stock, $0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at September 30, 2020 and 2019	**—**	—
Class C common stock, $0.0001 par value, 1,097 shares authorized, 11 shares issued and outstanding at September 30, 2020 and 2019	**—**	—
Right to recover for covered losses	**(39)**	(171)
Additional paid-in capital	**16,721**	16,541
Accumulated income	**14,088**	13,502
Accumulated other comprehensive income (loss), net:		
Investment securities	**3**	6
Defined benefit pension and other postretirement plans	**(196)**	(192)

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

VISA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended September 30,		
	2020	2019	2018
	(in millions, except per share data)		
Net revenues	**$ 21,846**	$ 22,977	$ 20,609
Operating Expenses			
Personnel	**3,785**	3,444	3,170
Marketing	**971**	1,105	988
Network and processing	**727**	721	686
Professional fees	**408**	454	446
Depreciation and amortization	**767**	656	613
General and administrative	**1,096**	1,196	1,145
Litigation provision	**11**	400	607
Total operating expenses	**7,765**	7,976	7,655
Operating income	**14,081**	15,001	12,954
Non-operating Income (Expense)			
Interest expense, net	**(516)**	(533)	(612)
Investment income and other	**225**	416	464
Total non-operating income (expense)	**(291)**	(117)	(148)
Income before income taxes	**13,790**	14,884	12,806
Income tax provision	**2,924**	2,804	2,505
Net income	**$ 10,866**	$ 12,080	$ 10,301
Basic Earnings Per Share			
Class A common stock	**$ 4.90**	$ 5.32	$ 4.43
Class B common stock	**$ 7.94**	$ 8.68	$ 7.28
Class C common stock	**$ 19.58**	$ 21.30	$ 17.72
Basic Weighted-average Shares Outstanding			
Class A common stock	**1,697**	1,742	1,792
Class B common stock	**245**	245	245
Class C common stock	**11**	12	12
Diluted Earnings Per Share			
Class A common stock	**$ 4.89**	$ 5.32	$ 4.42
Class B common stock	**$ 7.93**	$ 8.66	$ 7.27
Class C common stock	**$ 19.56**	$ 21.26	$ 17.69
Diluted Weighted-average Shares Outstanding			
Class A common stock	**2,223**	2,272	2,329
Class B common stock	**245**	245	245
Class C common stock	**11**	12	12

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

VISA INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended September 30,		
	2020	**2019**	**2018**
	(in millions)		
Net income	**$ 10,866**	$ 12,080	$ 10,301
Other comprehensive income (loss), net of tax:			
Investment securities:			
Net unrealized gain (loss)	**1**	20	94
Income tax effect	**—**	(5)	(19)
Reclassification adjustments	**(3)**	1	(215)
Income tax effect	**1**	—	50
Defined benefit pension and other postretirement plans:			
Net unrealized actuarial gain (loss) and prior service credit (cost)	**(7)**	(174)	16
Income tax effect	**1**	36	(5)
Reclassification adjustments	**18**	9	5
Income tax effect	**(3)**	(2)	(1)
Derivative instruments:			
Net unrealized gain (loss)	**(547)**	233	90
Income tax effect	**119**	(25)	(24)
Reclassification adjustments	**(81)**	(85)	32
Income tax effect	**19**	16	(2)
Foreign currency translation adjustments	**1,511**	(1,228)	(352)
Other comprehensive income (loss), net of tax	**1,029**	(1,204)	(331)
Comprehensive income	**$ 11,895**	$ 10,876	$ 9,970

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

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Preferred Stock		Common Stock								
	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)										
Balance as of September 30, 2017	2	3	1,818	245	13	$ 5,526	$ (52)	$16,900	$ 9,508	$ 878	$32,760
Net income									10,301		10,301
Other comprehensive income (loss), net of tax										(331)	(331)
Comprehensive income											9,970
VE territory covered losses incurred							(11)				(11)
Recovery through conversion rate adjustment						(56)	56				—
Conversion of class C common stock upon sales into public market			4		(1)						—
Vesting of restricted stock and performance-based shares			2								—
Share-based compensation, net of forfeitures			— (1)					327			327
Restricted stock and performance-based shares settled in cash for taxes			(1)					(94)			(94)
Cash proceeds from issuance of common stock under employee equity plans			3					164			164
Cash dividends declared and paid, at a quarterly amount of $0.195 per class A common stock in the first quarter and $0.210 per class A common stock for the rest of the fiscal year									(1,918)		(1,918)
Repurchase of class A common stock			(58)					(619)	(6,573)		(7,192)
Balance as of September 30, 2018	2	3	1,768	245	12	$ 5,470	$ (7)	$16,678	$ 11,318	$ 547	$34,006

(1) Decrease in Class A common stock related to forfeitures of restricted stock awards is less than one million shares.

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

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Preferred Stock		Common Stock								
	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)										
Balance as of September 30, 2018	2	3	1,768	245	12	$5,470	$ (7)	$16,678	$ 11,318	$ 547	$34,006
Net income									12,080		12,080
Other comprehensive income (loss), net of tax										(1,204)	(1,204)
Comprehensive income											10,876
Adoption of new accounting standards									385	7	392
VE territory covered losses incurred							(172)				(172)
Recovery through conversion rate adjustment						(8)	8				—
Conversion of class C common stock upon sales into public market			2		(1)						—
Vesting of restricted stock and performance-based shares			3								—
Share-based compensation, net of forfeitures								407			407
Restricted stock and performance-based shares settled in cash for taxes			(1)					(111)			(111)
Cash proceeds from issuance of common stock under employee equity plans			2					162			162
Cash dividends declared and paid, at a quarterly amount of $0.25 per class A common stock									(2,269)		(2,269)
Repurchase of class A common stock			(56)					(595)	(8,012)		(8,607)
Balance as of September 30, 2019	2	3	1,718	245	11	$5,462	$ (171)	$16,541	$ 13,502	$ (650)	$34,684

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

VISA INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Preferred Stock			Common Stock								
	Series A	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)											
Balance as of September 30, 2019	—	2	3	1,718	245	11	$5,462	$ (171)	$16,541	$ 13,502	$ (650)	$34,684
Net income										10,866		10,866
Other comprehensive income (loss), net of tax											1,029	1,029
Comprehensive income												11,895
Adoption of new accounting standards										25	(25)	—
VE territory covered losses incurred								(37)				(37)
Recovery through conversion rate adjustment							(164)	169				5
Issuance of series A preferred stock	— [(1)]						(5)					(5)
Conversion of series A preferred stock upon sales into public market	— [(1)]			3			(207)		207			—
Conversion of class C common stock upon sales into public market				3		— [(1)]						—
Vesting of restricted stock and performance-based shares				3								—
Share-based compensation, net of forfeitures									416			416
Restricted stock and performance-based shares settled in cash for taxes				(1)					(160)			(160)
Cash proceeds from issuance of common stock under employee equity plans				1					190			190
Cash dividends declared and paid, at a quarterly amount of $0.30 per class A common stock										(2,664)		(2,664)
Repurchase of class A common stock				(44)					(473)	(7,641)		(8,114)
Balance as of September 30, 2020	**— [(1)]**	**2**	**3**	**1,683**	**245**	**11**	**$5,086**	**$ (39)**	**$16,721**	**$ 14,088**	**$ 354**	**$36,210**

(1) Increase, decrease or balance is less than one million shares.

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

VISA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended September 30,		
	2020	**2019**	**2018**
		(in millions)	
Operating Activities			
Net income	**$ 10,866**	$ 12,080	$ 10,301
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Client incentives	**6,664**	6,173	5,491
Share-based compensation	**416**	407	327
Depreciation and amortization of property, equipment, technology and intangible assets	**767**	656	613
Deferred income taxes	**307**	214	(1,277)
VE territory covered losses incurred	**(37)**	(172)	(11)
Other	**(145)**	(271)	(64)
Change in operating assets and liabilities:			
Settlement receivable	**1,858**	(1,533)	(223)
Accounts receivable	**(43)**	(333)	(70)
Client incentives	**(8,081)**	(6,430)	(4,682)
Other assets	**(402)**	(310)	59
Accounts payable	**21**	(24)	3
Settlement payable	**(2,384)**	1,931	262
Accrued and other liabilities	**923**	627	1,760
Accrued litigation	**(290)**	(231)	452
Net cash provided by (used in) operating activities	**10,440**	12,784	12,941
Investing Activities			
Purchases of property, equipment and technology	**(736)**	(756)	(718)
Investment securities:			
Purchases	**(2,075)**	(2,653)	(5,772)
Proceeds from maturities and sales	**4,510**	3,996	3,636
Acquisitions, net of cash and restricted cash acquired	**(77)**	(699)	(196)
Purchases of / contributions to other investments	**(267)**	(501)	(50)
Other investing activities	**72**	22	16
Net cash provided by (used in) investing activities	**1,427**	(591)	(3,084)
Financing Activities			
Repurchase of class A common stock	**(8,114)**	(8,607)	(7,192)
Proceeds from issuance of senior notes	**7,212**	—	—
Repayments of debt	**—**	—	(1,750)
Dividends paid	**(2,664)**	(2,269)	(1,918)
Payment of deferred purchase consideration related to the Visa Europe acquisition	**—**	(1,236)	—
Cash proceeds from issuance of common stock under employee equity plans	**190**	162	164
Restricted stock and performance-based shares settled in cash for taxes	**(160)**	(111)	(94)
Payments to settle derivative instruments	**(333)**	—	—
Other financing activities	**(99)**	—	—
Net cash provided by (used in) financing activities	**(3,968)**	(12,061)	(10,790)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	**440**	(277)	(101)
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	**8,339**	(145)	(1,034)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	**10,832**	10,977	12,011
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year	**$ 19,171**	$ 10,832	$ 10,977
Supplemental Disclosure			
Cash paid for income taxes, net	**$ 2,671**	$ 2,648	$ 2,285
Interest payments on debt	**$ 537**	$ 537	$ 545
Charitable contribution of investment securities to Visa Foundation	**$ —**	$ —	$ 195
Accruals related to purchases of property, equipment and technology	**$ 38**	$ 95	$ 77

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

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

Note 1—Summary of Significant Accounting Policies

Organization. Visa Inc. ("Visa" or the "Company") is a global payments technology company that enables innovative, secure and reliable electronic payments across more than 200 countries and territories. Visa and its wholly-owned consolidated subsidiaries, including Visa U.S.A. Inc. ("Visa U.S.A."), Visa International Service Association ("Visa International"), Visa Worldwide Pte. Limited, Visa Europe Limited ("Visa Europe"), Visa Canada Corporation ("Visa Canada"), Visa Technology & Operations LLC and CyberSource Corporation, operate one of the world's largest electronic payments network — VisaNet — which facilitates authorization, clearing and settlement of payment transactions and enables the Company to provide its financial institution and seller clients a wide range of products, platforms and value added services. Visa is not a financial institution and does not issue cards, extend credit or set rates and fees for account holders of Visa products. In most cases, account holder and merchant relationships belong to, and are managed by, Visa's financial institution clients.

Consolidation and basis of presentation. The consolidated financial statements include the accounts of Visa and its consolidated entities and are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company consolidates its majority-owned and controlled entities, including variable interest entities ("VIEs") for which the Company is the primary beneficiary. The Company's investments in VIEs have not been material to its consolidated financial statements as of and for the periods presented. All significant intercompany accounts and transactions are eliminated in consolidation.

The Company's activities are interrelated, and each activity is dependent upon and supportive of the other. All significant operating decisions are based on analysis of Visa as a single global business. Accordingly, the Company has one reportable segment, Payment Services.

Use of estimates. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Future actual results could differ materially from these estimates. The worldwide spread of coronavirus ("COVID-19") has created significant uncertainty in the global economy. There have been no comparable recent events that provide guidance as to the effect COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of COVID-19 and the extent to which COVID-19 continues to impact the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and difficult to predict. The use of estimates in specific accounting policies is described further below as appropriate.

Cash, cash equivalents, restricted cash, and restricted cash equivalents. Cash and cash equivalents include cash and certain highly liquid investments with original maturities of 90 days or less from the date of purchase. Cash equivalents are primarily recorded at cost, which approximates fair value due to their generally short maturities. The Company defines restricted cash and restricted cash equivalents as cash and cash equivalents that cannot be withdrawn or used for general operating activities. See *Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents.*

Restricted cash equivalents—U.S. litigation escrow. The Company maintains an escrow account from which monetary liabilities from settlements of, or judgments in, the U.S. covered litigation are paid. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* for a discussion of the U.S. covered litigation. The escrow funds are held in money market investments, together with the interest earned, less applicable taxes payable, and classified as restricted cash equivalents on the consolidated balance sheets. Interest earned on escrow funds is included in non-operating income (expense) on the consolidated statements of operations.

Investments and fair value. The Company measures certain assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are reported under a three-level valuation hierarchy. See *Note 6—Fair Value Measurements and Investments.*

Marketable equity securities. Marketable equity securities, which are reported in investment securities on the consolidated balance sheets, include mutual fund investments related to various employee compensation and benefit plans. Trading activity in these investments is at the direction of the Company's employees. These investments are held in a trust and are not available for the Company's operational or liquidity needs. Interest and dividend income as well as gains and losses, realized and unrealized, from changes in fair value are recorded in non-operating income (expense), and offset in personnel expense on the consolidated statements of operations.

Available-for-sale debt securities. The Company's investment in debt securities, which are classified as available-for-sale and reported in investment securities on the consolidated balance sheets, include U.S. government-sponsored debt securities and U.S. Treasury securities. These securities are recorded at cost at the time of purchase and are carried at fair value. The Company considers these securities to be available-for-sale to meet working capital and liquidity needs. Investments with original maturities of greater than 90 days and stated maturities of less than one year from the balance sheet date, or investments that the Company intends to sell within one year, are classified as current assets, while all other securities are classified as non-current assets. Unrealized gains and losses are reported in accumulated other comprehensive income (loss) on the consolidated balance sheets until realized. The specific identification method is used to calculate realized gain or loss on the sale of securities, which is recorded in non-operating income (expense) on the consolidated statements of operations. Interest income is recognized when earned and is included in non-operating income (expense) on the consolidated statements of operations.

The Company evaluates its debt securities for other-than-temporary impairment ("OTTI") on an ongoing basis. When there has been a decline in fair value of a debt security below the amortized cost basis, the Company recognizes OTTI if: (1) it has the intent to sell the security; (2) it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis; or (3) it does not expect to recover the entire amortized cost basis of the security.

Non-marketable equity securities. The Company's non-marketable equity securities, which are reported in other assets on the consolidated balance sheets, include investments in privately held companies without readily determinable market values. The Company adjusts the carrying value of its non-marketable equity securities to fair value when transactions for identical or similar investments of the same issuer are observable. All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in non-operating income (expense).

The Company applies the equity method of accounting for investments in other entities when it holds between 20% and 50% ownership in the entity or when it exercises significant influence. Under the equity method, the Company's share of each entity's profit or loss is reflected in non-operating income (expense) on the consolidated statements of operations. The equity method of accounting is also used for flow-through entities such as limited partnerships and limited liability companies when the investment ownership percentage is equal to or greater than 5% of outstanding ownership interests, regardless of whether the Company has significant influence over the investees.

The Company applies the fair value measurement alternative for investments in other entities when it holds less than 20% ownership in the entity and does not exercise significant influence, or for flow-through entities when the investment ownership is less than 5% and the Company does not exercise significant influence. These investments consist of equity holdings in non-public companies and are recorded in other assets on the consolidated balance sheets.

The Company regularly reviews investments accounted for under the equity method and the fair value measurement alternative for possible impairment, which generally involves an analysis of the facts and changes in circumstances influencing the investment, expectations of the entity's cash flows and capital needs, and the viability of its business model.

Financial instruments. The Company considers the following to be financial instruments: cash, cash equivalents, restricted cash, restricted cash equivalents, investment securities, settlement receivable and payable, accounts receivable, customer collateral, non-marketable equity investments and derivative instruments. See *Note 6—Fair Value Measurements and Investments.*

Settlement receivable and payable. The Company operates systems for authorizing, clearing and settling payment transactions worldwide. Most U.S. dollar settlements with the Company's financial institution clients are settled within the same day and do not result in a receivable or payable balance. Settlements in currencies other than the U.S. dollar generally remain outstanding for one to two business days, resulting in amounts due from and to clients. These amounts are presented as settlement receivable and settlement payable on the consolidated balance sheets.

Customer collateral. The Company holds cash deposits and other non-cash assets from certain clients in order to ensure their performance of settlement obligations arising from Visa payment services are processed in accordance with the Company's operating rules. The cash collateral assets are restricted and fully offset by corresponding liabilities and both balances are presented on the consolidated balance sheets. Pledged securities are held by a custodian in an account under the Company's name and ownership; however, the Company does not have the right to repledge these securities, but may sell these securities in the event of default by the client on its settlement obligations. Letters of credit are provided primarily by client financial institutions to serve as irrevocable guarantees of payment. Guarantees are provided primarily by parent financial institutions to secure the obligations of their subsidiaries. The Company routinely evaluates the financial viability of institutions providing the letters of credit and guarantees. See *Note 12—Settlement Guarantee Management.*

Guarantees and indemnifications. The Company recognizes an obligation at inception for guarantees and indemnifications that qualify for recognition, regardless of the probability of occurrence. The Company indemnifies its financial institution clients for settlement losses suffered due to the failure of any other client to fund its settlement obligations in accordance with the Visa operating rules. The estimated fair value of the liability for settlement indemnification is included in accrued liabilities on the consolidated balance sheets.

Property, equipment and technology, net. Property, equipment and technology are recorded at historical cost less accumulated depreciation and amortization, which are computed on a straight-line basis over the asset's estimated useful life. Depreciation and amortization of technology, furniture, fixtures and equipment are computed over estimated useful lives ranging from 2 to 10 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or lease term. Building improvements are depreciated between 3 and 40 years, and buildings are depreciated over 40 years. Improvements that increase functionality of the asset are capitalized and depreciated over the asset's remaining useful life. Land and construction-in-progress are not depreciated. Fully depreciated assets are retained in property, equipment and technology, net, until removed from service.

Technology includes purchased and internally developed software, including technology assets obtained through acquisitions. Internally developed software represents software primarily used by the VisaNet electronic payments network. Internal and external costs incurred during the preliminary project stage are expensed as incurred. Qualifying costs incurred during the application development stage are capitalized. Once the project is substantially complete and ready for its intended use these costs are amortized on a straight-line basis over the technology's estimated useful life. Acquired technology assets are initially recorded at fair value and amortized on a straight-line basis over the estimated useful life.

The Company evaluates the recoverability of long-lived assets for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If the sum of expected undiscounted net future cash flows is less than the carrying amount of an asset or asset group, an impairment loss is recognized to the extent that the carrying amount of the asset or asset group exceeds its fair value. See *Note 7—Property, Equipment and Technology, Net*.

Leases. The Company determines if an arrangement is a lease at its inception. Right-of-use ("ROU") assets, and corresponding lease liabilities, are recognized at the commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As a majority of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU asset also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. The Company does not record a ROU asset and corresponding liability for leases with terms of 12 months or less.

The Company does not include renewals in the determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. Lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. The Company does not combine lease payments with non-lease components for any of its leases. Operating leases are recorded as ROU assets, which are included in other assets on the consolidated balance sheets. The current portion of lease liabilities are included in accrued liabilities and the long-term portion is included in other liabilities on the consolidated balance sheets. The Company's lease cost consists of amounts recognized under lease agreements in the results of operations adjusted for impairment and sublease income.

Intangible assets, net. The Company records identifiable intangible assets at fair value on the date of acquisition and evaluates the useful life of each asset.

Finite-lived intangible assets primarily consist of customer relationships, reseller relationships and trade names obtained through acquisitions. Finite-lived intangible assets are amortized on a straight-line basis and are tested for recoverability if events or changes in circumstances indicate that their carrying amounts may not be recoverable. These intangibles have useful lives ranging from 3 to 15 years. No events or changes in circumstances indicate that impairment existed as of September 30, 2020. See *Note 8—Intangible Assets and Goodwill*.

Indefinite-lived intangible assets consist of trade name, customer relationships and reacquired rights. Intangible assets with indefinite useful lives are not amortized but are evaluated for impairment annually or more frequently if events or changes in circumstances indicate that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative impairment test for indefinite-lived intangible assets. The Company assesses each category of indefinite-lived intangible assets for impairment on an aggregate basis, which may require the allocation of cash flows and/or an estimate of fair value to the assets or asset group. Impairment exists if the fair value of the indefinite-lived intangible asset is less than the carrying value. The Company relies on a number of factors when completing impairment assessments, including a review of discounted net future cash flows, business plans and the use of present value techniques.

The Company completed its annual impairment review of indefinite-lived intangible assets as of February 1, 2020, and concluded there was no impairment as of that date. No recent events or changes in circumstances indicate that impairment of the Company's indefinite-lived intangible assets existed as of September 30, 2020.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is not amortized but is evaluated for impairment at the reporting unit level annually or more frequently if events or changes in circumstances indicate that impairment may exist.

The Company evaluated its goodwill for impairment as of February 1, 2020, and concluded there was no impairment as of that date. No recent events or changes in circumstances indicate that impairment existed as of September 30, 2020.

Accrued litigation. The Company evaluates the likelihood of an unfavorable outcome in legal or regulatory proceedings to which it is a party and records a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These judgments are subjective, based on the status of such legal or regulatory proceedings, the merits of the Company's defenses and consultation with corporate and external legal counsel. Actual outcomes of these legal and regulatory proceedings may differ materially from the Company's estimates. The Company expenses legal costs as incurred in professional fees in the consolidated statements of operations. See *Note 20—Legal Matters.*

Revenue recognition. The Company adopted Accounting Standards Update (ASU) 2014-09 effective October 1, 2018 using the modified retrospective transition method. Results for reporting periods beginning after October 1, 2018 are presented under the new revenue standard. The comparative prior period amounts appearing on the financial statements have not been restated and continue to be reported under the prior revenue standard.

The Company's net revenues are comprised principally of the following categories: service revenues, data processing revenues, international transaction revenues and other revenues, reduced by client incentives. As a payment network service provider, the Company's obligation to the customer is to stand ready to provide continuous access to our payment network over the contractual term. Consideration is variable based primarily upon the amount and type of transactions and payments volume on Visa's products. The Company recognizes revenue, net of sales and other similar taxes, as the payment network services are performed in an amount that reflects the consideration the Company expects to receive in exchange for those services. Fixed fees for payment network services are generally recognized ratably over the related service period. The Company has elected the optional exemption to not disclose the remaining performance obligations related to payment network services and other performance obligations which are constrained by and dependent upon the future performance of its clients, which are variable in nature. The Company also recognizes revenues, net of sales and other similar taxes, from other value added services, including issuer and consumer solutions, merchant and acquirer solutions, fraud management and security services, data products, and consulting and analytics, as these value added services are performed.

Service revenues consist mainly of revenues earned for services provided in support of client usage of Visa payment services. Current quarter service revenues are primarily assessed using a calculation of current quarter's pricing applied to the prior quarter's payments volume. The Company also earns revenues from assessments designed to support ongoing acceptance and volume growth initiatives, which are recognized in the same period the related volume is transacted.

Data processing revenues consist of revenues earned for authorization, clearing, settlement, value added services, network access and other maintenance and support services that facilitate transaction and information processing among the Company's clients globally. Data processing revenues are recognized in the same period the related transactions occur or services are performed.

International transaction revenues are earned for cross-border transaction processing and currency conversion activities. Cross-border transactions arise when the country of origin of the issuer or financial institution originating the transaction is different from that of the beneficiary. International transaction revenues are recognized in the same period the cross-border transactions occur or services are performed.

Other revenues consist mainly of value added services, license fees for use of the Visa brand or technology, fees for account holder services, certification, licensing and product enhancements, such as extended account holder protection and concierge services. Other revenues are recognized in the same period the related transactions occur or services are performed.

Client incentives. The Company enters into long-term contracts with financial institution clients, merchants and strategic partners for various programs designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to Visa's network and driving innovation. These incentives are primarily accounted for as reductions to revenues. Client incentives are accounted for as operating expenses if the payment is in exchange for a distinct good or service provided by the customer. The Company generally capitalizes upfront and fixed incentive payments under these agreements and amortizes the amounts as a reduction to revenues ratably over the contractual term. Incentives that are earned by the customer based on performance targets are recorded as reductions to revenues based on management's estimate of each client's future performance. These accruals are regularly reviewed and estimates of performance are adjusted, as appropriate, based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Marketing. The Company expenses costs for the production of advertising as incurred. The cost of media advertising is expensed when the advertising takes place. Sponsorship costs are recognized over the period in which the Company benefits from the sponsorship rights. Promotional items are expensed as incurred, when the related services are received, or when the related event occurs.

Income taxes. The Company's income tax expense consists of two components: current and deferred. Current income tax expense represents taxes paid or payable for the current period. Deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to temporary differences between the financial statement carrying amounts and the respective tax basis of existing assets and liabilities, and operating loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing whether deferred tax assets are realizable, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is recorded for the portions that are not expected to be realized based on the level of historical taxable income, projections of future taxable income over the periods in which the temporary differences are deductible, and qualifying tax planning strategies.

Where interpretation of the tax law may be uncertain, the Company recognizes, measures and discloses income tax uncertainties. The Company accounts for interest expense and penalties related to uncertain tax positions in non-operating income (expense) in the consolidated statements of operations. The Company files a consolidated federal income tax return and, in certain states, combined state tax returns. The Company elects to claim foreign tax credits in any given year if such election is beneficial to the Company. See *Note 19—Income Taxes*.

Pension and other postretirement benefit plans. The Company's defined benefit pension and other postretirement benefit plans are actuarially evaluated, incorporating various critical assumptions including the discount rate and the expected rate of return on plan assets (for qualified pension plans). The discount rate is based on a cash flow matching analysis, with the projected benefit payments matching spot rates from a yield curve developed from high-quality corporate bonds. The expected rate of return on pension plan assets is primarily based on the targeted allocation, and evaluated for reasonableness by considering such factors as: (i) actual return on plan assets; (ii) historical rates of return on various asset classes in the portfolio; (iii) projections of returns on various asset classes; and (iv) current and prospective capital market conditions and economic forecasts. Any difference between actual and expected plan experience, including asset return experience, in excess of a 10% corridor is recognized in net periodic pension cost over the expected average employee future service period, which ranges from approximately 6 to 10 years for the U.S. and non-U.S. pension plans. Other assumptions involve demographic factors such as retirement age, mortality, attrition and the rate of compensation increases. The Company evaluates assumptions annually and modifies them as appropriate.

The Company recognizes settlement losses when it settles pension benefit obligations, including making lump-sum cash payments to plan participants in exchange for their rights to receive specified pension benefits, when certain thresholds are met. See *Note 11—Pension and Other Postretirement Benefits*.

Foreign currency remeasurement and translation. The Company's functional currency is the U.S. dollar for the majority of its foreign operations except for Visa Europe whose functional currency is the euro. Transactions denominated in currencies other than the applicable functional currency are converted to the functional currency at the exchange rate on the transaction date. At period end, monetary assets and liabilities are remeasured to the functional currency using exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities are remeasured at historical exchange rates. Resulting foreign currency transaction gains and losses related to conversion and remeasurement are recorded in general and administrative expense in the consolidated statements of operations and were not material for fiscal 2020, 2019 and 2018.

Where a non-U.S. currency is the functional currency, translation from that functional currency to the U.S. dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet dates and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive income (loss) on the consolidated balance sheets.

Derivative financial instruments. The Company uses foreign exchange forward derivative contracts to reduce its exposure to foreign currency rate changes on forecasted non-functional currency denominated operational cash flows. The terms of these derivative contracts designated as cash flow hedges are generally less than 12 months. To qualify for cash flow hedge accounting treatment, the Company formally documents, at inception of the hedge, all relationships between the hedging transactions and the hedged items, as well as the Company's risk management objective and strategy for undertaking various hedging transactions. The Company also formally assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items and whether those derivatives may be expected to remain highly effective in future periods.

Derivatives are carried at fair value on a gross basis on the consolidated balance sheets. Gains and losses resulting from changes in fair value of derivative instruments designated as cash flow hedges are accounted for either in accumulated other comprehensive income (loss) on the consolidated balance sheets, or in the consolidated statements of operations in the corresponding account where revenue or expense is recorded. Gains and losses resulting from changes in fair value of derivative instruments not designated for hedge accounting are recorded in general and administrative expense for hedges of operating activity, or non-operating income (expense) for hedges of non-operating activity.

Gains and losses related to changes in fair value hedges are recognized in non-operating income (expense) along with a corresponding loss or gain related to the change in value of the underlying hedged item in the same line item in the consolidated statement of operations. The change in value of net investment hedges are recorded in other comprehensive income (loss). Amounts excluded from the effectiveness testing of net investment hedges are recognized in non-operating income (expense). Cash flows associated with derivatives designated as a fair value hedge may be included in operating, investing or financing activities on the consolidated statement of cash flows, depending on the classification of the items being hedged. Cash flows associated with financial instruments designated as net investment hedges are classified as an investing activity. See *Note 13—Derivative Financial Instruments*.

Share-based compensation. The Company recognizes share-based compensation cost, net of estimated forfeitures, using the fair value method of accounting. The Company recognizes compensation cost for awards with only service conditions on a straight-line basis over the requisite service period, which is generally the vesting period. Compensation cost for performance-based awards is recognized on a graded-vesting basis. The amount is initially estimated based on target performance and is adjusted as appropriate based on management's best estimate throughout the performance period. See *Note 17—Share-based Compensation.*

Earnings per share. The Company calculates earnings per share using the two-class method to reflect the different rights of each class and series of outstanding common stock. The dilutive effect of incremental common stock equivalents is reflected in diluted earnings per share by application of the treasury stock method. See *Note 16—Earnings Per Share.*

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, which requires the recognition of lease assets and lease liabilities arising from operating leases on the balance sheet. Subsequently, the FASB also issued a series of amendments to this new lease standard that address the transition methods available and clarify the guidance for lessor costs and other aspects of the new lease standard. The Company adopted the standard effective October 1, 2019 using the modified retrospective transition method with comparative periods continuing to be reported using the prior leases standard. The Company elected to apply the package of practical expedients permitted under the transition guidance, allowing the Company to carry forward the historical assessment of whether a contract was or contains a lease, lease classification and capitalization of initial direct costs. The adoption did not have a material impact on the consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, which allows a reclassification from accumulated other comprehensive income to retained earnings for adjustments to tax effects that were originally recorded in other comprehensive income due to changes in the U.S. federal corporate income tax rate resulting from the enactment of the U.S. tax reform legislation on December 22, 2017, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Company adopted the ASU effective October 1, 2019. The adoption did not have a material impact on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, and also issued subsequent amendments, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. The amendments in the ASU are effective for the Company on October 1, 2020. The Company is evaluating the impact ASU 2016-13 will have on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in the existing guidance for income taxes and making other minor improvements. The amendments in the ASU are effective for the Company on October 1, 2021. The Company does not plan to early adopt the ASU at this time. The adoption is not expected to have a material impact on the consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, which clarifies that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the fair value measurement alternative. The amendments in the ASU are effective for the Company on October 1, 2021. The adoption is not expected to have a material impact on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate or another reference rate expected to be discontinued because of reference rate reform. The amendments in the ASU are effective for the Company upon issuance through December 31, 2022. The Company is evaluating the effect ASU 2020-04 will have on its consolidated financial statements.

Note 2—Acquisitions

Pending Acquisition. On January 13, 2020, the Company entered into a definitive agreement to acquire Plaid Inc. for $5.3 billion. The Company will pay approximately $4.9 billion of cash and $0.4 billion of retention equity and deferred equity consideration. This acquisition is subject to customary closing conditions, including regulatory reviews and approvals. On November 5, 2020, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Northern District of California seeking a permanent injunction to prevent Visa from acquiring Plaid. See *Note 20—Legal Matters*.

Fiscal 2019 Acquisitions. The Company acquired several businesses for a total purchase consideration of $942 million, which consisted of $888 million in cash and $54 million of deferred cash consideration. The allocation of the purchase price to the tangible and intangible assets acquired and to liabilities have been completed as of September 30, 2020. There were no material adjustments to the preliminary purchase price allocation as of September 30, 2019. Goodwill was recorded to reflect the excess purchase consideration over net assets acquired, which represents the value that is expected from expanding the Company's product offerings and other synergies. Goodwill that is expected to be deductible for tax purposes amounts to approximately $360 million.

The following table summarizes the purchase price allocation in aggregate for the businesses acquired:

	Purchase Price Allocation
	(in millions)
Net tangible assets acquired (liabilities assumed)	$ 23
Intangible assets	319
Goodwill	647
Total[(1)]	**$ 989**

(1) Includes fair value of previously-held interest in the acquired entities of $47 million.

The following table summarizes the identified intangible assets acquired based on the purchase price allocations:

	Acquisition Date Fair Value	Weighted-Average Useful Life
	(in millions)	(in years)
Developed technologies	$ 70	4
Customer relationships	249	12
Total	**$ 319**	10

Pro forma information related to the acquisitions has not been presented as the impact was not material to the Company's financial results. Transaction costs incurred were not material and were included in the Company's consolidated statements of operations.

Note 3—Revenues

The nature, amount, timing and uncertainty of the Company's revenues and cash flows and how they are affected by economic factors are most appropriately depicted through the Company's revenue categories and geographical markets. The following tables disaggregate the Company's net revenues by revenue category and by geography for the years ended September 30, 2020, 2019, and 2018:

	For the Years Ended September 30,		
	2020	**2019**	**2018**
		(in millions)	
Service revenues	**$ 9,804**	$ 9,700	$ 8,918
Data processing revenues	**10,975**	10,333	9,027
International transaction revenues	**6,299**	7,804	7,211
Other revenues	**1,432**	1,313	944
Client incentives	**(6,664)**	(6,173)	(5,491)
Net revenues	**$ 21,846**	$ 22,977	$ 20,609

	For the Years Ended September 30,		
	2020	**2019**	**2018**
		(in millions)	
U.S.	**$ 10,125**	$ 10,279	$ 9,332
International	**11,721**	12,698	11,277
Net revenues	**$ 21,846**	$ 22,977	$ 20,609

Remaining performance obligations are comprised of deferred revenue and unbilled contract revenues that will be invoiced and recognized as revenues in future periods primarily related to value added services. As of September 30, 2020, the remaining performance obligations were $1.4 billion. The Company expects approximately half to be recognized as revenue in the next two years and the remaining thereafter. However, the amount and timing of revenue recognition is affected by several factors, including contract modifications and terminations, which could impact the estimate of amounts allocated to remaining performance obligations and when such revenues could be recognized.

Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

The Company reconciles cash, cash equivalents, restricted cash and restricted cash equivalents reported in the consolidated balance sheets that aggregate to the beginning and ending balances shown in the consolidated statements of cash flows as follows:

	September 30,		
	2020	2019	2018
	(in millions)		
Cash and cash equivalents	**$ 16,289**	$ 7,838	$ 8,162
Restricted cash and restricted cash equivalents:			
U.S. litigation escrow	**901**	1,205	1,491
Customer collateral	**1,850**	1,648	1,324
Prepaid expenses and other current assets	**131**	141	—
Cash, cash equivalents, restricted cash and restricted cash equivalents	**$ 19,171**	$ 10,832	$ 10,977

Note 5—U.S. and Europe Retrospective Responsibility Plans

U.S. Retrospective Responsibility Plan

The Company has established several related mechanisms designed to address potential liability under certain litigation referred to as the "U.S. covered litigation." These mechanisms are included in and referred to as the U.S. retrospective responsibility plan and consist of a U.S. litigation escrow agreement, the conversion feature of the Company's shares of class B common stock, the indemnification obligations of the Visa U.S.A. members, an interchange judgment sharing agreement, a loss sharing agreement and an omnibus agreement, as amended.

U.S. covered litigation consists of a number of matters that have been settled or otherwise fully or substantially resolved, as well as the following:

- *the Interchange Multidistrict Litigation*. In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, 1:05-md-01720-JG-JO (E.D.N.Y.) or MDL 1720, including all cases currently included in MDL 1720, any other case that includes claims for damages relating to the period prior to the Company's IPO that has been or is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction;
- any claim that challenges the reorganization or the consummation thereof; provided that such claim is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction; and
- any case brought after October 22, 2015 by a merchant that opted out of the Rule 23(b)(3) settlement class in MDL 1720 that arises out of facts or circumstances substantially similar to those alleged in MDL 1720 and that is not transferred to or otherwise included in MDL 1720. See *Note 20—Legal Matters*.

U.S. litigation escrow agreement. In accordance with the U.S. litigation escrow agreement, the Company maintains an escrow account, from which settlements of, or judgments in, the U.S. covered litigation are paid. The amount of the escrow is determined by the board of directors and the Company's litigation committee, all members of which are affiliated with, or act for, certain Visa U.S.A. members. The escrow funds are held in money market investments along with the interest earned, less applicable taxes and are classified as restricted cash equivalents on the consolidated balance sheets.

The following table sets forth the changes in the restricted cash equivalents—U.S. litigation escrow account by fiscal year:

	2020	2019
	(in millions)	
Balance at beginning of period	**$ 1,205**	$ 1,491
Return of takedown payment to the litigation escrow account	**467**	—
Deposits into the litigation escrow account	**—**	300
Payments to class plaintiffs' settlement fund[1]	**—**	(600)
Payments to opt-out merchants[1] and interest earned on escrow funds	**(771)**	14
Balance at end of period	**$ 901**	$ 1,205

(1) These payments are associated with the interchange multidistrict litigation. See *Note 20—Legal Matters*.

The accrual related to the U.S. covered litigation could be either higher or lower than the U.S. litigation escrow account balance. A takedown payment of approximately $467 million was received and deposited into the Company's litigation escrow account. The deposit into the litigation escrow account and reestablishment of a prior accrual to address opt-out claims was recorded during fiscal 2020. The Company recorded an accrual of $370 million for the U.S. covered litigation during fiscal 2019. See *Note 20—Legal Matters*.

Conversion feature. Under the terms of the plan, when the Company funds the U.S. litigation 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. This has the same economic effect on diluted class A common stock earnings per share as repurchasing the Company's class A common stock, because it reduces the class B conversion rate and consequently the as-converted class A common stock share count. See *Note 15—Stockholders' Equity*.

Indemnification obligations. To the extent that amounts available under the U.S. litigation escrow arrangement and other agreements in the plan are insufficient to fully resolve the U.S. covered litigation, the Company will use commercially reasonable efforts to enforce the indemnification obligations of Visa U.S.A.'s members for such excess amounts, including but not limited to enforcing indemnification obligations pursuant to Visa U.S.A.'s certificate of incorporation and bylaws and in accordance with their membership agreements.

Interchange judgment sharing agreement. Visa U.S.A. and Visa International have entered into an interchange judgment sharing agreement with certain Visa U.S.A. members that have been named as defendants in the interchange multidistrict litigation, which is described in *Note 20—Legal Matters*. Under this judgment sharing agreement, Visa U.S.A. members that are signatories will pay their membership proportion of the amount of a final judgment not allocated to the conduct of Mastercard.

Loss sharing agreement. Visa has entered into a loss sharing agreement with Visa U.S.A., Visa International and certain Visa U.S.A. members. The loss sharing agreement provides for the indemnification of Visa U.S.A., Visa International and, in certain circumstances, Visa with respect to: (i) the amount of a final judgment paid by Visa U.S.A. or Visa International in the U.S. covered litigation after the operation of the interchange judgment sharing agreement, plus any amounts reimbursable to the interchange judgment sharing agreement signatories; or (ii) the damages portion of a settlement of a U.S. covered litigation that is approved as required under Visa U.S.A.'s certificate of incorporation by the vote of Visa U.S.A.'s specified voting members. The several obligation of each bank that is a party to the loss sharing agreement will equal the amount of any final judgment enforceable against Visa U.S.A., Visa International or any other signatory to the interchange judgment sharing agreement, or the amount of any approved settlement of a U.S. covered litigation, multiplied by such bank's then-current membership proportion as calculated in accordance with Visa U.S.A.'s certificate of incorporation.

On October 22, 2015, Visa entered into an amendment to the loss sharing agreement. The amendment includes within the scope of U.S. covered litigation any action brought after the amendment by an opt-out from the Rule 23(b)(3) Settlement Class in MDL 1720 that arises out of facts or circumstances substantially similar to those alleged in MDL 1720 and that is not transferred to or otherwise included in MDL 1720. On the same date, Visa entered into amendments to the interchange judgment sharing agreement and omnibus agreement that include any such action within the scope of those agreements as well.

Omnibus agreement. Visa entered into an omnibus agreement with Mastercard and certain Visa U.S.A. members that confirmed and memorialized the signatories' intentions with respect to the loss sharing agreement, the interchange judgment sharing agreement and other agreements relating to the interchange multidistrict litigation, see *Note 20—Legal Matters.* Under the omnibus agreement, the monetary portion of any settlement of the interchange multidistrict litigation covered by the omnibus agreement would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. In addition, the monetary portion of any judgment assigned to Visa-related claims in accordance with the omnibus agreement would be treated as a Visa portion. Visa would have no liability for the monetary portion of any judgment assigned to Mastercard-related claims in accordance with the omnibus agreement, and if a judgment is not assigned to Visa-related claims or Mastercard-related claims in accordance with the omnibus agreement, then any monetary liability would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. The Visa portion of a settlement or judgment covered by the omnibus agreement would be allocated in accordance with specified provisions of the

Company's U.S. retrospective responsibility plan. The litigation provision on the consolidated statements of operations was not impacted by the execution of the omnibus agreement.

On August 26, 2014, Visa entered into an amendment to the omnibus agreement. The omnibus amendment makes applicable to certain settlements in opt-out cases in the interchange multidistrict litigation the settlement-sharing provisions of the omnibus agreement, pursuant to which the monetary portion of any settlement of the interchange multidistrict litigation covered by the omnibus agreement would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. The omnibus amendment also provides that in the event of termination of the class settlement agreement, Visa and Mastercard would make mutually acceptable arrangements so that Visa shall have received two-thirds and Mastercard shall have received one-third of the total of (i) the sums paid to defendants as a result of the termination of the settlement agreement and (ii) the takedown payments previously made to defendants.

Europe Retrospective Responsibility Plan

UK loss sharing agreement. The Company has entered into a loss sharing agreement with Visa Europe and certain of Visa Europe's member financial institutions located in the United Kingdom (the "UK LSA members"). Each of the UK LSA members has agreed, on a several and not joint basis, to compensate the Company for certain losses which may be incurred by the Company, Visa Europe or their affiliates as a result of certain existing and potential litigation relating to the setting and implementation of domestic multilateral interchange fee rates in the United Kingdom prior to the closing of the Visa Europe acquisition (the "Closing"), subject to the terms and conditions set forth therein and, with respect to each UK LSA member, up to a maximum amount of the up-front cash consideration received by such UK LSA member. The UK LSA members' obligations under the UK loss sharing agreement are conditional upon, among other things, either (a) losses valued in excess of the sterling equivalent on June 21, 2016 of €1.0 billion having arisen in UK covered claims (and such losses having reduced the conversion rate of the UK&I preferred stock accordingly), or (b) the conversion rate of the UK&I preferred stock having been reduced to zero pursuant to losses arising in claims relating to multilateral interchange fee rate setting in the Visa Europe territory.

Litigation management deed. The Company has entered into a litigation management deed with Visa Europe which sets forth the agreed upon procedures for the management of the VE territory covered litigation, the allocation of losses resulting from this litigation (the "VE territory covered losses") between the UK&I and Europe preferred stock, and any accelerated conversion or reduction in the conversion rate of the shares of UK&I and Europe preferred stock. The litigation management deed applies only to VE territory covered litigation (and resultant losses and liabilities). The litigation management deed provides that the Company will generally control the conduct of the VE territory covered litigation, subject to certain obligations to report and consult with the litigation management committees for VE territory covered litigation (the "VE territory litigation management committees"). The VE territory litigation management committees, which are composed of representatives of certain Visa Europe members, have also been granted consent rights to approve certain material decisions in relation to the VE territory covered litigation.

The Company obtained certain protections for VE territory covered losses through the UK&I and Europe preferred stock, the UK loss sharing agreement, and the litigation management deed, referred to as the "Europe retrospective responsibility plan." The plan covers VE territory covered litigation (and resultant liabilities and losses) relating to the covered period, which generally refers to the period before the Closing. Visa's protection from the plan is further limited to 70% of any liabilities where the claim relates to inter-regional multilateral interchange fee rates where the issuer is located outside the Visa Europe territory, and the merchant is located within the Visa Europe territory. The plan does not protect the Company in Europe against all types of litigation or remedies or fines imposed in competition law enforcement proceedings, only the interchange litigation specifically covered by the plan's terms.

Unlike the U.S. retrospective responsibility plan, the Europe retrospective responsibility plan does not have an escrow account that is used to fund settlements or judgments. The Company is entitled to recover VE territory covered losses through a periodic adjustment to the class A common stock conversion rates applicable to the UK&I and Europe preferred stock. The total amount of protection available through the preferred stock component of the Europe retrospective responsibility plan is equivalent to the as-converted value of the preferred stock, which can be calculated at any point in time as the product of: (a) the outstanding number of shares of preferred stock; (b) the current conversion rate applicable to each class of preferred stock; and (c) Visa's class A common stock price. This amount differs from the value of the preferred stock recorded within stockholders' equity on the Company's consolidated balance sheets. The book value of the preferred stock reflects its historical value recorded at the

Closing less VE territory covered losses recovered through a reduction of the applicable conversion rate. The book value does not reflect changes in the underlying class A common stock price subsequent to the Closing.

Visa Inc. net income will not be impacted by VE territory covered losses as long as the as-converted value of the preferred stock is greater than the covered loss. VE territory covered losses will be recorded when the loss is deemed to be probable and reasonably estimable, or in the case of attorney's fees, when incurred. Concurrently, the Company will record a reduction to stockholders' equity, which represents the Company's right to recover such losses through adjustments to the conversion rate applicable to the preferred stock. The reduction to stockholders' equity is recorded in a contra-equity account referred to as "right to recover for covered losses."

As required by the litigation management deed, at the fourth anniversary of the Visa Europe acquisition, Visa, in consultation with the VE territories litigation management committee, carried out a release assessment of the extent to which, if at all, it would be appropriate to effect a partial conversion of UK&I or Europe preferred stock into class A common stock or series A preferred stock. After the completion of this assessment, in September 2020, the Company released $7.3 billion of the as-converted value from its UK&I and Europe preferred stock and issued 374,819 shares of series A preferred stock (the "Fourth anniversary release"). Each holder of a share of UK&I and Europe preferred stock received a number of series A preferred stock equal to the applicable conversion adjustment divided by 100. The Company paid $5 million in cash in lieu of issuing fractional shares of series A preferred stock. The release resulted in a downward adjustment to the UK&I and Europe preferred stock conversion rates. See *Note 15—Stockholders' Equity.*

VE territory covered losses may be recorded before the corresponding adjustment to the applicable conversion rate is effected. Adjustments to the conversion rate may be executed once in any six-month period unless a single, individual loss greater than €20 million is incurred, in which case, the six-month limitation does not apply. When the adjustment to the conversion rate is made, the amount previously recorded in "right to recover for covered losses" as contra-equity will then be recorded against the book value of the preferred stock within stockholders' equity. During the year ended September 30, 2020, the Company recovered $164 million of VE territory covered losses through adjustments to the class A common stock conversion rates applicable to the UK&I and Europe preferred stock.

The following table sets forth the activities related to VE territory covered losses in preferred stock and "right to recover for covered losses" within stockholders' equity during the year ended September 30, 2020:

	Preferred Stock		Right to Recover for Covered Losses
	UK&I	Europe	
		(in millions)	
Balance as of September 30, 2019	$ 2,285	$ 3,177	$ (171)
VE territory covered losses incurred[1]	—	—	(37)
Recovery through conversion rate adjustment[2]	(72)	(92)	169
Fourth anniversary release	(1,107)	(1,542)	—
Balance as of September 30, 2020	**$ 1,106**	**$ 1,543**	**$ (39)**

(1) VE territory covered losses incurred reflect settlements with merchants and additional legal costs. See *Note 20—Legal Matters*.

(2) Adjustment to right to recover for covered losses for the conversion rate adjustment differs from the actual recovered amount due to differences in foreign exchange rates between the time the losses were incurred and the subsequent recovery through the conversion rate adjustment.

The following table sets forth the as-converted value of the preferred stock available to recover VE territory covered losses compared to the book value of preferred shares recorded in stockholders' equity within the Company's consolidated balance sheets as of September 30, 2020 and 2019:

	September 30,			
	2020		2019	
	As-converted Value of Preferred Stock[(1),(2)]	Book Value of Preferred Stock[(1)]	As-converted Value of Preferred Stock[(1),(3)]	Book Value of Preferred Stock[(1)]
	(in millions)			
UK&I preferred stock	**$ 3,168**	**$ 1,106**	$ 5,519	$ 2,285
Europe preferred stock	**4,331**	**1,543**	7,539	3,177
Total	**7,499**	**2,649**	13,058	5,462
Less: right to recover for covered losses	**(39)**	**(39)**	(171)	(171)
Total recovery for covered losses available	**$ 7,460**	**$ 2,610**	$ 12,887	$ 5,291

(1) Figures in the table may not recalculate exactly due to rounding. As-converted and book values are based on unrounded numbers.

(2) The as-converted value of preferred stock is calculated as the product of: (a) 2 million and 3 million shares of the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2020; (b) 6.387 and 6.861, the class A common stock conversion rate applicable to the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2020; and (c) $199.97, Visa's class A common stock closing stock price as of September 30, 2020.

(3) The as-converted value of preferred stock is calculated as the product of: (a) 2 million and 3 million shares of the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2019; (b) 12.936 and 13.884, the class A common stock conversion rate applicable to the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2019; and (c) $172.01, Visa's class A common stock closing stock price as of September 30, 2019.

Note 6—Fair Value Measurements and Investments

The Company measures certain assets and liabilities at fair value. See *Note 1—Summary of Significant Accounting Policies*.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value Measurements at September 30 Using Inputs Considered as			
	Level 1		Level 2	
	2020	2019	2020	2019
	(in millions)			
Assets				
Cash equivalents and restricted cash equivalents:				
Money market funds	**$ 12,522**	$ 6,494	**$ —**	$ —
U.S. government-sponsored debt securities	**—**	—	**1,469**	150
U.S. Treasury securities	**650**	—	**—**	—
Investment securities:				
Marketable equity securities	**148**	126	**—**	—
U.S. government-sponsored debt securities	**—**	—	**2,582**	5,592
U.S. Treasury securities	**1,253**	675	**—**	—
Other current and non-current assets:				
Derivative instruments	**—**	—	**512**	437
Total	**$ 14,573**	$ 7,295	**$ 4,563**	$ 6,179
Liabilities				
Accrued compensation and benefits:				
Deferred compensation liability	**$ 135**	$ 113	**$ —**	$ —
Accrued and other liabilities:				
Derivative instruments	**—**	—	**181**	52
Total	**$ 135**	$ 113	**$ 181**	$ 52

Level 1 assets and liabilities. Money market funds, marketable equity securities and U.S. Treasury securities are classified as Level 1 within the fair value hierarchy, as fair value is based on unadjusted quoted prices in active markets for identical assets and liabilities. The Company's deferred compensation liability is measured at fair value based on marketable equity securities held under the deferred compensation plan.

Level 2 assets and liabilities. The fair value of U.S. government-sponsored debt securities, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. Derivative instruments are valued using inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

U.S. government-sponsored debt securities and U.S. Treasury securities. The amortized cost, unrealized gains and losses and fair value of debt securities were as follows:

	September 30,							
	2020				2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in millions)							
U.S. government-sponsored debt securities	**$ 2,581**	**$ 1**	**$ —**	**$ 2,582**	$ 5,590	$ 4	$ (2)	$ 5,592
U.S. Treasury securities	**1,251**	**2**	**—**	**1,253**	672	3	—	675
Total	**$ 3,832**	**$ 3**	**$ —**	**$ 3,835**	$ 6,262	$ 7	$ (2)	$ 6,267
Less: current portion				**$ (3,604)**				$ (4,110)
Long-term debt securities				**$ 231**				$ 2,157

Debt securities are presented below in accordance with their stated maturities. A portion of these investments are classified as non-current as they have stated maturities of more than one year from the balance sheet date. However, these investments are generally available to meet short-term liquidity needs.

	September 30, 2020
	(in millions)
Due within one year	$ 3,604
Due after 1 year through 5 years	231
Total	**$ 3,835**

Assets Measured at Fair Value on a Non-recurring Basis

Non-marketable equity securities. The Company's non-marketable equity securities are investments in privately held companies without readily determinable market values. These investments are classified as Level 3 due to the absence of quoted market prices, the inherent lack of liquidity and the fact that inputs used to measure fair value are unobservable and require management's judgment.

During fiscal 2020 and 2019, $102 million and $110 million of upward adjustments, and $6 million and $4 million of downward adjustments including impairment, respectively, were included in the carrying value of non-marketable equity securities accounted for under the fair value measurement alternative. The following table summarizes the total carrying value of the Company's non-marketable equity securities held as of September 30, 2020 including cumulative unrealized gains and losses:

	September 30, 2020
	(in millions)
Initial cost basis	$ 841
Adjustments:	
Upward adjustments	212
Downward adjustments (including impairment)	(11)
Carrying amount, end of period	**$ 1,042**

Non-financial assets and liabilities. Long-lived assets such as goodwill, indefinite-lived intangible assets, finite-lived intangible assets and property, equipment and technology are considered non-financial assets. The Company does not have any non-financial liabilities measured at fair value on a non-recurring basis. Finite-lived intangible assets primarily consist of customer relationships, trade names and reseller relationships, all of which were obtained through acquisitions. See *Note 8—Intangible Assets and Goodwill.*

If the Company were required to perform a quantitative assessment for impairment testing of goodwill and indefinite-lived intangible assets, the fair values would generally be estimated using an income approach. As the assumptions employed to measure these assets on a non-recurring basis are based on management's judgment using internal and external data, these fair value determinations are classified as Level 3 in the fair value hierarchy. The Company completed its annual impairment review of its indefinite-lived intangible assets and goodwill as of February 1, 2020, and concluded that there was no impairment. No recent events or changes in circumstances indicate that impairment existed at September 30, 2020. See *Note 1—Summary of Significant Accounting Policies*.

Investment Income

Investment income is recorded as non-operating income (expense) in the Company's consolidated statements of operations and consisted of the following:

	For the Years Ended September 30,		
	2020	**2019**	**2018**
	(in millions)		
Interest and dividend income on cash and investments	**$ 80**	$ 247	$ 173
Realized gains (losses), net on debt securities	**4**	1	—
Equity securities:			
Unrealized gains (losses), net	**115**	117	2
Realized gains (losses), net from donation	**—**	—	193
Realized gains (losses), net	**1**	18	102
Investment income	**$ 200**	$ 383	$ 470

Other Fair Value Disclosures

Debt. Debt instruments are measured at amortized cost on the Company's consolidated balance sheets. The fair value of the debt instruments, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. If measured at fair value in the financial statements, these instruments would be classified as Level 2 in the fair value hierarchy. As of September 30, 2020, the carrying value and estimated fair value of debt was $24.1 billion and $26.6 billion, respectively. As of September 30, 2019, the carrying value and estimated fair value of debt was $16.7 billion and $18.4 billion, respectively.

Other Financial Instruments not Measured at Fair Value. The following financial instruments are not measured at fair value on the Company's consolidated balance sheet at September 30, 2020, but require disclosure of their fair values: settlement receivable and payable and customer collateral. The estimated fair value of such instruments at September 30, 2020 approximates their carrying value due to their generally short maturities. If measured at fair value in the financial statements, these financial instruments would be classified as Level 2 in the fair value hierarchy.

Note 7—Property, Equipment and Technology, Net

Property, equipment and technology, net, consisted of the following:

	September 30, 2020	September 30, 2019
	(in millions)	
Land	**$ 71**	$ 71
Buildings and building improvements	**1,007**	965
Furniture, equipment and leasehold improvements	**1,997**	1,913
Construction-in-progress	**163**	180
Technology	**3,923**	3,441
Total property, equipment and technology	**7,161**	6,570
Accumulated depreciation and amortization	**(4,424)**	(3,875)
Property, equipment and technology, net	**$ 2,737**	$ 2,695

Technology consists of both purchased and internally developed software. Internally developed software primarily represents software utilized by the VisaNet electronic payments network. At September 30, 2020 and 2019, accumulated amortization for technology was $2.7 billion and $2.3 billion, respectively.

At September 30, 2020, estimated future amortization expense on technology is as follows:

	For the Years Ending September 30, 2021	2022	2023	2024	2025	Thereafter	Total
	(in millions)						
Estimated future amortization expense	$ 419	$ 313	$ 225	$ 142	$ 62	$ 24	**$ 1,185**

For fiscal 2020, 2019 and 2018, depreciation and amortization expense related to property, equipment and technology was $687 million, $596 million and $558 million, respectively.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2020

Note 8—Intangible Assets and Goodwill

Indefinite-lived and finite-lived intangible assets consisted of the following:

	September 30,					
	2020			2019		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in millions)					
Finite-lived intangible assets:						
Customer relationships	**$ 709**	**$ (376)**	**$ 333**	$ 701	$ (314)	$ 387
Trade names	**199**	**(134)**	**65**	199	(120)	79
Reseller relationships	**95**	**(89)**	**6**	95	(86)	9
Other	**17**	**(14)**	**3**	17	(13)	4
Total finite-lived intangible assets	**1,020**	**(613)**	**407**	1,012	(533)	479
Indefinite-lived intangible assets:						
Customer relationships and reacquired rights	**23,317**	**—**	**23,317**	22,217	—	22,217
Visa trade name	**4,084**	**—**	**4,084**	4,084	—	4,084
Total indefinite-lived intangible assets	**27,401**	**—**	**27,401**	26,301	—	26,301
Total intangible assets	**$ 28,421**	**$ (613)**	**$ 27,808**	$ 27,313	$ (533)	$ 26,780

For fiscal 2020, 2019 and 2018, amortization expense related to finite-lived intangible assets was $80 million, $60 million and $55 million, respectively.

At September 30, 2020, estimated future amortization expense on finite-lived intangible assets is as follows:

	For the Years Ending September 30,						
	2021	2022	2023	2024	2025	Thereafter	Total
	(in millions)						
Estimated future amortization expense	$ 81	$ 76	$ 52	$ 50	$ 40	$ 108	**$ 407**

The change in goodwill during the years ended September 30, 2020 and 2019 are as follows:

	2020	2019
	(in millions)	
Goodwill, beginning of period	**$ 15,656**	$ 15,194
Goodwill from acquisitions, net of adjustments	**48**	643
Foreign currency translation	**206**	(181)
Goodwill, end of period	**$ 15,910**	$ 15,656

For additional information on acquisitions, see *Note 2—Acquisitions.*

There was no impairment related to the Company’s finite-lived or indefinite-lived intangible assets (including goodwill) during fiscal 2020, 2019 or 2018.

Note 9—Leases

The Company entered into various operating lease agreements primarily for real estate. The Company's leases have original lease periods expiring between fiscal 2021 and 2030. Many leases include one or more options to renew. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments under the Company’s lease arrangements are generally fixed. At September 30, 2020, the Company had no finance leases.

During fiscal 2020, total operating lease cost was $114 million. At September 30, 2020, the weighted-average remaining lease term for operating leases was approximately 6 years and the weighted-average discount rate for operating leases was 2.29%.

At September 30, 2020, the present value of future minimum lease payments was as follows:

	September 30, 2020
	(in millions)
2021	$ 108
2022	103
2023	95
2024	82
2025	70
Thereafter	163
Total undiscounted lease payments	621
Less: imputed interest	(51)
Present value of lease liabilities	**$ 570**

At September 30, 2020, the Company had additional operating leases that had not yet commenced with lease obligations of $466 million. These operating leases will commence between fiscal 2021 and 2023 with non-cancellable lease terms of 1 to 15 years.

Note 10—Debt

The Company had outstanding debt as follows:

	September 30, 2020	September 30, 2019	Effective Interest Rate[1]
	(in millions, except percentages)		
2.20% Senior Notes due December 2020	**$ 3,000**	$ 3,000	2.30 %
2.15% Senior Notes due September 2022	**1,000**	1,000	2.30 %
2.80% Senior Notes due December 2022	**2,250**	2,250	2.89 %
3.15% Senior Notes due December 2025	**4,000**	4,000	3.26 %
1.90% Senior Notes due April 2027	**1,500**	—	2.02 %
0.75% Senior Notes due August 2027	**500**	—	0.84 %
2.75% Senior Notes due September 2027	**750**	750	2.91 %
2.05% Senior Notes due April 2030	**1,500**	—	2.13 %
1.10% Senior Notes due February 2031	**1,000**	—	1.20 %
4.15% Senior Notes due December 2035	**1,500**	1,500	4.23 %
2.70% Senior Notes due April 2040	**1,000**	—	2.80 %
4.30% Senior Notes due December 2045	**3,500**	3,500	4.37 %
3.65% Senior Notes due September 2047	**750**	750	3.73 %
2.00% Senior Notes due August 2050	**1,750**	—	2.09 %
Total debt	**24,000**	16,750	
Unamortized discounts and debt issuance costs	**(178)**	(108)	
Hedge accounting fair value adjustments[2]	**248**	87	
Total carrying value of debt	**$ 24,070**	$ 16,729	
Reported as:			
Current maturities of debt	**$ 2,999**	$ —	
Long-term debt	**21,071**	16,729	
Total carrying value of debt	**$ 24,070**	$ 16,729	

(1) Effective interest rates disclosed do not reflect hedge accounting adjustments.

(2) Represents the change in fair value of interest rate swap agreements entered into on a portion of the outstanding senior notes. See *Note 1—Summary of Significant Accounting Policies* and *Note 13—Derivative Financial Instruments*.

Senior Notes

The Company's outstanding senior notes, or collectively, the "Notes", are senior unsecured obligations of the Company, ranking equally and ratably among themselves and with the Company's existing and future unsecured and unsubordinated debt. The Notes are not secured by any assets of the Company and are not guaranteed by any of the Company's subsidiaries. The Company was in compliance with all related covenants as of September 30, 2020. Each series of Notes may be redeemed as a whole or in part at the Company's option at any time at specified redemption prices.

In August 2020, the Company issued fixed-rate senior notes in a public offering in an aggregate principal amount of $3.3 billion with maturities of 7, 10 and a half and 30 years. The August 2027 Notes, 2031 Notes and 2050 Notes, or collectively, the "August 2020 Notes", have interest rates of 0.75%, 1.10% and 2.00%, respectively. Interest on the August 2020 Notes is payable semi-annually on February 15 and August 15 of each year, commencing on February 15, 2021. The net aggregate proceeds, after deducting discounts and debt issuance costs, were approximately $3.2 billion. The net proceeds from the offering of the August 2027 Notes will be used to fund eligible green projects and the net proceeds from the offering of the 2031 Notes and 2050 Notes will be used for general corporate purposes.

In April 2020, the Company issued fixed-rate senior notes in a public offering in an aggregate principal amount of $4.0 billion with maturities of 7, 10 and 20 years. The April 2027 Notes, 2030 Notes and 2040 Notes, or collectively, the “April 2020 Notes”, have interest rates of 1.90%, 2.05% and 2.70%, respectively. Interest on the April 2020 Notes is payable semi-annually on April 15 and October 15 of each year, commencing October 15, 2020. The net aggregate proceeds, after deducting discounts and debt issuance costs, were approximately $4.0 billion. The net proceeds from the offering of the April 2020 Notes will be used for general corporate purposes.

Commercial Paper Program

Visa maintains a commercial paper program to support its working capital requirements and for other general corporate purposes. Under the program, the Company is authorized to issue up to $3.0 billion in outstanding notes, with maturities up to 397 days from the date of issuance. The Company had no outstanding obligations under the program as of September 30, 2020 and 2019.

Credit Facility

On July 25, 2019, the Company entered into an amended and restated credit agreement for a 5 year, unsecured $5.0 billion revolving credit facility (the "Credit Facility"), which will expire on July 25, 2024. The Credit Facility is not governed by any financial covenants. This Credit Facility is maintained to ensure the integrity of the payment card settlement process and for general corporate purposes. Interest on borrowings under the Credit Facility will be charged at the London Interbank Offered Rate or an alternative base rate, in each case plus applicable margins that fluctuate based on the applicable credit rating of the Company's senior unsecured long-term debt. The Company has agreed to pay a commitment fee which will fluctuate based on such applicable rating of the Company. The Company had no amounts outstanding under the Credit Facility as of September 30, 2020 and 2019.

At September 30, 2020, future principal payments on the Company’s outstanding debt were as follows:

	For the Years Ending September 30,						
	2021	2022	2023	2024	2025	Thereafter	Total
	(in millions)						
Future principal payments	$ 3,000	$ 1,000	$ 2,250	$ —	$ —	$ 17,750	**$ 24,000**

Note 11—Pension and Other Postretirement Benefits

The Company sponsors various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for all eligible employees residing in the U.S. The Company also sponsors other pension benefit plans that provide benefits for internationally-based employees at certain non-U.S. locations.

Disclosures presented below include the U.S. pension plans and the non-U.S. plans, comprising only the Visa Europe plans. Disclosures relating to other U.S. postretirement benefit plans and other non-U.S. pension benefit plans are not included as they are immaterial, individually and in aggregate. The Company uses a September 30 measurement date for its pension and other postretirement benefit plans.

Defined benefit pension plans. The U.S. pension benefits under the defined benefit pension plan were earned based on a cash balance formula. An employee’s cash balance account was credited with an amount equal to 6% of eligible compensation plus interest based on 30-year Treasury securities. In October 2015, the Company’s board of directors approved an amendment of the U.S. qualified defined benefit pension plan such that the Company discontinued employer provided credits after December 31, 2015. Plan participants continue to earn interest credits on existing balances at the time of the freeze.

The funding policy for the U.S. pension benefits is to contribute annually no less than the minimum required contribution under ERISA.

Under the Visa Europe plans, retirement benefits are provided based on the participants’ final pensionable pay and are currently closed to new entrants. However, future benefits continue to accrue for active participants. The funding policy is to contribute in accordance with the appropriate funding requirements agreed with the trustees of the UK pension plans. Additional funding amounts may be agreed to with the UK pension plan trustees.

Summary of Plan Activities

A reconciliation of pension benefit obligations, plan assets, funded status and amounts recognized in the Company's consolidated balance sheets were as follows:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2020	2019	2020	2019
	(in millions)			
Change in pension benefit obligation:				
Benefit obligation at beginning of period	**$ 919**	$ 844	**$ 528**	$ 452
Service cost	**—**	—	**4**	4
Interest cost	**28**	32	**10**	13
Actuarial loss (gain)	**37**	95	**11**	109
Benefit payments	**(64)**	(52)	**(17)**	(22)
Plan amendment	**—**	—	**—**	1
Foreign currency exchange rate changes	**—**	—	**27**	(29)
Benefit obligation at end of period	**$ 920**	$ 919	**$ 563**	$ 528
Accumulated benefit obligation	**$ 920**	$ 919	**$ 563**	$ 528
Change in plan assets:				
Fair value of plan assets at beginning of period	**$ 1,090**	$ 1,090	**$ 490**	$ 436
Actual return on plan assets	**114**	52	**5**	93
Company contribution	**2**	—	**22**	10
Benefit payments	**(64)**	(52)	**(17)**	(22)
Foreign currency exchange rate changes	**—**	—	**25**	(27)
Fair value of plan assets at end of period	**$ 1,142**	$ 1,090	**$ 525**	$ 490
Funded status at end of period	**$ 222**	$ 171	**$ (38)**	$ (38)
Recognized in consolidated balance sheets:				
Non-current asset	**$ 229**	$ 178	**$ —**	$ —
Current liability	**(1)**	(1)	**—**	—
Non-current liability	**(6)**	(6)	**(38)**	(38)
Funded status at end of period	**$ 222**	$ 171	**$ (38)**	$ (38)

Amounts recognized in accumulated other comprehensive income (loss) before tax consist of the following:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2020	2019	2020	2019
	(in millions)			
Net actuarial loss	**$ 135**	$ 154	**$ 93**	$ 70

Benefit obligations in excess of plan assets were as follows:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2020	2019	2020	2019
	(in millions)			
Accumulated benefit obligation in excess of plan assets				
Accumulated benefit obligation at end of period	**$ (7)**	$ (7)	**$ (563)**	$ (528)
Fair value of plan assets at end of period	**$ —**	$ —	**$ 525**	$ 490
Projected benefit obligation in excess of plan assets				
Benefit obligation at end of period	**$ (7)**	$ (7)	**$ (563)**	$ (528)
Fair value of plan assets at end of period	**$ —**	$ —	**$ 525**	$ 490

Net periodic benefit cost consist of the following:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2020	2019	2018	2020	2019	2018
	(in millions)					
Service cost	**$ —**	$ —	$ —	**$ 4**	$ 4	$ 4
Interest cost	**28**	32	32	**10**	13	12
Expected return on assets	**(72)**	(71)	(70)	**(15)**	(18)	(20)
Amortization of actuarial loss	**6**	—	—	**2**	—	—
Settlement loss	**8**	7	3	**—**	—	—
Total net periodic benefit cost	**$ (30)**	$ (32)	$ (35)	**$ 1**	$ (1)	$ (4)

The service cost component of net periodic benefit cost is presented in personnel expenses while the other components are presented in other non-operating income (expense) on the Company's consolidated statement of operations.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) consist of the following:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2020	2019	2018	2020	2019	2018
	(in millions)					
Current year actuarial loss (gain)	**$ (5)**	$ 114	$ (47)	**$ 21**	$ 27	$ 30
Amortization of actuarial (loss) gain	**(14)**	(7)	(3)	**(2)**	—	—
Current year prior service cost	**—**	—	—	**—**	1	—
Total recognized in other comprehensive income (loss)	**$ (19)**	$ 107	$ (50)	**$ 19**	$ 28	$ 30
Total recognized in net periodic benefit cost and other comprehensive income (loss)	**$ (49)**	$ 75	$ (85)	**$ 20**	$ 27	$ 26

Weighted-average actuarial assumptions used to estimate the benefit obligation and net periodic benefit cost were as follows:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2020	2019	2018	2020	2019	2018
Discount rate for benefit obligation:						
Pension	**2.88 %**	3.26 %	4.23 %	**1.60 %**	1.80 %	2.90 %
Discount rate for net periodic benefit cost:						
Pension	**3.27 %**	4.23 %	3.84 %	**1.80 %**	2.90 %	2.70 %
Expected long-term rate of return on plan assets	**7.00 %**	7.00 %	7.00 %	**3.00 %**	3.00 %	4.25 %
Rate of increase[(1)] in compensation levels for:						
Benefit obligation	**NA**	NA	NA	**2.50 %**	2.50 %	3.20 %
Net periodic benefit cost	**NA**	NA	NA	**2.50 %**	2.50 %	3.20 %

(1) This assumption is not applicable for the U.S. plans due to the amendment of the U.S. qualified defined benefit pension plan in October 2015, which discontinued the employer provided credits effective after December 31, 2015.

Pension Plan Assets

Pension plan assets are managed with a long-term perspective to ensure that there is an adequate level of assets to support benefit payments to participants over the life of the pension plan. Pension plan assets are managed by external investment managers. Investment manager performance is measured against benchmarks for each asset class on a quarterly basis. An independent consultant assists management with investment manager selections and performance evaluations.

Pension plan assets are broadly diversified to maintain a prudent level of risk and to provide adequate liquidity for benefit payments. The Company generally evaluates and rebalances pension plan assets, as appropriate, to ensure that allocations are consistent with its investment strategy and within target allocation ranges. For U.S. pension plan assets, the Company's investment strategy is to invest in the following: equity securities of 35% to 65%, fixed income securities of 43% to 53% and other, primarily consisting of cash equivalents to meet near term expected benefit payments and expenses, of up to 4%. At September 30, 2020, U.S. pension plan asset allocations for these categories were 53%, 46% and 1%, respectively, which were within target allocation ranges.

For non-U.S. pension plan assets, the Company's investment strategy is to invest in the following: equity funds of 12%, interest and inflation hedging assets of 50% and other of 38%, consisting of cash and cash equivalents, corporate debt and asset-backed securities, multi-asset funds and property. At September 30, 2020, non-U.S. pension plan asset allocations for these categories were 13%, 50% and 37%, respectively, which generally aligned with the target allocations.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2020

The following tables set forth by level, within the fair value hierarchy, the pension plans' investments at fair value as of September 30, 2020 and 2019, including the impact of transactions that were not settled at the end of September:

	U.S. Plans							
	Fair Value Measurements at September 30 Using Inputs Considered as							
	Level 1		Level 2		Level 3		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	(in millions)							
Cash equivalents	$ 17	$ 18	$ —	$ —	$ —	$ —	$ 17	$ 18
Collective investment funds	—	—	509	580	—	—	509	580
Corporate debt securities	—	—	373	188	—	—	373	188
U.S. government-sponsored debt securities	—	—	30	35	—	—	30	35
U.S. Treasury securities	84	99	—	—	—	—	84	99
Asset-backed securities	—	—	—	—	37	37	37	37
Equity securities	92	133	—	—	—	—	92	133
Total	$ 193	$ 250	$ 912	$ 803	$ 37	$ 37	$ 1,142	$ 1,090

	Non-U.S. Plans							
	Fair Value Measurements at September 30 Using Inputs Considered as							
	Level 1		Level 2		Level 3		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	(in millions)							
Cash and cash equivalents	$ 6	$ 16	$ —	$ —	$ —	$ —	$ 6	$ 16
Equity securities	—	66	—	—	—	—	—	66
Corporate debt securities	—	—	48	44	—	—	48	44
Asset-backed securities	—	—	—	—	67	51	67	51
Equity funds	—	—	65	—	—	—	65	—
Multi-asset securities[(1)]	—	—	339	313	—	—	339	313
Total	$ 6	$ 82	$ 452	$ 357	$ 67	$ 51	$ 525	$ 490

(1) Multi-asset securities represent pension plan assets that are invested in funds comprised of broad ranges of assets.

Level 1 assets. Cash equivalents (money market funds and time deposits), U.S. Treasury securities and equity securities are classified as Level 1 within the fair value hierarchy, as fair value is based on unadjusted quoted prices in active markets for identical assets.

Level 2 assets. Collective investment funds are unregistered investment vehicles that generally commingle the assets of multiple fiduciary clients, such as pension and other employee benefit plans, to invest in a portfolio of stocks, bonds or other securities. Although the collective investment funds held by the plan are ultimately invested in publicly traded equity securities, their own unit values are not directly observable, and therefore they are classified as Level 2. Equity funds are investments in mutual funds that in-turn ultimately invest in equity securities of various jurisdictions. These are classified as level 2 as the equity funds held by the plan are not actively traded but the fair value of underlying securities are generally, although not always, determined with observable data and inputs. The fair values of corporate debt, multi-asset and U.S. government-sponsored securities are based on quoted prices in active markets for similar, not identical, assets.

Level 3 assets. Asset-backed securities are bonds that are backed by various types of assets and primarily consist of mortgage-backed securities. Asset-backed securities are classified as Level 3 due to a lack of observable inputs in measuring fair value.

Cash Flows

Expected future employer contributions and benefit payments are as follows:

	U.S. Plans	Non-U.S. Plans
	(in millions)	
Expected employer contributions		
2021	$ 1	$ 10
Expected benefit payments		
2021	130	7
2022	93	7
2023	89	8
2024	80	8
2025	74	8
2026-2030	289	43

Other Benefits

The Company sponsors a defined contribution plan, or 401(k) plan, that covers substantially all of its employees residing in the U.S. In fiscal 2020, 2019 and 2018, personnel costs included $140 million, $121 million, and $93 million, respectively, of expenses attributable to the Company's employees under the 401(k) plan. The Company's contributions to this 401(k) plan are funded on a current basis, and the related expenses are recognized in the period that the payroll expenses are incurred.

Note 12—Settlement Guarantee Management

The Company indemnifies its clients for settlement losses suffered due to failure of any other client to fund its settlement obligations in accordance with the Visa operating rules. This indemnification creates settlement risk for the Company due to the difference in timing between the date of a payment transaction and the date of subsequent settlement.

Historically, the Company has experienced minimal losses as a result of its settlement risk guarantee. However, the Company's future obligations, which could be material under its guarantees, are not determinable as they are dependent upon future events.

The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time, which vary significantly day to day. During the year ended September 30, 2020, the Company's maximum settlement exposure was $97.3 billion and the average daily settlement exposure was $55.6 billion.

The Company maintains and regularly reviews global settlement risk policies and procedures to manage settlement exposure, which may require clients to post collateral if certain credit standards are not met. At September 30, 2020 and 2019, the Company held the following collateral to manage settlement exposure:

	September 30,	
	2020	2019
	(in millions)	
Restricted cash and restricted cash equivalents	**$ 1,850**	$ 1,648
Pledged securities at market value	**228**	259
Letters of credit	**1,306**	1,293
Guarantees	**717**	477
Total	**$ 4,101**	$ 3,677

Note 13—Derivative Financial Instruments

Designated derivative financial instrument hedges. At September 30, 2020 and 2019, the aggregate notional amount of the Company's derivative contracts outstanding in its hedge program was $10.7 billion and $10.9 billion, respectively.

Cash Flow Hedges

As of September 30, 2020 and 2019, the Company's cash flow hedges in an asset position totaled $71 million and $47 million, respectively, and were classified in prepaid expenses and other current assets on the consolidated balance sheets. As of September 30, 2020 and 2019 cash flow hedges in a liability position totaled $39 million and $31 million, respectively, and were classified in accrued liabilities on the consolidated balance sheets. These amounts are subject to master netting agreements, which provide the Company with a legal right to net settle multiple payable and receivable positions with the same counterparty, in a single currency through a single payment. However, the Company presents fair values on a gross basis on the consolidated balance sheets. See *Note 1—Summary of Significant Accounting Policies.*

The Company uses regression analysis to assess hedge effectiveness prospectively and retrospectively. The effectiveness tests are performed on foreign exchange forward contracts based on changes in the spot rate of the derivative instrument compared to changes in the spot rate of the forecasted hedged transaction. Forward points are excluded from effectiveness testing and measurement purposes. Excluded forward points are reported in earnings. For fiscal 2020, 2019 and 2018, the amounts by which earnings were reduced relating to excluded forward points from cash flow hedges were $9 million, $12 million and $9 million, respectively.

The effective portion of changes in the fair value of derivative contracts designated as cash flow hedges is recorded as a component of accumulated other comprehensive income or loss on the consolidated balance sheets. When the forecasted transaction occurs and is recognized in earnings, the amount in accumulated other comprehensive income or loss related to that hedge is reclassified to operating revenue or expense. During fiscal 2021, the Company expects to reclassify $40 million of pre-tax gains to earnings.

Net Investment and Fair Value Hedges

In fiscal 2019, the Company entered into foreign exchange forward contracts which were designated as a net investment hedge against a portion of the Company's net investment in Visa Europe.

In fiscal 2019, the Company also entered into interest rate and cross-currency swap agreements on a portion of the Company's outstanding 3.15% Senior Notes due December 2025. The Company designated the interest rate swap as a fair value hedge and the cross-currency swap as a net investment hedge.

As of September 30, 2020 and 2019, the Company's net investment hedges in an asset position totaled $186 million and $298 million, respectively, and were classified in prepaid expenses and other current assets and other assets on the consolidated balance sheets. As of September 30, 2020, the Company's net investment hedges in a liability position was $137 million, and classified in other liabilities on the consolidated balance sheets.

As of September 30, 2020 and 2019, the Company's fair value hedges in an asset position totaled $248 million and $89 million, respectively, and were classified in other assets on the consolidated balance sheets. As of September 30, 2019, the Company's fair value hedges in a liability position was $2 million and was classified in other liabilities on the consolidated balance sheets.

For fiscal 2020 and 2019, the Company recorded an increase in earnings of $150 million and $95 million, respectively, related to forward points and interest differentials from forward contracts and swap agreements, respectively, which are excluded from effectiveness testing.

Non-designated derivative financial instrument hedges

The Company utilizes foreign exchange derivative contracts to hedge against foreign currency exchange rate fluctuations related to certain monetary assets and liabilities denominated in foreign currency. As of September 30, 2020 and 2019, the aggregate notional amount of these balance sheet hedges was $1.6 billion and $0.8 billion, respectively. As of September 30, 2020 and 2019, the Company's balance sheet hedges in an asset position totaled $7 million and $3 million, respectively, and were classified in other assets on the consolidated balance sheets, while balance sheet hedges in a liability position totaled $5 million and $19 million, respectively, and were classified in accrued liabilities on the consolidated balance sheets.

Credit and market risks. The Company's derivative financial instruments are subject to both credit and market risk. The Company monitors the credit-worthiness of the financial institutions that are counterparties to its derivative financial instruments and does not consider the risks of counterparty nonperformance to be significant. The Company mitigates this risk by entering into master netting agreements, and such agreements require each party to post collateral against its net liability position with the respective counterparty. As of September 30, 2020, the Company has received collateral of $64 million, from counterparties, which is included in accrued liabilities in the consolidated balance sheets, and posted collateral of $26 million, which is included in prepaid expenses and other current assets in the consolidated balance sheets. Notwithstanding the Company's efforts to manage foreign exchange risk, there can be no absolute assurance that its hedging activities will adequately protect against the risks associated with foreign currency fluctuations. Credit and market risks related to derivative instruments were not considered significant as of September 30, 2020.

Note 14—Enterprise-wide Disclosures and Concentration of Business

The Company's long-lived net property and equipment and ROU assets are classified by major geographic areas as follows:

	September 30,	
	2020	**2019**[1]
	(in millions)	
U.S.	**$ 1,350**	$ 1,186
International	**558**	263
Total	**$ 1,908**	$ 1,449

[1] The fiscal 2019 amounts have been revised to conform to the fiscal 2020 presentation.

Revenues by geographic market is primarily based on the location of the issuing financial institution. Net revenues earned in the U.S. were approximately 46% of total net revenues in fiscal 2020 and 45% of total net revenues in each of fiscal 2019 and fiscal 2018. No individual country, other than the U.S., generated more than 10% of total net revenues in these years.

In fiscal 2020, the Company had two clients that accounted for 11% and 10% of its total net revenues, respectively. In fiscal 2019 and 2018, no clients generated greater than 10% of the Company's total net revenues.

Note 15—Stockholders' Equity

Series A preferred stock issuance. In September 2020, the Company issued 374,819 shares of series A preferred stock in connection with the Fourth anniversary release. See *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

As-converted class A common stock. The number of shares of each series and class, and the number of shares of class A common stock on an as-converted basis at September 30, 2020 and 2019, were as follows:

	September 30,					
	2020			2019		
	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock[(1)]	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock[(1)]
	(in millions, except conversion rate)					
Series A preferred stock	— [(2)]	100.0000	35	—	—	—
UK&I preferred stock	2	6.3870	16	2	12.9360	32
Europe preferred stock	3	6.8610	22	3	13.8840	44
Class A common stock[(3)]	1,683	—	1,683	1,718	—	1,718
Class B common stock	245	1.6228 [(4)]	398	245	1.6228 [(4)]	398
Class C common stock	11	4.0000	43	11	4.0000	45
Total			2,197			2,237

(1) Figures in the table may not recalculate exactly due to rounding. As-converted class A common stock is calculated based on unrounded numbers.
(2) The number of shares outstanding was less than one million.
(3) Class A common stock shares outstanding reflect repurchases settled on or before September 30, 2020 and 2019.
(4) The class B to class A common stock conversion rate is presented on a rounded basis. Conversion calculations for dividend payments are based on a conversion rate rounded to the tenth decimal.

Reduction in as-converted shares. Under the terms of the Europe retrospective responsibility plan, the Company is entitled to recover VE territory covered losses through periodic adjustments to the class A common stock conversion rates applicable to the UK&I and Europe preferred stock. The recovery has the same economic effect on earnings per share as repurchasing the Company's class A common stock, because it reduces the UK&I and Europe preferred stock conversion rates and consequently, reduces the as-converted class A common stock share count. See *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

The following table presents the reduction in as-converted UK&I and Europe preferred stock after the Company recovered VE territory covered losses recovered through conversion rate adjustments and the Fourth anniversary release:

	For the Years Ended September 30,					
	2020		2019		2018	
	UK&I	Europe	UK&I	Europe	UK&I	Europe
	(in millions, except per share data)					
Reduction in equivalent number of as-converted shares of class A common stock	**16**	**22**	— [1]	— [1]	— [1]	— [1]
Effective price per share[2]	**$ 194.31**	**$ 194.33**	$ 141.32	$ 150.26	$ 113.05	$ 112.92
Recovery through conversion rate adjustment	**$ 72**	**$ 92**	$ 6	$ 2	$ 35	$ 21
Fourth anniversary release	**$ 3,084**	**$ 4,216**	$ —	$ —	$ —	$ —

(1) The reduction in equivalent number of shares of class A common stock was less than one million shares.

(2) Effective price per share for each adjustment made during the year is calculated using the volume-weighted average price of the Company's class A common stock over a pricing period in accordance with the Company's current certificates of designations for its series B and C convertible participating preferred stock. Effective price per share for each fiscal year is calculated using the weighted-average effective prices of the respective adjustments made during the year.

Under the terms of the U.S. retrospective responsibility plan, when the Company makes a deposit into the litigation escrow account, the shares of class B common stock are subject to dilution through a reduction to the conversion rate of the shares of class B common stock to shares of class A common stock. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

The following table presents the reduction in as-converted class B common stock after deposits into the litigation escrow account for the following fiscal years:

	For the Years Ended September 30,		
	2020	**2019**	**2018**
	(in millions, except per share data)		
Reduction in equivalent number of as-converted shares of class A common stock	**—**	2	5
Effective price per share[1]	**$ —**	$ 174.73	$ 132.32
Deposits under the U.S. retrospective responsibility plan	**$ —**	$ 300	$ 600

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

Common stock repurchases. The following table presents share repurchases in the open market for the following fiscal years:

	For the Years Ended September 30,		
	2020	**2019**	**2018**
	(in millions, except per share data)		
Shares repurchased in the open market[1]	**44**	56	58
Average repurchase price per share[2]	**$ 183.00**	$ 154.01	$ 123.76
Total cost	**$ 8,114**	$ 8,607	$ 7,192

(1) Shares repurchased in the open market reflect repurchases that settled during fiscal 2020, 2019 and 2018. All shares repurchased in the open market have been retired and constitute authorized but unissued shares.
(2) Average repurchase price per share is calculated based on unrounded numbers.

In January 2019, the Company's board of directors authorized an $8.5 billion share repurchase program and in January 2020, authorized an additional $9.5 billion share repurchase program (the "January 2020 Program"). This authorization has no expiration date. As of September 30, 2020, the Company's January 2020 program had remaining authorized funds of $5.5 billion. All share repurchase programs authorized prior to January 2020 have been completed.

Dividends declared. In fiscal 2020, the Company declared and paid $2.7 billion in dividends at a quarterly rate of $0.30 per share. On October 23, 2020, the Company's board of directors declared a quarterly cash dividend of $0.32 per share of class A common stock (determined in the case of class B and C common stock and series A, UK&I and Europe preferred stock on an as-converted basis), which will be paid on December 1, 2020, to all holders of record of the Company's common and preferred stock as of November 13, 2020.

Class B common stock. The class B common stock is not convertible or transferable until the date on which all of the U.S. covered litigation has been finally resolved. This transfer restriction is subject to limited exceptions, including transfers to other holders of class B common stock. After termination of the restrictions, the class B common stock will be convertible into class A common stock if transferred to a person that was not a Visa Member (as defined in the current certificate of incorporation) or similar person or an affiliate of a Visa Member or similar person. Upon such transfer, each share of class B common stock will automatically convert into a number of shares of class A common stock based upon the applicable conversion rate in effect at the time of such transfer.

Adjustment of the conversion rate occurs upon: (i) the completion of any follow-on offering of class A common stock completed to increase the size of the U.S. litigation escrow account (or any cash deposit by the Company in lieu thereof) resulting in a further corresponding decrease in the conversion rate; or (ii) the final resolution of the U.S. covered litigation and the release of funds remaining on deposit in the U.S. litigation escrow account to the Company resulting in a corresponding increase in the conversion rate. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Class C common stock. As of September 30, 2020, all of the shares of class C common stock have been released from transfer restrictions. A total of 140 million shares have been converted from class C to class A common stock upon their sale into the public market.

Preferred stock. In connection with the Visa Europe acquisition, three new series of preferred stock of the Company were created. Upon issuance, all of the preferred stock participate on an as-converted basis in regular quarterly cash dividends declared on the Company's class A common stock. Preferred stock may be issued as redeemable or non-redeemable, and has preference over any class of common stock with respect to the payment of dividends and distribution of the Company's assets in the event of a liquidation or dissolution.

The UK&I and Europe preferred stock is convertible upon certain conditions into shares of class A common stock or series A preferred stock. The shares of UK&I and Europe preferred stock are subject to restrictions on transfer and may become convertible in stages based on developments in the VE territory covered litigation. The shares of UK&I and Europe preferred stock will become fully convertible on the 12th anniversary of the closing of the Visa Europe acquisition, subject only to a holdback to cover any then-pending claims. Upon any such conversion of the UK&I or Europe preferred stock (whether by such 12th anniversary, or thereafter with respect to claims pending on such anniversary), the conversion rate would be adjusted downward and the holder would receive either class A common stock or series A preferred stock (for those who are not eligible to hold class A common stock pursuant to the Company's charter). The conversion rates may also be reduced from time to time to offset certain liabilities.

The series A preferred stock, generally designed to be economically equivalent to the Company's class A common stock, is freely transferable and each share of series A preferred stock will automatically convert into 100 shares of class A common stock upon a transfer to any holder that is eligible to hold class A common stock under the charter. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Voting rights. The holders of the UK&I and Europe preferred stock have no right to vote on any matters, except for certain defined matters, including, in specified circumstances, any consolidation, merger, combination or similar transaction of the Company in which the preferred stockholders would either (i) receive shares of common stock or other equity securities of the Company with preferences, rights and privileges that are not substantially identical to the preferences, rights and privileges of the applicable series of preferred stock or (ii) receive securities, cash or other property that is different from what the Company's class A common stockholders would receive. With respect to these limited matters on which the holders of preferred stock may vote, approval by the preferred stockholders requires the affirmative vote of the outstanding voting power of each such series of preferred stock, each such series voting as a single class. In either case, the UK&I and Europe preferred stockholders are entitled to cast a number of votes equal to the number of shares held by each such holder. Holders of the series A preferred stock, upon issuance at conversion, will have similar voting rights to the rights of the holders of the UK&I and Europe preferred stock.

Class A common stockholders have the right to vote on all matters on which stockholders generally are entitled to vote. Class B and C common stockholders have no right to vote on any matters, except for certain defined matters, including (i) any decision to exit the core payments business, in which case the class B and C common stockholders will vote together with the class A common stockholders in a single class, and (ii) in specified circumstances, any consolidation, merger, combination or similar transaction of the Company, in which case the class B and C common stockholders will vote together as a single class. In either case, the class B and C common stockholders are entitled to cast a number of votes equal to the number of shares of class B or C common stock held multiplied by the applicable conversion rate in effect on the record date. Holders of the Company's common stock have no right to vote on any amendment to the current certificate of incorporation that relates solely to any series of preferred stock.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2020

Note 16—Earnings Per Share

Basic earnings per share is computed by dividing net income available to each class by the weighted-average number of shares of common stock outstanding and participating securities during the period. Net income is allocated to each class of common stock and participating securities based on its proportional ownership on an as-converted basis. The weighted-average number of shares of each class of common stock outstanding reflects changes in ownership over the periods presented. See *Note 15—Stockholders' Equity*.

Diluted earnings per share is computed by dividing net income available by the weighted-average number of shares of common stock outstanding, participating securities and, if dilutive, potential class A common stock equivalent shares outstanding during the period. Dilutive class A common stock equivalents may consist of: (1) shares of class A common stock issuable upon the conversion of series A, UK&I and Europe preferred stock and class B and C common stock based on the conversion rates in effect through the period, and (2) incremental shares of class A common stock calculated by applying the treasury stock method to the assumed exercise of employee stock options, the assumed purchase of stock under the Employee Stock Purchase Plan and the assumed vesting of unearned performance shares.

The following table presents earnings per share for fiscal 2020:

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)(1)	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)(2)	Income Allocation (A)(1)	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)(2)
	(in millions, except per share data)					
Class A common stock	$ 8,310	1,697	$ 4.90	$ 10,866	2,223 (3)	$ 4.89
Class B common stock	1,951	245	$ 7.94	1,948	245	$ 7.93
Class C common stock	214	11	$ 19.58	214	11	$ 19.56
Participating securities(4)	391	Not presented	Not presented	391	Not presented	Not presented
Net income	**$ 10,866**					

The following table presents earnings per share for fiscal 2019:

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)(1)	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)(2)	Income Allocation (A)(1)	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)(2)
	(in millions, except per share data)					
Class A common stock	$ 9,273	1,742	$ 5.32	$ 12,080	2,272 (3)	$ 5.32
Class B common stock	2,130	245	$ 8.68	2,127	245	$ 8.66
Class C common stock	247	12	$ 21.30	246	12	$ 21.26
Participating securities(4)	430	Not presented	Not presented	429	Not presented	Not presented
Net income	$ 12,080					

The following table presents earnings per share for fiscal 2018:

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)(1)	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)(2)	Income Allocation (A)(1)	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)(2)
	(in millions, except per share data)					
Class A common stock	$ 7,937	1,792	$ 4.43	$ 10,301	2,329 (3)	$ 4.42
Class B common stock	1,787	245	$ 7.28	1,785	245	$ 7.27
Class C common stock	218	12	$ 17.72	217	12	$ 17.69
Participating securities(4)	359	Not presented	Not presented	358	Not presented	Not presented
Net income	$ 10,301					

(1) Net income is allocated based on proportional ownership on an as-converted basis. The weighted-average number of shares of as-converted class B common stock used in the income allocation was 398 million, 400 million and 403 million for fiscal 2020, 2019 and 2018, respectively. The weighted-average number of shares of as-converted class C common stock used in the income allocation was 44 million, 46 million and 49 million for fiscal 2020, 2019 and 2018, respectively. The weighted-average number of shares of preferred stock included within participating securities was 1 million of as-converted series A preferred stock for fiscal 2020, 32 million of as-converted UK&I preferred stock for each of fiscal 2020, 2019 and 2018, and 43 million of as-converted Europe preferred stock for fiscal 2020 and 44 million of as-converted Europe preferred stock for each of fiscal 2019 and 2018.

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

(3) Weighted-average diluted shares outstanding are calculated on an as-converted basis, and include incremental common stock equivalents, as calculated under the treasury stock method. The computation includes 3 million common stock equivalents for each of fiscal 2020, 2019 and 2018 because their effect would have been dilutive. The computation excludes 1 million of common stock equivalents for each of fiscal 2020, 2019 and 2018, because their effect would have been anti-dilutive.

(4) Participating securities include preferred stock outstanding and unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, such as the Company's series A preferred stock, UK&I and Europe preferred stock, restricted stock awards, restricted stock units and earned performance-based shares. Participating securities' income is allocated based on the weighted-average number of shares of as-converted stock. See *Note 15—Stockholders' Equity.*

Note 17—Share-based Compensation

2007 Equity Incentive Compensation Plan

The Company's 2007 Equity Incentive Compensation Plan, or the EIP, authorizes the compensation committee of the board of directors to grant non-qualified stock options ("options"), restricted stock awards ("RSAs"), restricted stock units ("RSUs") and performance-based shares to its employees and non-employee directors, for up to 236 million shares of class A common stock. Shares available for award may be either authorized and unissued or previously issued shares subsequently acquired by the Company. The EIP will continue to be in effect until all of the common stock available under the EIP is delivered and all restrictions on those shares have lapsed, unless the EIP is terminated earlier by the Company's board of directors. Awards may be granted under the plan until January 31, 2022.

For fiscal 2020, 2019 and 2018, the Company recorded share-based compensation cost related to the EIP of $393 million, $388 million and $312 million, respectively, in personnel expense on its consolidated statements of operations. The related tax benefits for fiscal 2020, 2019 and 2018 were $63 million, $59 million and $53 million, respectively.

Options

Options issued under the EIP expire 10 years from the date of grant and primarily vest ratably over 3 years from the date of grant, subject to earlier vesting in full under certain conditions.

During fiscal 2020, 2019 and 2018, the fair value of each stock option was estimated on the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	For the Years Ended September 30,		
	2020	**2019**	**2018**
Expected term (in years)(1)	**4.03**	3.98	4.00
Risk-free rate of return(2)	**1.6 %**	2.9 %	2.0 %
Expected volatility(3)	**18.7 %**	20.2 %	18.3 %
Expected dividend yield(4)	**0.7 %**	0.7 %	0.7 %
Fair value per option granted	**$ 29.37**	$ 25.89	$ 18.24

(1) Until March 2018, this assumption was based on the Company's historical option exercises and those of a set of peer companies that management believed to be generally comparable to Visa. The Company's data was weighted based on the number of years between the measurement date and Visa's IPO date as a percentage of the options' contractual term. The relative weighting placed on Visa's data and peer data for stock options granted until March 2018 was approximately 97% and 3% in fiscal 2018,

respectively. The assumptions for stock options granted after March 2018 was based on Visa's historical exercise experience as the passage of time since the Company's IPO has exceeded 10 years.

(2) Based upon the zero coupon U.S. treasury bond rate over the expected term of the awards.

(3) Based on the Company's implied and historical volatility.

(4) Based on the Company's annual dividend rate on the date of grant.

The following table summarizes the Company's option activity for fiscal 2020:

	Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value[1] (in millions)
Outstanding at September 30, 2019	5,714,658	$ 90.18		
Granted	1,247,982	$ 182.50		
Forfeited	(67,193)	$ 140.17		
Expired	—	$ —		
Exercised	(1,108,898)	$ 63.53		
Outstanding at September 30, 2020	**5,786,549**	**$ 114.61**	**6.87**	**$ 494**
Options exercisable at September 30, 2020	**3,425,611**	$ 87.28	5.79	$ 386
Options exercisable and expected to vest at September 30, 2020[2]	**5,718,325**	$ 113.96	6.84	$ 492

(1) Calculated using the closing stock price on the last trading day of fiscal 2020 of $199.97, less the option exercise price, multiplied by the number of instruments.

(2) Applied a forfeiture rate to unvested options outstanding at September 30, 2020 to estimate the options expected to vest in the future.

For the options exercised during fiscal 2020, 2019 and 2018, the total intrinsic value was $146 million, $107 million and $249 million, respectively, and the tax benefit realized was $31 million, $23 million and $55 million, respectively. As of September 30, 2020, there was $22 million of total unrecognized compensation cost related to unvested options, which is expected to be recognized over a weighted-average period of approximately 0.45 years.

Restricted Stock Awards and Restricted Stock Units

RSAs and RSUs issued under the EIP primarily vest ratably over 3 years from the date of grant, subject to earlier vesting in full under certain conditions.

Upon vesting, the RSAs are settled in class A common stock on a one-for-one basis. During the vesting period, RSA award recipients are eligible to receive dividends and participate in the same voting rights as those granted to the holders of the underlying class A common stock. Upon vesting, RSUs can be settled in class A common stock on a one-for-one basis or in cash, or a combination thereof, at the Company's option. The Company does not currently intend to settle any RSUs in cash. During the vesting period, RSU award recipients are eligible to receive dividend equivalents, but do not participate in the voting rights granted to the holders of the underlying class A common stock. The Company discontinued granting RSAs in fiscal 2016 but will continue to grant RSUs under the EIP. As of September 30, 2018, there were no RSAs outstanding.

The fair value and compensation cost before estimated forfeitures for RSAs and RSUs is calculated using the closing price of class A common stock on the date of grant. The weighted-average grant date fair value of RSUs granted during fiscal 2020, 2019 and 2018 was $183.61, $137.38 and $111.11, respectively. The total grant date fair value of RSAs and RSUs vested during fiscal 2020, 2019 and 2018 was $284 million, $228 million and $183 million, respectively.

The following table summarizes the Company's RSU activity for fiscal 2020:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value[1] (in millions)
Outstanding at September 30, 2019	5,166,759	$ 118.79		
Granted	2,352,714	$ 183.61		
Vested	(2,561,379)	$ 110.73		
Forfeited	(267,594)	$ 147.70		
Outstanding at September 30, 2020	**4,690,500**	**$ 154.06**	**0.83**	**$ 938**

(1) Calculated by multiplying the closing stock price on the last trading day of fiscal 2020 of $199.97 by the number of instruments.

At September 30, 2020, there was $381 million of total unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted-average period of approximately 0.83 years.

Performance-based Shares

For the Company's performance-based shares, in addition to service conditions, the ultimate number of shares to be earned depends on the achievement of both performance and market conditions. The performance condition is based on the Company's earnings per share target. The market condition is based on the Company's total shareholder return ranked against that of other companies that are included in the Standard & Poor's 500 Index. The fair value of the performance-based shares for fiscal 2020, incorporating the market condition, is estimated on the grant date using a Monte Carlo simulation model with the following weighted-average assumptions: risk-free rate of return of 1.6%, expected term of 1.9 years, expected volatility of 20.9% and expected dividend yield of 0.7%. The grant-date fair value of performance-based shares granted in fiscal 2020, 2019 and 2018 was $211.08, $153.42 and $120.11 per share, respectively. Performance-based shares vest over three years and are subject to earlier vesting in full under certain conditions. The total grant date fair value of performance-based shares vested and earned during fiscal 2020, 2019 and 2018 was $65 million, $41 million and $31 million, respectively.

Compensation cost for performance-based shares is initially estimated based on target performance. It is recorded net of estimated forfeitures and adjusted as appropriate throughout the performance period.

The following table summarizes the maximum number of performance-based shares which could be earned and related activity for fiscal 2020:

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value[1] (in millions)
Outstanding at September 30, 2019	1,070,690	$ 129.08		
Granted[2]	470,128	$ 211.08		
Vested and earned	(546,018)	$ 118.18		
Unearned	—	$ —		
Forfeited	—	$ —		
Outstanding at September 30, 2020	**994,800**	**$ 171.33**	**0.73**	**$ 199**

(1) Calculated by multiplying the closing stock price on the last trading day of fiscal 2020 of $199.97 by the number of instruments.
(2) Represents the maximum number of performance-based shares which could be earned.

At September 30, 2020, there was $20 million of total unrecognized compensation cost related to unvested performance-based shares, which is expected to be recognized over a weighted-average period of approximately 0.73 years.

Employee Stock Purchase Plan

The Visa Inc. Employee Stock Purchase Plan (the "ESPP") permits eligible employees to purchase the Company's class A common stock at a 15% discount of the stock price on the purchase date, subject to certain restrictions. A total of 20 million shares of class A common stock have been reserved for issuance under the ESPP. In fiscal 2020, 2019 and 2018, the ESPP did not have a material impact on the consolidated financial statements.

Note 18—Commitments and Contingencies

Commitments. The Company has software licenses throughout the world with varying expiration dates. At September 30, 2020, future minimum payments on software licenses are as follows:

	For the Years Ending September 30,						
	2021	2022	2023	2024	2025	Thereafter	Total
	(in millions)						
Software licenses	$ 61	$ 26	$ 5	$ 5	$ 5	$ —	**$ 102**

Note 19—Income Taxes

The Company's income before taxes by fiscal year consisted of the following:

	For the Years Ended September 30,		
	2020	2019	2018
	(in millions)		
U.S.	**$ 9,178**	$ 9,536	$ 8,088
Non-U.S.	**4,612**	5,348	4,718
Total income before taxes	**$ 13,790**	$ 14,884	$ 12,806

For fiscal 2020 and 2019, U.S. income before taxes included $3.0 billion, and for fiscal 2018 included $2.7 billion, of the Company's U.S. entities' income from operations outside of the U.S.

Income tax provision by fiscal year consisted of the following:

	For the Years Ended September 30,		
	2020	2019	2018
	(in millions)		
Current:			
U.S. federal	**$ 1,662**	$ 1,504	$ 2,819
State and local	**212**	243	219
Non-U.S.	**743**	843	754
Total current taxes	**2,617**	2,590	3,792
Deferred:			
U.S. federal	**42**	184	(1,214)
State and local	**9**	28	(96)
Non-U.S.	**256**	2	23
Total deferred taxes	**307**	214	(1,287)
Total income tax provision	**$ 2,924**	$ 2,804	$ 2,505

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and liabilities at September 30, 2020 and 2019, are presented below:

	September 30,	
	2020	2019
	(in millions)	
Deferred Tax Assets:		
Accrued compensation and benefits	**$ 114**	$ 117
Accrued litigation obligation	**204**	273
Client incentives	**121**	125
Net operating loss carryforwards	**80**	65
Comprehensive loss	**148**	33
Federal benefit of state taxes	**203**	148
Other	**12**	6
Valuation allowance	**(84)**	(69)
Deferred tax assets	**798**	698
Deferred Tax Liabilities:		
Property, equipment and technology, net	**(343)**	(314)
Intangible assets	**(5,492)**	(4,983)
Foreign taxes	**(137)**	(184)
Deferred tax liabilities	**(5,972)**	(5,481)
Net deferred tax liabilities	**$ (5,174)**	$ (4,783)

On July 22, 2020, UK enacted legislation that repealed the previous tax rate reduction from 19% to 17% that was effective on April 1, 2020. As a result, the Company recorded a $329 million non-recurring, non-cash tax expense related to the remeasurement of its net UK deferred tax liabilities, primarily related to intangibles recorded upon the acquisition of Visa Europe in fiscal 2016. The increase in deferred tax liabilities reflects the remeasurement of UK deferred tax liabilities.

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted in the U.S. on March 27, 2020. The CARES Act includes several U.S. income tax provisions related to, among other things, net operating loss carrybacks, alternative minimum tax credits, modifications to the net interest deduction limitations, and technical amendments regarding the income tax depreciation of qualified improvement property placed in service after December 31, 2017. The CARES Act does not have a material impact on the Company’s financial results.

At September 30, 2020 and 2019, net deferred tax assets of $63 million and $24 million, respectively, are reflected in other assets on the consolidated balance sheets.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. The fiscal 2020 and 2019 valuation allowances relate primarily to foreign net operating losses from subsidiaries acquired in recent years.

As of September 30, 2020, the Company had $13 million federal, $16 million state and $367 million foreign net operating loss carryforwards from acquired subsidiaries. Federal and state net operating loss carryforwards generated in years prior to fiscal 2018 will expire in fiscal 2028 through 2037. Federal net operating losses generated after fiscal 2017 may be carried forward indefinitely. Foreign net operating losses may be carried forward indefinitely, except for certain foreign losses that expire in fiscal 2025 through 2027. The Company expects to fully utilize the state net operating loss carryforwards in future years.

The income tax provision differs from the amount of income tax determined by applying the applicable U.S. federal statutory rate to pretax income, as a result of the following:

	For the Years Ended September 30,					
	2020		2019		2018	
	(in millions, except percentages)					
U.S. federal income tax at statutory rate	**$ 2,896**	21 %	$ 3,126	21 %	$ 3,141	25 %
State income taxes, net of federal benefit	**199**	2 %	223	2 %	201	2 %
Non-U.S. tax effect, net of federal benefit	**(483)**	(4)%	(527)	(4)%	(465)	(4)%
Transition tax on foreign earnings	**—**	— %	—	— %	1,147	9 %
Remeasurement of deferred tax balances	**329**	2 %	—	— %	(1,133)	(9)%
Other, net	**(17)**	— %	(18)	— %	(386)	(3)%
Income tax provision	**$ 2,924**	21 %	$ 2,804	19 %	$ 2,505	20 %

In fiscal 2020 and fiscal 2019, the effective income tax rate was 21% and 19%, respectively. The effective tax rate in fiscal 2020 differs from the effective tax rate in fiscal 2019 mainly due to a $329 million non-recurring, non-cash tax expense related to the remeasurement of UK deferred tax liabilities, as discussed above.

In fiscal 2019 and fiscal 2018, the effective income tax rate was 19% and 20%, respectively. The effective tax rate in fiscal 2019 differs from the effective tax rate in fiscal 2018 primarily due to:

- a decrease in federal statutory rate, from a blended rate of 24.5% in fiscal 2018 to a rate of 21% in fiscal 2019, resulting from the Tax Act,
- new provisions enacted as part of the Tax Act, including the deduction for foreign-derived intangible income (“FDII”) and tax on global intangible low-tax income (“GILTI”), effective for the Company on October 1, 2018; and the absence of the following items recorded in fiscal 2018:
- a $1.1 billion one-time transition tax expense on certain untaxed foreign earnings in accordance with the Tax Act;
- a $1.1 billion non-recurring, non-cash benefit from the remeasurement of deferred tax balances due to the reduction in U.S. federal tax rate enacted by the Tax Act; and
- $161 million of tax benefits due to various non-recurring audit settlements.

Current income taxes receivable at September 30, 2020 and 2019 of $93 million and $130 million, respectively, were included in prepaid expenses and other current assets. Non-current income taxes receivable at September 30, 2020 and 2019 of $988 million and $771 million, respectively, were included in other assets. Income taxes payable at September 30, 2020 and 2019 of $134 million and $327 million, respectively, were included in accrued liabilities. Accrued income taxes at September 30, 2020 and 2019 of $2.8 billion and $2.5 billion, respectively, were included in other liabilities.

The Company’s operating hub in the Asia Pacific region is located in Singapore. Effective October 1, 2008 through September 30, 2023, it is subject to a tax incentive which is conditional upon meeting certain business operations and employment thresholds in Singapore. The tax incentive decreased Singapore tax by $280 million, $324 million and $295 million, and the benefit of the tax incentive on diluted earnings per share was $0.13, $0.14 and $0.13 in fiscal 2020, 2019 and 2018, respectively.

In accordance with *Accounting Standards Codification 740—Income Taxes*, the Company is required to inventory, evaluate and measure all uncertain tax positions taken or to be taken on tax returns, and to record liabilities for the amount of such positions that may not be sustained, or may only partially be sustained, upon examination by the relevant taxing authorities.

At September 30, 2020, 2019, and 2018, the Company's total gross unrecognized tax benefits were \$2.6 billion, \$2.2 billion and \$1.7 billion, respectively, exclusive of interest and penalties described below. Included in the \$2.6 billion, \$2.2 billion and \$1.7 billion are \$1.6 billion, \$1.4 billion and \$1.2 billion of unrecognized tax benefits, respectively, that if recognized, would reduce the effective tax rate in a future period.

A reconciliation of beginning and ending unrecognized tax benefits by fiscal year is as follows:

	2020	2019	2018
		(in millions)	
Balance at beginning of period	**$ 2,234**	$ 1,658	$ 1,353
Increases of unrecognized tax benefits related to prior years	**66**	216	367
Decreases of unrecognized tax benefits related to prior years	**(83)**	(13)	(233)
Increases of unrecognized tax benefits related to current year	**376**	384	172
Decreases related to settlements with taxing authorities	**(12)**	(9)	—
Reductions related to lapsing statute of limitations	**(2)**	(2)	(1)
Balance at end of period	**$ 2,579**	$ 2,234	$ 1,658

In fiscal 2020, 2019 and 2018, the Company recognized $68 million, $66 million and $15 million of interest expense, respectively, related to uncertain tax positions. In fiscal 2020, 2019 and 2018, the Company accrued penalties related to uncertain tax positions of $4 million, $5 million and none, respectively. At September 30, 2020 and 2019, the Company had accrued interest of $233 million and $165 million, respectively, and accrued penalties of $31 million and $26 million, respectively, related to uncertain tax positions included in other long-term liabilities in its consolidated balance sheets.

The Company's fiscal 2012 through 2015 U.S. federal and California income tax returns are currently under examination. The Company has filed federal refund claims for fiscal 2008 through 2011, and California refund claims for fiscal 2006 through 2011, which are also currently under examination. Except for the refund claims, the federal and California statutes of limitations have expired for fiscal years prior to 2012.

During fiscal 2013, the Canada Revenue Agency (CRA) completed its examination of the Company's fiscal 2003 through 2009 Canadian tax returns and proposed certain assessments. Based on the findings of its examination, the CRA also proposed certain assessments to the Company's fiscal 2010 through 2017 Canadian tax returns. The Company filed notices of objection against these assessments and, in fiscal 2015, completed the appeals process without reaching a settlement with the CRA. In April 2016, the Company petitioned the Tax Court of Canada to overturn the CRA's assessments. In September 2020, the Company decided to accept a settlement offer provided by the CRA. The settlement agreement is subject to approval by the Tax Court of Canada. The Company's income tax provision has been adjusted accordingly.

The India tax authorities completed the first level examination of the Company's income tax returns for the taxable years falling within the period from fiscal 2010 to 2016, and proposed certain assessments. The Company objected to these proposed assessments and filed appeals to the appellate authorities. While the timing and outcome of the final resolution of these appeals are uncertain, the Company believes that its income tax provision adequately reflects its income tax obligations in India.

The Company is also subject to examinations by various state and foreign tax authorities. All material state and foreign tax matters have been concluded for years through fiscal 2006. The timing and outcome of the final resolutions of the federal, state and foreign tax examinations and refund claims are uncertain. As such, it is not reasonably possible to estimate the impact that the final outcomes could have on the Company's unrecognized tax benefits in the next 12 months.

Note 20—Legal Matters

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

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2020

The litigation accrual is an estimate and is based on management's understanding of its litigation profile, the specifics of each case, advice of counsel to the extent appropriate and management's best estimate of incurred loss as of the balance sheet date.

The following table summarizes the activity related to accrued litigation by fiscal year:

	2020	2019
	(in millions)	
Balance at beginning of period	**$ 1,203**	$ 1,434
Provision for uncovered legal matters	**10**	37
Provision for covered legal matters	**26**	535
Reestablishment of prior accrual related to interchange multidistrict litigation	**467**	—
Payments for legal matters	**(792)**	(803)
Balance at end of period	**$ 914**	$ 1,203

Accrual Summary—U.S. Covered Litigation

Visa Inc., Visa U.S.A. and Visa International are parties to certain legal proceedings that are covered by the U.S. retrospective responsibility plan, which the Company refers to as the U.S. covered litigation. An accrual for the U.S. covered litigation and a charge to the litigation provision are recorded when a loss is deemed to be probable and reasonably estimable. In making this determination, the Company evaluates available information, including but not limited to actions taken by the litigation committee. The total accrual related to the U.S. covered litigation could be either higher or lower than the escrow account balance. See further discussion below under *Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions* and *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

The following table summarizes the accrual activity related to U.S. covered litigation by fiscal year:

	2020	2019
	(in millions)	
Balance at beginning of period	**$ 1,198**	$ 1,428
Provision for interchange multidistrict litigation	**—**	370
Reestablishment of prior accrual related to interchange multidistrict litigation	**467**	—
Payments for U.S. covered litigation	**(777)**	(600)
Balance at end of period	**$ 888**	$ 1,198

Accrual Summary—VE Territory Covered Litigation

Visa Inc., Visa International and Visa Europe are parties to certain legal proceedings that are covered by the Europe retrospective responsibility plan. Unlike the U.S. retrospective responsibility plan, the Europe retrospective responsibility plan does not have an escrow account that is used to fund settlements or judgments. The Company is entitled to recover VE territory covered losses through periodic adjustments to the conversion rates applicable to the UK&I preferred stock and Europe preferred stock. An accrual for the VE territory covered losses and a reduction to stockholders' equity will be recorded when the loss is deemed to be probable and reasonably estimable. See further discussion below under *VE Territory Covered Litigation* and *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

The following table summarizes the accrual activity related to VE territory covered litigation by fiscal year:

	2020	2019
	(in millions)	
Balance at beginning of period	**$ 5**	$ —
Accrual for VE territory covered litigation	**26**	165
Payments for VE territory covered litigation	**(10)**	(160)
Balance at end of period	**$ 21**	$ 5

U.S. Covered Litigation

Interchange Multidistrict Litigation (MDL) – Putative Class Actions

Beginning in May 2005, a series of complaints (the majority of which were styled as class actions) were filed in U.S. federal district courts by merchants against Visa U.S.A., Visa International and/or Mastercard, and in some cases, certain U.S. financial institutions. The Judicial Panel on Multidistrict Litigation issued an order transferring the cases to the U.S. District Court for the Eastern District of New York for coordination of pre-trial proceedings in MDL 1720. A group of purported class plaintiffs subsequently filed amended and supplemental class complaints. The individual and class complaints generally challenged, among other things, Visa's and Mastercard's purported setting of interchange reimbursement fees, their "no surcharge" and honor-all-cards rules, alleged tying and bundling of transaction fees, and Visa's reorganization and IPO, under the federal antitrust laws and, in some cases, certain state unfair competition laws. The complaints sought money damages, declaratory and injunctive relief, attorneys' fees and, in one instance, an order that the IPO be unwound.

Visa Inc., Visa U.S.A., Visa International, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs signed a settlement agreement (the "2012 Settlement Agreement") to resolve the class plaintiffs' claims. Pursuant to the 2012 Settlement Agreement, the Company deposited approximately $4.0 billion from the U.S. litigation escrow account and approximately $500 million attributable to interchange reductions for an eight-month period into court-authorized settlement accounts. Visa subsequently received from the Court and deposited into the Company's U.S. litigation escrow account "takedown payments" of approximately $1.1 billion. On June 30, 2016, the U.S. Court of Appeals for the Second Circuit vacated the lower court's certification of the merchant class, reversed the approval of the settlement, and remanded the case to the lower court for further proceedings.

On remand, the district court entered an order appointing interim counsel for two putative classes of plaintiffs, a "Damages Class" and an "Injunctive Relief Class." The plaintiffs purporting to act on behalf of the putative Damages Class subsequently filed a Third Consolidated Amended Class Action Complaint, seeking money damages and attorneys' fees, among other relief. A new group of purported class plaintiffs, acting on behalf of the putative Injunctive Relief Class, filed a class action complaint against Visa, Mastercard, and certain bank defendants seeking, among other things, an injunction against the setting of default interchange rates; against certain Visa operating rules relating to merchants, including the honor-all-cards rule; and against various transaction fees, including the fixed acquirer network fee, as well as attorneys' fees.

On September 17, 2018, Visa, Mastercard, and certain U.S. financial institutions reached an agreement with plaintiffs purporting to act on behalf of the putative Damages Class to resolve all Damages Class claims (the "Amended Settlement Agreement"), subject to court approval. The Amended Settlement Agreement supersedes the 2012 Settlement Agreement and includes, among other terms, a release from participating class members for liability arising out of conduct alleged by the Damages Class in the litigation, including claims that accrue no later than five years after the Amended Settlement Agreement becomes final. Participating class members will not release injunctive relief claims as a named representative or non-representative class member in the putative Injunctive Relief Class. The Amended Settlement Agreement also required an additional settlement payment from all defendants totaling $900 million, with the Company's share of $600 million paid from the Company's litigation escrow account established pursuant to the Company's retrospective responsibility plan. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.* The additional settlement payment was added to the approximately $5.3 billion previously deposited into settlement accounts by the defendants pursuant to the 2012 Settlement Agreement.

Following a motion by the Damages Class plaintiffs for final approval of the Amended Settlement Agreement, certain merchants in the proposed settlement class objected to the settlement and/or submitted requests to opt out of the settlement class. On December 13, 2019, the district court granted final approval of the Amended Settlement Agreement relating to claims by the Damages Class, which was subsequently appealed. Based on the percentage of class members (by payment volume) that opted out of the class, $700 million was returned to defendants. Visa’s portion of the takedown payment was calculated to be approximately $467 million, and upon receipt, was deposited into the U.S. litigation escrow account with a corresponding increase in accrued litigation to address opt-out claims.

Settlement discussions with plaintiffs purporting to act on behalf of the putative Injunctive Relief Class are ongoing. On January 16, 2019, the bank defendants moved to dismiss the claims brought against them by the Injunctive Relief Class on the grounds that plaintiffs lack standing and failed to state a claim against the bank defendants. On November 20, 2019, the district court denied the bank defendants' motion to dismiss the claims brought against them by the putative Injunctive Relief Class.

On May 29, 2020, a complaint was filed by Old Jericho Enterprise, Inc. against Visa and Mastercard on behalf of a purported class of gasoline retailers operating in 24 states and the District of Columbia. The complaint alleges violations of the antitrust laws of those jurisdictions and seeks recovery for plaintiffs as indirect purchasers. To the extent that Plaintiffs' claims are not released by the Amended Settlement Agreement, Visa believes they are covered by the U.S. Retrospective Responsibility Plan.

On June 1, 2020, Visa, jointly with other defendants, served a motion for summary judgment regarding the claims in the Injunctive Relief Class complaint. The putative Injunctive Relief Class plaintiffs served a motion for partial summary judgment.

Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions

Since May 2013, more than 50 cases have been filed in or removed to various federal district courts by hundreds of merchants generally pursuing damages claims on allegations similar to those raised in MDL 1720. The cases name as defendants Visa Inc., Visa U.S.A., Visa International, Mastercard Incorporated and Mastercard International Incorporated, although some also include certain U.S. financial institutions as defendants. A number of the cases include allegations that Visa has monopolized, attempted to monopolize, and/or conspired to monopolize debit card-related market segments. Some of the cases seek an injunction against the setting of default interchange rates; certain Visa operating rules relating to merchants, including the honor-all-cards rule; and various transaction fees, including the fixed acquirer network fee. In addition, some cases assert that Visa, Mastercard and/or their member banks conspired to prevent the adoption of chip-and-PIN authentication in the U.S. or otherwise circumvent competition in the debit market. Certain individual merchants have filed amended complaints to, among other things, add claims for injunctive relief and update claims for damages.

In addition to the cases filed by individual merchants, Visa, Mastercard, and/or certain U.S. financial institution defendants in MDL 1720 filed complaints against certain merchants in the Eastern District of New York seeking, in part, a declaration that Visa's conduct did not violate federal or state antitrust laws.

The individual merchant actions described in this section have been either assigned to the judge presiding over MDL 1720, or have been transferred or are being considered for transfer by the Judicial Panel on Multidistrict Litigation for inclusion in MDL 1720. These individual merchant actions are U.S. covered litigation for purposes of the U.S. retrospective responsibility plan. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Visa has reached settlements with a number of merchants representing approximately 40% of the Visa-branded payment card sales volume of merchants who opted out of the Amended Settlement Agreement with the Damages Class plaintiffs.

On June 1, 2020, Visa, jointly with other defendants, served motions for summary judgment regarding the claims in certain of the individual merchant actions, as well as certain declaratory judgment claims brought by Visa, Mastercard, and some U.S. financial institutions. Plaintiffs in certain of the individual merchant actions served motions for partial summary judgment.

The Company believes it has substantial defenses to the claims asserted in the putative class actions and individual merchant actions, but the final outcome of individual legal claims is inherently unpredictable. The Company could incur judgments, enter into settlements or revise its expectations regarding the outcome of merchants' claims, and such developments could have a material adverse effect on the Company's financial results in the period in which the effect becomes probable and reasonably estimable. While the U.S. retrospective responsibility plan is designed to address monetary liability in these matters, see *Note 5—U.S. and Europe Retrospective Responsibility Plans*, judgments or settlements that require the Company to change its business practices, rules, or contractual commitments could adversely affect the Company's financial results.

VE Territory Covered Litigation

Europe Merchant Litigation

Since July 2013, in excess of 550 Merchants (the capitalized term “Merchant,” when used in this section, means a merchant together with subsidiary/affiliate companies that are party to the same claim) have commenced proceedings against Visa Europe, Visa Inc. and other Visa subsidiaries in the UK, Germany, Belgium and Poland primarily relating to interchange rates in Europe and in some cases relating to fees charged by Visa and certain Visa rules. They seek damages for alleged anti-competitive conduct in relation to one or more of the following types of interchange fees for credit and debit card transactions: UK domestic, Irish domestic, other European domestic, intra-European Economic Area and/or other inter-regional. As of the filing date, Visa Europe, Visa Inc. and other Visa subsidiaries have settled the claims asserted by over 100 Merchants, leaving more than 400 Merchants with outstanding claims. In addition, over 30 additional Merchants have threatened to commence similar proceedings. Standstill agreements have been entered into with respect to some of those threatened Merchant claims, several of which have been settled. While the amount of interchange being challenged could be substantial, these claims have not yet been filed and their full scope is not yet known. The Company has learned that several additional European entities have indicated that they may also bring similar claims and the Company anticipates additional claims in the future.

A trial took place from November 2016 to March 2017, relating to claims asserted by only one Merchant. In judgments published in November 2017 and February 2018, the court found as to that Merchant that Visa’s UK domestic interchange did not restrict competition, but that if it had been found to be restrictive it would not be exemptible under applicable law. In April 2018, the Court of Appeal heard the Merchant’s appeal of the decision alongside two separate Mastercard cases also involving interchange claims. On July 4, 2018, the Court of Appeal overturned the lower court’s rulings, finding that Visa’s UK domestic interchange restricted competition and the question of whether Visa’s UK domestic interchange was exempt from the finding of restriction under applicable law had been incorrectly decided. The Court of Appeal remitted the claim to the lower court to reconsider the exemption issue and the assessment of damages. On November 29, 2018, Visa was granted permission to appeal aspects of the Court of Appeal’s judgment to the Supreme Court of the United Kingdom, including the question of whether Visa’s UK interchange restricted competition. On June 17, 2020, the Supreme Court of the United Kingdom found that Visa’s UK domestic interchange restricted competition under applicable competition law. The case will now continue before the UK Competition Appeals Tribunal to determine the lawful level of interchange and the amount, if any, the plaintiff may be entitled to recover.

The full scope of potential damages is not yet known because not all Merchant claims have been served and Visa has substantial defenses. However, the claims that have been issued, served and/or preserved seek several billion dollars in damages.

Other Litigation

European Commission DCC Investigation

In 2013, the European Commission (EC) opened an investigation against Visa Europe, based on a complaint alleging that Visa Europe’s pricing of and rules relating to Dynamic Currency Conversion (DCC) transactions infringe EU competition rules. On October 16, 2020, the EC informed Visa that it has closed the investigation.

Canadian Merchant Litigation

Beginning in December 2010, a number of class action lawsuits were filed in Quebec, British Columbia, Ontario, Saskatchewan and Alberta against Visa Canada, Mastercard and ten financial institutions on behalf of merchants that accept payment by Visa and/or Mastercard credit cards. The actions allege a violation of Canada’s price-fixing law and various common law claims based on separate Visa and Mastercard conspiracies in respect of default interchange and certain of the networks’ rules. To date, five financial institutions have settled with the plaintiffs. In June 2017, Visa and Mastercard also reached settlements with the plaintiffs. Courts in each of the five provinces approved the settlements and Wal-Mart Canada and/or Home Depot of Canada Inc. filed notices of appeal of the decisions approving the settlements. The Courts of Appeal in British Columbia, Quebec, Ontario and Saskatchewan rejected the appeals filed by Wal-Mart Canada and Home Depot of Canada Inc. Wal-Mart Canada and Home Depot of Canada Inc. sought leave to appeal those decisions and the Supreme Court of Canada denied those applications on March 26, 2020 (British Columbia, Quebec and Ontario) and October 29, 2020 (Saskatchewan). An appeal to the Alberta Court of Appeal remains pending.

U.S. ATM Access Fee Litigation

National ATM Council Class Action. In October 2011, the National ATM Council and thirteen non-bank ATM operators filed a purported class action lawsuit against Visa (Visa Inc., Visa International, Visa U.S.A. and Plus System, Inc.) and Mastercard in the U.S. District Court for the District of Columbia. The complaint challenges Visa's rule (and a similar Mastercard rule) that if an ATM operator chooses to charge consumers an access fee for a Visa or Plus transaction, that fee cannot be greater than the access fee charged for transactions on other networks. Plaintiffs claim that the rule violates Section 1 of the Sherman Act, and seek treble damages, injunctive relief, and attorneys' fees. On September 20, 2019, plaintiffs filed a motion for class certification.

Consumer Class Actions. In October 2011, a purported consumer class action was filed against Visa and Mastercard in the same federal court challenging the same ATM access fee rules. Two other purported consumer class actions challenging the rules, later combined, were also filed in October 2011 in the same federal court naming Visa, Mastercard and three financial institutions as defendants. Plaintiffs seek treble damages, restitution, injunctive relief, and attorneys' fees where available under federal and state law, including under Section 1 of the Sherman Act and consumer protection statutes. On September 20, 2019, plaintiffs in both cases filed motions for class certification. On October 5, 2020, plaintiffs in the case naming three financial institutions as defendants filed a motion for preliminary approval of a class action settlement reached with those financial institution defendants.

U.S. Department of Justice Civil Investigative Demand

On March 13, 2012, the Antitrust Division of the United States Department of Justice (the "Division") issued a Civil Investigative Demand, or "CID," to Visa Inc. seeking documents and information regarding a potential violation of Section 1 or 2 of the Sherman Act, 15 U.S.C. §§ 1, 2. The CID focuses on PIN-Authenticated Visa Debit and Visa's competitive responses to the Dodd-Frank Act, including Visa's fixed acquirer network fee. Visa is cooperating with the Division in connection with the CID.

Pulse Network

On November 25, 2014, Pulse Network LLC filed suit against Visa Inc. in federal district court in Texas. Pulse alleges that Visa has, among other things, monopolized and attempted to monopolize debit card network services markets. Pulse seeks unspecified treble damages, attorneys' fees and injunctive relief, including to enjoin the fixed acquirer network fee structure, Visa's conduct regarding PIN-Authenticated Visa Debit and Visa agreements with merchants and acquirers relating to debit acceptance. On August 31, 2018, the court granted Visa's motion for summary judgment, finding that Pulse did not have standing to pursue its claims. Pulse appealed the district court's summary judgment decision to the U.S. Court of Appeals for the Fifth Circuit, which held oral argument on October 9, 2019. On June 5, 2020, the U.S. Court of Appeals for the Fifth Circuit set the case for re-argument.

EMV Chip Liability Shift

Following their initial complaint filed on March 8, 2016, B&R Supermarket, Inc., d/b/a Milam's Market, and Grove Liquors LLC filed an amended class action complaint on July 15, 2016, against Visa Inc., Visa U.S.A., Mastercard, Discover, American Express, EMVCo and certain financial institutions in the U.S. District Court for the Northern District of California. The amended complaint asserts that defendants, through EMVCo, conspired to shift liability for fraudulent, faulty or otherwise rejected payment card transactions from defendants to the purported class of merchants, defined as those merchants throughout the U.S. who have been subjected to the "Liability Shift" since October 2015. Plaintiffs claim that the so-called "Liability Shift" violates Sections 1 and 3 of the Sherman Act and certain state laws, and seek treble damages, injunctive relief and attorneys' fees.

EMVCo and the financial institution defendants were dismissed, and the matter was subsequently transferred to the U.S. District Court for the Eastern District of New York, which has clarified that this case is not part of MDL 1720.

On August 28, 2020, the district court granted plaintiffs' motion for class certification, and on September 11, 2020, defendants sought permission from the U.S. Court of Appeals for the Second Circuit to appeal the decision.

Australian Competition & Consumer Commission

On July 12, 2019, the Australian Competition & Consumer Commission (ACCC) informed Visa that the ACCC has commenced an investigation into certain agreements and interchange fees relating to Visa Debit. Visa is cooperating with the ACCC.

Federal Trade Commission Civil Investigative Demand (Formerly Voluntary Access Letter)

On November 4, 2019, the Bureau of Competition of the United States Federal Trade Commission (the "Bureau") requested that Visa provide, on a voluntary basis, documents and information for an investigation as to whether Visa's actions inhibited merchant choice in the selection of debit payments networks in potential violation of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act. On June 9, 2020, the Federal Trade Commission issued a Civil Investigative Demand to Visa requesting additional documents and information, and Visa is cooperating with the Bureau.

Euronet Litigation

On December 13, 2019, Euronet 360 Finance Limited, Euronet Polska Spolka z.o.o. and Euronet Services spol. s.r.o. ("Euronet") served a claim in the UK alleging that certain rules affecting ATM access fees in Poland, the Czech Republic and Greece by Visa Inc. and Mastercard Incorporated, and certain of their subsidiaries, breach various competition laws. Euronet seeks damages, costs, and injunctive relief to prevent the defendants from enforcing the aforementioned rules.

European Commission Staged Digital Wallets Investigation

On June 26, 2020, the European Commission ("EC") informed Visa that it has opened a preliminary investigation into Visa's rules regarding staged digital wallets and issued a request for information regarding such rules. Visa is cooperating with the EC.

Plaid Inc. Acquisition

On November 5, 2020, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Northern District of California seeking a permanent injunction to prevent Visa from acquiring Plaid Inc., alleging that the proposed acquisition would substantially lessen competition in violation of Section 7 of the Clayton Act and would constitute monopolization under Section 2 of the Sherman Act. Visa intends to vigorously defend the lawsuit.

Selected Quarterly Financial Data (Unaudited)

The following tables show selected quarterly operating results for each quarter and full year of fiscal 2020 and 2019 for the Company:

	Quarter Ended (unaudited)				Fiscal Year
	September 30, 2020[(1)]	June 30, 2020	March 31, 2020	December 31, 2019	2020
	(in millions, except per share data)				
Net revenues	$ 5,101	$ 4,837	$ 5,854	$ 6,054	**$ 21,846**
Operating income	$ 3,142	$ 2,999	$ 3,924	$ 4,016	**$ 14,081**
Net income	$ 2,137	$ 2,373	$ 3,084	$ 3,272	**$ 10,866**
Basic earnings per share					
Class A common stock	$ 0.97	$ 1.07	$ 1.39	$ 1.46	**$ 4.90**
Class B common stock	$ 1.57	$ 1.74	$ 2.25	$ 2.37	**$ 7.94**
Class C common stock	$ 3.88	$ 4.29	$ 5.54	$ 5.85	**$ 19.58**
Diluted earnings per share					
Class A common stock	$ 0.97	$ 1.07	$ 1.38	$ 1.46	**$ 4.89**
Class B common stock	$ 1.57	$ 1.74	$ 2.25	$ 2.37	**$ 7.93**
Class C common stock	$ 3.87	$ 4.29	$ 5.54	$ 5.84	**$ 19.56**

	Quarter Ended (unaudited)				Fiscal Year
	September 30, 2019[(1)]	June 30, 2019	March 31, 2019	December 31, 2018	2019
	(in millions, except per share data)				
Net revenues	$ 6,137	$ 5,840	$ 5,494	$ 5,506	$ 22,977
Operating income	$ 3,735	$ 3,908	$ 3,641	$ 3,717	$ 15,001
Net income	$ 3,025	$ 3,101	$ 2,977	$ 2,977	$ 12,080
Basic earnings per share					
Class A common stock	$ 1.34	$ 1.37	$ 1.31	$ 1.30	$ 5.32
Class B common stock	$ 2.19	$ 2.23	$ 2.13	$ 2.12	$ 8.68
Class C common stock	$ 5.38	$ 5.48	$ 5.23	$ 5.20	$ 21.30
Diluted earnings per share					
Class A common stock	$ 1.34	$ 1.37	$ 1.31	$ 1.30	$ 5.32
Class B common stock	$ 2.19	$ 2.23	$ 2.13	$ 2.12	$ 8.66
Class C common stock	$ 5.37	$ 5.48	$ 5.23	$ 5.20	$ 21.26

(1) The Company's unaudited consolidated statement of operations include the impact of several significant one-time items. See *Overview* within *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations* of this report.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that is designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2020, our disclosure controls and procedures were effective at the reasonable assurance level.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. These limitations include the possibility of human error, the circumvention or overriding of the controls and procedures and reasonable resource constraints. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

Management’s Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company’s internal control over financial reporting as of September 30, 2020. Based on management’s assessment, management has concluded that the Company’s internal control over financial reporting was effective as of September 30, 2020 using the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Our internal control over financial reporting is designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention or overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks discussed in *Item 1A—Risk Factors* of this report.

The effectiveness of our internal control over financial reporting as of September 30, 2020, has been audited by KPMG LLP, an independent registered public accounting firm and is included in *Item 8* of this report.

Changes in Internal Control over Financial Reporting

In preparation for management’s report on internal control over financial reporting, we documented and tested the design and operating effectiveness of our internal control over financial reporting. There have been no significant changes in our internal controls over financial reporting that occurred during our fourth quarter of fiscal 2020 that have materially affected, or are reasonably likely to materially affect, the

Company’s internal control over financial reporting despite most of our staff working remotely due to the COVID-19 pandemic.

ITEM 9B. Other Information

Not applicable.

PART III

Certain information required by Part III is omitted from this Report and the Company will file a definitive proxy statement pursuant to Regulation 14A under the Exchange Act (the "Proxy Statement") not later than 120 days after the end of the fiscal year ended September 30, 2020, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement that specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the report of the Audit and Risk Committee included in the Proxy Statement.

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this item concerning the Company's directors, executive officers, the Code of Business Conduct and Ethics and corporate governance matters is incorporated herein by reference to the sections entitled *"Director Nominee Biographies," "Executive Officers" and "Corporate Governance"* in our Proxy Statement.

The information required by this item regarding compliance with Section 16(a) of the Exchange Act pursuant to Item 405 of Regulation S-K is incorporated herein by reference to the section entitled *"Beneficial Ownership of Equity Securities"* in our Proxy Statement.

Our Code of Business Conduct and Ethics that is applicable to our directors, executive officers, senior financial officers, as well as our employees and contractors and our Corporate Governance Guidelines are available on the Investor Relations page of our website at http://investor.visa.com, under "Corporate Governance." Printed copies of these documents are also available to stockholders without charge upon written request directed to Corporate Secretary, Visa Inc., P.O. Box 193243, San Francisco, California 94119.

ITEM 11. Executive Compensation

The information required by this item concerning director and executive compensation is incorporated herein by reference to the sections entitled *"Compensation of Non-Employee Directors" and "Executive Compensation"* in our Proxy Statement.

The information required by this item pursuant to Item 407(e)(4) of Regulation S-K is incorporated herein by reference to the section entitled *"Compensation Committee Interlocks and Insider Participation"* in our Proxy Statement.

The information required by this item pursuant to Item 407(e)(5) of Regulation S-K is incorporated herein by reference to the section entitled *"Compensation Committee Report"* in our Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item pursuant to Item 403 of Regulation S-K is incorporated herein by reference to the section entitled *"Beneficial Ownership of Equity Securities"* in our Proxy Statement.

For the information required by item 201(d) of Regulation S-K, refer to *Item 5* in this report.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item concerning related party transactions pursuant to Item 404 of Regulation S-K is incorporated herein by reference to the section entitled *"Certain Relationships and Related Person Transactions"* in our Proxy Statement.

The information required by this item concerning director independence pursuant to Item 407(a) of Regulation S-K is incorporated herein by reference to the section entitled *"Independence of Directors"* in our Proxy Statement.

ITEM 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the section entitled *"Independent Registered Public Accounting Firm Fees"* in our Proxy Statement.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

1. Consolidated Financial Statements

   See Index to Consolidated Financial Statements in *Item 8—Financial Statements and Supplementary Data* of this report.

2. Consolidated Financial Statement Schedules

   None.

3. The following exhibits are filed as part of this report or, where indicated, were previously filed and are hereby incorporated by reference:

   Refer to the Exhibit Index herein.

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit Number	Filing Date
2.1	Amended and Restated Transaction Agreement, dated as of May 10, 2016, between Visa Inc. and Visa Europe Limited #	8-K	001-33977	2.1	5/10/2016
3.1	Sixth Amended and Restated Certificate of Incorporation of Visa Inc.	8-K	001-33977	3.2	1/29/2015
3.2	Certificate of Correction of the Certificate of Incorporation of Visa Inc.	8-K	001-33977	3.1	2/27/2015
3.3	Amended and Restated Bylaws of Visa Inc.	10-Q	001-33977	3.3	7/31/2020
4.1	Form of stock certificate of Visa Inc.	S-4/A	333-143966	4.1	9/13/2007
4.2	Form of specimen certificate for class B common stock of Visa Inc.	8-A	000-53572	4.1	1/28/2009
4.3	Form of specimen certificate for class C common stock of Visa Inc.	8-A	000-53572	4.2	1/28/2009
4.4	Indenture dated December 14, 2015 between Visa Inc. and U.S. Bank National Association	8-K	001-33977	4.1	12/14/2015
4.5	Form of 2.200% Senior Note due 2020	8-K	001-33977	4.3	12/14/2015
4.6	Form of 2.150% Senior Note due 2022	8-K	001-33977	4.1	9/11/2017
4.7	Form of 2.800% Senior Note due 2022	8-K	001-33977	4.4	12/14/2015
4.8	Form of 3.150% Senior Note due 2025	8-K	001-33977	4.5	12/14/2015
4.9	Form of 0.750% Senior Note due 2027	8-K	001-33977	4.1	8/17/2020
4.10	Form of 1.900% Senior Note due 2027	8-K	001-33977	4.1	4/2/2020
4.11	Form of 2.750% Senior Note due 2027	8-K	001-33977	4.2	9/11/2017
4.12	Form of 2.050% Senior Note due 2030	8-K	001-33977	4.2	4/2/2020
4.13	Form of 1.100% Senior Note due 2031	8-K	001-33977	4.2	8/17/2020
4.14	Form of 4.150% Senior Note due 2035	8-K	001-33977	4.6	12/14/2015
4.15	Form of 2.700% Senior Note due 2040	8-K	001-33977	4.3	4/2/2020
4.16	Form of 4.300% Senior Note due 2045	8-K	001-33977	4.7	12/14/2015
4.17	Form of 3.650% Senior Note due 2047	8-K	001-33977	4.3	9/11/2017
4.18	Form of 2.000% Senior Note due 2050	8-K	001-33977	4.3	8/17/2020
4.19	Certificate of Designations of Series A Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.1	6/21/2016
4.20	Certificate of Designations of Series B Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.2	6/21/2016
4.21	Certificate of Designations of Series C Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.3	6/21/2016

Table of Contents

4.22	Description of Securities	10-K	001-33977	4.16	11/13/2019
10.1	Form of Indemnity Agreement	10-Q	001-33977	10.1	1/31/2020
10.2	Amended and Restated Global Restructuring Agreement, dated August 24, 2007, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc., Visa Europe Limited, Visa Canada Association, Inovant LLC, Inovant, Inc., Visa Europe Services, Inc., Visa International Transition LLC, VI Merger Sub, Inc., Visa USA Merger Sub Inc. and 1734313 Ontario Inc.	S-4/A	333-143966	Annex A	9/13/2007
10.3	Form of Escrow Agreement by and among Visa Inc., Visa U.S.A. Inc. and the escrow agent	S-4	333-143966	10.15	6/22/2007
10.4	Form of Framework Agreement by and among Visa Inc., Visa Europe Limited, Inovant LLC, Visa International Services Association and Visa U.S.A. Inc. †	S-4/A	333-143966	10.17	7/24/2007
10.5	Five Year Revolving Credit Agreement, amended and restated as of July 25, 2019, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and Visa Europe Limited, as borrowers, Bank of America, N.A., as administrative agent, JPMorgan Chase Bank N.A., as syndication agent, and the lenders referred to therein #	10-K	001-33977	10.5	11/13/2019
10.6	Form of Interchange Judgment Sharing Agreement by and among Visa International Service Association and Visa U.S.A. Inc., and the other parties thereto †	S-4/A	333-143966	10.13	7/24/2007
10.7	Interchange Judgment Sharing Agreement Schedule	8-K	001-33977	10.2	2/8/2011
10.8	Amendment of Interchange Judgment Sharing Agreement	10-K	001-33977	10.10	11/20/2015
10.9	Form of Loss Sharing Agreement by and among Visa U.S.A. Inc., Visa International Service Association, Visa Inc. and various financial institutions	S-4/A	333-143966	10.14	7/24/2007
10.10	Loss Sharing Agreement Schedule	8-K	001-33977	10.1	2/8/2011
10.11	Amendment of Loss Sharing Agreement	10-K	001-33977	10.13	11/20/2015
10.12	Form of Litigation Management Agreement by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and the other parties thereto	S-4/A	333-143966	10.18	8/22/2007
10.13	Omnibus Agreement, dated February 7, 2011, regarding Interchange Litigation Judgment Sharing and Settlement Sharing by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated and the parties thereto	8-K	001-33977	10.2	7/16/2012
10.14	Amendment, dated August 26, 2014, to the Omnibus Agreement regarding Interchange Litigation Judgment Sharing and Settlement Sharing by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated and the parties thereto	10-K	001-33977	10.14	11/21/2014

Table of Contents

10.15	Second Amendment, dated October 22, 2015, to Omnibus Agreement regarding Interchange Litigation Judgment Sharing and Settlement Sharing	10-K	001-33977	10.17	11/20/2015
10.16	Settlement Agreement, dated October 19, 2012, by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs to resolve the class plaintiffs' claims in the matter styled In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, No. 05-MD-1720	10-Q	001-33977	10.3	2/6/2013
10.17	Superseding and Amended Settlement Agreement, dated September 17, 2018, by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the damages class plaintiffs to resolve the damages class plaintiffs' claims in the matter styled In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, No. 05-MD-1720	8-K	001-33977	10.1	9/18/2018
10.18	Loss Sharing Agreement, dated as of November 2, 2015, among the UK Members listed on Schedule 1 thereto, Visa Inc. and Visa Europe Limited	8-K	001-33977	10.1	11/2/2015
10.19	Litigation Management Deed, dated as of June 21, 2016, by and among the VE Member Representative, Visa Inc., the LMC Appointing Members, the UK&I DCC Appointing Members, the Europe DCC Appointing Members and the UK&I DCC Interested Members	8-K	001-33977	10.1	6/21/2016
10.20*	Visa 2005 Deferred Compensation Plan, effective as of August 12, 2015	10-K	001-33977	10.21	11/20/2015
10.21*	Visa Directors Deferred Compensation Plan, as amended and restated as of July 22, 2014	10-K	001-33977	10.17	11/21/2014
10.22*	Visa Inc. 2007 Equity Incentive Compensation Plan, as amended and restated as of February 3, 2016	DEFA 14A	001-33977	Annex A	1/12/2016
10.23*	Visa Inc. Incentive Plan, as amended and restated as of February 3, 2016	DEF 14A	001-33977	Annex B	12/11/2015
10.24*	Visa Excess Thrift Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.31	11/21/2008
10.25*	Visa Excess Retirement Benefit Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.32	11/21/2008
10.26*	First Amendment, effective January 1, 2011, of the Visa Excess Retirement Benefit Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.34	11/18/2011
10.27*	Visa Inc. Executive Severance Plan, effective as of November 3, 2010	8-K	001-33977	10.1	11/9/2010
10.28*	Visa Inc. 2015 Employee Stock Purchase Plan	DEF 14A	001-33977	Appendix B	12/12/2014

Table of Contents

10.29*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 18, 2013	10-Q	001-33977	10.1	1/30/2014
10.30*	Form of Alternate Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 18, 2013	10-Q	001-33977	10.5	1/30/2014
10.31*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.40	11/21/2014
10.32*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.41	11/21/2014
10.33*	Form of Alternate Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.45	11/21/2014
10.34*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.1	1/28/2016
10.35*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.2	1/28/2016
10.36*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.3	1/28/2016
10.37*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.1	1/31/2019
10.38*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.2	1/31/2019
10.39*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.3	1/31/2019
10.40*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.4	1/31/2019
10.41*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.5	1/31/2019
10.42*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.6	1/31/2019

Table of Contents

10.43*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.7	1/31/2019
10.44*	Form of Letter Agreement relating to Visa Inc. Executive Severance Plan	8-K	001-33977	10.2	11/9/2010
10.45*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2017	10-Q	001-33977	10.1	2/1/2018
10.46+	Offer Letter, dated July 18, 2019, between Visa Inc. and Paul D. Fabara				
10.47*	Amended and Restated Aircraft Time Sharing Agreement, effective November 1, 2019, between Visa Inc. and Alfred F. Kelly, Jr.	10-K	001-33977	10.48	11/13/2019
21.1+	List of Significant Subsidiaries of Visa Inc.				
23.1+	Consent of KPMG LLP, Independent Registered Public Accounting Firm				
31.1+	Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2+	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1+	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2+	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	XBRL Instance Document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				

† Confidential treatment has been requested for portions of this agreement. A completed copy of the agreement, including the redacted portions, has been filed separately with the SEC.
* Management contract, compensatory plan or arrangement.
+ Filed or furnished herewith.
# Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the SEC upon request; provided, however, that the parties may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any document so furnished.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

VISA INC.

By:	/s/ Alfred F. Kelly, Jr.
Name:	Alfred F. Kelly, Jr.
Title:	Chairman and Chief Executive Officer
Date:	November 19, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Alfred F. Kelly, Jr. **Alfred F. Kelly, Jr.**	Chairman and Chief Executive Officer, and Director (Principal Executive Officer)	November 19, 2020
/s/ Vasant M. Prabhu **Vasant M. Prabhu**	Vice Chairman and Chief Financial Officer (Principal Financial Officer)	November 19, 2020
/s/ James H. Hoffmeister **James H. Hoffmeister**	Global Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	November 19, 2020
/s/ John F. Lundgren **John F. Lundgren**	Lead Independent Director	November 19, 2020
/s/ Lloyd A. Carney **Lloyd A. Carney**	Director	November 19, 2020
/s/ Mary B. Cranston **Mary B. Cranston**	Director	November 19, 2020
/s/ Francisco Javier Fernández-Carbajal **Francisco Javier Fernández-Carbajal**	Director	November 19, 2020
/s/ Ramon Laguarta **Ramon Laguarta**	Director	November 19, 2020
/s/ Robert W. Matschullat **Robert W. Matschullat**	Director	November 19, 2020
/s/ Denise M. Morrison **Denise M. Morrison**	Director	November 19, 2020
/s/ Suzanne Nora Johnson **Suzanne Nora Johnson**	Director	November 19, 2020
/s/ John A. C. Swainson **John A. C. Swainson**	Director	November 19, 2020
/s/ Maynard G. Webb, Jr. **Maynard G. Webb, Jr.**	Director	November 19, 2020

Table of Contents

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

FORM 10-K

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

For the fiscal year ended September 30, 2019

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

logo.gif

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)**

(650) 432-3200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value $0.0001 per share	V	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Class B common stock, par value $0.0001 per share

Class C common stock, par value $0.0001 per share

(Title of each Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer" "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the registrant's class A common stock, par value $0.0001 per share, held by non-affiliates (using the New York Stock Exchange closing price as of March 29, 2019, the last business day of the registrant's most recently completed second fiscal quarter) was approximately $272.0 billion. There is currently no established public trading market for the registrant's class B common stock, par value $0.0001 per share, or the registrant's class C common stock, par value $0.0001 per share.

As of November 8, 2019, there were 1,712,677,044 shares outstanding of the registrant's class A common stock, par value $0.0001 per share, 245,513,385 shares outstanding of the registrant's class B common stock, par value $0.0001 per share, and 11,133,345 shares outstanding of the registrant's class C common stock, par value $0.0001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2020 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ended September 30, 2019.

TABLE OF CONTENTS

Unless the context indicates otherwise, reference to "Visa," "Company," "we," "us" or "our" refers to Visa Inc. and its subsidiaries.

"Visa" and our other trademarks referenced in this report are Visa's property. This report may contain additional trade names and trademarks of other companies. The use or display of other companies' trade names or trademarks does not imply our endorsement or sponsorship of, or a relationship with these companies.

Forward-Looking Statements:

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 that relate to, among other things, our future operations, prospects, developments, strategies and growth of our business; anticipated expansion of our products in certain countries; industry developments; anticipated benefits of our acquisitions; expectations regarding litigation matters, investigations and proceedings; timing and amount of stock repurchases; sufficiency of sources of liquidity and funding; effectiveness of our risk management programs; and expectations regarding the impact of recent accounting pronouncements on our consolidated financial statements. Forward-looking statements generally are identified by words such as “believes,” “estimates,” “expects,” “intends,” “may,” “projects,” “could,” “should,” “will,” “continue” and other similar expressions. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in *Item 1—Business*, *Item 1A—Risk Factors*, *Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations* and elsewhere in this report. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

PART I

ITEM 1. Business

OVERVIEW

Visa is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payments network — enabling individuals, businesses and economies to thrive. We facilitate commerce across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities.

Since Visa's inception in 1958, Visa has been in the business of facilitating payments between consumers and businesses. With new ways to pay, we are evolving into a company that enables money movement for everyone, everywhere. To accomplish this, we are continually focused on extending, enhancing and investing in our proprietary network, VisaNet, while seeking new ways to offer products and services and become a single connection point for initiating any transaction, both on the Visa network and beyond.

This has enabled Visa to become one of the world's largest electronic payments networks based on payments volume and number of transactions. Our fundamental business model is based on the following:

- **We facilitate secure, reliable and convenient transactions between financial institutions, merchants and account holders.** We traditionally have referred to this as the 'four party' model. As the payments ecosystem continues to evolve, we are continuing to broaden this model to include digital banks, wallets and a range of financial technology companies (fintechs), governments and non-governmental organizations. We provide transaction processing services (primarily authorization, clearing and settlement) to our financial institution and merchant clients through VisaNet, our global processing platform. During fiscal year 2019, we saw 201.9 billion payments and cash transactions with Visa's brand, equating to an average of 553 million transactions a day. Of the 201.9 billion total transactions, 138.3 billion were processed by Visa.

- **We offer a wide range of Visa-branded payment products** that our 15,500 financial institution clients use to develop and offer core business solutions, including credit, debit, prepaid and cash access programs for individual, business and government account holders. During fiscal year 2019, Visa's total payments and cash volume grew to $11.6 trillion and more than 3.4 billion cards were available worldwide to be used at more than 61 million merchant locations.

- **We take an open, partnership approach** and seek to provide value by enabling access to our global network, including offering our technology capabilities through application programming interfaces (APIs). Additionally, we enter into partnerships with both traditional and emerging players to innovate and expand the payments ecosystem. This approach helps our partners leverage the resources of our platform to scale and grow their businesses more quickly and effectively.

- **We are accelerating the migration to digital payments** by enabling new types of transactions beyond the core consumer-to-business (C2B) payments. These include person-to-person (P2P), business-to-consumer (B2C), business-to-business (B2B) and government-to-consumer (G2C) payments.

- **We provide value-added services** to our clients, including consulting and analytics, fraud management and security services, merchant solutions, processing capabilities and digital services like tokenization.

- **We invest in and promote our brand** to the benefit of our clients and partners through advertising, promotional and sponsorship initiatives with FIFA, the International Olympic

Committee and the International Paralympic Committee, and the National Football League, among others. We also use these sponsorship assets to showcase our payment innovations.

Table of Contents

FISCAL YEAR 2019 KEY STATISTICS

keystatsa19.jpg

(1) Please see *Item 7–Management's Discussion and Analysis of Financial Condition and Results of Operations* for a reconciliation of our non-GAAP financial results.

Revenue Details

Net revenues consist of service revenues, data processing revenues, international transaction revenues, and other revenues minus costs incurred under client incentive arrangements. We have one reportable segment, which is Payment Services.

revenuea19.jpg

(1) Figures in the tables may not recalculate exactly due to rounding.

(2) Please see *Note 3—Revenues t*o our consolidated financial statements included in *Item 8. Financial Statements and Supplementary Data* for the impact of the new revenue standard.

Visa earns revenue by facilitating commerce across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities. Visa is not a financial institution. We do not issue cards, extend credit, or set rates and fees for account holders of Visa products. That is the role of our financial institution clients. We do not earn revenues from, or bear credit risk with respect to, interest or fees paid by account holders on Visa products. Interchange reimbursement fees represent a transfer of value between the financial institutions participating in our open-loop payments network. We administer the collection and remittance of interchange reimbursement fees through the settlement process, but we generally do not receive any revenue related to interchange reimbursement fees. In addition, we do not receive as revenue the fees that merchants are charged directly for acceptance by their acquirers.

ACCELERATING OUR BUSINESS: FISCAL YEAR 2019 KEY FOCUS AREAS

As technology evolves from wired to wireless solutions — driven by technology developments such as the expansion of mobile technology and the rise of 5G networks — there are significant opportunities to grow digital payments. To capture this growth, we are strengthening our core business while simultaneously evolving our organization to seize opportunities to open new payment flows, expand access, build our acceptance footprint and grow our base of partners and clients. We are also building and acquiring new capabilities that can add value to our clients as we strengthen the foundation of our business: technology, security, brand and talent.

Core Business

For decades, Visa's growth has been driven by the strength of our core business solutions — credit, debit and prepaid products — as well as our global ATM network. As the pace of change accelerates each year, helped by the advancement of technology and our focus on the user experience in payments, we see significant opportunity for continued growth. We are accelerating efforts to move approximately $17 trillion in consumer spending and $15-20 trillion of B2B spending still done in cash and check to cards and digital credentials on the Visa network.

corebusia19.jpg

1. Core Products

Business Solutions: We offer a portfolio of business payment solutions, including small business, corporate (travel) cards, purchasing cards, virtual cards/digital credentials, non-card cross-border B2B payment options and disbursement accounts, covering most major industry segments around the world. Business solutions are designed to bring efficiency, controls and automation to small businesses, commercial and government payment processes, ranging from employee travel to fully integrated, invoice-based payables.

Credit: Credit cards and digital credentials are issued by financial institutions and used by co-brand partners and fintechs to allow consumers and businesses to access credit to pay for goods and services. Visa does not extend credit to account holders; however, we provide card benefits, including technology, authorization, fraud tools and brand support that issuers use to enable their credit products. We also work with our clients on product design, consumer segmentation and consumer experience design to help our clients deliver products and services that match their consumers' needs.

Debit: Debit cards and digital credentials are issued by financial institutions to allow consumers and small businesses to purchase goods and services using funds held in their bank accounts. Debit cards enable account holders to transact — in person, online or via mobile — without needing cash or checks and without accessing a line of credit. Visa provides a strong brand, the network infrastructure (which includes processing, acceptance, product features and support, risk tools and services) and industry expertise to help issuers optimize their debit offerings.

Prepaid: Prepaid products draw from a designated balance funded by individuals, businesses or governments. Prepaid cards address many use cases and needs, including general purpose reloadable, payroll, government and corporate disbursements, healthcare, gift and travel. Prepaid cards also play an important part in financial inclusion, bringing payment solutions to those with limited or no access to traditional banking products.

Global ATM: The Visa/PLUS Global ATM network provides account holders with cash access in more than 200 countries and territories worldwide through issuing and acquiring partnerships with both financial institutions and independent ATM operators.

Tap to Pay

Contactless payments — or when a consumer taps to pay at checkout with a contactless card or mobile phone — continues to see strong adoption around the world. In 2019, excluding the United States ("U.S."), tap to pay had surpassed 50 percent of face-to-face transactions that ran over the Visa network. This is up from less than 30 percent just two years ago. There are now more than 50 countries where tapping to pay represents at least a third of all domestic face-to-face transactions processed on our network, up from 35 countries at the end of last fiscal year.

The U.S. is starting to catch up to this global adoption rate. In 2019, U.S. financial institutions began issuing contactless cards to customers nationwide. There are now more than 100 million Visa contactless cards in the U.S., and we expect that number to grow to 300 million by the end of 2020.

Contactless payments can also open up new payment experiences, such as transit. Transit continues to be an important use case for introducing consumers to the benefits of tapping to pay. In 2019, Visa helped launch contactless transit solutions in cities around the world, including Belarus, Edinburgh, Florence, Manchester, Miami, Milan, New York, Rio de Janeiro, Singapore, São Paulo and more — making it easier for people to get around while reducing operating costs for private and public transport operators.

Ecommerce

Ecommerce has drastically evolved since the first online purchase was made on the Visa network 25 years ago. Digital commerce growth is outpacing physical retail growth, and we expect this to continue. This presents an opportunity to evolve both the security and consumer experience around ecommerce. As a result, we are helping to transform the digital checkout experience by adding more security and removing friction with the launch of click to pay. Enabled by the EMV® Secure Remote Commerce Specifications, click to pay simplifies the checkout experience, eliminating the need for a consumer to enter payment details each time they are purchasing digital services or shopping online. This means greater consistency and fewer steps at checkout, regardless of one's payment choice. In October 2019, click to pay went live with select merchants in the U.S., and we expect full commercial migration of Visa Checkout to happen in early 2020. Consumers can click to pay with confidence when they see a common checkout button with network logos and a stylized depiction of a fast forward icon scicon.jpg. [(1)]

[(1)] The SRC payment icon is available for use in connection with implementations of the EMV® Secure Remote Commerce Specification. The SRC payment icon image files are provided following execution of the EMVCo Trademark License Agreement for SRC Payment Icon and may only be used in conformance with the Secure Remote Commerce (SRC): Payment Icon Reproduction Requirements.

Growing Access and Acceptance

A key component of how we expand our business focuses on growing access and increasing acceptance of our products around the world. Mobile connectivity, new acceptance devices untethered to landline infrastructure and new partnerships are enabling Visa payments in categories where card acceptance has typically been low, such as rent, parking and vending machines. We accomplish this in a few ways:

Drive new acceptance categories to uncover additional growth. We continue to expand our acceptance footprint in both mature and emerging markets, and we remain committed to growing access and acceptance so that businesses and devices are enabled to send and receive funds via the Visa network. For example, Visa has grown acceptance in the U.S. vending machine category by enabling more than two million devices as new acceptance locations, which still leaves an estimated 50 percent of vending machines available for upgrade. Street parking represents a similar opportunity.

Ensuring seamless experiences for cross-border transactions. As commerce continues to flow across borders, we are simplifying and streamlining how funds flow for both consumers and businesses. Cross-border ecommerce is also a growing opportunity. Consumers purchasing something from a foreign website are expected to account for $900 billion in gross merchandise volume by 2020, representing an estimated 22 percent share of the global ecommerce market.[(2)]

Enhancing inclusive financial access. According to the World Bank, 1.7 billion people worldwide still lack access to formal financial services, which means they do not have access to the services that can help facilitate the growth of their economic livelihood. As part of the World Bank's goal of Universal Financial Access by 2020, in 2015 we committed to reaching 500 million consumers by 2020. At the end of 2018, we reached 396 million consumers worldwide with first-time access to a digital payment product through a Visa-branded account in partnership with local financial institutions.

Our scan to pay service has emerged as one of our most successful low-cost acceptance solutions for merchants, enabling the growth of digital payments in developing economies and remote locations. In some countries, the infrastructure for traditional payments technology simply may not exist. With scan to pay, a business needs only to display a QR code to accept digital payments, saving the cost, time and complexity of installing a terminal and telecommunications wiring. Scan to pay is already live in parts of Africa, Eastern Europe, the Middle East and Asia, with plans to expand into emerging markets of all sizes and regions.

In India, we continue to work with local acquirers to expand access and strengthen consumer demand for electronic payments. The total acceptance points in India have expanded to more than five million, including more than one million QR points this year. In Mexico, we are executing a program to grow the penetration of electronic payments, supporting the introduction of mobile point-of-sale (mPOS) and new acceptance technologies through our payment facilitator and acquirer partners.

Our social impact work also supports women's empowerment and the expansion of financial inclusion through programs that support skill-development and access to networks and financial services for under and unbanked populations.

In January 2019, we launched She's Next, Empowered by Visa, which connects women business owners to their communities, funding options and payment technologies through workshops, training and mentorship. To date, Visa has signed up and hosted women entrepreneurs at workshops across North America, including Atlanta, Los Angeles, New York City, Toronto and Washington D.C.

Open Partnership Model

For more than 60 years, mutually beneficial partnerships have been fundamental to Visa's business model. We traditionally have operated in a four-party model, facilitating transactions between issuers, acquirers, merchants and account holders. As the payment ecosystem grows, so too does Visa's partnership model. Today, our partnerships extend to technology companies, fintechs, governments and non-governmental organizations.

(2) http://www.ipc.be/services/markets-and-regulations/e-commerce-market-insights/e-commerce-articles/global-ecommercefigures-2017#infographic

Table of Contents

Fintechs continue to be key enablers around the world in helping to expand access through electronic payments, open new points of acceptance, drive new payment flows and create new ways to pay and be paid. Visa has the ability to help these companies grow and scale their payment innovations around the world, with increased safety and speed. Visa is continuing to increase its reach and scope to address fintech needs by partnering directly with them and with the platforms that service them around the world.

We are designing Visa services to more efficiently meet our partners' needs. Visa Fintech Fast Track, a program that enables nimble start-ups to more easily scale and leverage the reach, capabilities and security Visa offers, is now available to clients globally. Additionally, the new Visa Partner portal provides comprehensive services and resources — everything from information about API services to how to think about issuer processing — to help fintechs and all of our ecosystem partners bring new ways to pay to life.

Ventures

Visa continues to make strategic investments in some companies that are enriching the broader payments ecosystem. Through these strategic investments, Visa seeks to promote complementary, value-added services, enable new use cases, and expand the distribution and utility of our payments network.

2. New Payment Flows

Over the last several years, Visa has invested in expanding beyond C2B payments to capture growth in new payment flows such as P2P, B2C, B2B and G2C payments. Today, partners are increasingly using Visa's network infrastructure and capabilities to enable Visa to unlock a growing market opportunity.

newpays19.jpg

Visa Direct

Visa Direct continues to be one of the most meaningful ways in which we are capturing new types of payments that were previously made by cash, check or Account Clearing House (ACH). Visa Direct, Visa's real-time[3] push payments service, reverses the traditional card payment flow by allowing payment originators, through their acquirer, to push funds directly to cards, better meeting consumer and business needs. For example, a ride sharing company can pay its drivers after a shift by transferring their pay directly to a Visa product. Visa Direct helps enable domestic and cross-border payouts for consumers and small businesses in more than 170 countries. Its capabilities modernize money movement, offering enhanced choice and convenience in how money is sent and received. We have announced several Visa Direct partnerships that have helped drive transaction growth to more than 100 percent year-over-year growth this year.

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(3) Actual fund availability depends on receiving financial institution and region. Visa requires fast-funds enabled issuers to make funds available to their recipient account holders within a maximum of 30 minutes of approving the transaction.

Today, Visa Direct powers seven of the major P2P platforms in the U.S. In the last year, Visa Direct transactions have been sent from 90 countries to the more than 170 countries where Visa Direct is currently available.

Cross-border payments have continued to be a focal point for Visa Direct, with key partnerships announced throughout the year. With Visa Direct, Visa is extending the reach and capabilities of our global network to create a payment solution that is less constrained by time, borders or networks.

Earthport

In July 2019, Visa acquired Earthport, which provides cross-border payment services to banks, money transfer service providers and businesses via one of the world's largest independent ACH networks. Before Earthport, Visa could reach about half of the world's bank accounts, accessing them using Visa Direct and sending money to Visa credentials, such as debit or credit cards. Through a combination of the existing Visa network and the addition of the Earthport network, Visa clients will soon be able to push payments to the majority of the world's banked population, reaching more than 99 percent of bank accounts in 88 countries, including the top 50 markets. Our vision is to enable our clients to reach bank accounts of consumers and small businesses in almost 200 countries via a single connection. Integration efforts are underway, and we expect to launch a pilot of our first fully integrated Visa Direct and Earthport experience by the end of the 2019 calendar year.

B2B

We are also extending our network with B2B payments. Businesses spend an estimated $120 trillion each year, offering tremendous room for us to continue to grow our business. Our strategy is two-fold: invest in and grow our existing commercial card solutions and capture new payment flows by innovating in the non-card payments space.

Our existing commercial card solutions generated more than $1 trillion in payments volume in fiscal year 2019, making Visa the largest card payment network for B2B payments in the world. We continue to invest across our small business, travel and entertainment, purchasing, fleet and virtual card solutions to further digitize how businesses pay other businesses.

In 2019, we commercially launched Visa B2B Connect, a multilateral network that operates separately from VisaNet and facilitates B2B cross-border transactions directly from an originating bank to the recipient bank. This network gives financial institutions the ability to quickly and securely process high-value corporate cross-border payments globally and helps simplify and speed up the way businesses pay other businesses around the world. Visa B2B Connect's current reach includes more than 60 countries with the goal to expand to more than 100 countries in 2020.

We are actively working with strategic partners and clients to increase the adoption of electronic payments in the accounts receivable and accounts payable space across large and medium-sized markets, as well as the small business category in key areas such as bill payment.

3. Value-Added Services

As the payments category expands, both in scope and size, there is a growing opportunity to broaden our revenue streams by expanding the capabilities of our existing network in addition to selectively offering our services to other payment providers. We are accomplishing this through both organic investment and strategic acquisitions. Today, we offer several enhanced capabilities and services, including fraud prevention and security, processing, loyalty, merchant and digital solutions, consulting and data solutions.

valueadda19.jpg

Visa Consulting and Analytics

Visa Consulting and Analytics is the payments consulting advisory arm of Visa. This group is a client-facing global team of several hundred payments consultants, data scientists and economists across six continents. The combination of our deep payments expertise, our breadth of data and our economic intelligence allows us to identify actionable insights, recommendations and solutions that drive better business decisions and outcomes for clients.

Fraud Management and Security Services

Trust is at the core of Visa. Through an evolving and multilayered approach, Visa strives to expect the unexpected, constantly monitoring our network and sharing intelligence with our partners. Our multi-prong security strategy is based on empowering consumers and clients through tools, resources and controls so that others can make more informed risk decisions. To provide these tools, we invest in intelligence and technologies that improve fraud and authorization performance. Visa Advanced Authorization risk scores every Visa-processed transaction in about one millisecond, an average of 379 million times a day. In the last year, Visa's artificial intelligence-powered risk scoring engine helped financial institutions prevent about $25 billion in fraud.

We believe security is an integral driver for growth and innovation. Several developments over the course of 2019 help demonstrate our approach:

- We continued to see the benefits of chip technology in preventing counterfeit fraud and reducing the amount and rate of fraud taking place in-person at physical stores. In the U.S., for example, our most recent data shows an 87 percent decline in counterfeit fraud at chip-enabled merchants since 2015, when the industry began to deploy chip technology.

- EMV® 3-D Secure (3DS) is a new generation of the protocol — developed by Visa, other payment brands and industry participants as part of EMVCo — and is designed to protect accounts from unauthorized use across desktop, laptop, mobile or other connected devices, making online purchases easier and more secure. In 2019, Visa branded its 3DS program as Visa Secure (formerly Verified by Visa). The Visa Secure visual badge, combined with descriptive language emphasizing, "Your online transactions are secure with Visa," will be the way consumers encounter Visa's 3DS offering.

Visa is also committed to helping protect the broader payments ecosystem from growing cyber threats through continued investments in intelligence and technology. Companies today must be responsible for securing their businesses from increasingly sophisticated tactics by cyber criminals. Visa provides a suite of capabilities that are a core benefit of being part of the Visa network. Our security capabilities help protect the integrity of the payments ecosystem by seeking to detect and disrupt fraud threats targeting financial institutions and merchants. We combine payment and cyber intelligence, insights and learnings from client/partner breach investigations and law enforcement engagement to help financial institutions and merchants solve critical security challenges.

Visa Token Service

Visa Token Service creates a secure environment to help drive innovation in online and mobile commerce. The technology works by replacing a consumer’s card-related sensitive information, such as personal account number, with a unique identifier, or *token*, which protects transactions in a number of ways, including when a card or shopper is not physically present. Launched in 2014, tokenization has been brought to scale over the last five years. Visa Token Service is available in more than 100 markets.

In October 2019, Visa acquired the token services and ticketing businesses of Rambus Inc. The combination of Visa’s card network tokenization capabilities with the local and account tokenization technology of Rambus will facilitate safer, more secure payments across a broader range of global commerce types.

Merchant and Acquirer Solutions

CyberSource’s product offerings are examples of Visa’s continued investment to deliver industry-leading products and capabilities to our merchant and acquirer partners. The CyberSource platform enables merchants to accept payments online, in-app or on the mobile web and in-person. CyberSource’s small business solutions are represented by the Authorize.Net brand in North America. CyberSource provides modular, digital capabilities beyond the traditional gateway function of connecting merchants to payment processing. As part of CyberSource's solution to acquirers, we are enabling acquirers to leverage our capabilities to drive more innovation in the payments ecosystem.

Using CyberSource services, merchants of all sizes can improve the way their consumers engage and transact, mitigate fraud and security risk, lower operational costs and adapt to changing business requirements. CyberSource’s global footprint lets merchants accept payments in more than 190 countries and territories around the world and includes a broad choice of acquirer and processor partners, payment types and hardware components.

This year, we announced the acquisition of Payworks, a point-of-sale software solution that enables acquirers to support merchant terminal payments via the cloud, helping merchants seamlessly and quickly implement new functionality, designed to create better customer experiences and lower merchant operating costs. Payworks will add in-store payment processing capabilities to CyberSource's ecommerce payment platform to create a fully integrated omni-channel payment acceptance solution.

Visa also completed the acquisition of Verifi, a leader in technology solutions to reduce chargebacks. Verifi’s technology enables the quick resolution of disputes by connecting issuers to the data of more than 25,000 merchants as soon as an account holder calls with an issue. This tool reduces costs and time spent for all stakeholders in a disputed transaction.

4. Foundational

The foundations of our business are our technology, security, brand and talent.

foundationala19.jpg

Technology

Visa's technology platform consists of software, hardware, data centers and a vast telecommunications infrastructure, each with a distinct architecture and operational footprint wrapped with several layers of security and protection technologies. Together, these systems deliver the secure, convenient and reliable service that our clients and consumers expect of the Visa brand.

Software

As part of our global technology environment, we build and securely operate hundreds of commercial applications using a diverse set of technologies. Our software powers the core functions of our transaction processing — including authorization, clearing and settlement, and risk scoring — as well as all of our value-added services. These applications together work to provide essential services to the payments ecosystem.

Hardware

We rely on a diverse array of sophisticated infrastructure systems that are tailored to our services. Visa's infrastructure is designed and configured with layers of redundancies. We have multiple instances of our software running on separate pieces of hardware, which is designed to provide continuous availability. Our disaster recovery capabilities are tiered so that our real-time transaction processing services can be continuously available.

Data Centers

Visa operates six data centers that are a critical part of our global processing environment and are built with the capacity to support Visa's growing power, cooling and space needs. All of our data centers have high redundancy of network connectivity, power and cooling designed to provide continuous availability of systems. We are continuing to reduce the carbon footprint of our data centers by deploying efficiency improvement strategies, including LED lighting, variable airflow automation controls and hot-and-cold air containment technologies.

Telecommunications

We connect our clients and partners to Visa's data centers through a massive telecommunications network covering more than 10 million route miles. Each network node is connected through redundant links, designed to provide high levels of security, availability and performance for our products and services.

Security

In parallel with our role in advancing the security of the broader payments ecosystem, Visa remains committed to championing cybersecurity. Our multifaceted security approach includes deploying security tools that help keep our clients and consumers safe, while providing solutions that make Visa the best way to pay and be paid.

We invest significantly in our comprehensive approach to cybersecurity at Visa. We deploy security technologies to protect against data confidentiality, integrity and availability risks, emphasizing core cybersecurity capabilities to minimize risk exposure. Our in-depth security approach applies multiple layers of protection to reduce the risk of any single control failing. These measures include the following:

- A formal program to devalue sensitive and/or personal data through various cryptographic means
- Embedded security in the software development lifecycle
- Identity and access management controls to protect against unauthorized access
- Development of advanced cyber detection and response capabilities

For example, Visa uses AI and deep learning technology to monitor our network and understand the threats aimed at our company. Our platform collects billions of security logs each day, providing insight across the network and within our infrastructure. We combine this data with external intelligence on attacks observed outside of our data centers and network. Using machine learning tools, we focus on the events that appear to pose a risk, enabling our cybersecurity team to intervene. We operate this platform globally, with teams in multiple time zones detecting and responding 24x7x365.

Brand

The Visa brand is one of the world's most recognized, trusted and valuable brands. Anchored on the notion that Visa is "Everywhere You Want To Be," the Visa brand stands for acceptance, security, convenience, speed and reliability. In recognition of its strength among clients and consumers, the Visa brand consistently ranks highly in multiple brand studies, including #1 on Forbes World's Best Regarded Companies (2019), #5 on BrandZ Top 100 Most Valuable Global Brands (2019), Forbes World's Most Valuable Brands and Interbrand's Best Global Brands, among others.

Our brand strength helps us to deliver added value to financial institutions, merchants, clients and partners through compelling brand expressions, a wide-range of products and services and innovative marketing efforts. In a consumer study by Visa in 16 countries, when consumers see the Visa logo, they are 3.5 times more likely to think the website is more secure.

In fiscal year 2019, we renewed our 25-year relationship with the National Football League, and continued our global sponsorship of FIFA, the International Olympic Committee and the International Paralympic Committee. Visa is the only brand in the world that is a top sponsor of these properties, and is also the largest sponsor of women's football in the world. At the upcoming Olympic and Paralympic Games Tokyo 2020, this opportunity will be on full display when we will use our brand and technology to bring Japan's vision for a future of digital payments to life.

Talent

Visa's workforce continues to grow, increasing from approximately 17,000 employees in fiscal year 2018 to 19,500 employees in fiscal year 2019. This growth has been fueled in part by acquisitions, with growth in the regions outpacing growth in the San Francisco Bay Area. At the end of fiscal year 2019, Visa's global workforce was 59 percent male and 41 percent female. Increasing the representation of women and under-represented minorities remain an area of focus for management. Visa's commitment to diversity recruiting includes partnering with organizations such as AfroTech, AnitaB.org, Catalyst, Diversity Best Practices, the National Society of Black Engineers, the Society of Hispanic Professional Engineers, Watermark - Silicon Valley Conference for Women, Women in CyberSecurity, Women in Payments and many others to support and develop a diverse talent pipeline. Visa is committed to pay equity for employees doing similar work, regardless of gender, race or ethnicity, and conducts pay equity analyses on an annual basis.

We assess employee engagement through our annual employee survey, which provides feedback on a variety of topics, such as company direction and strategy, diversity and inclusion, individual development, collaboration and trust. For the second year in a row, we had an exceptional response rate of 95 percent with improvement in the survey results across the board and no items with notably declining scores.

INTELLECTUAL PROPERTY

We own and manage the Visa brand, which stands for acceptance, security, convenience, speed and reliability. Our portfolio of Visa-owned trademarks are important to our business. Generally, trademark registrations are valid indefinitely as long as they are in use and/or maintained. We give our clients access to these assets through agreements with our issuers and acquirers, which authorize the use of our trademarks in connection with their participation in our payments network. We also own a number of patents, patent applications and other intellectual property relating to payment solutions, transaction processing, security systems and other matters. We rely on a combination of patent, trademark, copyright and trade secret laws in the U.S. and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our proprietary technology.

COMPETITION

The global payments industry continues to undergo dynamic change. Existing and emerging competitors compete with Visa's network and payment solutions for consumers and for participation by financial institutions and merchants. Technology and innovation are shifting consumer habits and driving growth opportunities in ecommerce, mobile payments, blockchain technology and digital currencies. These advances are enabling new entrants, many of which depart from traditional network payment models. In certain countries, the evolving regulatory landscape is changing how we compete, creating local networks or enabling additional processing competition.

We compete against all forms of payment. This includes paper-based payments, primarily cash and checks, and all forms of electronic payments. Our electronic payment competitors principally include:

Global or Multi-Regional Networks: These networks typically offer a range of branded, general purpose card payment products that can be used at millions of merchant locations around the world. Examples include Mastercard, American Express, Discover, JCB and UnionPay. These competitors may be more concentrated in specific geographic regions, such as JCB in Japan and Discover in the U.S., or have a leading position in certain countries. For example, UnionPay operates the sole domestic card acceptance mark in China and is expanding into other global markets. See *Item 1A — Risk Factors — Regulatory Risks — Government-imposed restrictions on international payment systems may prevent us from competing against providers in certain countries, including significant markets such as China, India and Russia*. Based on available data, Visa is one of the largest retail electronic funds transfer networks used throughout the world. The following chart compares our network with these network competitors for calendar year 2018[(4)]:

	Visa	Mastercard	American Express	JCB	Diners Club
Payments Volume ($B)	8,449	4,338	1,169	283	172
Total Volume ($B)	11,380	5,901	1,184	290	187
Total Transactions (B)	188	103	8	4	3
Cards (M)	3,359	2,022	114	127	63

[(4)] MasterCard, American Express, JCB and Discover/Diners Club data sourced from The Nilson Report issue 1154 (May 2019). Mastercard excludes Maestro and Cirrus figures. American Express, Diners Club/Discover, and JCB include business from third-party issuers. JCB figures include other payment-related products and some figures are estimates.

Local and Regional Networks: Operated in many countries, these networks often have the support of government influence or mandate. In some cases, they are owned by financial institutions. These networks typically focus on debit payment products and may have strong local acceptance, and recognizable brands. Examples include STAR, NYCE, and Pulse in the U.S., Interac in Canada, EFTPOS in Australia and Mir in Russia.

Alternate Payment Providers: These providers often have a primary focus of enabling payments through ecommerce and mobile channels, but are expanding or may expand their offerings to the physical point of sale. These companies may process payments using in-house account transfers between parties, electronic funds transfer networks like the ACH, global or local networks like Visa, or some combination of the foregoing. In some cases, these entities are both a partner and a competitor to Visa.

ACH and Real Time Payment (RTP) Networks: These networks are often governed by local regulations. Primarily focused on interbank transfers, many are adding capabilities that may make them more competitive for retail payments. We also compete with closed-loop payment systems, emerging payments networks, wire transfers and electronic benefit transfers.

Payment Processors: We compete with payment processors for the processing of Visa transactions. These processors may benefit from mandates requiring them to handle processing under local regulation. For example, as a result of regulation in Europe under the Interchange Fee Regulation (IFR), we may face competition from other networks, processors and other third-parties who could process Visa transactions directly with issuers and acquirers.

We believe our fundamental value proposition of acceptance, security, convenience, speed and reliability offers us a key competitive advantage. We succeed in part because we understand the needs of the individual markets in which we operate and partner with local financial institutions, merchants, fintechs, governments, non-governmental organizations and business organizations to provide tailored solutions. We believe Visa is well-positioned competitively due to our global brand, our broad set of Visa-branded payment products and our proven track record of processing payment transactions securely and reliably through VisaNet.

SEASONALITY

We generally do not experience any pronounced seasonality in our business. No individual quarter of fiscal 2019 or fiscal 2018 accounted for more than 30 percent of our net revenues in those years.

WORKING CAPITAL

Payments settlement due to and from our financial institution clients can represent a substantial daily working capital requirement. Most U.S. dollar settlements are settled within the same day and do not result in a receivable or payable balance, while settlement in currencies other than the U.S. dollar generally remain outstanding for one to two business days, which is consistent with industry practice for such transactions.

GOVERNMENT REGULATION

As a global payments technology company, we are subject to complex and evolving global regulations in the various jurisdictions in which our products and services are used. The most significant government regulations that impact our business are discussed below. For further discussion of how global regulations may impact our business, see *Item 1A-Risk Factors-Regulatory Risks*.

Anti-Corruption, Anti-Money Laundering, Anti-Terrorism and Sanctions: We are subject to anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and other laws that generally prohibit the making or offering of improper payments to foreign government officials and political figures for the purpose of obtaining or retaining business or to gain an unfair business advantage. We are also subject to anti-money laundering and anti-terrorist financing laws and regulations, including the U.S. Bank Secrecy Act. In addition, we are subject to economic and trade sanctions programs administered by the Office of Foreign Assets Control (OFAC) in the U.S. Therefore, we do not permit financial institutions or other entities that are domiciled in countries or territories subject to comprehensive OFAC trade sanctions (currently, Cuba, Iran, North Korea, Syria and Crimea), or that are included on OFAC's list of Specially Designated Nationals and Blocked Persons, to issue or acquire Visa cards or engage in transactions using our services.

Government-Imposed Market Participation and Restrictions: Certain governments, including China, India, Indonesia, Russia, Thailand and Vietnam, have taken actions to promote domestic payments systems and/or certain issuers, payments networks or processors, by imposing regulations that favor domestic providers, impose local ownership requirements on processors, require data localization or mandate domestic processing be done in that country.

Interchange Rates and Fees: An increasing number of jurisdictions around the world regulate or influence debit and credit interchange reimbursement rates in their regions. For example, the Dodd-Frank Wall Street Reform and Consumer Act (Dodd-Frank Act) in the U.S. limits interchange reimbursement rates for certain debit card transactions, the European Union's (EU) IFR limits interchange rates in Europe (as discussed below) and the Reserve Bank of Australia and the Central Bank of Brazil regulate average permissible levels of interchange.

Internet Transactions: Many jurisdictions have adopted regulations that require payments system participants to monitor, identify, filter, restrict or take other actions with regard to certain types of payment transactions on the Internet, such as gambling and the purchase of cigarettes or alcohol.

Network Exclusivity and Routing: In the U.S., the Dodd-Frank Act limits network exclusivity and preferred routing arrangements for the debit and prepaid market segments. Other jurisdictions impose similar limitations, such as the IFR's prohibition in Europe on restrictions that prevent multiple payment brands or functionality on the same card.

No-surcharge Rules: We have historically enforced rules that prohibit merchants from charging higher prices to consumers who pay using Visa products instead of other means. However, merchants' ability to surcharge varies by geographic market as well as Visa product type, and continues to be impacted by litigation, regulation and legislation.

Privacy and Data Protection: Aspects of our operations or business are subject to privacy, data use and data security regulations, which impact the way we use and handle data, operate our products and services and even impact our ability to offer a product or service. In addition, regulators are proposing new laws or regulations that could require Visa to adopt certain cybersecurity and data-handling practices, create new individual privacy rights and impose increased obligations on companies handling personal data.

Supervisory Oversight of the Payments Industry: Visa is subject to financial sector oversight and regulation in substantially all of the jurisdictions in which we operate. In the U.S., for example, the Federal Financial Institutions Examination Council (FFIEC) has supervisory oversight over Visa under applicable federal banking laws and policies as a technology service provider to U.S. financial institutions. The federal banking agencies comprising the FFIEC are the Federal Reserve Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the National Credit Union Administration. Visa also may be separately examined by the Bureau of Consumer Financial Protection as a service provider to the banks that issue Visa-branded consumer credit and debit card products. Central banks in other countries/regions, including Europe, Russia, Ukraine and the United Kingdom (as discussed below), have recognized or designated Visa as a retail payment system under various types of financial stability regulations. Visa is also subject to oversight by banking and financial sector authorities in other jurisdictions, such as Brazil and Hong Kong.

European Regulations and Supervisory Oversight: Visa in Europe continues to be subject to complex and evolving regulation in the European Economic Area (EEA). Visa Europe is designated as a Recognized Payment System in the United Kingdom, bringing it within the scope of the Bank of England's supervisory powers and subject to various requirements, including on issues such as governance and risk management designed to maintain the stability of the United Kingdom's financial system. Visa Europe is also subject to the European Central Bank's oversight, whose main focus is on the smooth operation of payment systems in the Euro area, including the security, operational reliability, and business continuity of the payment systems. Furthermore, Visa Europe is regulated by the United Kingdom's Payment Systems Regulator (PSR), which has wide ranging powers and authority to review our business practices, systems, rules and fees with respect to promoting competition and innovation in the United Kingdom, and ensuring payments meet account holder needs. The PSR is also the regulator responsible for monitoring Visa Europe's compliance with the IFR in the United Kingdom. The IFR regulates interchange rates within Europe, requires Visa Europe to separate its payment card scheme activities from processing activities for accounting, organization, and decision-making purposes within the EU and imposes limitations on network exclusivity and routing. National competent authorities in the EU are responsible for monitoring and enforcing the IFR in their markets.

There are other regulations in the European Union that impact our business, as discussed above, including privacy and data protection, anti-bribery, anti-money laundering, anti-terrorism and sanctions. Other recent regulatory changes in Europe, such as the second Payment Services Directive (PSD2), require, among other things, that our financial institution clients provide certain customer account access rights to emerging non-financial institution players. PSD2 also includes strong customer authentication requirements for certain transactions that could impose both operational complexity on Visa and negatively impact consumer payment experiences.

As discussed in *Item 1A — Risk Factors — Business Risks — The United Kingdom's withdrawal from the European Union could harm our business and financial results,* Brexit could lead to further legal and regulatory complexity in Europe.

Additional Regulatory Developments: Various regulatory agencies also continue to examine a wide variety of other issues, including mobile payment transactions, tokenization, access rights for non-financial institutions, money transfer, identity theft, account management guidelines, disclosure rules, security and marketing that could affect our financial institution clients and us. Furthermore, following the passage of PSD2 in Europe, several countries, including Australia, Brazil, Canada, Hong Kong and Mexico, are contemplating granting various types of access rights to third-party processors, including access to consumer account data maintained by our financial institution clients, which could have implications for our business as well.

AVAILABLE INFORMATION

Visa Inc. was incorporated in Delaware in May 2007, and we completed our initial public offering in March 2008. Prior to 2007 when Visa was reorganized, Visa served its member financial institutions through Visa International and regional member-owned associations (e.g., Visa U.S.A. Inc. and Visa Canada Corporation). As part of the 2007 reorganization, these associations became a part of Visa Inc. in October 2007, with the exception of Visa Europe Limited, which continued to operate as an association until our acquisition in June 2016. Please see *Item 8. Financial Statements and Supplementary Data-*

Notes to the Consolidated Financial Statements-Note 14-Stockholders' Equity for information regarding our capital structure.

Our corporate website is *http://corporate.visa.com*. Our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, proxy statements and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended, can be viewed at *http://www.sec.gov* and our investor relations website at *http://investor.visa.com* as soon as reasonably practicable after these materials are electronically filed with or furnished to the U.S. Securities and Exchange Commission (SEC). In addition, we routinely post financial and other information, which could be deemed to be material to investors, on our investor relations website. Information regarding our corporate responsibility and sustainability initiatives are also available on our website at *http://www.visa.com/responsibility*. The content of any of our websites referred to in this report is not incorporated by reference into this report or any other filings with the SEC.

ITEM 1A. Risk Factors

Regulatory Risks

We are subject to complex and evolving global regulations that could harm our business and financial results.

As a global payments technology company, we are subject to complex and evolving regulations that govern our operations. See *Item 1—Business—Government Regulation* for more information on the most significant areas of regulation that affect our business. The impact of these regulations on us, our clients, and other third parties could limit our ability to enforce our payments system rules; require us to adopt new rules or change existing rules; affect our existing contractual arrangements; increase our compliance costs; require us to make our technology or intellectual property available to third parties, including competitors, in an undesirable manner; and reduce our revenue opportunities. As discussed in more detail below, we may face differing rules and regulations in matters like interchange reimbursement rates, preferred routing, domestic processing requirements, currency conversion, point-of-sale transaction rules and practices, privacy, data use or protection, licensing requirements, and associated product technology. As a result, the Visa operating rules and our other contractual commitments may differ from country to country or by product offering. Complying with these and other regulations increases our costs and could reduce our revenue opportunities.

If widely varying regulations come into existence worldwide, we may have difficulty rapidly adjusting our product offerings, services, fees and other important aspects of our business in the regions where we operate. Our compliance programs and policies are designed to support our compliance with a wide array of regulations and laws, such as anti-money laundering, anti-corruption, competition, privacy and sanctions, and we continually enhance our compliance programs as regulations evolve. However, we cannot guarantee that our practices will be deemed compliant by all applicable regulatory authorities. In the event our controls should fail or we are found to be out of compliance for other reasons, we could be subject to monetary damages, civil and criminal penalties, litigation, investigations and proceedings, and damage to our global brands and reputation. Furthermore, the evolving and increased regulatory focus on the payments industry could negatively impact or reduce the number of Visa products our clients issue, the volume of payments we process, our revenues, our brands, our competitive positioning, our ability to use our intellectual property to differentiate our products and services, the quality and types of products and services we offer, the countries in which our products are used, and the types of consumers and merchants who can obtain or accept our products, all of which could harm our business.

Increased scrutiny and regulation of the global payments industry, including with respect to interchange reimbursement fees, merchant discount rates, operating rules, risk management protocols and other related practices, could harm our business.

Regulators around the world have been establishing or increasing their authority to regulate certain aspects of the payments industry. See *Item 1. Business —Government Regulation* for more information. In the U.S. and many other jurisdictions, we have historically set default interchange reimbursement fees. Even though we generally do not receive any revenue related to interchange reimbursement fees in a payment transaction (in the context of credit and debit transactions, those fees are paid by the acquirers to the issuers; the reverse is true for certain transactions like ATM), interchange reimbursement fees are a factor on which we compete with other payments providers and are therefore an important determinant of the volume of transactions we process. Consequently, changes to these fees, whether voluntarily or by mandate, can substantially affect our overall payments volumes and revenues.

Interchange reimbursement fees, certain operating rules and related practices continue to be subject to increased government regulation globally, and regulatory authorities and central banks in a number of jurisdictions have reviewed or are reviewing these fees, rules, and practices. For example, regulations adopted by the U.S. Federal Reserve cap the maximum U.S. debit interchange reimbursement rate received by large financial institutions at 21 cents plus 5 basis points per transaction, plus a possible fraud adjustment of 1 cent. The Dodd-Frank Act also limits issuers' and our ability to adopt network exclusivity and preferred routing in the debit and prepaid area, which also impacts our business. The EU's IFR places an effective cap on consumer credit and consumer debit interchange fees for both domestic and cross-border transactions within the EEA (30 basis points and 20 basis points, respectively). EU member states have the ability to further reduce these interchange levels within their territories. Furthermore, the European Commission is in the process of conducting an impact assessment of the IFR, which could potentially result in lower and/or additional interchange fee caps and restrictions. Countries in other parts of the world, including the Latin America region have either adopted or are exploring interchange caps. For example, in March 2017, Argentina's central bank passed regulations that cap interchange fees on credit and debit transactions. In March 2018, Brazil adopted interchange caps on debit transactions.

When we cannot set default interchange reimbursement rates at optimal levels, issuers and acquirers may find our payments system less attractive. This may increase the attractiveness of other payments systems, such as our competitors' closed-loop payments systems with direct connections to both merchants and consumers. We believe some issuers may react to such regulations by charging new or higher fees, or reducing certain benefits to consumers, which make our products less appealing to consumers. Some acquirers may elect to charge higher merchant discount rates regardless of the Visa interchange reimbursement rate, causing merchants not to accept our products or to steer customers to alternate payments systems or forms of payment. In addition, in an effort to reduce the expense of their payment programs, some issuers and acquirers have obtained, and may continue to obtain, incentives from us, including reductions in the fees that we charge, which may directly impact our revenues.

In addition to the regulation of interchange reimbursement fees, a number of regulators impose restrictions on other aspects of our payments business. For example, many governments including, but not limited to governments in India and Turkey are using regulation to further drive down merchant discount rates, which could negatively affect the economics of our transactions. Some countries in Latin America, like Peru and Chile are relying on antitrust driven regulatory actions that can have implications for how the payments ecosystem and four party model operate. The Payment System Regulator's review of the acquiring market in the United Kingdom could lead to additional regulatory pressure on our business. With increased merchant lobbying, we could also begin to see regulatory interest in network fees. Government regulations or pressure may also require us to allow other payments networks to support Visa products or services, or to have the other network's functionality or brand marks on our products. As innovations in payment technology have enabled us to expand into new products and services, they have also expanded the potential scope of regulatory influence. For instance, new products and capabilities, including tokenization, push payments, and non-card based payment flows (e.g., B2B Connect) could bring increased licensing or authorization requirements in the countries where the product or capability is offered. In addition, the European Union's requirement to separate scheme and processing adds costs and impacts the execution of our commercial, innovation and product strategies.

We are also subject to central bank oversight in some markets, including, Brazil, Russia, the United Kingdom and within the European Union. This oversight could result in new governance, reporting, licensing, cybersecurity, processing infrastructure, capital, or credit risk management requirements. We could also be required to adopt policies and practices designed to mitigate settlement and liquidity risks, including increased requirements to maintain sufficient levels of capital and financial resources locally, as well as localized risk management or governance. Increased central bank oversight could also lead to new or different criteria for participation in and access to our payments system, including allowing non-traditional financial technology companies to act as issuers or acquirers. Additionally, regulators in other jurisdictions are considering or adopting approaches based on similar regulatory principles.

Finally, regulators around the world increasingly take note of each other's approaches to regulating the payments industry. Consequently, a development in one jurisdiction may influence regulatory approaches in another. The risks created by a new law, regulation or regulatory outcome in one jurisdiction have the potential to be replicated and to negatively affect our business in another jurisdiction or in other product offerings. For example, our settlement with the European Commission on cross-border interchange rates could draw the attention of regulators in other parts of the world. Similarly, new regulations involving one product offering may prompt regulators to extend the regulations to other product offerings. For example, credit payments could become subject to similar regulation as debit payments (or vice versa). For instance, the Reserve Bank of Australia initially capped credit interchange, but subsequently capped debit interchange as well.

Government-imposed restrictions on international payment systems may prevent us from competing against providers in certain countries, including significant markets such as China, India and Russia.

Governments in a number of jurisdictions shield domestic payment card networks, brands, and processors from international competition by imposing market access barriers and preferential domestic regulations. To varying degrees, these policies and regulations affect the terms of competition in the marketplace and undermine the competitiveness of international payments networks. In the future, public authorities may impose regulatory requirements that favor domestic providers or mandate that domestic payments processing be performed entirely within that country, which would prevent us from managing the end-to-end processing of certain transactions.

In Russia, legislation effectively prevents us from processing domestic transactions. The central bank controlled national payment card system (NSPK) is the only entity allowed to process domestically. In China, UnionPay remains the sole processor of domestic payment card transactions and operates the sole domestic acceptance mark. Although we have filed an application with the People's Bank of China (PBOC) to operate a Bank Card Clearing Institution (BCCI) in China, the timing and the procedural steps remain uncertain. The approval process might require several years, and there is no guarantee that the license to operate a BCCI will be approved or, if we obtain such license, that we will be able to successfully compete with domestic payments networks.

Recent regulatory initiatives in India also suggest growing nationalistic priorities, including a data localization mandate passed by the government, which has cost implications for us and could affect our ability to effectively compete with domestic payment providers. Furthermore, regional groups of countries, such as the Gulf Cooperation Countries in the Middle East and a number of countries in Southeast Asia, are considering, or may consider, efforts to restrict our participation in the processing of regional transactions. The African Development Bank has also indicated an interest in supporting national payment systems in its efforts to expand financial inclusion and strengthen regional financial stability. Geopolitical events, including sanctions, trade tensions or other types of activities could potentially intensify any or all of these activities, which could adversely affect our business.

Due to our inability to manage the end-to-end processing of transactions for cards in certain countries (e.g., Russia and Thailand), we depend on our close working relationships with our clients or third-party processors to ensure transactions involving our products are processed effectively. Our ability to do so may be adversely affected by regulatory requirements and policies pertaining to transaction routing or on-shore processing.

Co-badging and co-residency regulations may pose additional challenges in markets where Visa competes with national networks for issuance and routing. For example, in China, certain banks have issued dual-branded cards for which domestic transactions in China are processed by UnionPay and transactions outside of China are processed by us or other international payments networks. The PBOC is contemplating that dual-branded cards could be phased out over time as new licenses are issued to international companies to participate in China's domestic payments market. Accordingly, we have been working with Chinese issuers to issue Visa-only branded cards for international travel, and later for domestic transactions after we obtain a BCCI license. However, notwithstanding such efforts, the phase out of dual-branded cards may decrease our payment volumes and impact the revenue we generate in China.

Mir and UnionPay have grown rapidly in Russia and China, respectively, and are actively pursuing international expansion plans, which could potentially lead to regulatory pressures on our international routing rule (which requires that international transactions on Visa cards be routed over VisaNet). Furthermore, although regulatory barriers shield Mir and UnionPay from competition in Russia and China, respectively, alternate payment providers such as Alipay and WeChat Pay have rapidly expanded into ecommerce, offline, and cross-border payments, which could make it difficult for us to compete even if our license is approved in China. Recently, with strong backing from China's government, a new digital transaction routing system known as Netlink was established. The PBOC allowed Alipay and other digital payment providers to invest in Netlink. It and other such systems could have a competitive advantage in comparison with other international payments networks.

In general, national laws that protect domestic providers or processing may increase our costs; decrease our payments volumes and impact the revenue we generate in those countries; decrease the number of Visa products issued or processed; impede us from utilizing our global processing capabilities and controlling the quality of the services supporting our brands; restrict our activities; limit our growth and the ability to introduce new products, services and innovations; force us to leave countries or prevent us from entering new markets; and create new competitors, all of which could harm our business.

Laws and regulations regarding the handling of personal data and information may impede our services or result in increased costs, legal claims, or fines against us.

Our business relies on the processing of data in many jurisdictions and the movement of data across national borders. Legal requirements relating to the collection, storage, handling, use, disclosure, transfer, and security of personal data continue to evolve, and regulatory scrutiny in this area is increasing around the world. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. For example, the EU's General Data Protection Regulation (GDPR) extends the scope of the EU data protection law to all companies processing data of EU residents, regardless of the company's location. The law requires companies to meet new requirements regarding the handling of personal data. Although we have an extensive data privacy program that addresses the GDPR requirements, our ongoing efforts to comply with GDPR and other privacy and data protection laws (such as the new California Consumer Privacy Act effective as of January 2020 and the Brazilian General Data Protection Law effective as of February 2020) may entail substantial expenses, may divert resources from other initiatives and projects, and could limit the services we are able to offer. In addition, India has adopted a data localization law that requires all payment system operators to store domestic transaction data only in India. Such data localization requirements have cost implications for us, impact our ability to utilize the efficiencies and value of our global network, and could affect our strategy. Furthermore, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase. The enactment of more restrictive laws, rules, regulations, or future enforcement actions or investigations could impact us through increased costs or restrictions on our business, and noncompliance could result in regulatory penalties and significant legal liability.

We may be subject to tax examinations or disputes, or changes in tax laws.

We exercise significant judgment in calculating our worldwide provision for income taxes and other tax liabilities. Although we believe our tax estimates are reasonable, many factors may limit their accuracy. We are currently under examination by, or in disputes with, the U.S. Internal Revenue Service, the UK's HM Revenue & Customs as well as tax authorities in other jurisdictions, and we may be subject to additional examinations or disputes in the future. Relevant tax authorities may disagree with our tax treatment of certain material items and thereby increase our tax liability. Failure to sustain our position in these matters could harm our cash flow and financial position. In addition, changes in existing laws in the U.S. or foreign jurisdictions, or changes resulting from the Organization for Economic Cooperation and Development Program of Work, related to the revision of profit allocation and nexus rules and global base-erosion proposal, may also materially affect our effective tax rate. A substantial increase in our tax payments could have a material, adverse effect on our financial results. See also *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Litigation Risks

We may be adversely affected by the outcome of litigation or investigations, despite certain protections that are in place.

We are involved in numerous litigation matters, investigations, and proceedings asserted by civil litigants, governments, and enforcement bodies alleging, among other things, violations of competition and antitrust law, consumer protection law, and intellectual property law (these are referred to as "actions" in this section). Details of the most significant actions we face are described more fully in *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. These actions are inherently uncertain, expensive, and disruptive to our operations. In the event we are found liable in any material action, particularly in a large class action lawsuit, such as one involving an antitrust claim entitling the plaintiff to treble damages, or we incur liability arising from a government investigation, we may be required to pay significant awards, settlements, or fines. In addition, settlement terms, judgments, or pressures resulting from actions may harm our business by requiring us to modify, among other things, the default interchange reimbursement rates we set, the Visa operating rules or the way in which we enforce those rules, our fees or pricing, or the way we do business. These actions or their outcomes may also influence regulators, investigators, governments, or civil litigants in the same or other jurisdictions, which may lead to additional actions against Visa. Finally, we are required by some of our commercial agreements to indemnify other entities for litigation brought against them, even if Visa is not a defendant.

For certain actions like those that are U.S. covered litigation or VE territory covered litigation, as described in *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report, we have certain financial protections pursuant to the respective retrospective responsibility plans. The two retrospective responsibility plans are different in the protections they provide and the mechanisms by which we are protected. The failure of one or both of the retrospective responsibility plans to adequately insulate us from the impact of such settlements, judgments, losses, or liabilities could materially harm our financial condition or cash flows, or even cause us to become insolvent.

Business Risks

We face intense competition in our industry.

The global payments space is intensely competitive. As technology evolves, new competitors or methods of payment emerge, and existing clients and competitors assume different roles. Our products compete with cash, checks, electronic funds, virtual currency payments, global or multi-regional networks, other domestic and closed-loop payments systems, and alternative payment providers primarily focused on enabling payments through ecommerce and mobile channels. As the global payments space becomes more complex, we face increasing competition from our clients, other emerging payment providers such as fintechs, and other digital payments and technology companies that have developed payments systems enabled through online activity in ecommerce and mobile channels.

Our competitors may develop substantially better technology, have more widely adopted delivery channels or have greater financial resources. They may offer more effective, innovative or a wider range of programs, products, and services. They may use more effective advertising and marketing strategies that result in broader brand recognition, and greater issuance and merchant acceptance. They may also develop better security solutions or more favorable pricing arrangements. Moreover, even if we successfully adapt to technological change and the proliferation of alternative types of payment services by developing and offering our own services in these areas, such services may provide less favorable financial terms for us than we currently receive from VisaNet transactions, which could hurt our financial results and prospects.

Certain of our competitors operate with different business models, have different cost structures, or participate in different market segments. Those business models may ultimately prove more successful or more adaptable to regulatory, technological, and other developments. In some cases, these competitors have the support of government mandates that prohibit, limit, or otherwise hinder our ability to compete for transactions within certain countries and regions. Some of our competitors, including American Express, Discover, private-label card networks, virtual currency providers, technology companies that enable the exchange of digital assets, and certain alternate payments systems like Alipay and WeChat Pay, operate closed-loop payments systems, with direct connections to both merchants and consumers. Government actions or initiatives such as the Dodd-Frank Act or the U.S. Federal Reserve's FedNow initiatives may provide competitors with increased opportunities to derive competitive advantages from these business models, and may create new competitors, including in some cases the government itself. Similarly, regulation in Europe under PSD2 and the IFR may require us to open up access to, and allow participation in, our network to additional participants, and reduce the infrastructure investment and regulatory burden on competitors. We also run the risk of disintermediation due to factors such as emerging technologies, including mobile payments, alternate payment credentials, other ledger technologies or payment forms, and by virtue of increasing bilateral agreements between entities that prefer not to use our payments network for processing transactions. For example, merchants could process transactions directly with issuers, or processors could process transactions directly with issuers and acquirers.

We expect the competitive landscape to continue to shift and evolve. For example:

- competitors, clients, network participants, and others are developing or participating in alternate payment networks or products, such as mobile payment services, ecommerce payment services, P2P payment services, real-time and faster payment initiatives and payment services that permit ACH or direct debits from consumer checking accounts, that could reduce our role or otherwise disintermediate us from the transaction processing or the value-added services we provide to support such processing. Examples include initiatives from The Clearing House, an association consisting of large financial institutions that has developed its own faster payments system; Early Warning Services, which operates Zelle, a bank-offered alternative network that provides another platform for faster funds or real-time payments across a variety of payment types, including P2P, corporate and government disbursement, bill pay and deposit check transactions; and the Libra Association, which seeks to launch a new stablecoin crypto-currency (Libra Coin) and global blockchain-based payments network;

- similarly, many countries are developing or promoting domestic networks, switches and real-time payment systems. To the extent these governments mandate local banks and merchants to use and accept these systems for domestic transactions and/or prohibit international payment networks, like Visa, from participating on those systems, we could face the risk of our business being disintermediated in those countries. Furthermore, in some regions, such as Southeast Asia, under the auspices of the Association of Southeast Asian Nations (ASEAN), some countries are looking into cross-border connectivity of such domestic systems;

- parties that process our transactions may try to minimize or eliminate our position in the payments value chain;

- parties that access our payment credentials, tokens and technologies, including clients, technology solution providers or others might be able to migrate account holders and other clients to alternate payment methods or use our payment credentials, tokens and technologies to establish or help bolster alternate payment methods and platforms;

- participants in the payments industry may merge, form joint ventures or enable or enter into other business combinations that strengthen their existing business propositions or create new, competing payment services; and

- new or revised industry standards related to EMV Secure Remote Commerce, cloud-based payments, tokenization or other payments-related technologies set by organizations such as the International Organization for Standardization, American National Standards Institute, World Wide Web Consortium, European Card Standards Group, PCI Co and EMVCo may result in additional costs and expenses for Visa and its clients, or otherwise negatively impact the functionality and competitiveness of our products and services.

As the competitive landscape is quickly evolving, we may not be able to foresee or respond sufficiently to emerging risks associated with new businesses, products, services and practices. We may be asked to adjust our local rules and practices, develop or customize certain aspects of our payment services, or agree to business arrangements that may be less protective of Visa's proprietary technology and interests in order to compete and we may face increasing operational costs and risk of litigation concerning intellectual property. Our failure to compete effectively in light of any such developments could harm our business and prospects for future growth.

Our revenues and profits are dependent on our client and merchant base, which may be costly to win, retain, and maintain.

Our financial institution clients and merchants can reassess their commitments to us at any time or develop their own competitive services. While we have certain contractual protections, our clients, including some of our largest clients, generally have flexibility to issue non-Visa products. Further, in certain circumstances, our financial institution clients may decide to terminate our contractual relationship on relatively short notice without paying significant early termination fees. Because a significant portion of our net revenues is concentrated among our largest clients, the loss of business from any one of these larger clients could harm our business, results of operations, and financial condition.

In addition, we face intense competitive pressure on the prices we charge our financial institution clients. In order to stay competitive, we may need to adjust our pricing or offer incentives to our clients to increase payments volume, enter new market segments, adapt to regulatory changes, and expand their use and acceptance of Visa products and services. These include up-front cash payments, fee discounts, rebates, credits, performance-based incentives, marketing, and other support payments that impact our revenues and profitability. In addition, we offer incentives to certain merchants or acquirers to win routing preference in situations where other network functionality is enabled on our products and there is a choice of network routing options. Market pressures on pricing, incentives, fee discounts, and rebates could moderate our growth. If we are not able to implement cost containment and productivity initiatives in other areas of our business or increase our volumes in other ways to offset or absorb the financial impact of these incentives, fee discounts, and rebates, it may harm our net revenues and profits.

In addition, it may be difficult or costly for us to acquire or conduct business with financial institutions or merchants that have longstanding exclusive, or nearly exclusive, relationships with our competitors. These financial institutions or merchants may be more successful and may grow more quickly than our existing clients or merchants. In addition, if there is a consolidation or acquisition of one or more of our largest clients or co-brand partners by a financial institution client or merchant with a strong relationship with one of our competitors, it could result in our business shifting to a competitor, which could put us at a competitive disadvantage and harm our business.

Merchants' and processors' continued push to lower acceptance costs and challenge industry practices could harm our business.

We rely in part on merchants and their relationships with our clients to maintain and expand the acceptance of Visa products. Certain large retail merchants have been exercising their influence in the global payments system in certain jurisdictions, such as the U.S., Canada and Europe, to attempt to lower their acceptance costs by lobbying for new legislation, seeking regulatory enforcement, filing lawsuits and in some cases, refusing to accept Visa products. If they are successful in their efforts, we may face increased compliance and litigation expenses and issuers may decrease their issuance of our products. For example, in the U.S., certain stakeholders have raised concerns regarding how payment security standards and rules may impact the cost of payment card acceptance. In addition to ongoing litigation related to the U.S. migration to EMV-capable cards and point-of-sale terminals, U.S. merchant-affiliated groups and processors have expressed concerns regarding the EMV certification process and some policymakers have concerns about the roles of industry bodies such as EMVCo and the Payment Card Industry Security Standards Council in the development of payment card standards. Additionally, some merchants and processors have advocated for changes to industry practices and Visa acceptance requirements at the point of sale, including the ability for merchants to accept only certain types of Visa products, to mandate only PIN authenticated transactions, to differentiate or steer among Visa product types issued by different financial institutions, and to impose surcharges on customers presenting Visa products as their form of payment. If successful, these efforts could adversely impact consumers' usage of our products, lead to regulatory enforcement and/or litigation, increase our compliance and litigation expenses, and harm our business.

We depend on relationships with financial institutions, acquirers, processors, merchants, and other third parties.

As noted above, our relationships with industry participants are complex and require us to balance the interests of multiple third parties. For instance, we depend significantly on relationships with our financial institution clients and on their relationships with account holders and merchants to support our programs and services, and thereby compete effectively in the marketplace. We engage in discussions with merchants, acquirers, and processors to provide incentives to promote routing preference and acceptance growth. We also engage in many payment card co-branding efforts with merchants, who receive incentives from us. As emerging participants such as fintechs enter the payments industry, we engage in discussions to address the role they may play in the ecosystem, whether as, for example, an issuer, merchant, or digital wallet provider. As these and other relationships become more prevalent and take on a greater importance to our business, our success will increasingly depend on our ability to sustain and grow these relationships. In addition, we depend on our clients and third parties, including vendors and suppliers, to process transactions properly, provide various services associated with our payments network on our behalf, and otherwise adhere to our operating rules. To the extent that such parties fail to perform or deliver adequate services, it may result in negative experiences for account holders or others when using their Visa-branded payment products, which could harm our business and reputation.

Our business could be harmed if we are not able to maintain and enhance our brand, if events occur that have the potential to damage our brand or reputation, or if we experience brand disintermediation.

Our brand is globally recognized and is a key asset of our business. We believe that our clients and account holders associate our brand with acceptance, security, convenience, speed, and reliability. Our success depends in large part on our ability to maintain the value of our brand and reputation of our products and services in the payments ecosystem, elevate the brand through new and existing products, services and partnerships, and uphold our corporate reputation. The popularity of products that we have developed in partnership with technology companies and financial institutions may have the potential to cause consumer confusion or brand disintermediation at the point-of-sale and decrease the value of our brand. Our brand reputation may be negatively impacted by a number of factors, including authorization, clearing and settlement service disruptions; data security breaches; compliance failures by Visa, including our employees, agents, clients, partners or suppliers; negative perception of our industry, the industries of our clients or Visa-accepting merchants; ill-perceived actions by clients, partners or other third parties, such as sponsorship or co-brand partners; and fraudulent, risky, controversial or illegal activities using our payment products. If we are unable to maintain our reputation, the value of our brand may be impaired, which could harm our relationships with clients, account holders, and the public, as well as impact our business.

Global economic, political, market, and social events or conditions may harm our business.

Our revenues are dependent on the volume and number of payment transactions made by consumers, governments, and businesses whose spending patterns may be affected by prevailing economic conditions. In addition, more than half of our net revenues are earned outside the U.S. International cross-border transaction revenues represent a significant part of our revenue and are an important part of our growth strategy. Therefore, adverse macroeconomic conditions, including recessions, inflation, high unemployment, currency fluctuations, actual or anticipated large-scale defaults or failures, or slowdown of global trade could decrease consumer and corporate confidence and reduce consumer, government, and corporate spending which have a direct impact on our revenues. In addition, outbreaks of illnesses, pandemics, or other local or global health issues, political uncertainties, international hostilities, armed conflict, or unrest, and natural disasters could impact our operations, our clients, our activities in a particular location, and cross-border travel and spend. Geopolitical trends towards nationalism, protectionism, and restrictive visa requirements, as well as continued activity and uncertainty around economic sanctions could limit the expansion of our business in those regions. The current trade environment reduces the likelihood of having our Bank Card Clearing Institution application in China approved. In addition, any decline in cross-border travel and spend could impact the number of cross-border transactions we process and our currency exchange activities, which in turn would reduce our international transaction revenues.

A decline in economic conditions could impact our clients as well, and their decisions could reduce the number of cards, accounts, and credit lines of their account holders, which ultimately impact our revenues. They may also implement cost-reduction initiatives that reduce or eliminate marketing budgets, and decrease spending on optional or enhanced, value-added services from us.

Any events or conditions that impair the functioning of the financial markets, tighten the credit market, or lead to a downgrade of our current credit rating could increase our future borrowing costs and impair our ability to access the capital and credit markets on favorable terms, which could affect our liquidity and capital resources, or significantly increase our cost of capital. If clients default on their settlement obligations, it may also impact our liquidity. Any of these events could adversely affect our volumes and revenue.

Our indemnification obligation to fund settlement losses of our clients exposes us to significant risk of loss and may reduce our liquidity.

We indemnify issuers and acquirers for settlement losses they may suffer due to the failure of another issuer or acquirer to honor its settlement obligations in accordance with the Visa operating rules. In certain instances, we may indemnify issuers or acquirers in situations in which a transaction is not processed by our system. This indemnification creates settlement risk for us due to the timing difference between the date of a payment transaction and the date of subsequent settlement. Our indemnification exposure is generally limited to the amount of unsettled Visa payment transactions at any point in time and any subsequent amounts that may fall due relating to adjustments for previously processed transactions. Concurrent settlement failures involving more than one of our largest clients, several of our smaller clients, or systemic operational failures could negatively impact our financial position. Even if we have sufficient liquidity to cover a settlement failure, we may be unable to recover the amount of such payment. This could expose us to significant losses and harm our business. See *Note 11—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

The United Kingdom’s withdrawal from the European Union could harm our business and financial results.

In June 2016, voters in the United Kingdom approved the withdrawal of the United Kingdom from the European Union (commonly referred to as “Brexit”). In March 2017, the UK government initiated the exit process under Article 50 of the Treaty of the European Union, commencing a period of up to two years for the United Kingdom and the other EU member states to negotiate the terms of the withdrawal, which was subsequently postponed until January 31, 2020. Uncertainty over the terms of the United Kingdom’s departure from the European Union could cause political and economic uncertainty in the United Kingdom and the rest of Europe, which could harm our business and financial results.

Brexit could lead to legal uncertainty and potentially divergent national laws and regulations in the United Kingdom and European Union. We, as well as our clients who have significant operations in the United Kingdom, may incur additional costs and expenses as we adapt to potentially divergent regulatory frameworks from the rest of the European Union and as a result, our Visa operating rules and contractual commitments in the United Kingdom and the rest of the European Union may be impacted. In addition, applications may need to be made for regulatory authorization and permission in separate EU member states following Brexit. These factors may impact our ability to operate and process data in the European Union and United Kingdom seamlessly. This and other Brexit-related issues may require changes to our legal entity structure and/or operations in the United Kingdom and the European Union. Any of these effects of Brexit, among others, could harm our business and financial results.

Technology and Cybersecurity Risks

Failure to anticipate, adapt to or keep pace with new technologies in the payments industry could harm our business and impact future growth.

The global payments industry is undergoing significant and rapid technological change, including mobile and other proximity payment technologies, ecommerce, tokenization, cryptocurrencies, and new authentication technologies such as biometrics, distributed ledger and blockchain technologies. As a result, we expect new services and technologies to continue to emerge and evolve. In addition to our own initiatives and innovations, we work closely with third parties, including potential competitors, for the development of and access to new technologies. It is difficult, however, to predict which technological developments or innovations will become widely adopted and how those technologies may be regulated. Moreover, some of the new technologies could be subject to intellectual property-related lawsuits or claims, potentially impacting our development efforts and/or requiring us to obtain licenses. If we or our partners fail to adapt and keep pace with new technologies in the payments space in a timely manner, it could harm our ability to compete, decrease the value of our products and services to our clients, impact our intellectual property or licensing rights, harm our business and impact our future growth.

A disruption, failure or breach of our networks or systems, including as a result of cyber-attacks, could harm our business.

Our cybersecurity and processing systems, as well as those of financial institutions, merchants, and third-party service providers, have experienced in limited instances and may continue to experience errors, interruptions, delays or damage from a number of causes, including power outages, hardware, software and network failures, computer viruses, malware or other destructive software, internal design, manual or usage errors, cyber-attacks, terrorism, workplace violence or wrongdoing, catastrophic events, natural disasters and severe weather conditions.

Furthermore, our visibility and role in the global payments industry may also put our company at a greater risk of being targeted by hackers. In the normal course of our business, we have been the target of malicious cyber-attack attempts. We have been and may continue to be impacted by attacks and data security breaches of financial institutions, merchants, or third-party processors. We are also aware of instances where nation states have sponsored attacks against some of our financial institution clients, and other instances where merchants and issuers have encountered substantial data security breaches affecting their customers, some of whom were Visa account holders. Such attacks and breaches have resulted, and may continue to result in, fraudulent activity and ultimately, financial losses to Visa's clients, and it is difficult to predict the direct or indirect impact of future attacks or breaches to our business.

Numerous and evolving cybersecurity threats, including advanced and persistent cyber-attacks, phishing and social engineering schemes, particularly on our internet applications, could compromise the confidentiality, availability, and integrity of data in our systems or the systems of our third-party service providers. Because the techniques used to obtain unauthorized access, or to disable or degrade systems change frequently, have become increasingly more complex and sophisticated, and may be difficult to detect for periods of time, we may not anticipate these acts or respond adequately or timely. The security measures and procedures we, our financial institution and merchant clients, other merchants and third-party service providers in the payments ecosystem have in place to protect sensitive consumer data and other information may not be successful or sufficient to counter all data security breaches, cyber-attacks, or system failures. In some cases, the mitigation efforts may be dependent on third parties who may not deliver to the required contractual standards or whose hardware, software or network services may be subject to error, defect, delay, or outage. Although we devote significant resources to our cybersecurity and supplier risk management programs and have implemented security measures to protect our systems and data, and to prevent, detect and respond to data security incidents, there can be no assurance that our efforts will prevent these threats.

These events could significantly disrupt our operations; impact our clients and consumers; damage our reputation and brand; result in litigation or claims, violations of applicable privacy and other laws, and regulatory scrutiny, investigations, actions, fines or penalties; result in damages or changes to our business practices; decrease the overall use and acceptance of our products; decrease our volume, revenues and future growth prospects; and be costly, time consuming and difficult to remedy. In the event of damage or disruption to our business due to these occurrences, we may not be able to successfully and quickly recover all of our critical business functions, assets, and data through our business continuity program. Furthermore, while we maintain insurance, our coverage may not sufficiently cover all types of losses or claims that may arise.

Structural and Organizational Risks

We may not achieve the anticipated benefits of our acquisitions or strategic investments, and may face risks and uncertainties as a result.

As part of our overall business strategy, we make acquisitions and strategic investments. We may not achieve the anticipated benefits of our current and future acquisitions and strategic investments and they may involve significant risks and uncertainties, including:

- disruption to our ongoing business, including diversion of resources and management's attention from our existing business
- greater than expected investment of resources or operating expenses
- failure to develop the acquired business adequately
- the data security, cybersecurity and operational resilience posture of our acquired companies, or companies we invest in or partner with, may not be adequate
- difficulty, expense or failure of implementing controls, procedures and policies at the acquired company
- challenges of integrating new employees, business cultures, business systems and technologies
- failure to retain employees, clients or partners of the acquired business
- in the case of foreign acquisitions, risks related to the integration of operations across different cultures and languages
- the economic, political and regulatory risks associated with operating in new businesses, regions or countries. For more information on regulatory risks, please see *Item 1—Business—Government Regulations* and *Item 1A—Risk Factors—Regulatory Risks* above
- discovery of unidentified issues and related liabilities after the acquisition or investment was made
- failure to mitigate the deficiencies and liabilities of the acquired business
- dilutive issuance of equity securities, if new securities are issued
- the incurrence of debt
- negative impact on our financial position and/or statement of operations
- anticipated benefits, synergies or value of the investment or acquisition not materializing

We may be unable to attract, hire, and retain a highly qualified and diverse workforce, including key management.

The talents and efforts of our employees, particularly our key management, are vital to our success. Our management team has significant industry experience and would be difficult to replace. We may be unable to retain them or to attract other highly qualified employees, particularly if we do not offer employment terms that are competitive with the rest of the labor market. Ongoing changes in laws and policies regarding immigration and work authorizations have made it more difficult for employees to work in, or transfer among, jurisdictions in which we have operations and could continue to impair our ability to attract and retain qualified employees. Failure to attract, hire, develop, motivate, and retain highly qualified and diverse employee talent, to develop and implement an adequate succession plan for the management team, or to maintain a corporate culture that fosters integrity, innovation, and collaboration could disrupt our operations and adversely affect our business and our future success.

The conversions of our class B and class C common stock or series B and series C preferred stock into shares of class A common stock would result in voting dilution to, and could impact the market price of, our existing class A common stock.

The market price of our class A common stock could fall as a result of many factors. Under our U.S. retrospective responsibility plan, upon final resolution of our U.S. covered litigation, all class B common stock will become convertible into class A common stock. Our series B and series C preferred stock will become convertible into class A common stock in stages based on developments in current and potential litigation and will become fully convertible no later than 2028 (subject to a holdback to cover any pending claims). Conversion of our class B and class C common stock into class A common stock, or our series B and series C preferred stock into class A common stock, would increase the amount of class A common stock outstanding, which could adversely affect the market price of our existing class A common stock and would dilute the voting power of existing class A common stockholders.

Holders of our class B and C common stock and series B and series C preferred stock may have different interests than our class A common stockholders concerning certain significant transactions.

Although their voting rights are limited, holders of our class B and C common stock and, in certain specified circumstances, holders of our series B and series C preferred stock, can vote on certain significant transactions. With respect to our class B and C common stock, these transactions include a proposed consolidation or merger, a decision to exit our core payments business and any other vote required under Delaware law. With respect to our series B and series C preferred stock, voting rights are limited to proposed consolidations or mergers in which holders of the series B and series C preferred stock would either (i) receive shares of stock or other equity securities with preferences, rights and privileges that are not substantially identical to the preferences, rights and privileges of the applicable series of preferred stock or (ii) receive securities, cash or other property that is different from what our class A common stockholders would receive. Because the holders of classes of capital stock other than class A common stock are our current and former financial institution clients, they may have interests that diverge from our class A common stockholders. As a result, the holders of these classes of capital stock may not have the same incentive to approve a corporate action that may be favorable to the holders of class A common stock, and their interests may otherwise conflict with interests of our class A common stockholders.

Delaware law, provisions in our certificate of incorporation and bylaws, and our capital structure could make a merger, takeover attempt, or change in control difficult.

Provisions contained in our certificate of incorporation and bylaws and our capital structure could delay or prevent a merger, takeover attempt, or change in control that our stockholders may consider favorable. For example, except for limited exceptions:

- no person may beneficially own more than 15% of our class A common stock (or 15% of our total outstanding common stock on an as-converted basis), unless our board of directors approves the acquisition of such shares in advance
- no competitor or an affiliate of a competitor may hold more than 5% of our total outstanding common stock on an as-converted basis
- the affirmative votes of the class B and C common stock and series B and series C preferred stock are required for certain types of consolidations or mergers
- our stockholders may only take action during a stockholders' meeting and may not act by written consent
- only the board of directors, Chairman, or CEO may call a special meeting of stockholders

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

At September 30, 2019, we owned or leased 131 offices in 76 countries around the world. Our corporate headquarters are located in owned and leased premises in the San Francisco Bay Area.

In addition, we owned or leased a total of four global processing centers located in the U.S., Singapore and the United Kingdom.

We believe that these facilities are suitable and adequate to support our ongoing business needs.

ITEM 3. Legal Proceedings

Refer to *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our class A common stock has been listed on the New York Stock Exchange under the symbol "V" since March 19, 2008. At November 8, 2019, we had 348 stockholders of record of our class A common stock. The number of beneficial owners is substantially greater than the number of record holders, because a large portion of our class A common stock is held in "street name" by banks and brokers. There is currently no established public trading market for our class B or C common stock. There were 1,397 and 509 holders of record of our class B and C common stock, respectively, as of November 8, 2019.

On October 22, 2019, our board of directors declared a quarterly cash dividend of $0.30 per share of class A common stock (determined in the case of class B and C common stock and series B and C preferred stock on an as-converted basis) payable on December 3, 2019, to holders of record as of November 15, 2019 of our common and preferred stock.

Subject to legally available funds, we expect to continue paying quarterly cash dividends on our outstanding common and preferred stock in the future. However, the declaration and payment of future dividends is at the sole discretion of our board of directors after taking into account various factors, including our financial condition, settlement indemnifications, operating results, available cash and current and anticipated cash needs.

Issuer Purchases of Equity Securities

The table below sets forth our purchases of common stock during the quarter ended September 30, 2019.

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs(1),(2)	Approximate Dollar Value Of Shares That May Yet Be Purchased Under The Plans Or Programs(1),(2)
July 1-31, 2019	3,680,103	$ 179.32	3,680,103	$ 5,502,430,029
August 1-31, 2019	4,064,795	$ 176.17	4,064,795	$ 4,786,268,909
September 1-30, 2019	4,479,497	$ 176.61	4,479,497	$ 3,995,051,745
Total	**12,224,395**	**$ 177.28**	**12,224,395**	

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

(2) Our board of directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. In January 2019, our board of directors authorized a share repurchase program for $8.5 billion. This authorization has no expiration date. All share repurchase programs authorized prior to January 2019 have been completed.

EQUITY COMPENSATION PLAN INFORMATION

The table below presents information as of September 30, 2019, for the Visa 2007 Equity Incentive Compensation Plan (the "EIP") and the Visa Inc. Employee Stock Purchase Plan (the "ESPP"), which were approved by our stockholders. We do not have any equity compensation plans that have not been approved by our stockholders. For a description of the awards issued under the EIP and the ESPP, see *Note 16—Share-based Compensation* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Plan Category	(a) Number Of Shares Of Class A Common Stock Issuable Upon Exercise Of Outstanding Options And Rights	Weighted-Average Exercise Price Of Outstanding Options	Number Of Shares Of Class A Common Stock Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected In Column (a))
Equity compensation plans approved by stockholders	12,330,718 [(1)]	$ 90.18 [(2)]	158,435,270 [(3)]

(1) The maximum number of shares issuable as of September 30, 2019 consisted of 5,714,658 outstanding options, 5,166,759 outstanding restricted stock units and 1,070,690 outstanding performance shares under the EIP and 378,611 purchase rights outstanding under the ESPP.

(2) The weighted-average exercise price is calculated based solely on the exercise prices of the outstanding stock options and does not reflect the shares that will be issued upon the vesting of outstanding restricted stock units and performance shares, which have no exercise price. Additionally, it excludes the weighted-average exercise price of the outstanding purchase rights under the ESPP, as the exercise price is based on the future stock price, net of discount, at the end of each monthly purchase over the offering period.

(3) As of September 30, 2019, 142 million shares and 16 million shares remain available for issuance under the EIP and the ESPP, respectively.

ITEM 6. Selected Financial Data

The following tables present selected Visa Inc. financial data for the past five fiscal years. The data below should be read in conjunction with *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Item 8—Financial Statements and Supplementary Data* of this report.

Selected Financial Data

Statement of Operations Data:	2019[1]	2018[1]	2017[1]	2016[1]	2015
	For the Years Ended September 30, (in millions, except per share data)				
Net revenues	**$ 22,977**	$ 20,609	$ 18,358	$ 15,082	$ 13,880
Operating expenses	**$ 7,976**	$ 7,655	$ 6,214	$ 7,199 [2]	$ 4,816
Operating income	**$ 15,001**	$ 12,954	$ 12,144	$ 7,883	$ 9,064
Net income	**$ 12,080**	$ 10,301 [3]	$ 6,699 [4]	$ 5,991	$ 6,328
Basic earnings per share—class A common stock	**$ 5.32**	$ 4.43	$ 2.80	$ 2.49	$ 2.58
Diluted earnings per share—class A common stock	**$ 5.32**	$ 4.42	$ 2.80	$ 2.48	$ 2.58

Balance Sheet Data:	2019[1]	2018[1]	2017[1]	2016[1]	2015
	At September 30, (in millions, except per share data)				
Total assets	**$ 72,574**	$ 69,225	$ 67,977	$ 64,035	$ 39,367
Accrued litigation	**$ 1,203** [5]	$ 1,434 [5]	$ 982	$ 981	$ 1,024
Long-term debt	**$ 16,729**	$ 16,630	$ 16,618 [6]	$ 15,882 [6]	$ —
Total equity	**$ 34,684**	$ 34,006	$ 32,760	$ 32,912	$ 29,842
Dividend declared and paid per common share	**$ 1.000**	$ 0.825	$ 0.660	$ 0.560	$ 0.480

(1) Our results of operations and the financial position beginning with the last quarter of fiscal 2016 include Visa Europe's financial results.

(2) During fiscal 2016, upon consummation of the Visa Europe acquisition, we recorded a non-recurring loss of $1.9 billion, before tax, in operating expense resulting from the effective settlement of the Framework Agreement between us and Visa Europe.

(3) During fiscal 2018, as a result of the U.S. tax reform legislation, our net income reflected a lower statutory tax rate, a non-recurring, non-cash income tax benefit of approximately $1.1 billion from the remeasurement of our deferred tax liabilities, and a one-time transition tax of approximately $1.1 billion.

(4) During fiscal 2017, in connection with our legal entity reorganization, we eliminated deferred tax balances originally recognized upon the acquisition of Visa Europe, resulting in the recognition of a non-recurring, non-cash income tax provision of $1.5 billion.

(5) During fiscal 2018, pursuant to an amended settlement agreement that superseded the 2012 Settlement Agreement related to the interchange multidistrict litigation, we recorded an accrual of $600 million. During fiscal 2019, related to the interchange multidistrict litigation, we made payments of $600 million, partially offset by an additional accrual of $370 million. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(6) During fiscal 2017 and fiscal 2016, we issued fixed-rate senior notes in an aggregate principal amount of $2.5 billion and $16.0 billion, respectively. See *Note 9—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

ITEM 7. 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 liquidity and capital resources of Visa Inc. and its subsidiaries ("Visa," "we," "us," "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 the consolidated financial statements and related notes included in Item 8—Financial Statements and Supplementary Data of this report.

Overview

Visa is a global payments technology company that enables fast, secure and reliable electronic payments across more than 200 countries and territories. We facilitate global commerce through the transfer of value and information among a global network of consumers, merchants, financial institutions, businesses, strategic partners and government entities. Our advanced transaction processing network, VisaNet, enables authorization, clearing and settlement of payment transactions and allows us to provide our financial institution and merchant clients a wide range of products, platforms and value-added services.

Financial overview. Our as-reported U.S. GAAP and non-GAAP net income and diluted earnings per share are as follows:

	For the Years Ended September 30,			% Change[(1)]	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
	(in millions, except percentages and per share data)				
Net income, as reported	**$ 12,080**	$ 10,301	$ 6,699	17 %	54 %
Diluted earnings per share, as reported	**$ 5.32**	$ 4.42	$ 2.80	20 %	58 %
Non-GAAP net income[(2)]	**$ 12,367**	$ 10,729	$ 8,335	15 %	29 %
Non-GAAP diluted earnings per share[(2)]	**$ 5.44**	$ 4.61	$ 3.48	18 %	32 %

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

(2) Non-GAAP net income and non-GAAP diluted earnings per share in fiscal 2019, 2018 and 2017 exclude the impact of certain significant items that we believe are not indicative of our operating performance in these or future periods, as they are either non-recurring or have no cash impact. For a full reconciliation of our non-GAAP financial results, see tables in *Non-GAAP financial results* below.

Highlights for fiscal 2019. Our business is affected by overall economic conditions and consumer spending. Our business performance during fiscal 2019 reflects continued global consumer spending growth amidst uneven global economic conditions. We recorded net revenues of $23.0 billion for fiscal 2019, an increase of 11% over the prior year, primarily reflecting continued growth in nominal payments volume, nominal cross-border volume and processed transactions. Exchange rate movements in fiscal 2019, partially mitigated by our hedging program, negatively impacted our net revenues growth by approximately one-and-a-half percentage points.

Total operating expenses for fiscal 2019 were $8.0 billion, compared to $7.7 billion in fiscal 2018. The increase over the prior year was primarily driven by higher personnel and marketing as we continue to invest in growing our business, offset by a lower litigation provision.

Non-GAAP financial results. Our financial results for fiscal 2019, 2018 and 2017 reflect the impact of certain significant items that we do not believe are indicative of our ongoing operating performance in these or future periods, as they are either non-recurring or have no cash impact. As such, we believe the presentation of our non-GAAP financial results excluding the following items provides a clearer understanding of our operating performance for the periods presented.

- *Litigation provision.* During fiscal 2019 and 2018, we recorded a litigation provision of $370 million and $600 million, respectively, and related tax benefits of $83 million and $137 million, respectively, associated with the interchange multidistrict litigation. The tax impact is determined by applying applicable federal and state tax rates to the litigation provision. Under the U.S. retrospective responsibility plan, we recover the monetary liabilities related to the U.S. covered litigation through a reduction to the conversion rate of our class B common stock to shares of class A common stock. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

- *Charitable contributions*

    - During fiscal 2018, we donated investment securities to the Visa Foundation and recognized a non-cash general and administrative expense of $195 million, before tax, and recorded $193 million of realized gain on the donation of these investments as non-operating income. Net of the related cash tax benefit of $51 million, determined by applying applicable tax rates, adjusted net income decreased by $49 million.

    - During fiscal 2017, associated with our legal entity reorganization, we recognized a non-cash general and administrative expense of $192 million, before tax, related to the charitable donation of Visa Inc. shares that were acquired as part of the Visa Europe acquisition and held as treasury stock. Net of the related cash tax benefit of $71 million, determined by applying applicable tax rates, adjusted net income increased by $121 million.

- *Remeasurement of deferred tax balances.* During fiscal 2018, in connection with the Tax Cuts and Jobs Act (the "Tax Act") reduction of the corporate income tax rate, we remeasured our net deferred tax liabilities as of the enactment date, resulting in the recognition of a non-recurring, non-cash income tax benefit of $1.1 billion. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

- *Transition tax on foreign earnings.* During fiscal 2018, in connection with the Tax Act requirement that we include certain untaxed foreign earnings of non-U.S. subsidiaries in our fiscal 2018 taxable income, we recorded a one-time transition tax estimate of approximately $1.1 billion. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

- *Elimination of deferred tax balances.* During fiscal 2017, in connection with our legal entity reorganization, we eliminated deferred tax balances originally recognized upon the acquisition of Visa Europe, resulting in the recognition of a non-recurring, non-cash income tax provision of $1.5 billion. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Table of Contents

Non-GAAP operating expenses, operating margin, non-operating income (expense), income before income taxes, income tax provision, effective income tax rate, net income and diluted earnings per share should not be relied upon as substitutes for measures calculated in accordance with U.S. GAAP. The following tables reconcile our as-reported financial measures calculated in accordance with U.S. GAAP to the respective non-GAAP financial measures for fiscal 2019, 2018 and 2017:

	Year ended September 30, 2019							
	Operating Expenses	Operating Margin (1),(2)	Non-operating Income (Expense)	Income Before Income Taxes	Income Tax Provision	Effective Income Tax Rate(2)	Net Income	Diluted Earnings Per Share(2)
	(in millions, except percentages and per share data)							
As reported	$ 7,976	65 %	$ (117)	$ 14,884	$ 2,804	18.8 %	$ 12,080	$ 5.32
Litigation provision	(370)	2 %	—	370	83		287	0.13
Non-GAAP	**$ 7,606**	**67 %**	**$ (117)**	**$ 15,254**	**$ 2,887**	**18.9 %**	**$ 12,367**	**$ 5.44**

	Year ended September 30, 2018							
	Operating Expenses	Operating Margin (1),(2)	Non-operating Income (Expense)	Income Before Income Taxes	Income Tax Provision	Effective Income Tax Rate(2)	Net Income	Diluted Earnings Per Share(2)
	(in millions, except percentages and per share data)							
As reported	$ 7,655	63 %	$ (148)	$ 12,806	$ 2,505	19.6 %	$ 10,301	$ 4.42
Charitable contribution	(195)	1 %	(193)	2	51		(49)	(0.02)
Litigation provision	(600)	3 %	—	600	137		463	0.20
Remeasurement of deferred tax balances	—	— %	—	—	1,133		(1,133)	(0.49)
Transition tax on foreign earnings	—	— %	—	—	(1,147)		1,147	0.49
Non-GAAP	$ 6,860	67 %	$ (341)	$ 13,408	$ 2,679	20.0 %	$ 10,729	$ 4.61

	Year ended September 30, 2017							
	Operating Expenses	Operating Margin (1),(2)	Non-operating Income (Expense)	Income Before Income Taxes	Income Tax Provision	Effective Income Tax Rate(2)	Net Income	Diluted Earnings Per Share(2)
	(in millions, except percentages and per share data)							
As reported	$ 6,214	66 %	$ (450)	$ 11,694	$ 4,995	42.7 %	$ 6,699	$ 2.80
Charitable contribution	(192)	1 %	—	192	71		121	0.05
Elimination of deferred tax balances	—	— %	—	—	(1,515)		1,515	0.63
Non-GAAP	$ 6,022	67 %	$ (450)	$ 11,886	$ 3,551	29.9 %	$ 8,335	$ 3.48

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

(2) Figures in the table may not recalculate exactly due to rounding. Operating margin, effective income tax rate, diluted earnings per share and their respective totals are calculated based on unrounded numbers.

Interchange multidistrict litigation. During fiscal 2019, we recorded an additional accrual of $370 million to address claims associated with the interchange multidistrict litigation, resulting in an accrued litigation balance related to U.S. covered litigation of $1.2 billion at September 30, 2019. We also deposited $300 million of operating cash into the U.S. litigation escrow account. See *Note 5—U.S. and*

Europe Retrospective Responsibility Plans and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data.*

Reduction in as-converted shares. During fiscal 2019, total as-converted class A common stock was reduced by 58 million shares at an average price of $154.62 per share. Of the 58 million shares, 56 million were repurchased in the open market using $8.6 billion of operating cash on hand. Additionally, in September 2019, we deposited $300 million of operating cash into the litigation escrow account previously established under the U.S. retrospective responsibility plan. Also, we recovered $8 million of VE territory covered losses in accordance with the Europe retrospective responsibility plan during fiscal 2019. The deposit and recovery have the same economic effect on earnings per share as repurchasing our class A common stock because they reduce the class B common stock conversion rate and the UK&I and Europe preferred stock conversion rates and consequently, reduce the as-converted class A common stock share count. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 14—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Common stock repurchases. In January 2019, our board of directors authorized an additional $8.5 billion share repurchase program. As of September 30, 2019, the program had remaining authorized funds of $4.1 billion for share repurchase. All share repurchase programs authorized prior to January 2019 have been completed. See *Note 14—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Payments volume and processed transactions. Payments volume is the primary driver for our service revenues, and the number of processed transactions is the primary driver for our data processing revenues. During the three months ended December 31, 2018, we updated our definition of payments volume to now include all disbursement volume related to Visa Direct, in addition to the funding volume previously included. All prior periods presented have been adjusted accordingly. Please refer to the Operational Performance Data section of Exhibit 99.1 on Form 8-K filed on January 30, 2019 for more details on the impact from this update in payments volume definition.

Nominal payments volume over the prior year posted low double-digit growth in the U.S. and in line with 2018 growth. Nominal international payments volume growth of 3% for the 12 months ended June 30, 2019[1] was negatively impacted by the overall strengthening of the U.S. dollar. On a constant-dollar basis, which excludes the impact of exchange rate movements, our international payments volume growth rate for the 12 months ended June 30, 2019 and 2018 was 10% and 11%, respectively. Growth in processed transactions reflects the ongoing worldwide shift to electronic payments.

The following tables[2] present nominal payments and cash volume:

	U.S.			International			Visa Inc.		
	12 months ended June 30,[1]			12 months ended June 30,[1]			12 months ended June 30,[1]		
	2019	**2018**	**% Change**	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
	(in billions, except percentages)								
Nominal payments volume									
Consumer credit	**$ 1,540**	$ 1,441	7 %	**$ 2,487**	$ 2,457	1 %	**$ 4,027**	$ 3,898	3 %
Consumer debit[3]	**1,702**	1,521	12 %	**1,876**	1,792	5 %	**3,577**	3,313	8 %
Commercial[4]	**633**	564	12 %	**381**	364	5 %	**1,015**	927	9 %
Total nominal payments volume	**$ 3,875**	$ 3,527	10 %	**$ 4,744**	$ 4,612	3 %	**$ 8,619**	$ 8,139	6 %
Cash volume	**573**	563	2 %	**2,260**	2,437	(7 %)	**2,833**	3,000	(6 %)
Total nominal volume[5]	**$ 4,448**	$ 4,089	9 %	**$ 7,004**	$ 7,049	(1 %)	**$ 11,452**	$ 11,139	3 %

Table of Contents

	U.S.			International			Visa Inc.		
	12 months ended June 30,(1)			12 months ended June 30,(1)			12 months ended June 30,(1)		
	2018	2017	% Change	2018	2017	% Change	2018	2017	% Change
	(in billions, except percentages)								
Nominal payments volume									
Consumer credit	$ 1,441	$ 1,309	10 %	$ 2,457	$ 2,186	12 %	$ 3,898	$ 3,495	12 %
Consumer debit(3)	1,521	1,379	10 %	1,792	1,510	19 %	3,313	2,888	15 %
Commercial(4)	564	507	11 %	364	306	19 %	927	812	14 %
Total nominal payments volume	$ 3,527	$ 3,194	10 %	$ 4,612	$ 4,002	15 %	$ 8,139	$ 7,196	13 %
Cash volume	563	544	3 %	2,437	2,348	4 %	3,000	2,892	4 %
Total nominal volume(5)	$ 4,089	$ 3,738	9 %	$ 7,049	$ 6,350	11 %	$ 11,139	$ 10,088	10 %

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

	International				Visa Inc.			
	12 months ended June 30, 2019 vs 2018(1)		12 months ended June 30, 2018 vs 2017(1)		12 months ended June 30, 2019 vs 2018(1)		12 months ended June 30, 2018 vs 2017(1)	
	Nominal	Constant(6)	Nominal	Constant(6)	Nominal	Constant(6)	Nominal	Constant(6)
Payments volume growth								
Consumer credit	1 %	8 %	12 %	9 %	3 %	7 %	12 %	10 %
Consumer debit(3)	5 %	11 %	19 %	13 %	8 %	12 %	15 %	12 %
Commercial(4)	5 %	13 %	19 %	14 %	9 %	13 %	14 %	13 %
Total payments volume growth	3 %	10 %	15 %	11 %	6 %	10 %	13 %	11 %
Cash volume growth	(7 %)	— %	4 %	2 %	(6 %)	— %	4 %	2 %
Total volume growth	(1 %)	6 %	11 %	8 %	3 %	7 %	10 %	8 %

(1) Service revenues in a given quarter are assessed based on nominal payments volume in the prior quarter. Therefore, service revenues reported for the 12 months ended September 30, 2019, 2018 and 2017, were based on nominal payments volume reported by our financial institution clients for the 12 months ended June 30, 2019, 2018 and 2017, respectively.

(2) Figures in the tables may not recalculate exactly due to rounding. Percentage changes and totals are calculated based on unrounded numbers.

(3) Includes consumer prepaid volume and interlink volume.

(4) Includes large, middle and small business credit and debit, as well as commercial prepaid volume.

(5) Total nominal volume is the sum of total nominal payments volume and cash volume. Total nominal payments volume is the total monetary value of transactions for goods and services that are purchased on cards carrying the Visa, Visa Electron, Interlink and V PAY brands. Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks. Total nominal volume is provided by our financial institution clients, subject to review by Visa. On occasion, previously presented volume information may be updated. Prior period updates are not material.

(6) Growth on a constant-dollar basis excludes the impact of foreign currency fluctuations against the U.S. dollar.

The following table(1) provides the number of transactions involving cards and other form factors carrying the Visa, Visa Electron, Interlink, VPAY and PLUS cards processed on Visa's networks during the fiscal periods presented:

	2019	2018	2017	2019 vs. 2018 % Change	2018 vs. 2017 % Change
	(in millions, except percentages)				
Visa processed transactions	**138,329**	124,320	111,215	11 %	12 %

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

Financial Information Presentation

Net Revenues

Our net revenues are primarily generated from payments volume on Visa products for purchased goods and services, as well as the number of transactions processed on our network. We do not earn revenues from, or bear credit risk with respect to, interest or fees paid by account holders on Visa products. Our issuing clients have the responsibility for issuing cards and other payment products and determining the interest rates and fees paid by account holders. We generally do not earn revenues from the fees that merchants are charged for acceptance by acquirers, including the merchant discount rate. Our acquiring clients are generally responsible for soliciting merchants as well as establishing and earning these fees.

The following sets forth the components of our net revenues:

Service revenues consist mainly of revenues earned for services provided in support of client usage of Visa payment services. Current quarter service revenues are primarily assessed using a calculation of current quarter's pricing applied to the prior quarter's payments volume. Service revenues also include assessments designed to support ongoing acceptance and volume growth initiatives, which are recognized in the same period the related volumes are transacted.

Data processing revenues are earned for authorization, clearing, settlement, value-added services, network access and other maintenance and support services that facilitate transaction and information processing among our clients globally. Data processing revenues are recognized in the same period the related transactions occur or services are performed.

International transaction revenues are earned for cross-border transaction processing and currency conversion activities. Cross-border transactions arise when the country of origin of the issuer, or financial institution originating the transaction, is different from that of the beneficiary. International transaction revenues are recognized in the same period the cross-border transactions occur or services are performed.

Other revenues consist mainly of value-added services, license fees for use of the Visa brand or technology, account holder services, certification, licensing and product enhancements, such as extended account holder protection and concierge services. Other revenues are recognized in the same period the related transactions occur or services are performed.

Client incentives consist of incentives provided in contracts with financial institution clients, merchants and strategic partners for various programs designed to grow payments volume, increase Visa product acceptance, win merchant routing transactions over our network and drive innovation. These incentives are primarily accounted for as reductions to revenues.

Operating Expenses

Personnel expenses include salaries, employee benefits, incentive compensation, share-based compensation, severance charges and contractor expense.

Marketing expenses include expenses associated with advertising and marketing campaigns, sponsorships and other related promotions of the Visa brand.

Network and processing expenses mainly represent expenses for the operation of our processing network, including maintenance, equipment rental and fees for other data processing services.

Professional fees mainly consist of fees for consulting, legal and other professional services.

Depreciation and amortization expenses include depreciation expense for property and equipment, as well as amortization of purchased and internally developed software. Also included in this amount is amortization of finite-lived intangible assets primarily obtained through acquisitions.

General and administrative expenses consist mainly of product enhancements, facilities costs, travel activities, indirect taxes, foreign exchange gains and losses and other corporate expenses incurred in support of our business.

Litigation provision represents litigation expenses and is based on management's understanding of our litigation profile, the specifics of the cases, advice of counsel to the extent appropriate and management's best estimate of incurred loss.

Table of Contents

Non-operating Income (Expense)

Non-operating income (expense) primarily includes interest expense, gains and losses earned on investments, income from derivative instruments not associated with our core business, as well as the non-service components of net periodic pension income and expenses.

For discussion related to the results of operations and liquidity and capital resources for fiscal 2018 compared to fiscal 2017 refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our fiscal 2018 Form 10-K, filed with the United States Securities and Exchange Commission on November 16, 2018.

Results of Operations

Net Revenues

The following table sets forth our net revenues earned in the U.S. and internationally:

	For the Years Ended September 30,			$ Change		% Change[1]	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017	2019 vs. 2018	2018 vs. 2017
	(in millions, except percentages)						
U.S.	**$ 10,279**	$ 9,332	$ 8,704	$ 947	$ 628	10 %	7 %
International	**12,698**	11,277	9,654	1,421	1,623	13 %	17 %
Net revenues	**$ 22,977**	$ 20,609	$ 18,358	$ 2,368	$ 2,251	11 %	12 %

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

The increase in net revenues in fiscal 2019 reflects the continued growth in nominal payments volume, nominal cross-border volume, and processed transactions. The increase in revenues were partially offset by increases in client incentives in fiscal 2019.

Our net revenues are impacted by the overall strengthening or weakening of the U.S. dollar as payments volume and related revenues denominated in local currencies are converted to U.S. dollars. Exchange rate movements in fiscal 2019, as partially mitigated by our hedging program, negatively impacted our net revenues growth by approximately one-and-a-half percentage points.

The following table sets forth the components of our net revenues:

	For the Years Ended September 30,			$ Change		% Change[1]	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017	2019 vs. 2018	2018 vs. 2017
	(in millions, except percentages)						
Service revenues	**$ 9,700**	$ 8,918	$ 7,975	$ 782	$ 943	9 %	12 %
Data processing revenues	**10,333**	9,027	7,786	1,306	1,241	14 %	16 %
International transaction revenues	**7,804**	7,211	6,321	593	890	8 %	14 %
Other revenues	**1,313**	944	841	369	103	39 %	12 %
Client incentives	**(6,173)**	(5,491)	(4,565)	(682)	(926)	12 %	20 %
Net revenues	**$ 22,977**	$ 20,609	$ 18,358	$ 2,368	$ 2,251	11 %	12 %

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

- *Service revenues* increased primarily due to 6% growth in nominal payments volume and select pricing modifications.

- *Data processing revenues* increased mainly due to overall growth in processed transactions of 11% as well as select pricing modifications.

Table of Contents

- *International transaction revenues* increased primarily due to nominal cross-border volume growth of 2% and select pricing modifications.

- *Other revenues* increased primarily due to changes in the classification and timing of recognition of revenue as a result of the adoption of the new revenue standard and an increase in revenues from value-added services.

- *Client incentives* increased mainly due to incentives recognized on long-term client contracts that were initiated or renewed during fiscal 2019 and overall growth in global payments volume. As a result of the adoption of the new revenue standard, client incentives were also impacted by changes in classification and timing of recognition. The amount of client incentives we record in future periods will vary based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Operating Expenses

The following table sets forth the components of our total operating expenses:

	For the Years Ended September 30,			$ Change		% Change[1]	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017	2019 vs. 2018	2018 vs. 2017
	(in millions, except percentages)						
Personnel	**$ 3,444**	$ 3,170	$ 2,628	$ 274	$ 542	9 %	21 %
Marketing	**1,105**	988	922	117	66	12 %	7 %
Network and processing	**721**	686	620	35	66	5 %	11 %
Professional fees	**454**	446	409	8	37	2 %	9 %
Depreciation and amortization	**656**	613	556	43	57	7 %	10 %
General and administrative	**1,196**	1,145	1,060	51	85	4 %	8 %
Litigation provision	**400**	607	19	(207)	588	(34)%	NM
Total operating expenses[2]	**$ 7,976**	$ 7,655	$ 6,214	$ 321	$ 1,441	4 %	23 %

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

(2) Operating expenses for fiscal 2019, 2018 and 2017 include significant items that we do not believe are indicative of our operating performance as they are related to the interchange multidistrict litigation provision or charitable donations. See *Overview* within this *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*

- *Personnel expenses* increased due to continued headcount growth in support of our investment strategy for future growth.

- *Marketing expenses* increased mainly due to changes in the classification and timing of recognition of certain marketing expenses as a result of the adoption of the new revenue standard. The increase was partially offset by spend for the 2018 Winter Olympics in PyeongChang and 2018 FIFA World Cup™ in fiscal 2018, which did not recur in fiscal 2019.

- *General and administrative expenses* increased primarily as a result of unfavorable foreign currency fluctuations, changes in the classification and timing of recognition of certain general and administrative expenses as a result of the adoption of the new revenue standard, higher indirect taxes, higher product enhancement costs and global facilities expansion in support of our business growth.The increase was partially offset by a $195 million charitable contribution to the Visa Foundation in fiscal 2018, which did not recur in fiscal 2019.

- *Litigation provision* decreased primarily due to a $370 million accrual in fiscal 2019 compared to a $600 million accrual in fiscal 2018 related to the interchange multidistrict litigation. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Table of Contents

Non-operating Income (Expense)

The following table sets forth the components of our non-operating income (expense):

	For the Years Ended September 30,			$ Change		% Change[1]	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017	2019 vs. 2018	2018 vs. 2017
	(in millions, except percentages)						
Interest expense, net	**$ (533)**	$ (612)	$ (563)	$ 79	$ (49)	(13)%	9 %
Investment income and other	**416**	464	113	(48)	351	(10)%	311 %
Total non-operating income (expense)	**$ (117)**	$ (148)	$ (450)	$ 31	$ 302	(20)%	(67)%

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

- *Interest expense* decreased primarily as a result of entering into derivative instruments in fiscal 2019 that lowered the average cost of borrowing on a portion of our outstanding debt. See *Note 9—Debt* and *Note 12—Derivative and Non-derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

- *Investment income and other* decreased primarily due to gains of $193 million from the donation of investment securities to the Visa Foundation in fiscal 2018 which did not recur fiscal 2019, offset by higher gains on our equity investments and interest income on our cash and investments. See *Note 6—Fair Value Measurements and Investments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Effective Income Tax Rate

	For the Years Ended September 30,			Change	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Effective income tax rate	**19%**	20%	43%	(1)%	(23)%

The effective tax rate in fiscal 2019 differs from the effective tax rate in fiscal 2018 primarily due to:

- a decrease in federal statutory tax rate as a result of the Tax Act, from a blended rate of 24.5% in fiscal 2018 to a rate of 21% in fiscal 2019, as discussed below;

- new provisions enacted as part of the Tax Act, including the deduction for foreign-derived intangible income ("FDII") and tax on global intangible low-tax income ("GILTI"); and

- the absence of the following items recorded in fiscal 2018:

  - a $1.1 billion one-time transition tax expense on certain untaxed foreign earnings in accordance with the Tax Act;

- a $1.1 billion non-recurring, non-cash benefit from the remeasurement of deferred tax balances due to the reduction in U.S. federal tax rate enacted by the Tax Act; and
- $161 million of tax benefits due to various non-recurring audit settlements.

The Tax Act, enacted on December 22, 2017, transitioned the U.S. tax system to a territorial system and lowered the statutory federal corporate income tax rate from 35% to 21%. The reduction of the statutory federal corporate tax rate to 21% became effective on January 1, 2018. In fiscal 2018, our statutory federal corporate tax rate was a blended rate of 24.5%, which was reduced to 21% in fiscal 2019. The Tax Act enacted several new tax provisions effective for us on October 1, 2018, most notably FDII and GILTI.

Table of Contents

Liquidity and Capital Resources

Management of Our Liquidity

We regularly evaluate cash requirements for current operations, commitments, development activities and capital expenditures, and we may elect to raise additional funds for these purposes in the future through the issuance of either debt or equity. Our treasury policies provide management with the guidelines and authority to manage liquidity risk in a manner consistent with our corporate objectives.

The objectives of our treasury policies are to:

- provide adequate liquidity to cover operating expenditures and liquidity contingency scenarios;
- ensure timely completion of payments settlement activities;
- ensure payments on required litigation settlements;
- make planned capital investments in our business;
- pay dividends and repurchase our shares at the discretion of our board of directors; and
- invest excess cash in securities that enable us to first meet our working capital and liquidity needs, and earn additional income.

Based on our current cash flow budgets and forecasts of our short-term and long-term liquidity needs, we believe that our projected sources of liquidity will be sufficient to meet our projected liquidity needs for more than the next 12 months. We will continue to assess our liquidity position and potential sources of supplemental liquidity in view of our operating performance, current economic and capital market conditions and other relevant circumstances.

Cash Flow Data

The following table summarizes our cash flow activity for the fiscal years presented:

	For the Years Ended September 30,		
	2019	**2018**	**2017**
		(in millions)	
Total cash provided by (used in):			
Operating activities	**$ 12,784**	$ 12,941	$ 9,317
Investing activities	**(591)**	(3,084)	735
Financing activities	**(12,061)**	(10,790)	(5,924)
Effect of exchange rate changes on cash and cash equivalents	**(277)**	(101)	236
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	**$ (145)**	$ (1,034)	$ 4,364

Operating activities. Cash provided by operating activities in fiscal 2019 was positively impacted by continued growth in our underlying business. Fiscal 2019 was lower than the prior fiscal year primarily due to higher payments in the current year from the litigation escrow account and the first installment payment of the transition tax in connection with the Tax Act, partially offset by continued growth in our underlying business.

Investing activities. Cash used in investing activities in fiscal 2019 was lower than the prior year due to higher proceeds from sales and maturities of investment securities, combined with fewer purchases, partially offset by $0.7 billion of purchase consideration paid for acquisitions, net of cash and restricted cash acquired, and $0.5 billion of purchases of other investments.

Financing activities. Cash used in financing activities in fiscal 2019 increased primarily due to higher class A common stock repurchases, higher dividends paid and a $1.2 billion payment of the deferred purchase consideration related to the Visa Europe acquisition. See *Note 14—Stockholders' Equity*, to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Sources of Liquidity

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

Foreign Earnings. Pursuant to the Tax Act, we are required to pay U.S. tax on most of the undistributed and untaxed foreign earnings of non-U.S. subsidiaries accumulated as of December 31, 2017. The transition tax will be paid over a period of eight years as permitted by the Tax Act. As a result of the Tax Act, we are no longer subject to incremental U.S. federal tax on foreign earnings of non-U.S. subsidiaries in the event that we repatriate these earnings back to the U.S.

Available-for-sale debt securities. Our investment portfolio is designed to invest cash in securities which enables us to meet our working capital and liquidity needs. Our investment portfolio consists of debt securities issued by the U.S. Treasury or U.S. government-sponsored agencies. The majority of these investments, $4.1 billion, are classified as current and are available to meet short-term liquidity needs. The remaining non-current investments have stated maturities of more than one year from the balance sheet date; however, they are also generally available to meet short-term liquidity needs.

Factors that may impact the liquidity of our investment portfolio include, but are not limited to, changes to credit ratings of the securities, uncertainty related to regulatory developments, actions by central banks and other monetary authorities and the ongoing strength and quality of credit markets. We will continue to review our portfolio in light of evolving market and economic conditions. However, if current market conditions deteriorate, the liquidity of our investment portfolio may be impacted and we could determine that some of our investments are impaired, which could adversely impact our financial results. We have policies that limit the amount of credit exposure to any one financial institution or type of investment.

Commercial paper program. We maintain a commercial paper program to support our working capital requirements and for other general corporate purposes. Under the program, we are authorized to issue up to $3.0 billion in outstanding notes, with maturities up to 397 days from the date of issuance. We had no outstanding obligations under the program at September 30, 2019. See *Note 9—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Credit facility. We have an unsecured $5.0 billion revolving credit facility (the “Credit Facility”) which expires on July 25, 2024. There were no borrowings under the Credit Facility as of September 30, 2019. See *Note 9—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Universal shelf registration statement. In July 2018, we filed a registration statement with the SEC using a shelf registration process. As permitted by the registration statement, we may, from time to time, sell shares of debt or equity securities in one or more transactions. This registration statement expires in July 2021.

U.S. Litigation escrow account. Pursuant to the terms of the U.S. retrospective responsibility plan, we maintain a U.S. litigation escrow account from which monetary liabilities from settlements of, or judgments in, the U.S. covered litigation will be payable. When we fund the U.S. litigation escrow account, the shares of class B common stock held by our stockholders 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. In September 2019, we deposited $300 million into the U.S. litigation escrow account to address claims associated with the interchange multidistrict litigation. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. The balance in this account at September 30, 2019, was $1.2 billion and is reflected as restricted cash equivalents in our consolidated balance sheets. As these funds are restricted for the sole purpose of making payments related to the U.S. covered litigation matters, as described below under *Uses of Liquidity*, we do not rely on them for other operational needs.

Credit Ratings

At September 30, 2019, our credit ratings by Standard and Poor's and Moody's were as follows:

	Standard and Poor's		Moody's	
Debt type	**Rating**	**Outlook**	**Rating**	**Outlook**
Short-term unsecured debt	A-1+	Stable	P-1	Stable
Long-term unsecured debt	AA-	Stable	Aa3	Stable

Various factors affect our credit ratings, including changes in our operating performance, the economic environment, conditions in the electronic payment industry, our financial position and changes in our business strategy. We do not currently foresee any reasonable circumstances under which our credit ratings would be significantly downgraded. If a downgrade were to occur, it could adversely impact, among other things, our future borrowing costs and access to capital markets.

Uses of Liquidity

Payments settlement. Payments settlement due to and from our financial institution clients can represent a substantial daily liquidity requirement. Most U.S. dollar settlements are settled within the same day and do not result in a net receivable or payable balance, while settlements in currencies other than the U.S. dollar generally remain outstanding for one to two business days, which is consistent with industry practice for such transactions. In general, during fiscal 2019, we were not required to fund settlement-related working capital. Our average daily net settlement position was a net payable of $574 million. We hold approximately $7.5 billion of available liquidity globally as of September 30, 2019, in the form of cash, cash equivalents and available-for-sale investment securities, to fund daily settlement in the event one or more of our financial institution clients are unable to settle.

U.S. covered litigation. We are parties to legal and regulatory proceedings with respect to a variety of matters, including certain litigation that we refer to as the U.S. covered litigation. As noted above, monetary liabilities from settlements of, or judgments in, the U.S. covered litigation are payable from the U.S. litigation escrow account. In September 2018, Visa and other defendants entered into an Amended Settlement Agreement with plaintiffs in the interchange multidistrict litigation purporting to represent a class of plaintiffs seeking monetary damages, which superseded and amended the 2012 Settlement Agreement. On November 7, 2019, the district court held a hearing on whether to approve the Amended Settlement Agreement. We expect a decision by the district court in the first half of calendar year 2020. If approved, the final settlement amount would be approximately $5.5 billion. Our share represents approximately $3.6 billion, which would be satisfied through funds previously deposited with the court. No additional funds are required for this class settlement. Under the Amended Settlement Agreement, defendants are entitled to receive takedown payments of up to 25% of the original cash payments made into the settlement fund, based on the percentage of payment card sales volume attributable to merchants who have chosen to opt out of the settlement class. Visa's portion of the maximum takedown payments, which we expect to receive and is calculated to be $467 million, would be returned to our U.S. litigation escrow account. This will increase our taxable income, thereby increasing our taxes paid.

During September 2019, we deposited $300 million into the U.S. litigation escrow account to address individual claims for members who have chosen to opt out of the Amended Settlement Agreement. At September 30, 2019, the U.S. litigation escrow account had an available balance of $1.2 billion. The funds in the U.S. litigation escrow account as well as the $467 million takedown payments that we expect to be returned will be available for settlement with these opt-out merchants. Under the terms of the U.S. retrospective responsibility plan, when we make a deposit into the litigation escrow account, the shares of class B common stock are subject to dilution through a reduction to the conversion rate of the shares of class B common stock to shares of class A common stock. The U.S. retrospective responsibility plan was created to insulate Visa and our class A common shareholders from financial liability for certain litigation cases. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Other litigation. Judgments in and settlements of litigation, other than the U.S. covered litigation, including VE territory covered litigation or other fines imposed in investigations and proceeding, could give rise to future liquidity needs.

Reduction in as-converted shares. During fiscal 2019, share repurchases and escrow deposits reduced as-converted class A common stock by 58 million at an average price of $154.62 per share. Of the 58 million shares, 56 million were repurchased in the open market using $8.6 billion of cash on hand. Additionally, we deposited $300 million of operating cash into the U.S. litigation escrow account previously established under the U.S. retrospective responsibility plan. The deposit has the same economic effect on earnings per share as repurchasing our class A common stock because it reduces the class B conversion rate and consequently the as-converted class A common stock share count. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 14—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

In January 2019, our board of directors authorized a share repurchase program for $8.5 billion. This authorization has no expiration date. As of September 30, 2019, we had remaining authorized funds of $4.1 billion. All share repurchase programs authorized prior to January 2019 have been completed. See *Note 14—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Dividends. During fiscal 2019, we declared and paid $2.3 billion in dividends. On October 22, 2019, our board of directors declared a quarterly cash dividend of $0.30 per share of class A common stock (determined in the case of class B and C common stock and series B and C preferred stock on an as-converted basis). We expect to pay approximately $673 million in connection with this dividend on December 3, 2019. See *Note 14—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We expect to continue paying quarterly dividends in cash, subject to approval by the board of directors. All preferred and class B and C common stock will share ratably on an as-converted basis in such future dividends.

Pension and other postretirement benefits. We sponsor various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for substantially all employees residing in the U.S. As a result of the acquisition of Visa Europe, we assumed the obligations related to Visa Europe's defined benefit plan, primarily consisting of the UK pension plans. Our policy with respect to our U.S. qualified pension plan is to contribute annually in September of each year, an amount not less than the minimum required under the Employee Retirement Income Security Act. Our U.S. non-qualified pension and other postretirement benefit plans are funded on a current basis. In relation to the Visa Europe UK pension plans, our funding policy is to contribute in accordance with the appropriate funding requirements agreed with the trustees of our UK pension plans. Additional amounts may be agreed with the UK pension plan trustees. In fiscal 2019, we made contributions to our U.S. pension and other postretirement benefit plans of $3 million. For Visa Europe's UK pension plans, we made contributions of $10 million in fiscal 2019, subsequent to the acquisition date as agreed upon with the trustees to improve the funding level of the plans. In fiscal 2020, given current projections and assumptions, we anticipate funding our U.S. pension and other postretirement benefit plans and Visa Europe's UK defined benefit pension plans by approximately $3 million and $10 million, respectively. The actual contribution amount will vary depending upon the funded status of the pension plan, movements in the discount rate, performance of the plan assets and related tax consequences. See *Note 10—Pension and Other Postretirement Benefits* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Capital expenditures. Our capital expenditures increased during fiscal 2019, due to investments in technology, infrastructure and growth initiatives. We expect to continue investing in technology assets and payments system infrastructure to support our digital solutions and core business initiatives.

Acquisitions. In fiscal 2019, we acquired businesses using $0.7 billion of cash on hand, primarily reflecting total purchase price less cash and restricted cash received. These acquisitions will help Visa's clients and merchant partners accelerate digital commerce. In connection with our purchase of Visa Europe in June 2016, we were required to pay an additional €1.0 billion, plus 4% compound annual interest, on the third anniversary of the closing of the Visa Europe acquisition. In June 2019, we paid €1.1 billion in fulfillment of this obligation. See *Note 2—Acquisitions* and *Note 8—Intangible Assets and Goodwill* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Derivative Financial Instruments

In fiscal 2019, we entered into interest rate and cross-currency swap agreements on a portion of our outstanding 3.15% Senior Notes due December 2025 that allow us to manage our interest rate exposure through a combination of fixed and floating rates and reduce our overall cost of borrowing. Together these swap agreements effectively convert a portion of our U.S. dollar denominated fixed-rate payments into euro denominated floating-rate payments. See *Note 6—Fair Value Measurements and Investments* and *Note 12—Derivative and Non-derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

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 September 30, 2019, our financial instruments measured at fair value on a recurring basis included approximately $13.5 billion of assets and $0.2 billion of liabilities. None of these instruments were valued using significant unobservable inputs. See *Note 6—Fair Value Measurements and Investments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements are primarily comprised of guarantees and indemnifications. Visa has no off-balance sheet arrangements, other than lease and purchase order commitments, as discussed and reflected in our contractual obligations table below.

Indemnifications

We indemnify our financial institution clients for settlement losses suffered due to the failure of any other client to fund its settlement obligations in accordance with our rules. The amount of the indemnification is limited to the amount of unsettled Visa payment transactions at any point in time. We maintain global credit settlement risk policies and procedures to manage settlement risk, which may require clients to post collateral if certain credit standards are not met. See *Note 1—Summary of Significant Accounting Policies* and *Note 11—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

In the ordinary course of business, we enter into contractual arrangements with financial institutions and other clients and partners under which we may agree to indemnify the client for certain types of losses incurred relating to the services we provide or otherwise relating to our performance under the applicable agreement.

Contractual Obligations

Our contractual commitments will have an impact on our future liquidity. The contractual obligations identified in the table below include both on- and off-balance sheet transactions that represent a material, expected or contractually committed future obligation as of September 30, 2019. We believe that we will be able to fund these obligations through cash generated from our operations and available credit facilities.

	Payments Due by Period				
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
			(in millions)		
Long-term debt[1]	$ 537	$ 4,975	$ 3,056	$ 15,332	$ 23,900
Purchase obligations[2]	1,598	782	406	857	3,643
Leases[3]	143	227	178	250	798
Transition tax[4]	—	164	243	474	881
Dividends[5]	673	—	—	—	673
Total[6],[7],[8]	**$ 2,951**	**$ 6,148**	**$ 3,883**	**$ 16,913**	**$ 29,895**

(1) Amounts presented include payments for both interest and principal. Also see *Note 9—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(2) Represents agreements to purchase goods and services that specify significant terms, including: fixed or minimum quantities to be purchased, minimum or variable price provisions, and the approximate timing of the transaction. For obligations where the individual years of spend are not specified in the contract, we have estimated the timing of when these amounts will be spent.

(3) Includes operating leases for premises, equipment and software licenses, which range in terms from less than one year to twenty-six years.

(4) Amounts presented relate to the estimated transition tax, net of foreign tax credit carryovers, on certain foreign earnings of non-U.S. subsidiaries. See *Note 19—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(5) Includes expected dividend amount of $673 million as dividends were declared on October 22, 2019 and will be paid on December 3, 2019 to all holders of record of Visa's common stock as of November 15, 2019.

(6) We have liabilities for uncertain tax positions of $1.7 billion as of September 30, 2019. At September 30, 2019, we had also accrued $165 million of interest and $26 million of penalties associated with our uncertain tax positions. We cannot determine the range of cash payments that will be made and the timing of the cash settlements, if any, associated with our uncertain tax positions. Therefore, no amounts related to these obligations have been included in the table.

(7) We evaluate the need to make contributions to our pension plan after considering the funded status of the pension plan, movements in the discount rate, performance of the plan assets and related tax consequences. Expected contributions to our pension plan have not been included in the table as such amounts are dependent upon the considerations discussed above, and may result in a wide range of amounts. See *Note 10—Pension and Other Postretirement Benefits* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report and the *Liquidity and Capital Resources* section of this *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

(8) Future cash payments for long-term contracts with financial institution clients and other business partners are not included in the table as the amounts are unknowable due to the inherent unpredictability of payment and transaction volume. These agreements, which range in terms from one to fifteen years, can provide card issuance and/or conversion support, volume/growth targets or marketing and program support based on specific performance requirements. As of September 30, 2019, we have $4.1 billion of client incentives liability recorded on the consolidated balance sheet related to these arrangements.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require us to make judgments, assumptions and estimates that affect the amounts reported. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We have established policies and control procedures which seek to ensure that estimates and assumptions are appropriately governed and applied consistently from period to period. However, actual results could differ from our assumptions and estimates, and such differences could be material.

We believe that the following accounting estimates are the most critical to fully understand and evaluate our reported financial results, as they require our most subjective or complex management judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain and unpredictable.

Revenue Recognition—Client Incentives

Critical estimates. We enter into long-term incentive agreements with financial institution clients, merchants and other business partners for various programs designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to our network and driving innovation. These incentives are primarily accounted for as reductions to net revenues; however, if a separate identifiable benefit at fair value can be established, they are accounted for as operating expenses. Incentives are recognized systematically and rationally based on management's estimate of each client's performance. These estimates are regularly reviewed and adjusted as appropriate based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Assumptions and judgment. Estimation of client incentives relies on forecasts of payments and transaction volume, card issuance and card conversion. Performance is estimated using client-reported information, transactional information accumulated from our systems, historical information, market and economic conditions and discussions with our clients, merchants and business partners.

Impact if actual results differ from assumptions. If actual performance is not consistent with our estimates, client incentives may be materially different than initially recorded. Increases in incentive payments are generally driven by increased payments and transaction volume, which drive our net revenues. As a result, in the event incentive payments exceed estimates, such payments are not expected to have a material effect on our financial condition, results of operations or cash flows. The cumulative impact of a revision in estimates is recorded in the period such revisions become probable and estimable. For the year ended September 30, 2019, client incentives represented 21% of gross revenues.

Legal and Regulatory Matters

Critical estimates. We are currently involved in various legal proceedings, the outcomes of which are not within our complete control or may not be known for prolonged periods of time. Management is required to assess the probability of loss and estimate the amount of such loss, if any, in preparing our financial statements.

Assumptions and judgment. We evaluate the likelihood of a potential loss from legal or regulatory proceedings to which we are a party. We record a liability for such claims when a loss is deemed probable and the amount can be reasonably estimated. Significant judgment may be required in the determination of both probability and whether a potential loss is reasonably estimable. Our judgments are subjective based on management's understanding of the litigation profile, the specifics of each case, our history with similar proceedings, advice of in-house and outside legal counsel to the extent appropriate and management's best estimate of incurred loss. As additional information becomes available, we reassess the potential loss related to pending claims and may revise our estimates.

We have entered into loss sharing agreements that reduce our potential liability under certain litigation. However, our U.S. retrospective responsibility plan only addresses monetary liabilities from settlements of, or final judgments in, the U.S. covered litigation. The plan's mechanisms include the use of the U.S. litigation escrow account. The accrual related to the U.S. covered litigation could be either higher or lower than the U.S. litigation escrow account balance. Our Europe retrospective responsibility plan only covers Visa Europe territory covered litigation (and resultant liabilities and losses) relating to the covered period, subject to certain limitations, and does not cover any fines or penalties incurred in the European Commission proceedings or any other matter. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Impact if actual results differ from assumptions. Due to the inherent uncertainties of the legal and regulatory processes in the multiple jurisdictions in which we operate, our judgments may be materially different than the actual outcomes, which could have material adverse effects on our business, financial conditions and results of operations. See *Note 20—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Income Taxes

Critical estimates. In calculating our effective income tax rate, we make judgments regarding certain tax positions, including the timing and amount of deductions and allocations of income among various tax jurisdictions.

Assumptions and judgment. We have various tax filing positions with regard to the timing and amount of deductions and credits, the establishment of liabilities for uncertain tax positions and the allocation of income among various tax jurisdictions. We are also required to inventory, evaluate and measure all uncertain tax positions taken or to be taken on tax returns and to record liabilities for the amount of such positions that may not be sustained, or may only be partially sustained, upon examination by the relevant taxing authorities.

Impact if actual results differ from assumptions. Although we believe that our estimates and judgments are reasonable, actual results may differ from these estimates. Some or all of these judgments are subject to review by the taxing authorities. If one or more of the taxing authorities were to successfully challenge our right to realize some or all of the tax benefit we have recorded, and we were unable to realize this benefit, it could have a material adverse effect on our financial results and cash flows.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential economic loss arising from adverse changes in market factors. Our exposure to financial market risks results primarily from fluctuations in foreign currency exchange rates, interest rates and equity prices. Aggregate risk exposures are monitored on an ongoing basis.

Foreign Currency Exchange Rate Risk

We are exposed to risks from foreign currency exchange rate fluctuations that are primarily related to changes in the functional currency value of revenues generated from foreign currency-denominated transactions and changes in the functional currency value of payments in foreign currencies. We manage these risks by entering into foreign currency forward contracts that hedge exposures of the variability in the functional currency equivalent of anticipated non-functional currency denominated cash flows. Our foreign currency exchange rate risk management program reduces, but does not entirely eliminate, the impact of foreign currency exchange rate movements.

The aggregate notional amounts of our foreign currency forward contracts outstanding in our exchange rate risk management program, including contracts not designated for cash flow hedge accounting, were $3.1 billion and $3.7 billion at September 30, 2019 and 2018, respectively. The aggregate notional amount outstanding at September 30, 2019 is fully consistent with our strategy and treasury policy aimed at reducing foreign exchange risk below a predetermined and approved threshold. However, actual results could materially differ from our forecast. The effect of a hypothetical 10% strengthening or weakening in the value of the functional currencies is estimated to create an additional fair value gain of approximately $245 million or loss of approximately $300 million, respectively, on our foreign currency forward contracts outstanding at September 30, 2019. The gain or loss from this hypothetical strengthening or weakening would be largely offset by a corresponding gain or loss on our cash flows from foreign currency-denominated revenues and payments. See *Note 1—Summary of Significant Accounting Policies* and *Note 12—Derivative and Non-derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

We are further exposed to foreign currency exchange rate risk related to translation as the functional currency of Visa Europe is the euro. Translation from the euro to the U.S. dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive income or loss on the consolidated balance sheets. A hypothetical 10% change in the euro against the U.S. dollar compared to the exchange rate at September 30, 2019, would result in a foreign currency translation adjustment of $2.0 billion. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

We are also subject to foreign currency exchange risk in daily settlement activities. This risk arises from the timing of rate setting for settlement with clients relative to the timing of market trades for balancing currency positions. Risk in settlement activities is limited through daily operating procedures, including the utilization of Visa settlement systems and our interaction with foreign exchange trading counterparties.

Interest Rate Risk

Our investment portfolio assets are held in both fixed-rate and adjustable-rate securities. These assets are included in cash equivalents and short-term or long-term available-for-sale investments. Investments in fixed-rate instruments carry a degree of interest rate risk. The fair value of fixed-rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling-rate environment creates reinvestment risk because as securities mature, the proceeds are reinvested at a lower rate, generating less interest income. Historically, we have been able to hold investments until maturity. Neither our operating results or cash flows have been, nor are they expected to be, materially impacted by a sudden change in market interest rates.

The fair value balances of our fixed-rate investment securities at September 30, 2019 and 2018 were $1.8 billion and $5.1 billion, respectively. The fair value balances of our adjustable-rate debt securities were $4.6 billion and $3.5 billion at September 30, 2019 and 2018, respectively. A hypothetical 100 basis point increase in interest rates would create an estimated decrease in fair value of approximately $9 million on our investment securities at September 30, 2019.

In fiscal 2019, we entered into interest rate and cross-currency swap agreements on a portion of our outstanding senior notes that allow us to manage our interest rate exposure through a combination of fixed and floating rates and reduce our overall cost of borrowing. Together these swap agreements effectively convert a portion of our U.S. dollar denominated fixed-rate payments into euro denominated floating-rate payments. By entering into interest rate swaps, we have assumed risks associated with market interest rate fluctuations. A hypothetical 100 basis point increase in interest rates would have resulted in an increase of approximately $30 million in annual interest expense. See *Note 12—Derivative and Non-derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Pension Plan Risk

At September 30, 2019 and 2018, our U.S. defined benefit pension plan assets were $1.1 billion at each year end, and projected benefit obligations were $0.9 billion and $0.8 billion, respectively. A material adverse decline in the value of pension plan assets and/or in the discount rate for benefit obligations would result in a decrease in the funded status of the pension plan, an increase in pension cost and an increase in required funding. A hypothetical 10% decrease in the value of pension plan assets and a 1% decrease in the discount rate would result in an aggregate decrease of approximately $220 million in the funded status and an increase of approximately $43 million in pension cost.

At September 30, 2019 and 2018, our non-U.S. defined benefit pension plan assets were $0.5 billion and $0.4 billion, respectively, and projected benefit obligations were $0.5 billion at each year end. A material adverse decline in the value of pension plan assets and/or in the discount rate for benefit obligations would result in a decrease in the funded status of the pension plan, an increase in pension cost and an increase in required funding. A hypothetical 10% decrease in the value of pension plan assets and a 1% decrease in the discount rate would result in an aggregate decrease of approximately $182 million in the funded status and an increase of approximately $15 million in pension cost.

We will continue to monitor the performance of pension plan assets and market conditions as we evaluate the amount of our contribution to the pension plan for fiscal 2020, if any, which would be made in September 2020.

ITEM 8. Financial Statements and Supplementary Data

VISA INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Visa Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Visa Inc. and subsidiaries (the Company) as of September 30, 2019 and 2018, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended September 30, 2019 and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of September 30, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for revenue from contracts with customers in fiscal year 2019 due to the adoption of Accounting Standards Update 2014-09 "Revenue from Contracts with Customers (Topic 606)".

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Report of Independent Registered Public Accounting Firm—(Continued)

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of the accrued litigation liability for class members opting out of the Damages Class settlement

As discussed in Note 20 to the consolidated financial statements, the Company is involved in various legal proceedings, including the *Interchange Multidistrict Litigation (MDL) - Individual Merchant Actions*, and has recorded an accrued litigation liability of $1,203 million as of September 30, 2019. In preparing its consolidated financial statements, the Company is required to assess the probability of loss associated with each legal proceeding and the amount of such loss, if any. The outcome of the legal proceedings to which the Company is a party is not within the complete control of the Company or may not be known for prolonged periods of time.

We identified the assessment of the accrued litigation liability for class members opting out of the Damages Class settlement, also know as the *MDL - Individual Merchant Actions,* as a critical audit matter. This proceeding involves complex claims that are subject to substantial uncertainties and unascertainable damages. The assessment of the accrued litigation liability for the *MDL - Individual Merchant Actions* required especially challenging auditor judgment due to the assumptions and estimates associated with the consideration and evaluation of possible outcomes. Changes to the outcomes could have a significant effect on the estimated amount of the liability.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's litigation assessment process, including internal controls over the Company's litigation accrual process for the *MDL - Individual Merchant Actions*. We assessed the amounts accrued by reading letters received directly from the Company's external legal counsel and in-house legal counsel that discussed the Company's legal matters, including the *MDL -*

Individual Merchant Actions. We considered relevant publicly available information, such as published news articles, about the Company and its legal matters, including the *MDL - Individual Merchant Actions*. We evaluated the Company’s ability to estimate its monetary exposure by comparing historically recorded liabilities to actual monetary amounts incurred upon resolution of legal matters for merchants that opted out of the previous MDL class settlement. We assessed the Company’s analysis of the estimated monetary exposure by checking that it included a complete population of opt-out merchants and performing sensitivity analysis over the Company’s monetary exposure calculations.

Report of Independent Registered Public Accounting Firm—(Continued)

Evaluation of the revenue recognition for incentive arrangements with certain strategic partners upon adoption of ASC Topic 606

As discussed in Note 1 to the consolidated financial statements, the Company enters into long-term contracts with financial institution clients, merchants, and strategic partners for various programs. The determination of whether incentive payments to certain strategic partners should be recorded as an operating expense or a reduction to operating revenues is dependent upon the application of the consideration payable to a customer guidance within ASC Topic 606.

We identified the evaluation of the revenue recognition for incentive arrangements with certain strategic partners upon adoption of ASC Topic 606 as a critical audit matter. A higher degree of auditor judgment was required to evaluate the application of the consideration payable to customer guidance due to the unique nature and complexity of the Company's open-loop payment network.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's revenue recognition process, including controls related to the accounting for incentive payments to strategic partners and the application of the consideration payable to a customer guidance. We evaluated a sample of arrangements with certain strategic partners that participate in the Company's open-loop payment network to understand the rights and obligations of the strategic partners, and how the Company earns revenue from and incentivizes the strategic partner. We selected a sample of certain strategic partner contracts and independently assessed the application of the consideration payable to a customer guidance, and compared our assessment to that of the Company's.

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Santa Clara, California
November 14, 2019

Table of Contents

VISA INC.

CONSOLIDATED BALANCE SHEETS

	September 30, 2019	September 30, 2018
	(in millions, except par value data)	
Assets		
Cash and cash equivalents	**$ 7,838**	$ 8,162
Restricted cash equivalents—U.S. litigation escrow (Note 4 and Note 5)	**1,205**	1,491
Investment securities (Note 6)	**4,236**	3,547
Settlement receivable	**3,048**	1,582
Accounts receivable	**1,542**	1,208
Customer collateral (Note 4 and Note 11)	**1,648**	1,324
Current portion of client incentives	**741**	340
Prepaid expenses and other current assets	**712**	562
Total current assets	**20,970**	18,216
Investment securities (Note 6)	**2,157**	4,082
Client incentives	**2,084**	538
Property, equipment and technology, net (Note 7)	**2,695**	2,472
Goodwill (Note 8)	**15,656**	15,194
Intangible assets, net (Note 8)	**26,780**	27,558
Other assets	**2,232**	1,165
Total assets	**$ 72,574**	$ 69,225
Liabilities		
Accounts payable	**$ 156**	$ 183
Settlement payable	**3,990**	2,168
Customer collateral (Note 4 and Note 11)	**1,648**	1,325
Accrued compensation and benefits	**796**	901
Client incentives	**3,997**	2,834
Accrued liabilities	**1,625**	1,160
Deferred purchase consideration	**—**	1,300
Accrued litigation (Note 20)	**1,203**	1,434
Total current liabilities	**13,415**	11,305
Long-term debt (Note 9)	**16,729**	16,630
Deferred tax liabilities (Note 19)	**4,807**	4,618
Other liabilities	**2,939**	2,666
Total liabilities	**37,890**	35,219
Commitments and contingencies (Note 17)		
Equity		
Preferred stock, $0.0001 par value, 25 shares authorized and 5 shares issued and outstanding as follows:		
Series A convertible participating preferred stock, none issued (the “class A equivalent preferred stock”) (Note 14)	**—**	—
Series B convertible participating preferred stock, 2 shares issued and outstanding at September 30, 2019 and 2018 (the “UK&I preferred stock”) (Note 5 and Note 14)	**2,285**	2,291
Series C convertible participating preferred stock, 3 shares issued and outstanding at September 30, 2019 and 2018 (the “Europe preferred stock”) (Note 5 and Note 14)	**3,177**	3,179
Class A common stock, $0.0001 par value, 2,001,622 shares authorized, 1,718 and 1,768 shares issued and outstanding at September 30, 2019 and 2018, respectively (Note 14)	**—**	—
Class B common stock, $0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at September 30, 2019 and 2018, respectively (Note 14)	**—**	—
Class C common stock, $0.0001 par value, 1,097 shares authorized, 11 and 12 shares issued and outstanding at September 30, 2019 and 2018, respectively (Note 14)	**—**	—
Right to recover for covered losses (Note 5)	**(171)**	(7)

Additional paid-in capital	**16,541**	16,678
Accumulated income	**13,502**	11,318
Accumulated other comprehensive income (loss), net:		
Investment securities	**6**	(17)
Defined benefit pension and other postretirement plans	**(192)**	(61)
Derivative instruments	**199**	60
Foreign currency translation adjustments	**(663)**	565
Total accumulated other comprehensive income (loss), net	**(650)**	547
Total equity	**34,684**	34,006
Total liabilities and equity	**$ 72,574**	$ 69,225

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

VISA INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended September 30,		
	2019	2018	2017
	(in millions, except per share data)		
Net revenues	**$ 22,977**	$ 20,609	$ 18,358
Operating Expenses			
Personnel	**3,444**	3,170	2,628
Marketing	**1,105**	988	922
Network and processing	**721**	686	620
Professional fees	**454**	446	409
Depreciation and amortization	**656**	613	556
General and administrative	**1,196**	1,145	1,060
Litigation provision (Note 20)	**400**	607	19
Total operating expenses	**7,976**	7,655	6,214
Operating income	**15,001**	12,954	12,144
Non-operating Income (Expense)			
Interest expense, net	**(533)**	(612)	(563)
Investment income and other	**416**	464	113
Total non-operating income (expense)	**(117)**	(148)	(450)
Income before income taxes	**14,884**	12,806	11,694
Income tax provision (Note 19)	**2,804**	2,505	4,995
Net income	**$ 12,080**	$ 10,301	$ 6,699
Basic Earnings Per Share (Note 15)			
Class A common stock	**$ 5.32**	$ 4.43	$ 2.80
Class B common stock	**$ 8.68**	$ 7.28	$ 4.62
Class C common stock	**$ 21.30**	$ 17.72	$ 11.21
Basic Weighted-average Shares Outstanding (Note 15)			
Class A common stock	**1,742**	1,792	1,845
Class B common stock	**245**	245	245
Class C common stock	**12**	12	14
Diluted Earnings Per Share (Note 15)			
Class A common stock	**$ 5.32**	$ 4.42	$ 2.80
Class B common stock	**$ 8.66**	$ 7.27	$ 4.61
Class C common stock	**$ 21.26**	$ 17.69	$ 11.19
Diluted Weighted-average Shares Outstanding (Note 15)			
Class A common stock	**2,272**	2,329	2,395
Class B common stock	**245**	245	245
Class C common stock	**12**	12	14

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

VISA INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended September 30,		
	2019	**2018**	**2017**
		(in millions)	
Net income	**$ 12,080**	$ 10,301	$ 6,699
Other comprehensive income (loss), net of tax:			
Investment securities:			
Net unrealized gain (loss)	**20**	94	60
Income tax effect	**(5)**	(19)	(24)
Reclassification adjustments	**1**	(215)	1
Income tax effect	**—**	50	—
Defined benefit pension and other postretirement plans:			
Net unrealized actuarial gain (loss) and prior service credit (cost)	**(174)**	16	183
Income tax effect	**36**	(5)	(54)
Reclassification adjustments	**9**	5	32
Income tax effect	**(2)**	(1)	(12)
Derivative instruments:			
Net unrealized gain (loss)	**233**	90	(22)
Income tax effect	**(25)**	(24)	15
Reclassification adjustments	**(85)**	32	33
Income tax effect	**16**	(2)	(12)
Foreign currency translation adjustments	**(1,228)**	(352)	1,136
Other comprehensive income (loss), net of tax	**(1,204)**	(331)	1,336
Comprehensive income	**$ 10,876**	$ 9,970	$ 8,035

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

[Table of Contents](#)

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Preferred Stock[1]		Common Stock					Right to Recover for Covered Losses			Accumulated Other Comprehensive	
	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Treasury Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
						(in millions, except per share data)						
Balance as of September 30, 2016	2	3	1,871	245	17	$5,717	$(170)	$ (34)	$17,395	$ 10,462	$ (458)	$ 32,912
Net income										6,699		6,699
Other comprehensive income (loss), net of tax											1,336	1,336
Comprehensive income												8,035
VE territory covered losses incurred (Note 5)								(209)				(209)
Recovery through conversion rate adjustment (Note 5 and Note 14)						(191)		191				—
Charitable contribution of Visa Inc. shares			2				170					170
Treasury stock appreciation, net of tax									14			14
Conversion of class C common stock upon sales into public market			17		(4)							—
Vesting of restricted stock and performance-based shares			2									—
Share-based compensation, net of forfeitures (Note 16)			— (2)						235			235
Restricted stock and performance-based shares settled in cash for taxes			(1)						(76)			(76)
Cash proceeds from issuance of common stock under employee equity plans			4						149			149
Cash dividends declared and paid, at a quarterly amount of $0.165 per class A share (Note 14)										(1,579)		(1,579)

Repurchase of class A common stock (Note 14)			(77)						(817)	(6,074)		(6,891)
Balance as of September 30, 2017	2	3	1,818	245	13	$5,526	$ —	$ (52)	$16,900	$ 9,508	$ 878	$ 32,760

(1) Series B and C preferred stock are alternatively referred to as UK&I and Europe preferred stock, respectively.

(2) Decrease in Class A common stock related to forfeitures of restricted stock awards is less than one million shares.

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

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Preferred Stock[1]		Common Stock								
	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)										
Balance as of September 30, 2017	2	3	1,818	245	13	$5,526	$ (52)	$16,900	$ 9,508	$ 878	$ 32,760
Net income									10,301		10,301
Other comprehensive income (loss), net of tax										(331)	(331)
Comprehensive income											9,970
VE territory covered losses incurred (Note 5)							(11)				(11)
Recovery through conversion rate adjustment (Note 5 and Note 14)						(56)	56				—
Conversion of class C common stock upon sales into public market			4		(1)						—
Vesting of restricted stock and performance-based shares			2								—
Share-based compensation, net of forfeitures (Note 16)			— [2]					327			327
Restricted stock and performance-based shares settled in cash for taxes			(1)					(94)			(94)
Cash proceeds from issuance of common stock under employee equity plans			3					164			164
Cash dividends declared and paid, at a quarterly amount of $0.195 per class A share in the first quarter and $0.210 per class A share for the rest of the fiscal year (Note 14)									(1,918)		(1,918)
Repurchase of class A common stock (Note 14)			(58)					(619)	(6,573)		(7,192)
Balance as of September 30, 2018	2	3	1,768	245	12	$5,470	$ (7)	$16,678	$ 11,318	$ 547	$ 34,006

(1) Series B and C preferred stock are alternatively referred to as UK&I and Europe preferred stock, respectively.

(2) Decrease in Class A common stock related to forfeitures of restricted stock awards is less than one million shares.

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

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Preferred Stock[1]		Common Stock								
	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Income (Loss), Net	Total Equity
	(in millions, except per share data)										
Balance as of September 30, 2018	2	3	1,768	245	12	$5,470	$ (7)	$16,678	$ 11,318	$ 547	$ 34,006
Net income									12,080		12,080
Other comprehensive income (loss), net of tax										(1,204)	(1,204)
Comprehensive income											10,876
Adoption of new accounting standards (Note 1)									385	7	392
VE territory covered losses incurred (Note 5)							(172)				(172)
Recovery through conversion rate adjustment (Note 5 and Note 14)						(8)	8				—
Conversion of class C common stock upon sales into public market			2		(1)						—
Vesting of restricted stock and performance-based shares			3								—
Share-based compensation, net of forfeitures (Note 16)								407			407
Restricted stock and performance-based shares settled in cash for taxes			(1)					(111)			(111)
Cash proceeds from issuance of common stock under employee equity plans			2					162			162
Cash dividends declared and paid, at a quarterly amount of $0.25 per class A share (Note 14)									(2,269)		(2,269)
Repurchase of class A common stock (Note 14)			(56)					(595)	(8,012)		(8,607)
Balance as of September 30, 2019	**2**	**3**	**1,718**	**245**	**11**	**$5,462**	**$ (171)**	**$16,541**	**$13,502**	**$ (650)**	**$ 34,684**

(1) Series B and C preferred stock are alternatively referred to as UK&I and Europe preferred stock, respectively.

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

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended September 30,		
	2019	2018	2017
		(in millions)	
Operating Activities			
Net income	**$ 12,080**	$ 10,301	$ 6,699
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Client incentives (Note 3)	**6,173**	5,491	4,565
Share-based compensation (Note 16)	**407**	327	235
Depreciation and amortization of property, equipment, technology and intangible assets	**656**	613	556
Deferred income taxes	**214**	(1,277)	1,700
VE territory covered losses incurred (Note 5)	**(172)**	(11)	(209)
Charitable contribution of Visa Inc. shares (Note 19)	**—**	—	192
Other	**(271)**	(64)	54
Change in operating assets and liabilities:			
Settlement receivable	**(1,533)**	(223)	94
Accounts receivable	**(333)**	(70)	(54)
Client incentives	**(6,430)**	(4,682)	(4,628)
Other assets	**(310)**	59	(147)
Accounts payable	**(24)**	3	(30)
Settlement payable	**1,931**	262	(176)
Accrued and other liabilities	**627**	1,760	465
Accrued litigation (Note 20)	**(231)**	452	1
Net cash provided by (used in) operating activities	**12,784**	12,941	9,317
Investing Activities			
Purchases of property, equipment and technology	**(756)**	(718)	(707)
Proceeds from sales of property, equipment and technology	**—**	14	12
Investment securities:			
Purchases	**(2,653)**	(5,772)	(3,238)
Proceeds from maturities and sales	**3,996**	3,636	5,012
Acquisitions, net of cash and restricted cash acquired	**(699)**	(196)	(302)
Purchases of / contributions to other investments	**(501)**	(50)	(46)
Proceeds / distributions from other investments	**12**	2	4
Other investing activities	**10**	—	—
Net cash provided by (used in) investing activities	**(591)**	(3,084)	735
Financing Activities			
Repurchase of class A common stock (Note 14)	**(8,607)**	(7,192)	(6,891)
Repayments of long-term debt	**—**	(1,750)	—
Dividends paid (Note 14)	**(2,269)**	(1,918)	(1,579)
Payment of deferred purchase consideration related to the Visa Europe acquisition	**(1,236)**	—	—
Proceeds from issuance of senior notes	**—**	—	2,488
Debt issuance costs	**—**	—	(15)
Cash proceeds from issuance of common stock under employee equity plans	**162**	164	149
Restricted stock and performance-based shares settled in cash for taxes	**(111)**	(94)	(76)
Net cash provided by (used in) financing activities	**(12,061)**	(10,790)	(5,924)
Effect of exchange rate changes on cash and cash equivalents	**(277)**	(101)	236
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	**(145)**	(1,034)	4,364
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	**10,977**	12,011	7,647

Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year	**$ 10,832**	$ 10,977	$ 12,011
Supplemental Disclosure			
Income taxes paid, net of refunds	**$ 2,648**	$ 2,285	$ 3,038
Interest payments on debt	**$ 537**	$ 545	$ 489
Charitable contribution of investment securities to Visa Foundation	**$ —**	$ 195	$ —
Accruals related to purchases of property, equipment and technology	**$ 95**	$ 77	$ 50

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

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019

Note 1—Summary of Significant Accounting Policies

Organization. Visa Inc. ("Visa" or the "Company") is a global payments technology company that enables fast, secure and reliable electronic payments across more than 200 countries and territories. Visa and its wholly-owned consolidated subsidiaries, including Visa U.S.A. Inc. ("Visa U.S.A."), Visa International Service Association ("Visa International"), Visa Worldwide Pte. Limited, Visa Europe Limited ("Visa Europe"), Visa Canada Corporation ("Visa Canada"), Visa Technology & Operations LLC and CyberSource Corporation, operate one of the world's largest electronic payments network — VisaNet — which facilitates authorization, clearing and settlement of payment transactions and enables the Company to provide its financial institution and seller clients a wide range of products, platforms and value-added services. Visa is not a financial institution and does not issue cards, extend credit or set rates and fees for account holders of Visa products. In most cases, account holder and merchant relationships belong to, and are managed by, Visa's financial institution clients.

Consolidation and basis of presentation. The consolidated financial statements include the accounts of Visa and its consolidated entities and are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company consolidates its majority-owned and controlled entities, including variable interest entities ("VIEs") for which the Company is the primary beneficiary. The Company's investments in VIEs have not been material to its consolidated financial statements as of and for the periods presented. All significant intercompany accounts and transactions are eliminated in consolidation.

The Company's activities are interrelated, and each activity is dependent upon and supportive of the other. All significant operating decisions are based on analysis of Visa as a single global business. Accordingly, the Company has one reportable segment, Payment Services.

Use of estimates. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Future actual results could differ materially from these estimates. The use of estimates in specific accounting policies is described further below as appropriate.

Cash, cash equivalents, restricted cash, and restricted cash equivalents. Cash and cash equivalents include cash and certain highly liquid investments with original maturities of 90 days or less from the date of purchase. Cash equivalents are primarily recorded at cost, which approximates fair value due to their generally short maturities. The Company defines restricted cash and restricted cash equivalents as cash and cash equivalents that cannot be withdrawn or used for general operating activities. See *Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents.*

Restricted cash equivalents—U.S. litigation escrow. The Company maintains an escrow account from which monetary liabilities from settlements of, or judgments in, the U.S. covered litigation are paid. See *Note 5—U.S. and Europe Retrospective Responsibility Plans* and *Note 20—Legal Matters* for a discussion of the U.S. covered litigation. The escrow funds are held in money market investments, together with the interest earned, less applicable taxes payable, and classified as restricted cash on the consolidated balance sheets. Interest earned on escrow funds is included in non-operating income on the consolidated statements of operations.

Investments and fair value. The Company measures certain assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are reported under a three-level valuation hierarchy. See *Note 6—Fair Value Measurements and Investments.* The classification of the Company's financial assets and liabilities within the hierarchy is as follows:

Level 1—Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities. The Company's Level 1 assets include money market funds, marketable equity securities and U.S. Treasury securities.

Level 2—Inputs to the valuation methodology can include: (1) quoted prices in active markets for similar (not identical) assets or liabilities; (2) quoted prices for identical or similar assets in non-active markets; (3) inputs other than quoted prices that are observable for the asset or liability; or (4) inputs that are derived principally from or corroborated by observable market data. The Company's Level 2 assets and liabilities include U.S. government-sponsored debt securities, and derivative instruments.

Level 3—Inputs to the valuation methodology are unobservable and cannot be corroborated by observable market data. The Company's Level 3 assets include non-marketable equity investments and investments accounted for under the equity method.

Marketable equity securities. Marketable equity securities, which are reported in investment securities on the consolidated balance sheets, include mutual fund investments related to various employee compensation and benefit plans. Trading activity in these investments is at the direction of the Company's employees. These investments are held in a trust and are not available for the Company's operational or liquidity needs. Interest and dividend income and changes in fair value are recorded in non-operating income, and offset in personnel expense on the consolidated statements of operations. The adoption of ASU 2016-01 changed the Company's accounting for marketable equity securities. Beginning on October 1, 2018, unrealized gains and losses from changes in fair value of marketable equity securities are recognized in non-operating income (expense).

Available-for-sale debt securities. The Company's investment in debt securities, which are classified as available-for-sale and reported in investment securities on the consolidated balance sheets, include U.S. government-sponsored debt securities and U.S. Treasury securities. These securities are recorded at cost at the time of purchase and are carried at fair value. The Company considers these securities to be available-for-sale to meet working capital and liquidity needs. Investments with original maturities of greater than 90 days and stated maturities of less than one year from the balance sheet date, or investments that the Company intends to sell within one year, are classified as current assets, while all other securities are classified as non-current assets. These investments are generally available to meet short-term liquidity needs. Unrealized gains and losses are reported in accumulated other comprehensive income or loss on the consolidated balance sheets until realized. The specific identification method is used to calculate realized gain or loss on the sale of securities, which is recorded in non-operating income on the consolidated statements of operations. Interest income is recognized when earned and is included in non-operating income on the consolidated statements of operations.

The Company evaluates its debt securities for other-than-temporary impairment, or OTTI, on an ongoing basis. When there has been a decline in fair value of a debt security below the amortized cost basis, the Company recognizes OTTI if: (1) it has the intent to sell the security; (2) it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis; or (3) it does not expect to recover the entire amortized cost basis of the security.

Non-marketable equity securities. The Company's non-marketable equity securities, which are reported in other assets on the consolidated balance sheets, include investments in privately held companies without readily determinable market values. These investments are classified as Level 3 due to the absence of quoted market prices, the inherent lack of liquidity and the fact that inputs used to measure fair value are unobservable and require management's judgment. Adoption of ASU 2016-01 changed the Company's accounting for non-marketable equity securities. Beginning on October 1, 2018, the Company's policy is to adjust the carrying value of its non-marketable equity securities to fair value when transactions for identical or similar investments of the same issuer are observable. All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in non-operating income (expense).

The Company applies the equity method of accounting for investments in other entities when it holds between 20% and 50% ownership in the entity or when it exercises significant influence. Under the equity method, the Company's share of each entity's profit or loss is reflected in non-operating income on the consolidated statements of operations. The equity method of accounting is also used for flow-through entities such as limited partnerships and limited liability companies when the investment ownership percentage is equal to or greater than 5% of outstanding ownership interests, regardless of whether the Company has significant influence over the investees.

The Company applies the fair value measurement alternative for investments in other entities when it holds less than 20% ownership in the entity and does not exercise significant influence, or for flow-through entities when the investment ownership is less than 5% and the Company does not exercise significant influence. These investments consist of equity holdings in non-public companies and are recorded in other assets on the consolidated balance sheets.

The Company regularly reviews investments accounted for under the equity method and the fair value measurement alternative for possible impairment, which generally involves an analysis of the facts and changes in circumstances influencing the investment, expectations of the entity's cash flows and capital needs, and the viability of its business model.

Financial instruments. The Company considers the following to be financial instruments: cash and cash equivalents, restricted cash equivalents—U.S. litigation escrow, investment securities, settlement receivable and payable, accounts receivable, customer collateral, non-marketable equity investments and derivative instruments. See *Note 6—Fair Value Measurements and Investments.*

Settlement receivable and payable. The Company operates systems for authorizing, clearing and settling payment transactions worldwide. Most U.S. dollar settlements with the Company's financial institution clients are settled within the same day and do not result in a receivable or payable balance. Settlements in currencies other than the U.S. dollar generally remain outstanding for one to two business days, resulting in amounts due from and to clients. These amounts are presented as settlement receivable and settlement payable on the consolidated balance sheets.

Customer collateral. The Company holds cash deposits and other non-cash assets from certain clients in order to ensure their performance of settlement obligations arising from Visa payment services are processed in accordance with the Company's rules. The cash collateral assets are restricted and fully offset by corresponding liabilities and both balances are presented on the consolidated balance sheets. Pledged securities are held by a custodian in an account under the Company's name and ownership; however, the Company does not have the right to repledge these securities, but may sell these securities in the event of default by the client on its settlement obligations. Letters of credit are provided primarily by client financial institutions to serve as irrevocable guarantees of payment. Guarantees are provided primarily by parent financial institutions to secure the obligations of their subsidiaries. The Company routinely evaluates the financial viability of institutions providing the letters of credit and guarantees. See *Note 11—Settlement Guarantee Management.*

Guarantees and indemnifications. The Company recognizes an obligation at inception for guarantees and indemnifications that qualify for recognition, regardless of the probability of occurrence. The Company indemnifies its financial institution clients for settlement losses suffered due to the failure of any other client to fund its settlement obligations in accordance with the Visa operating rules. The estimated fair value of the liability for settlement indemnification is included in accrued liabilities on the consolidated balance sheets.

Property, equipment and technology, net. Property, equipment and technology are recorded at historical cost less accumulated depreciation and amortization, which are computed on a straight-line basis over the asset's estimated useful life. Depreciation and amortization of technology, furniture, fixtures and equipment are computed over estimated useful lives ranging from 2 to 10 years. Capital leases are amortized over the lease term and leasehold improvements are amortized over the shorter of the useful life of the asset or lease term. Building improvements are depreciated between 3 and 40 years, and buildings are depreciated over 40 years. Improvements that increase functionality of the asset are capitalized and depreciated over the asset's remaining useful life. Land and construction-in-progress are not depreciated. Fully depreciated assets are retained in property, equipment and technology, net, until removed from service.

Technology includes purchased and internally developed software, including technology assets obtained through acquisitions. Internally developed software represents software primarily used by the VisaNet electronic payments network. Internal and external costs incurred during the preliminary project stage are expensed as incurred. Qualifying costs incurred during the application development stage are capitalized. Once the project is substantially complete and ready for its intended use these costs are amortized on a straight-line basis over the technology’s estimated useful life. Acquired technology assets are initially recorded at fair value and amortized on a straight-line basis over the estimated useful life.

The Company evaluates the recoverability of long-lived assets for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If the sum of expected undiscounted net future cash flows is less than the carrying amount of an asset or asset group, an impairment loss is recognized to the extent that the carrying amount of the asset or asset group exceeds its fair value. See *Note 7—Property, Equipment and Technology, Net*.

Leases. The Company enters into operating leases for the use of premises, software and equipment. Rent expense related to operating lease agreements, which may or may not contain lease incentives, is primarily recorded on a straight-line basis over the lease term.

Intangible assets, net. The Company records identifiable intangible assets at fair value on the date of acquisition and evaluates the useful life of each asset.

Finite-lived intangible assets primarily consist of customer relationships, reacquired rights, reseller relationships and trade names obtained through acquisitions. Finite-lived intangible assets are amortized on a straight-line basis and are tested for recoverability if events or changes in circumstances indicate that their carrying amounts may not be recoverable. These intangibles have useful lives ranging from 3 to 15 years. No events or changes in circumstances indicate that impairment existed as of September 30, 2019. See *Note 8—Intangible Assets and Goodwill*.

Indefinite-lived intangible assets consist of trade name, customer relationships and reacquired rights. Intangible assets with indefinite useful lives are not amortized but are evaluated for impairment annually or more frequently if events or changes in circumstances indicate that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative impairment test for indefinite-lived intangible assets. The Company assesses each category of indefinite-lived intangible assets for impairment on an aggregate basis, which may require the allocation of cash flows and/or an estimate of fair value to the assets or asset group. Impairment exists if the fair value of the indefinite-lived intangible asset is less than the carrying value. The Company relies on a number of factors when completing impairment assessments, including a review of discounted net future cash flows, business plans and the use of present value techniques.

The Company completed its annual impairment review of indefinite-lived intangible assets as of February 1, 2019, and concluded there was no impairment as of that date. No recent events or changes in circumstances indicate that impairment of the Company's indefinite-lived intangible assets existed as of September 30, 2019.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is not amortized but is evaluated for impairment at the reporting unit level annually as of February 1, or more frequently if events or changes in circumstances indicate that impairment may exist.

The Company evaluated its goodwill for impairment as of February 1, 2019, and concluded there was no impairment as of that date. No recent events or changes in circumstances indicate that impairment existed as of September 30, 2019.

Accrued litigation. The Company evaluates the likelihood of an unfavorable outcome in legal or regulatory proceedings to which it is a party and records a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These judgments are subjective, based on the status of such legal or regulatory proceedings, the merits of the Company's defenses and consultation with corporate and external legal counsel. Actual outcomes of these legal and regulatory proceedings may differ materially from the Company's estimates. The Company expenses legal costs as incurred in professional fees in the consolidated statements of operations. See *Note 20—Legal Matters.*

Revenue recognition. The Company's net revenues are comprised principally of the following categories: service revenues, data processing revenues, international transaction revenues and other revenues, reduced by client incentives. As a payment network service provider, the Company's obligation to the customer is to stand ready to provide continuous access to our payment network over the contractual term. Consideration is variable based primarily upon the amount and type of transactions and payments volume on Visa's products. The Company recognizes revenue, net of sales and other similar taxes, as the payment network services are performed in an amount that reflects the consideration the Company expects to receive in exchange for those services. Fixed fees for payment network services are generally recognized ratably over the related service period. The Company has elected the optional exemption to not disclose the remaining performance obligations related to payment network services.

Service revenues consist mainly of revenues earned for services provided in support of client usage of Visa payment services. Current quarter service revenues are primarily assessed using a calculation of current quarter's pricing applied to the prior quarter's payments volume. The Company also earns revenues from assessments designed to support ongoing acceptance and volume growth initiatives, which are recognized in the same period the related volume is transacted.

Data processing revenues consist of revenues earned for authorization, clearing, settlement, value-added services, network access and other maintenance and support services that facilitate transaction and information processing among the Company's clients globally. Data processing revenues are recognized in the same period the related transactions occur or services are performed.

International transaction revenues are earned for cross-border transaction processing and currency conversion activities. Cross-border transactions arise when the country of origin of the issuer or financial institution originating the transaction is different from that of the beneficiary. International transaction revenues are recognized in the same period the cross-border transactions occur or services are performed.

Other revenues consist mainly of value-added services, license fees for use of the Visa brand or technology, fees for account holder services, certification, licensing and product enhancements, such as extended account holder protection and concierge services. Other revenues are recognized in the same period the related transactions occur or services are performed.

Client incentives. The Company enters into long-term contracts with financial institution clients, merchants and strategic partners for various programs designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to Visa's network and driving innovation. These incentives are primarily accounted for as reductions to revenues. Client incentives are accounted for as operating expenses if the payment is in exchange for a distinct good or service provided by the customer. The Company generally capitalizes upfront and fixed incentive payments under these agreements and amortizes the amounts as a reduction to revenues ratably over the contractual term. Incentives that are earned by the customer based on performance targets are recorded as reductions to revenues based on management's estimate of each client's future performance. These accruals are regularly reviewed and estimates of performance are adjusted, as appropriate, based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Marketing. The Company expenses costs for the production of advertising as incurred. The cost of media advertising is expensed when the advertising takes place. Sponsorship costs are recognized over the period in which the Company benefits from the sponsorship rights. Promotional items are expensed as incurred, when the related services are received, or when the related event occurs.

Income taxes. The Company's income tax expense consists of two components: current and deferred. Current income tax expense represents taxes paid or payable for the current period. Deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to temporary differences between the financial statement carrying amounts and the respective tax basis of existing assets and liabilities, and operating loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing whether deferred tax assets are realizable, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is recorded for the portions that are not expected to be realized based on the level of historical taxable income, projections of future taxable income over the periods in which the temporary differences are deductible, and qualifying tax planning strategies.

Where interpretation of the tax law may be uncertain, the Company recognizes, measures and discloses income tax uncertainties. The Company accounts for interest expense and penalties related to uncertain tax positions as non-operating expense in the consolidated statements of operations. The Company files a consolidated federal income tax return and, in certain states, combined state tax returns. The Company elects to claim foreign tax credits in any given year if such election is beneficial to the Company. See *Note 19—Income Taxes*.

Pension and other postretirement benefit plans. The Company's defined benefit pension and other postretirement benefit plans are actuarially evaluated, incorporating various critical assumptions including the discount rate and the expected rate of return on plan assets (for qualified pension plans). The discount rate is based on a cash flow matching analysis, with the projected benefit payments matching spot rates from a yield curve developed from high-quality corporate bonds. The expected rate of return on pension plan assets considers the current and expected asset allocation, as well as historical and expected returns on each plan asset class. Any difference between actual and expected plan experience, including asset return experience, in excess of a 10% corridor is recognized in net periodic pension cost over the expected average employee future service period, which is approximately 7 years for the U.S. plans and 10 years for the Visa Europe UK pension plan. Other assumptions involve demographic factors such as retirement age, mortality, attrition and the rate of compensation increases. The Company evaluates assumptions annually and modifies them as appropriate.

The Company recognizes the funded status of its benefit plans in its consolidated balance sheets as other assets, accrued liabilities and other liabilities. The Company recognizes settlement losses when it settles pension benefit obligations, including making lump-sum cash payments to plan participants in exchange for their rights to receive specified pension benefits, when certain thresholds are met. See *Note 10—Pension and Other Postretirement Benefits*.

Foreign currency remeasurement and translation. The Company's functional currency is the U.S. dollar for the majority of its foreign operations except for Visa Europe whose functional currency is the euro. Transactions denominated in currencies other than the applicable functional currency are converted to the functional currency at the exchange rate on the transaction date. At period end, monetary assets and liabilities are remeasured to the functional currency using exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical exchange rates. Resulting foreign currency transaction gains and losses related to conversion and remeasurement are recorded in general and administrative expense in the consolidated statements of operations and were not material for fiscal 2019, 2018 and 2017.

Where a non-U.S. currency is the functional currency, translation from that functional currency to the U.S. dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive income or loss on the consolidated balance sheets.

Derivative financial instruments. The Company uses foreign exchange forward derivative contracts to reduce its exposure to foreign currency rate changes on forecasted non-functional currency denominated operational cash flows. To qualify for cash flow hedge accounting treatment, the Company formally documents, at inception of the hedge, all relationships between the hedging transactions and the hedged items, as well as the Company's risk management objective and strategy for undertaking various hedging transactions. The Company also formally assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items and whether those derivatives may be expected to remain highly effective in future periods.

Derivatives are carried at fair value on a gross basis in either prepaid and other current assets, non-current other assets, accrued liabilities or non-current other liabilities on the consolidated balance sheets. Gains and losses resulting from changes in fair value of derivative instruments designated as cash flow hedges are accounted for either in accumulated other comprehensive income or loss on the consolidated balance sheets, or in the consolidated statements of operations in the corresponding account where revenue or expense is hedged. Gains and losses resulting from changes in fair value of derivative instruments not designated for hedge accounting are recorded in general and administrative for hedges of operating activity, or non-operating income (expense) for hedges of non-operating activity.

Gains and losses related to changes in fair value hedges are recognized in non-operating income (expense) along with a corresponding loss or gain related to the change in value of the underlying hedged item in the same line item in the consolidated statement of operations. The change in value of net investment hedges are recorded in other comprehensive income. Amounts excluded from the effectiveness testing of net investment hedges are recognized in non-operating income (expense). Cash flows associated with derivatives designated as a fair value hedge may be included in operating, investing or financing activities on the consolidated statement of cash flows, depending on the classification of the items being hedged. Cash flows associated with financial instruments designated as net investment hedges are classified as an investing activity. See *Note 12—Derivative and Non-derivative Financial Instruments*.

Non-derivative financial instrument designated as a net investment hedge. The Company designated the euro-denominated deferred cash consideration liability, a non-derivative financial instrument, as a hedge against a portion of the Company's euro-denominated net investment in Visa Europe. Changes in the value of the deferred cash consideration liability, attributable to the change in exchange rates at the end of each reporting period, partially offset the foreign currency translation adjustments resulting from the euro-denominated net investment, are reported as a component of accumulated other comprehensive income or loss on the Company's consolidated balance sheets. See *Note 12—Derivative and Non-derivative Financial Instruments*.

Share-based compensation. The Company recognizes share-based compensation cost using the fair value method of accounting. The Company recognizes compensation cost for awards with only service conditions on a straight-line basis over the requisite service period, which is generally the vesting period. Compensation cost for performance and market-condition-based awards is recognized on a graded-vesting basis. The amount is initially estimated based on target performance and is adjusted as appropriate based on management's best estimate throughout the performance period. See *Note 16—Share-based Compensation.*

Earnings per share. The Company calculates earnings per share using the two-class method to reflect the different rights of each class and series of outstanding common stock. The dilutive effect of incremental common stock equivalents is reflected in diluted earnings per share by application of the treasury stock method. See *Note 15—Earnings Per Share.*

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services to customers. This new revenue standard replaces all existing revenue recognition guidance in U.S. GAAP. Subsequently, the FASB also issued a series of amendments to the new revenue standard. The new revenue standard changes the classification and timing of recognition of certain client incentives and marketing-related funds paid to customers, as well as revenues and expenses for market development funds and services provided to customers as an incentive. The Company adopted the standard effective October 1, 2018 using the modified retrospective transition method applied to the aggregate of all modifications for contracts not completed as of October 1, 2018. Results for reporting periods beginning after October 1, 2018 are presented under the new revenue standard. The comparative prior period amounts appearing on the financial statements have not been restated and continue to be reported under the prior revenue standard. See *Note 3—Revenues* for the impact of the new revenue standard on the accompanying unaudited consolidated financial statements as of and for the year ended September 30, 2019.

The following table summarizes the cumulative transition adjustments for the adoption of the new revenue standard recorded on the October 1, 2018 consolidated balance sheet to reflect the aggregate impact to all contracts not completed as of October 1, 2018:

	Fiscal Year 2018 Closing Balance Sheet	Cumulative Transition Adjustment for New Revenue Standard	Fiscal Year 2019 Opening Balance Sheet
		(in millions)	
Assets			
Current portion of client incentives	$ 340	$ 199	$ 539
Client incentives	538	614	1,152
Liabilities			
Client incentives	2,834	241	3,075
Accrued liabilities	1,160	6	1,166
Deferred tax liabilities	4,618	108	4,726
Other liabilities	2,666	58	2,724
Equity			
Accumulated income	11,318	400	11,718

In January 2016, the FASB issued ASU 2016-01, which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. The Company adopted the standard effective October 1, 2018, using the modified retrospective transition method for marketable equity securities and the prospective method for non-marketable equity securities. The Company has elected to use the measurement alternative for non-marketable equity securities, defined as cost adjusted for changes from observable transactions for identical or similar investments of the same issuer, less impairment. The adoption did not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, which requires the recognition of lease assets and lease liabilities arising from operating leases on the balance sheet. Subsequently, the FASB also issued a series of amendments to this new lease standard that address the transition methods available and clarify the guidance for lessor costs and other aspects of the new lease standard. The Company will adopt the standard effective October 1, 2019 and expects to adopt using the modified retrospective transition method without restating comparative periods. The adoption is not expected to have a material impact on the consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, which requires that entities recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The Company adopted the standard effective October 1, 2018. The adoption did not have a material impact on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, which requires that a statement of cash flows includes the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents when reconciling the beginning-of-period and end-of-period total amounts. The Company adopted the standard effective October 1, 2018. The adoption impacted the presentation of transactions related to the U.S. litigation escrow account and customer collateral on the consolidated statements of cash flows. The prior period statement of cash flows have been retrospectively adjusted to reflect the impact of this ASU, which had no impact on the Company’s balance sheets, statements of operations or statements of comprehensive income for any period.

In March 2017, the FASB issued ASU 2017-07, which requires that the service cost component of net periodic pension and postretirement benefit cost be presented in the same line item as other employee compensation costs, while the other components be presented separately as non-operating income (expense). In addition, only the service cost component is eligible for capitalization, when applicable. Retrospective application is required for the change in income statement presentation while the change in capitalized benefit cost is required to be applied prospectively. The Company adopted the standard effective October 1, 2018, which did not have a material impact on the consolidated financial statements. The service cost component of net periodic pension and postretirement benefit cost is presented in personnel expenses while the other components are presented in other non-operating expense on the Company's consolidated statement of operations. The Company did not apply the standard retrospectively for the change in income statement presentation as the impact would have been immaterial.

In May 2017, the FASB issued ASU 2017-09, which amends the scope of modification accounting for share-based payment arrangements. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The Company adopted the standard effective October 1, 2018. The adoption did not have a material impact on the consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, which improves the financial reporting of hedging instruments to better portray the economic results of an entity's risk management activities in its financial statements. Visa early adopted the standard effective January 1, 2019, which did not have a material impact on the consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, which allows a reclassification from accumulated other comprehensive income to retained earnings for adjustments to tax effects that were originally recorded in other comprehensive income due to changes in the U.S. federal corporate income tax rate resulting from the enactment of the U.S. tax reform legislation, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Company will adopt the standard effective October 1, 2019. The adoption is not expected to have a material impact on the consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05 to insert the SEC's interpretive guidance from Staff Accounting Bulletin No. 118 into the income tax accounting codification under U.S. GAAP. The ASU permits companies to use provisional amounts for certain income tax effects of the Tax Act during a one-year measurement period. The Company previously recorded provisional amounts for the transition tax and the tax effects of various other tax provisions enacted by the Tax Act. As permitted by ASU 2018-05, the Company completed the determination of the accounting impacts of the transition tax and the tax effects of these various tax provisions in the three months ended December 31, 2018. The adjustments to the provisional amounts were not material. In addition, the Company adopted the accounting policy of accounting for taxes on global intangible low-tax income ("GILTI") in the period that it is subject to such tax.

In August 2018, the FASB issued ASU 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation cost incurred to develop or obtain internal-use software. The Company early adopted this standard effective October 1, 2018. The adoption did not have a material impact on the consolidated financial statements.

Note 2—Acquisitions

In fiscal 2019, the Company acquired several businesses for a total purchase consideration of $940 million, which consisted of $886 million in cash and $54 million of deferred cash consideration. Total purchase consideration has been allocated to the tangible and intangible assets acquired, and to liabilities assumed based on preliminary valuations as the Company continues to gather information necessary to finalize the valuations. These preliminary values may further change in future reporting periods until finalization of the valuations, which will occur no later than the fourth quarter of fiscal 2020. Goodwill of

$643 million was recorded to reflect the excess purchase consideration over net assets acquired, which represents the value that is expected from expanding the Company's product offerings and other synergies. Goodwill that is expected to be deductible for tax purposes amounts to $360 million.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2019

The following table summarizes the preliminary purchase price allocation in aggregate for the businesses acquired in fiscal 2019.

	Preliminary Purchase Price Allocation
	(in millions)
Net tangible assets acquired (liabilities assumed)	$ 25
Intangible assets	319
Goodwill	643
Total[(1)]	**$ 987**

(1) Includes fair value of previously-held interest in the acquired entities of $47 million.

The following table summarizes the identified intangible assets acquired based on the preliminary purchase price allocations.

	Acquisition Date Fair Value	Weighted-Average Useful Life
	(in millions)	(in years)
Developed technologies	$ 70	4
Customer relationships	249	12
Total	**$ 319**	10

Pro forma information related to the acquisitions has not been presented as the impact is not material to the Company's financial results. Transaction costs incurred in fiscal 2019 were not material and were included in the Company's consolidated statements of operations.

Note 3—Revenues

Impact of the New Revenue Standard

The following tables summarize the impact of the new revenue standard on the Company's consolidated statement of operations for the year ended September 30, 2019 and the consolidated balance sheet as of September 30, 2019:

	For the Year Ended September 30, 2019		
	As Reported	Impact of the New Revenue Standard	Results Under Prior Revenue Standard
		(in millions)	
Net revenues	**$ 22,977**	**$ (352)**	**$ 22,625**
Operating expenses			
Marketing	1,105	(128)	977
Professional fees	454	(19)	435
General and administrative	1,196	(33)	1,163
Total operating expenses	**7,976**	**(180)**	**7,796**
Operating income	**15,001**	**(172)**	**14,829**

Income before income taxes	14,884	(172)	14,712
Income tax provision	2,804	(34)	2,770
Net income	**12,080**	**(138)**	**11,942**

	September 30, 2019		
	As Reported	Impact of the New Revenue Standard	Results Under Prior Revenue Standard
		(in millions)	
Assets			
Current portion of client incentives	**$ 741**	$ (306)	$ 435
Client incentives	**2,084**	(1,024)	1,060
Liabilities			
Accounts payable	**156**	28	184
Client incentives	**3,997**	(498)	3,499
Accrued liabilities	**1,625**	(54)	1,571
Deferred tax liabilities	**4,807**	(141)	4,666
Other liabilities	**2,939**	(127)	2,812
Equity			
Accumulated income	**13,502**	(538)	12,964

Disaggregation of Revenues

The nature, amount, timing and uncertainty of the Company's revenues and cash flows and how they are affected by economic factors are most appropriately depicted through the Company's revenue categories and geographical markets. The following tables disaggregate the Company's net revenues by revenue category and by geography for the years ended September 30, 2019, 2018, and 2017:

	For the Years Ended September 30,		
	2019	2018	2017
		(in millions)	
Service revenues	**$ 9,700**	$ 8,918	$ 7,975
Data processing revenues	**10,333**	9,027	7,786
International transaction revenues	**7,804**	7,211	6,321
Other revenues	**1,313**	944	841
Client incentives	**(6,173)**	(5,491)	(4,565)
Net revenues	**$ 22,977**	$ 20,609	$ 18,358

	For the Years Ended September 30,		
	2019	2018	2017
		(in millions)	
U.S.	**$ 10,279**	$ 9,332	$ 8,704
International	**12,698**	11,277	9,654
Net revenues	**$ 22,977**	$ 20,609	$ 18,358

Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

The Company reconciles cash, cash equivalents, restricted cash and restricted cash equivalents reported in the consolidated balance sheets that aggregate to the beginning and ending balances shown in the consolidated statements of cash flows as follows:

	September 30,		
	2019	**2018**	**2017**
		(in millions)	
Cash and cash equivalents	**$ 7,838**	$ 8,162	$ 9,874
Restricted cash and restricted cash equivalents:			
U.S. litigation escrow	**1,205**	1,491	1,031
Customer collateral	**1,648**	1,324	1,106
Prepaid expenses and other current assets	**141**	—	—
Cash, cash equivalents, restricted cash and restricted cash equivalents	**$ 10,832**	$ 10,977	$ 12,011

Note 5—U.S. and Europe Retrospective Responsibility Plans

U.S. Retrospective Responsibility Plan

The Company has established several related mechanisms designed to address potential liability under certain litigation referred to as the "U.S. covered litigation." These mechanisms are included in and referred to as the U.S. retrospective responsibility plan and consist of a U.S. litigation escrow agreement, the conversion feature of the Company's shares of class B common stock, the indemnification obligations of the Visa U.S.A. members, an interchange judgment sharing agreement, a loss sharing agreement and an omnibus agreement, as amended.

U.S. covered litigation consists of a number of matters that have been settled or otherwise fully or substantially resolved, as well as the following:

- *the Interchange Multidistrict Litigation*. In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, 1:05-md-01720-JG-JO (E.D.N.Y.) or MDL 1720, including all cases currently included in MDL 1720, any other case that includes claims for damages relating to the period prior to the Company's IPO that has been or is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction;

- any claim that challenges the reorganization or the consummation thereof; provided that such claim is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction; and

- any case brought after October 22, 2015 by a merchant that opted out of the Rule 23(b)(3) settlement class pursuant to the 2012 Settlement Agreement in MDL 1720 that arises out of facts or circumstances substantially similar to those alleged in MDL 1720 and that is not transferred to or otherwise included in MDL 1720. See *Note 20—Legal Matters*.

U.S. litigation escrow agreement. In accordance with the U.S. litigation escrow agreement, the Company maintains an escrow account, from which settlements of, or judgments in, the U.S. covered litigation are paid. The amount of the escrow is determined by the board of directors and the Company's litigation committee, all members of which are affiliated with, or act for, certain Visa U.S.A. members. The escrow funds are held in money market investments along with the interest earned, less applicable taxes and are classified as restricted cash equivalents on the consolidated balance sheets.

The following table sets forth the changes in the restricted cash equivalents—U.S. litigation escrow account by fiscal year:

	2019	2018
	(in millions)	
Balance at beginning of period	**$ 1,491**	$ 1,031
Deposits into the litigation escrow account	**300**	600
Payments to class plaintiffs' settlement fund[1]	**(600)**	—
Payments to opt-out merchants[1] and interest earned on escrow funds	**14**	(140)
Balance at end of period	**$ 1,205**	$ 1,491

(1) These payments are associated with the interchange multidistrict litigation. See *Note 20—Legal Matters*.

The accrual related to the U.S. covered litigation could be either higher or lower than the U.S. litigation escrow account balance. The Company recorded an additional accrual of $370 million and $600 million for the U.S. covered litigation during fiscal 2019 and 2018, respectively. See *Note 20—Legal Matters*.

Conversion feature. Under the terms of the plan, when the Company funds the U.S. litigation 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. This has the same economic effect on diluted class A common stock earnings per share as repurchasing the Company's class A common stock, because it reduces the class B conversion rate and consequently the as-converted class A common stock share count. See *Note 14—Stockholders' Equity*.

Indemnification obligations. To the extent that amounts available under the U.S. litigation escrow arrangement and other agreements in the plan are insufficient to fully resolve the U.S. covered litigation, the Company will use commercially reasonable efforts to enforce the indemnification obligations of Visa U.S.A.'s members for such excess amounts, including but not limited to enforcing indemnification obligations pursuant to Visa U.S.A.'s certificate of incorporation and bylaws and in accordance with their membership agreements.

Interchange judgment sharing agreement. Visa U.S.A. and Visa International have entered into an interchange judgment sharing agreement with certain Visa U.S.A. members that have been named as defendants in the interchange multidistrict litigation, which is described in *Note 20—Legal Matters*. Under this judgment sharing agreement, Visa U.S.A. members that are signatories will pay their membership proportion of the amount of a final judgment not allocated to the conduct of Mastercard.

Loss sharing agreement. Visa has entered into a loss sharing agreement with Visa U.S.A., Visa International and certain Visa U.S.A. members. The loss sharing agreement provides for the indemnification of Visa U.S.A., Visa International and, in certain circumstances, Visa with respect to: (i) the amount of a final judgment paid by Visa U.S.A. or Visa International in the U.S. covered litigation after the operation of the interchange judgment sharing agreement, plus any amounts reimbursable to the interchange judgment sharing agreement signatories; or (ii) the damages portion of a settlement of a U.S. covered litigation that is approved as required under Visa U.S.A.'s certificate of incorporation by the vote of Visa U.S.A.'s specified voting members. The several obligation of each bank that is a party to the loss sharing agreement will equal the amount of any final judgment enforceable against Visa U.S.A., Visa International or any other signatory to the interchange judgment sharing agreement, or the amount of any approved settlement of a U.S. covered litigation, multiplied by such bank's then-current membership proportion as calculated in accordance with Visa U.S.A.'s certificate of incorporation.

On October 22, 2015, Visa entered into an amendment to the loss sharing agreement. The amendment includes within the scope of U.S. covered litigation any action brought after the amendment by an opt-out from the Rule 23(b)(3) Settlement Class in MDL 1720 that arises out of facts or circumstances substantially similar to those alleged in MDL 1720 and that is not transferred to or otherwise included in MDL 1720. On the same date, Visa entered into amendments to the interchange judgment sharing agreement and omnibus agreement that include any such action within the scope of those agreements as well.

Omnibus agreement. Visa entered into an omnibus agreement with Mastercard and certain Visa U.S.A. members that confirmed and memorialized the signatories' intentions with respect to the loss sharing agreement, the interchange judgment sharing agreement and other agreements relating to the interchange multidistrict litigation, see *Note 20—Legal Matters.* Under the omnibus agreement, the monetary portion of any settlement of the interchange multidistrict litigation covered by the omnibus agreement would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. In addition, the monetary portion of any judgment assigned to Visa-related claims in accordance with the omnibus agreement would be treated as a Visa portion. Visa would have no liability for the monetary portion of any judgment assigned to Mastercard-related claims in accordance with the omnibus agreement, and if a judgment is not assigned to Visa-related claims or Mastercard-related claims in accordance with the omnibus agreement, then any monetary liability would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. The Visa portion of a settlement or judgment covered by the omnibus agreement would be allocated in accordance with specified provisions of the Company's U.S. retrospective responsibility plan. The litigation provision on the consolidated statements of operations was not impacted by the execution of the omnibus agreement.

On August 26, 2014, Visa entered into an amendment to the omnibus agreement. The omnibus amendment makes applicable to certain settlements in opt-out cases in the interchange multidistrict litigation the settlement-sharing provisions of the omnibus agreement, pursuant to which the monetary portion of any settlement of the interchange multidistrict litigation covered by the omnibus agreement would be divided into a Mastercard portion at 33.3333% and a Visa portion at 66.6667%. The omnibus amendment also provides that in the event of termination of the class settlement agreement, Visa and Mastercard would make mutually acceptable arrangements so that Visa shall have received two-thirds and Mastercard shall have received one-third of the total of (i) the sums paid to defendants as a result of the termination of the settlement agreement and (ii) the takedown payments previously made to defendants.

Europe Retrospective Responsibility Plan

UK loss sharing agreement. The Company has entered into a loss sharing agreement with Visa Europe and certain of Visa Europe's member financial institutions located in the United Kingdom (the "UK LSA members"). Each of the UK LSA members has agreed, on a several and not joint basis, to compensate the Company for certain losses which may be incurred by the Company, Visa Europe or their affiliates as a result of certain existing and potential litigation relating to the setting and implementation of domestic multilateral interchange fee rates in the United Kingdom prior to the closing of the Visa Europe acquisition (the "Closing"), subject to the terms and conditions set forth therein and, with respect to each UK LSA member, up to a maximum amount of the up-front cash consideration received by such UK LSA member. The UK LSA members' obligations under the UK loss sharing agreement are conditional upon, among other things, either (a) losses valued in excess of the sterling equivalent on June 21, 2016 of €1.0 billion having arisen in UK covered claims (and such losses having reduced the conversion rate of the UK&I preferred stock accordingly), or (b) the conversion rate of the UK&I preferred stock having been reduced to zero pursuant to losses arising in claims relating to multilateral interchange fee rate setting in the Visa Europe territory.

Litigation management deed. The Company has entered into a litigation management deed with Visa Europe which sets forth the agreed upon procedures for the management of the VE territory covered litigation, the allocation of losses resulting from this litigation (the "VE territory covered losses") between the UK&I and Europe preferred stock, and any accelerated conversion or reduction in the conversion rate of the shares of UK&I and Europe preferred stock. The litigation management deed applies only to VE territory covered litigation (and resultant losses and liabilities). The litigation management deed provides that the Company will generally control the conduct of the VE territory covered litigation, subject to certain obligations to report and consult with the litigation management committees for VE territory covered litigation (the "VE territory litigation management committees"). The VE territory litigation management committees, which are composed of representatives of certain Visa Europe members, have also been granted consent rights to approve certain material decisions in relation to the VE territory covered litigation.

The Company obtained certain protections for VE territory covered losses through the UK&I and Europe preferred stock, the UK loss sharing agreement, and the litigation management deed, referred to as the "Europe retrospective responsibility plan." The plan covers VE territory covered litigation (and resultant liabilities and losses) relating to the covered period, which generally refers to the period before the Closing. Visa's protection from the plan is further limited to 70% of any liabilities where the claim relates to inter-regional multilateral interchange fee rates where the issuer is located outside the Visa Europe territory, and the merchant is located within the Visa Europe territory. The plan does not protect the Company in Europe against all types of litigation or remedies or fines imposed in competition law enforcement proceedings, only the interchange litigation specifically covered by the plan's terms.

Unlike the U.S. retrospective responsibility plan, the Europe retrospective responsibility plan does not have an escrow account that is used to fund settlements or judgments. The Company is entitled to recover VE territory covered losses through a periodic adjustment to the class A common stock conversion rates applicable to the UK&I and Europe preferred stock. The total amount of protection available through the preferred stock component of the Europe retrospective responsibility plan is equivalent to the as-converted value of the preferred stock, which can be calculated at any point in time as the product of: (a) the outstanding number of shares of preferred stock; (b) the current conversion rate applicable to each class of preferred stock; and (c) Visa's class A common stock price. This amount differs from the value of the preferred stock recorded within stockholders' equity on the Company's consolidated balance sheets. The book value of the preferred stock reflects its historical value recorded at the Closing less VE territory covered losses recovered through a reduction of the applicable conversion rate. The book value does not reflect changes in the underlying class A common stock price subsequent to the Closing.

Visa Inc. net income will not be impacted by VE territory covered losses as long as the as-converted value of the preferred stock is greater than the covered loss. VE territory covered losses will be recorded when the loss is deemed to be probable and reasonably estimable, or in the case of attorney's fees, when incurred. Concurrently, the Company will record a reduction to stockholders' equity, which represents the Company's right to recover such losses through adjustments to the conversion rate applicable to the preferred stock. The reduction to stockholders' equity is recorded in a contra-equity account referred to as "right to recover for covered losses."

VE territory covered losses may be recorded before the corresponding adjustment to the applicable conversion rate is effected. Adjustments to the conversion rate may be executed once in any six-month period unless a single, individual loss greater than €20 million is incurred, in which case, the six-month limitation does not apply. When the adjustment to the conversion rate is made, the amount previously recorded in "right to recover for covered losses" as contra-equity will then be recorded against the book value of the preferred stock within stockholders' equity.

During the year ended September 30, 2019, the Company recovered $8 million of VE territory covered losses through adjustments to the class A common stock conversion rates applicable to the UK&I and Europe preferred stock. The conversion rates applicable to the UK&I and Europe preferred stock were reduced from 12.955 and 13.888, respectively, as of September 30, 2018 to 12.936 and 13.884, respectively, as of September 30, 2019.

The following table sets forth the activities related to VE territory covered losses in preferred stock and "right to recover for covered losses" within equity during the year ended September 30, 2019. VE territory covered losses incurred reflect settlements with merchants and additional legal costs. See *Note 20—Legal Matters*.

	Preferred Stock		Right to Recover for Covered Losses
	UK&I	Europe	
	(in millions)		
Balance as of September 30, 2018	$ 2,291	$ 3,179	$ (7)
VE territory covered losses incurred	—	—	(172)

Recovery through conversion rate adjustment	(6)	(2)	8
Balance as of September 30, 2019	**$ 2,285**	**$ 3,177**	**$ (171)**

The following table[1] sets forth the as-converted value of the preferred stock available to recover VE territory covered losses compared to the book value of preferred shares recorded in stockholders' equity within the Company's consolidated balance sheets as of September 30, 2019 and 2018:

	September 30, 2019		September 30, 2018	
	As-converted Value of Preferred Stock[2]	Book Value of Preferred Stock	As-converted Value of Preferred Stock[3]	Book Value of Preferred Stock
	(in millions)			
UK&I preferred stock	**$ 5,519**	**$ 2,285**	$ 4,823	$ 2,291
Europe preferred stock	**7,539**	**3,177**	6,580	3,179
Total	**13,058**	**5,462**	11,403	5,470
Less: right to recover for covered losses	**(171)**	**(171)**	(7)	(7)
Total recovery for covered losses available	**$ 12,887**	**$ 5,291**	$ 11,396	$ 5,463

(1) Figures in the table may not recalculate exactly due to rounding. As-converted and book values are based on unrounded numbers.

(2) The as-converted value of preferred stock is calculated as the product of: (a) 2 million and 3 million shares of the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2019; (b) 12.936 and 13.884, the class A common stock conversion rate applicable to the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2019; and (c) $172.01, Visa's class A common stock closing stock price as of September 30, 2019. Earnings per share is calculated based on unrounded numbers.

(3) The as-converted value of preferred stock is calculated as the product of: (a) 2 million and 3 million shares of the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2018; (b) 12.955 and 13.888, the class A common stock conversion rate applicable to the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2018; and (c) $150.09, Visa's class A common stock closing stock price as of September 30, 2018. Earnings per share is calculated based on unrounded numbers.

Note 6—Fair Value Measurements and Investments

The Company measures certain assets and liabilities at fair value. See *Note 1—Summary of Significant Accounting Policies*.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value Measurements at September 30 Using Inputs Considered as			
	Level 1		Level 2	
	2019	2018	2019	2018
	(in millions)			
Assets				
Cash equivalents and restricted cash equivalents:				
Money market funds	**$ 6,494**	$ 6,252		
U.S. government-sponsored debt securities			**$ 150**	$ 1,048
Investment securities:				
Marketable equity securities	**126**	113		
U.S. government-sponsored debt securities			**5,592**	5,008
U.S. Treasury securities	**675**	2,508		
Other current and non-current assets:				
Derivative instruments			**437**	78
Total	**$ 7,295**	$ 8,873	**$ 6,179**	$ 6,134
Liabilities				
Accrued compensation and benefits:				
Deferred compensation liability	**$ 113**	$ 96		
Accrued and other liabilities:				
Derivative instruments			**$ 52**	$ 22
Total	**$ 113**	$ 96	**$ 52**	$ 22

There were no transfers between Level 1 and Level 2 assets during fiscal 2019.

Level 1 assets and liabilities. Money market funds, marketable equity securities and U.S. Treasury securities are classified as Level 1 within the fair value hierarchy, as fair value is based on quoted prices in active markets. The Company's deferred compensation liability is measured at fair value based on marketable equity securities held under the deferred compensation plan.

Level 2 assets and liabilities. The fair value of U.S. government-sponsored debt securities, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. The pricing data obtained from outside sources is reviewed internally for reasonableness, compared against benchmark quotes from independent pricing sources, then confirmed or revised accordingly. Derivative instruments are valued using inputs that are observable in the market or can be derived principally from or corroborated by observable market data. There were no substantive changes to the valuation techniques and related inputs used to measure fair value during fiscal 2019.

U.S. government-sponsored debt securities and U.S. Treasury securities. The Company classifies U.S. government-sponsored debt securities and U.S. Treasury securities as available-for-sale. The amortized cost, unrealized gains and losses and fair value of debt securities are as follows:

	September 30, 2019				September 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in millions)							
U.S. government-sponsored debt securities	**$ 5,590**	**$ 4**	**$ (2)**	**$ 5,592**	$ 5,016	$ —	$ (8)	$ 5,008
U.S. Treasury securities	**672**	**3**	**—**	**675**	2,516	—	(8)	2,508
Total	**$ 6,262**	**$ 7**	**$ (2)**	**$ 6,267**	$ 7,532	$ —	$ (16)	$ 7,516
Less: current portion				**$ (4,110)**				$ (3,434)
Long-term debt securities				**$ 2,157**				$ 4,082

Debt securities are presented below in accordance with their stated maturities. A portion of these investments, $2.2 billion, are classified as non-current, as they have stated maturities of more than one year from the balance sheet date. However, these investments are generally available to meet short-term liquidity needs.

	Fair Value
	(in millions)
September 30, 2019:	
Due within one year	$ 4,110
Due after 1 year through 5 years	2,157
Total	**$ 6,267**

Assets Measured at Fair Value on a Non-recurring Basis

Non-marketable equity securities. The Company's non-marketable equity securities are investments in privately held companies without readily determinable market values. These investments are classified as Level 3 due to the absence of quoted market prices, the inherent lack of liquidity and the fact that inputs used to measure fair value are unobservable and require management's judgment.

The following table summarizes the total carrying value of our non-marketable equity securities held as of September 30, 2019 including unrealized gains and losses since the adoption of ASU 2016-01:

	For the Year Ended September 30, 2019
	(in millions)
Carrying amount, beginning of period	$ 137
Adjustments related to non-marketable equity securities:	
Net additions (reductions)[(1)]	475
Upward adjustments	110
Downward adjustments[(2)]	(4)
Carrying amount, end of period	**$ 718**

(1) Net reductions include transfers to marketable equity securities upon investments becoming a public company.

(2) There were no significant impairment charges of non-marketable equity securities during fiscal 2019, 2018 and 2017.

Non-financial assets and liabilities. Long-lived assets such as goodwill, indefinite-lived intangible assets, finite-lived intangible assets and property, equipment and technology are considered non-financial assets. The Company does not have any non-financial liabilities measured at fair value on a non-recurring basis. Finite-lived intangible assets primarily consist of customer relationships, trade names and reseller relationships, all of which were obtained through acquisitions. See *Note 8—Intangible Assets and Goodwill.*

If the Company were required to perform a quantitative assessment for impairment testing of goodwill and indefinite-lived intangible assets, the fair values would generally be estimated using an income approach. As the assumptions employed to measure these assets on a non-recurring basis are based on management's judgment using internal and external data, these fair value determinations are classified as Level 3 in the fair value hierarchy. The Company completed its annual impairment review of its indefinite-lived intangible assets and goodwill as of February 1, 2019, and concluded that there was no impairment. No recent events or changes in circumstances indicate that impairment existed at September 30, 2019. See *Note 1—Summary of Significant Accounting Policies*.

Investment Income

Investment income is recorded as non-operating income in the Company's consolidated statements of operations and consisted of the following:

	For the Years Ended September 30,		
	2019	**2018**	**2017**
		(in millions)	
Interest and dividend income on cash and investments	**$ 247**	$ 173	$ 92
Realized gains (losses), net on debt securities	**1**	—	(1)
Equity securities:			
Unrealized gains (losses), net	**117**	2	6
Realized gains (losses), net from donation	**—**	193	—
Realized gains (losses), net	**18**	102	8
Investment income	**$ 383**	$ 470	$ 105

Other Fair Value Disclosures

Long-term debt. Debt instruments are measured at amortized cost on the Company's consolidated balance sheets. The fair value of the debt instruments, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. The pricing data obtained from outside sources is reviewed internally for reasonableness, compared against benchmark quotes from independent pricing sources, then confirmed or revised accordingly. If measured at fair value in the financial statements, these instruments would be classified as Level 2 in the fair value hierarchy. The carrying value and estimated fair value of long-term debt was $16.7 billion and $18.4 billion as of September 30, 2019. The carrying value and estimated fair value of long-term debt were both $16.6 billion as of September 30, 2018.

Other Financial Instruments not Measured at Fair Value

The following financial instruments are not measured at fair value on the Company's consolidated balance sheet at September 30, 2019, but require disclosure of their fair values: settlement receivable and payable, accounts receivable and customer collateral. The estimated fair value of such instruments at September 30, 2019 approximates their carrying value due to their generally short maturities. If measured at fair value in the financial statements, these financial instruments would be classified as Level 2 in the fair value hierarchy.

Note 7—Property, Equipment and Technology, Net

Property, equipment and technology, net, consisted of the following:

	September 30, 2019	September 30, 2018
	(in millions)	
Land	**$ 71**	$ 69
Buildings and building improvements	**965**	898
Furniture, equipment and leasehold improvements	**1,913**	1,661
Construction-in-progress	**180**	153
Technology	**3,441**	2,916
Total property, equipment and technology	**6,570**	5,697
Accumulated depreciation and amortization	**(3,875)**	(3,225)
Property, equipment and technology, net	**$ 2,695**	$ 2,472

Technology consists of both purchased and internally developed software. Internally developed software primarily represents software utilized by the VisaNet electronic payments network. At September 30, 2019 and 2018, accumulated amortization for technology was $2.3 billion and $1.9 billion, respectively.

At September 30, 2019, estimated future amortization expense on technology is as follows:

	For the Years Ending September 30,						
	2020	2021	2022	2023	2024	Thereafter	Total
	(in millions)						
Estimated future amortization expense	$ 355	$ 297	$ 226	$ 145	$ 70	$ 24	**$ 1,117**

Depreciation and amortization expense related to property, equipment and technology was $596 million, $558 million and $500 million for fiscal 2019, 2018 and 2017, respectively. Included in those amounts was amortization expense on technology of $357 million, $312 million and $285 million for fiscal 2019, 2018 and 2017, respectively.

Note 8—Intangible Assets and Goodwill

Indefinite-lived and finite-lived intangible assets consisted of the following:

	September 30, 2019			September 30, 2018		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in millions)					
Finite-lived intangible assets:						
Customer relationships	**$ 701**	**$ (314)**	**$ 387**	$ 452	$ (274)	$ 178
Trade names	**199**	**(120)**	**79**	199	(106)	93
Reseller relationships	**95**	**(86)**	**9**	95	(82)	13
Other	**17**	**(13)**	**4**	17	(11)	6
Total finite-lived intangible assets	**1,012**	**(533)**	**479**	763	(473)	290

Indefinite-lived intangible assets:						
Customer relationships and reacquired rights	**22,217**	**—**	**22,217**	23,184	—	23,184
Visa trade name	**4,084**	**—**	**4,084**	4,084	—	4,084
Total indefinite-lived intangible assets	**26,301**	**—**	**26,301**	27,268	—	27,268
Total intangible assets	**$ 27,313**	**$ (533)**	**$ 26,780**	$ 28,031	$ (473)	$ 27,558

Amortization expense related to finite-lived intangible assets was $60 million, $55 million and $56 million for fiscal 2019, 2018 and 2017, respectively. At September 30, 2019, estimated future amortization expense on finite-lived intangible assets is as follows:

	For the Years Ending September 30,						
	2020	2021	2022	2023	2024	Thereafter	Total
	(in millions)						
Estimated future amortization expense	$ 79	$ 79	$ 73	$ 51	$ 49	$ 146	**$ 477**

The change in goodwill during the years ended September 30, 2019 and 2018 are as follows:

	September 30, 2019	September 30, 2018
	(in millions)	
Goodwill—beginning of fiscal year	**$ 15,194**	$ 15,110
Goodwill from acquisitions, net of adjustments	**643**	130
Foreign currency translation	**(181)**	(46)
Goodwill—end of fiscal year	**$ 15,656**	$ 15,194

For additional information on the current year acquisitions, see *Note 2—Acquisitions.*

There was no impairment related to the Company's finite-lived or indefinite-lived intangible assets (including goodwill) during fiscal 2019, 2018 or 2017.

Note 9—Debt

The Company had outstanding debt as follows:

	September 30, 2019	September 30, 2018	Effective Interest Rate(1)
	(in millions, except percentages)		
2.20% Senior Notes due December 2020	**$ 3,000**	$ 3,000	2.30 %
2.15% Senior Notes due September 2022	**1,000**	1,000	2.30 %
2.80% Senior Notes due December 2022	**2,250**	2,250	2.89 %
3.15% Senior Notes due December 2025	**4,000**	4,000	3.26 %
2.75% Senior Notes due September 2027	**750**	750	2.91 %
4.15% Senior Notes due December 2035	**1,500**	1,500	4.23 %
4.30% Senior Notes due December 2045	**3,500**	3,500	4.37 %
3.65% Senior Notes due September 2047	**750**	750	3.73 %
Total senior notes	**$ 16,750**	$ 16,750	
Unamortized discounts and debt issuance costs	**(108)**	(120)	
Hedge accounting fair value adjustments(2)	**87**	—	
Total long-term debt	**$ 16,729**	$ 16,630	

(1) Effective interest rates disclosed do not reflect hedge accounting adjustments.

(2) Represents the change in fair value of interest rate swap agreements entered into on a portion of the outstanding Senior Notes. See *Note 1—Summary of Significant Accounting Policies* and *Note 12—Derivative and Non-derivative Financial Instruments*.

Senior Notes

The Company's outstanding senior notes, or collectively, the "Notes", are senior unsecured obligations of the Company, ranking equally and ratably among themselves and with the Company's existing and future unsecured and unsubordinated debt. The Notes are not secured by any assets of the Company and are not guaranteed by any of the Company's subsidiaries. The Company was in compliance with all related covenants as of September 30, 2019. Each series of Notes may be redeemed as a whole or in part at the Company's option at any time at specified redemption prices.

At September 30, 2019, future principal payments on the Company's outstanding debt are as follows:

	For the Years Ending September 30,						
	2020	2021	2022	2023	2024	Thereafter	Total
	(in millions)						
Future principal payments	$ —	$ 3,000	$ 1,000	$ 2,250	$ —	$10,500	**$ 16,750**

Commercial Paper Program

Visa maintains a commercial paper program to support its working capital requirements and for other general corporate purposes. Under the program, the Company is authorized to issue up to $3.0 billion in outstanding notes, with maturities up to 397 days from the date of issuance. The Company had no outstanding obligations under the program as of September 30, 2019 and 2018.

Credit Facility

On July 25, 2019, the Company entered into an amended and restated credit agreement for a 5 year, unsecured $5.0 billion revolving credit facility (the "Credit Facility"), which will expire on July 25, 2024. The Credit Facility is no longer governed by any financial covenants. This Credit Facility is maintained to ensure the integrity of the payment card settlement process and for general corporate purposes. Interest on borrowings under the Credit Facility will be charged at the London Interbank Offered Rate or an alternative base rate, in each case plus applicable margins that fluctuate based on the applicable credit rating of the Company's senior unsecured long-term debt. The Company has agreed to pay a commitment fee which will fluctuate based on such applicable rating of the Company. The Company had no amounts outstanding under the Credit Facility as of September 30, 2019 and 2018.

Note 10—Pension and Other Postretirement Benefits

The Company sponsors various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for all eligible employees residing in the U. S. The Company also sponsors other pension benefit plans that provide benefits for internationally-based employees at certain non-U.S. locations.

Disclosures presented below include the U.S. pension plans and the non-U.S. plans, comprising only the Visa Europe plans. Disclosures relating to other U.S. postretirement benefit plans and other non-U.S. pension benefit plans are not included as they are immaterial, individually and in aggregate. The Company uses a September 30 measurement date for its pension and other postretirement benefit plans.

Defined benefit pension plans. The U.S. pension benefits under the defined benefit pension plan were earned based on a cash balance formula. An employee's cash balance account was credited with an amount equal to 6% of eligible compensation plus interest based on 30-year Treasury securities. In October 2015, the Company's board of directors approved an amendment of the U.S. qualified defined benefit pension plan such that the Company discontinued employer provided credits after December 31, 2015. Plan participants continue to earn interest credits on existing balances at the time of the freeze.

The funding policy for the U.S. pension benefits is to contribute annually no less than the minimum required contribution under ERISA.

Table of Contents

Under the Visa Europe plans, retirement benefits are provided based on the participants' final pensionable pay and are currently closed to new entrants. However, future benefits continue to accrue for active participants. The funding policy is to contribute in accordance with the appropriate funding requirements agreed with the trustees of the UK pension plans. Additional funding amounts may be agreed to with the UK pension plan trustees.

Summary of Plan Activities

Reconciliation of pension benefit obligations, plan assets, funded status and amounts recognized in the Company's consolidated balance sheets:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2019	2018	2019	2018
	(in millions)			
Change in Pension Benefit Obligation:				
Benefit obligation—beginning of fiscal year	**$ 844**	$ 913	**$ 452**	$ 433
Service cost	**—**	—	**4**	4
Interest cost	**32**	32	**13**	12
Actuarial loss (gain)	**95**	(38)	**109**	24
Benefit payments	**(52)**	(63)	**(22)**	(9)
Plan amendment	**—**	—	**1**	—
Foreign currency exchange rate changes	**—**	—	**(29)**	(12)
Benefit obligation—end of fiscal year	**$ 919**	$ 844	**$ 528**	$ 452
Accumulated benefit obligation	**$ 919**	$ 844	**$ 528**	$ 452
Change in Plan Assets:				
Fair value of plan assets—beginning of fiscal year	**$ 1,090**	$ 1,074	**$ 436**	$ 433
Actual return on plan assets	**52**	78	**93**	13
Company contribution	**—**	1	**10**	11
Benefit payments	**(52)**	(63)	**(22)**	(9)
Foreign currency exchange rate changes	**—**	—	**(27)**	(12)
Fair value of plan assets—end of fiscal year	**$ 1,090**	$ 1,090	**$ 490**	$ 436
Funded status at end of fiscal year	**$ 171**	$ 246	**$ (38)**	$ (16)
Recognized in Consolidated Balance Sheets:				
Non-current asset	**$ 178**	$ 252	**$ —**	$ —
Current liability	**(1)**	(1)	**—**	(10)
Non-current liability	**(6)**	(5)	**(38)**	(6)
Funded status at end of fiscal year	**$ 171**	$ 246	**$ (38)**	$ (16)

Amounts recognized in accumulated other comprehensive income before tax:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2019	2018	2019	2018
	(in millions)			

Net actuarial loss	**$**	**154**	$	47	**$**	**70**	$	39

Benefit obligations in excess of plan assets:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2019	2018	2019	2018
	(in millions)			
Accumulated benefit obligation in excess of plan assets				
Accumulated benefit obligation—end of year	**$ (7)**	$ (6)	**$ (528)**	$ (452)
Fair value of plan assets—end of year	**$ —**	$ —	**$ 490**	$ 436
Projected benefit obligation in excess of plan assets				
Benefit obligation—end of year	**$ (7)**	$ (6)	**$ (528)**	$ (452)
Fair value of plan assets—end of year	**$ —**	$ —	**$ 490**	$ 436

Net periodic pension cost:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2019	2018	2017	2019	2018	2017
	(in millions)					
Service cost	**$ —**	$ —	$ —	**$ 4**	$ 4	$ 6
Interest cost	**32**	32	36	**13**	12	11
Expected return on assets	**(71)**	(70)	(70)	**(18)**	(20)	(16)
Amortization of actuarial loss	**—**	—	15	**—**	—	2
Settlement loss	**7**	3	15	**—**	—	—
Total net periodic benefit cost	**$ (32)**	$ (35)	$ (4)	**$ (1)**	$ (4)	$ 3

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2019	2018	2017	2019	2018	2017
	(in millions)					
Current year actuarial loss (gain)	**$ 114**	$ (47)	$ (113)	**$ 27**	$ 30	$ (53)
Amortization of actuarial (loss) gain	**(7)**	(3)	(30)	**—**	—	(2)
Current year prior service cost	**—**	—	—	**1**	—	—
Total recognized in other comprehensive income	**$ 107**	$ (50)	$ (143)	**$ 28**	$ 30	$ (55)
Total recognized in net periodic benefit cost and other comprehensive income	**$ 75**	$ (85)	$ (147)	**$ 27**	$ 26	$ (52)

Weighted-Average Actuarial Assumptions:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2019	2018	2017	2019	2018	2017
Discount rate[(1)] for benefit obligation:						
Pension	**3.26 %**	4.23 %	3.84 %	**1.80 %**	2.90 %	2.70 %
Discount rate for net periodic benefit cost:						
Pension	**4.23 %**	3.84 %	3.62 %	**2.90 %**	2.70 %	2.40 %
Expected long-term rate of return on plan assets[(2)]	**7.00 %**	7.00 %	7.00 %	**3.00 %**	4.25 %	4.50 %
Rate of increase[(3)] in compensation levels for:						
Benefit obligation	**NA**	NA	NA	**2.50 %**	3.20 %	3.20 %
Net periodic benefit cost	**NA**	NA	NA	**2.50 %**	3.20 %	3.20 %

(1) Represents a single weighted-average discount rate derived based on a cash flow matching analysis, with the projected benefit payments matching spot rates from a yield curve developed from high-quality corporate bonds.

(2) Primarily based on the targeted allocation, and evaluated for reasonableness by considering such factors as: (i) actual return on plan assets; (ii) historical rates of return on various asset classes in the portfolio; (iii) projections of returns on various asset classes; and (iv) current and prospective capital market conditions and economic forecasts.

(3) This assumption is not applicable for the U.S. plans due to the amendment of the U.S. qualified defined benefit pension plan in October 2015, which discontinued the employer provided credits effective after December 31, 2015.

Pension Plan Assets

Pension plan assets are managed with a long-term perspective to ensure that there is an adequate level of assets to support benefit payments to participants over the life of the pension plan. Pension plan assets are managed by external investment managers. Investment manager performance is measured against benchmarks for each asset class on a quarterly basis. An independent consultant assists management with investment manager selections and performance evaluations.

Pension plan assets are broadly diversified to maintain a prudent level of risk and to provide adequate liquidity for benefit payments. The Company generally evaluates and rebalances pension plan assets, as appropriate, to ensure that allocations are consistent with its investment strategy and within target allocation ranges. For U.S. pension plan assets, the Company's investment strategy is to invest in the following: equity securities of 50% to 80%, fixed income securities of 25% to 35% and other, primarily consisting of cash equivalents to meet near term expected benefit payments and expenses, of up to 7%. At September 30, 2019, U.S. pension plan asset allocations for these categories were 65%, 33% and 2%, respectively, which were within target allocation ranges.

For non-U.S. pension plan assets, the Company's investment strategy is to invest in the following: equity securities of 15%, interest and inflation hedging assets of 40% and other of 45%, consisting of cash and cash equivalents, corporate debt and asset-backed securities, multi-asset funds and property. At September 30, 2019, non-U.S. pension plan asset allocations for these categories were 14%, 48% and 38%, respectively, which generally aligned with the target allocations.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2019

The following tables set forth by level, within the fair value hierarchy, the pension plans' investments at fair value as of September 30, 2019 and 2018, including the impact of transactions that were not settled at the end of September:

	U.S. Plans							
	Fair Value Measurements at September 30 Using Inputs Considered as							
	Level 1		Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	(in millions)							
Cash equivalents	**$ 18**	$ 65					**$ 18**	$ 65
Collective investment funds			**$ 580**	$ 571			**580**	571
Corporate debt securities			**188**	187			**188**	187
U.S. government-sponsored debt securities			**35**	30			**35**	30
U.S. Treasury securities	**99**	62					**99**	62
Asset-backed securities					**$ 37**	$ 34	**37**	34
Equity securities	**133**	141					**133**	141
Total	**$ 250**	$ 268	**$ 803**	$ 788	**$ 37**	$ 34	**$ 1,090**	$ 1,090

	Non-U.S. Plans							
	Fair Value Measurements at September 30 Using Inputs Considered as							
	Level 1		Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	(in millions)							
Cash and cash equivalents	**$ 16**	$ 6					**$ 16**	$ 6
Corporate debt securities			**$ 44**				**44**	—
Asset-backed securities					**$ 51**	$ 33	**51**	33
Equity securities	**66**	68					**66**	68
Multi-asset securities[1]			**313**	$ 329			**313**	329
Total	**$ 82**	$ 74	**$ 357**	$ 329	**$ 51**	$ 33	**$ 490**	$ 436

(1) Multi-asset securities represent pension plan assets that are invested in funds comprised of broad ranges of assets.

Level 1 assets. Cash equivalents (money market funds and time deposits), U.S. Treasury securities and equity securities are classified as Level 1 within the fair value hierarchy, as fair value is based on quoted prices in active markets.

Level 2 assets. Collective investment funds are unregistered investment vehicles that generally commingle the assets of multiple fiduciary clients, such as pension and other employee benefit plans, to invest in portfolio of stocks, bonds or other securities. Although the collective investment funds held by the plan are ultimately invested in publicly traded equity securities, their own unit values are not directly observable, and therefore they are classified as Level 2. The fair values of corporate debt, multi-asset, derivatives and U.S. government-sponsored securities are based on quoted prices in active markets for similar assets as provided by third-party pricing vendors. This pricing data is reviewed internally for reasonableness through comparisons with benchmark quotes from independent third-party sources. Based on this review, the valuation is confirmed or revised accordingly.

Level 3 assets. Asset-backed securities are bonds that are backed by various types of assets and primarily consist of mortgage-backed securities. Asset-backed securities are classified as Level 3 due to a lack of observable inputs in measuring fair value.

There were no transfers between Level 1 and Level 2 assets during fiscal 2019 or 2018. A roll-forward of Level 3 plan assets measured at fair value is not presented because activities during fiscal 2019 and 2018 were immaterial.

Cash Flows

	U.S. Plans	Non-U.S. Plans
	(in millions)	
Actual employer contributions		
2019	$ —	$ 10
2018	1	11
Expected employer contributions		
2020	1	10
Expected benefit payments		
2020	127	6
2021	92	6
2022	86	6
2023	82	6
2024	74	6
2025-2029	293	34

Other Benefits

The Company sponsors a defined contribution plan, or 401(k) plan, that covers substantially all of its employees residing in the U.S. Personnel costs included $121 million, $93 million, and $58 million in fiscal 2019, 2018 and 2017, respectively, for expenses attributable to the Company's employees under the 401(k) plan. The Company's contributions to this 401(k) plan are funded on a current basis, and the related expenses are recognized in the period that the payroll expenses are incurred.

Note 11—Settlement Guarantee Management

The Company indemnifies its clients for settlement losses suffered due to failure of any other client to fund its settlement obligations in accordance with the Visa operating rules. This indemnification creates settlement risk for the Company due to the difference in timing between the date of a payment transaction and the date of subsequent settlement.

Historically, the Company has experienced minimal losses as a result of its settlement risk guarantee. However, the Company's future obligations, which could be material under its guarantees, are not determinable as they are dependent upon future events.

The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time, which vary significantly day to day. The Company's maximum settlement exposure was $92.0 billion and the average daily settlement exposure was $57.1 billion during the year ended September 30, 2019.

The Company maintains and regularly reviews global settlement risk policies and procedures to manage settlement exposure, which may require clients to post collateral if certain credit standards are not met. At September 30, 2019 and 2018, the Company held the following collateral to manage settlement exposure:

	September 30, 2019	September 30, 2018
	(in millions)	
Restricted cash equivalents	**$ 1,648**	$ 1,708
Pledged securities at market value	**259**	192
Letters of credit	**1,293**	1,382

Guarantees	**477**	860
Total	**$ 3,677**	$ 4,142

Note 12—Derivative and Non-derivative Financial Instruments

Derivative Financial Instruments

Designated derivative financial instrument hedges. The aggregate notional amount of the Company's derivative contracts outstanding in its hedge program was $10.9 billion at September 30, 2019 and $2.5 billion at September 30, 2018.

Cash Flow Hedges

As of September 30, 2019 and 2018, the Company's cash flow hedges in an asset position totaled $47 million and $78 million, respectively, and were classified in prepaid expenses and other current assets on the consolidated balance sheets. As of September 30, 2019 and 2018 cash flow hedges in a liability position totaled $31 million and $20 million, respectively, and were classified in accrued liabilities on the consolidated balance sheets. These amounts are subject to master netting agreements, which provide the Company with a legal right to net settle multiple payable and receivable positions with the same counterparty, in a single currency through a single payment. However, the Company presents fair values on a gross basis on the consolidated balance sheets. See *Note 1—Summary of Significant Accounting Policies.*

The Company uses regression analysis to assess hedge effectiveness prospectively and retrospectively. The effectiveness tests are performed on foreign exchange forward contracts based on changes in the spot rate of the derivative instrument compared to changes in the spot rate of the forecasted hedged transaction. Forward points are excluded from effectiveness testing and measurement purposes. Excluded forward points are reported in earnings. For fiscal 2019, 2018 and 2017, the amounts by which earnings were reduced relating to excluded forward points from cash flow hedges were $12 million, $9 million and $18 million, respectively.

The effective portion of changes in the fair value of derivative contracts designated as cash flow hedges is recorded as a component of accumulated other comprehensive income or loss on the consolidated balance sheets. When the forecasted transaction occurs and is recognized in earnings, the amount in accumulated other comprehensive income or loss related to that hedge is reclassified to operating revenue or expense. The Company expects to reclassify $22 million of pre-tax gains to earnings during fiscal 2020.

Net Investment and Fair Value Hedges

In fiscal 2019, the Company entered into foreign exchange forward contracts which were designated as a net investment hedge against a portion of the Company's $18.8 billion net investment in Visa Europe as of September 30, 2019.

In fiscal 2019, the Company also entered into interest rate and cross-currency swap agreements on a portion of the Company's outstanding 3.15% Senior Notes due December 2025. The Company designated the interest rate swap as a fair value hedge and the cross-currency swap as a net investment hedge. There were no swap agreements outstanding as of September 30, 2018.

As of September 30, 2019, the Company's net investment hedges in an asset position totaled $298 million and were classified in prepaid expenses and other current assets and other assets on the consolidated balance sheets, and no net investment hedges were in a liability position. There were no derivative instruments designated as a net investment hedge outstanding as of September 30, 2018.

As of September 30, 2019, the Company's fair value hedges in an asset position totaled $89 million and were classified in other assets on the consolidated balance sheets, while fair value hedges in a liability position totaled $2 million and were classified in other liabilities on the consolidated balance sheets. There were no fair value hedges outstanding as of September 30, 2018.

For fiscal 2019, the Company recorded an increase in earnings of $95 million related to forward points and interest differentials from forward contracts and swap agreements, respectively, which are excluded from effectiveness testing.

Non-designated derivative financial instrument hedges

The Company utilizes foreign exchange derivative contracts to hedge against foreign currency exchange rate fluctuations related to certain monetary assets and liabilities denominated in foreign currency. As of September 30, 2019 and 2018, the aggregate notional amount of these balance sheet hedges was $0.8 billion and $1.2 billion, respectively.

Credit and market risks. The Company's derivative financial instruments are subject to both credit and market risk. The Company monitors the credit-worthiness of the financial institutions that are counterparties to its derivative financial instruments and does not consider the risks of counterparty nonperformance to be significant. The Company mitigates this risk by entering into master netting agreements, and such agreements require each party to post collateral against its net liability position with the respective counterparty. As of September 30, 2019, the Company has received collateral of $34 million, from counterparties, which is included in accrued liabilities in the consolidated balance sheets, and posted collateral of $33 million, which is included in prepaid expenses and other current assets in the consolidated balance sheets. Notwithstanding the Company's efforts to manage foreign exchange risk, there can be no absolute assurance that its hedging activities will adequately protect against the risks associated with foreign currency fluctuations. Credit and market risks related to derivative instruments were not considered significant as of September 30, 2019.

Non-derivative Financial Instrument Designated as a Net Investment Hedge

As of September 30, 2018, the Company had designated $1.1 billion of its euro-denominated deferred cash consideration liability, a non-derivative financial instrument, as a hedge against a portion of the foreign currency exchange rate exposure of the Company's euro-denominated net investment in Visa Europe. In June 2019, the Company paid the deferred consideration and therefore there were no hedged non-derivative financial instruments as of September 30, 2019.

Note 13—Enterprise-wide Disclosures and Concentration of Business

The Company's long-lived net property, equipment and technology assets are classified by major geographic areas as follows:

	September 30, 2019	September 30, 2018
	(in millions)	
U.S.	**$ 2,319**	$ 2,152
International	**376**	320
Total	**$ 2,695**	$ 2,472

Revenues by geographic market is primarily based on the location of the issuing financial institution. Revenues earned in the U.S. were approximately 45% of net revenues in fiscal 2019, 45% in fiscal 2018 and 47% in fiscal 2017. No individual country, other than the U.S., generated more than 10% of net revenues in these years.

A significant portion of Visa's net revenues is concentrated among its largest clients. Loss of business from any of these clients could have an adverse effect on the Company. The Company did not have any customer that generated greater than 10% of its net revenues in fiscal 2019, 2018 and 2017.

Note 14—Stockholders' Equity

Visa Europe acquisition. In connection with the Visa Europe acquisition, three new series of preferred stock of the Company were created. Upon issuance, all of the preferred stock participate on an as-converted basis in regular quarterly cash dividends declared on the Company's class A common stock.

As-converted class A common stock. The UK&I and Europe preferred stock, issued in the Visa Europe acquisition, is convertible upon certain conditions into shares of class A common stock or class A equivalent preferred stock, at an initial conversion rate of 13.952 shares of class A common stock for each share of UK&I and Europe preferred stock. The conversion rates may be reduced from time to time to offset certain liabilities. See *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

The number of shares of each series and class, and the number of shares of class A common stock on an as-converted basis at September 30, 2019 and 2018, are as follows:

	September 30, 2019			September 30, 2018		
	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock[1]	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock[1]
	(in millions, except conversion rate)					
UK&I preferred stock	**2**	**12.9360**	**32**	2	12.9550	32
Europe preferred stock	**3**	**13.8840**	**44**	3	13.8880	44
Class A common stock[2]	**1,718**	**—**	**1,718**	1,768	—	1,768
Class B common stock	**245**	**1.6228** [3]	**398**	245	1.6298 [3]	400
Class C common stock	**11**	**4.0000**	**45**	12	4.0000	47
Total			**2,237**			2,291

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

(2) Class A common stock shares outstanding reflect repurchases settled on or before September 30, 2019 and 2018.

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

Reduction in as-converted shares. During fiscal 2019, total as-converted class A common stock was reduced by 58 million shares at an average price of $154.62 per share. Of the 58 million shares, 56 million were repurchased in the open market using $8.6 billion of operating cash on hand. Additionally, in fiscal 2019, the Company deposited $300 million of operating cash into the litigation escrow account previously established under the U.S. retrospective responsibility plan. Also, the Company recovered $8 million of VE territory covered losses in accordance with the Europe retrospective responsibility plan during fiscal 2019. The deposit and recovery have the same economic effect on earnings per share as repurchasing the Company's class A common stock because they reduce the class B common stock conversion rate and the UK&I and Europe preferred stock conversion rates and consequently, reduce the as-converted class A common stock share count. See *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

The following table presents as-converted UK&I and Europe preferred stock, after the Company recovered VE territory covered losses through conversion rate adjustments:

	For the Years Ended September 30,					
	2019		2018		2017	
	UK&I	Europe	UK&I	Europe	UK&I	Europe
	(in millions, except per share and conversion rate data)					
Reduction in equivalent number of as-converted shares of class A common stock	— [(1)]	— [(1)]	— [(1)]	— [(1)]	2	— [(1)]
Effective price per share[(2)]	**$ 141.32**	**$ 150.26**	$ 113.05	$ 112.92	$ 88.70	$ 85.01
Recovery through conversion rate adjustment	**$ 6**	**$ 2**	$ 35	$ 21	$ 190	$ 1

(1) The reduction in equivalent number of shares of class A common stock was less than one million shares.

(2) Effective price per share for each adjustment made during the year is calculated using the volume-weighted average price of the Company's class A common stock over a pricing period in accordance with the Company's current certificates of designations for its series B and C convertible participating preferred stock. Effective price per share for each fiscal year is calculated using the weighted-average effective prices of the respective adjustments made during the year.

Common stock repurchases. The following table[(1)] presents share repurchases in the open market for the following fiscal years:

	For the Years Ended September 30,		
	2019	2018	2017
	(in millions, except per share data)		
Shares repurchased in the open market[(2)]	**56**	58	77
Average repurchase price per share[(3)]	**$ 154.01**	$ 123.76	$ 89.98
Total cost	**$ 8,607**	$ 7,192	$ 6,891

(1) Shares repurchased in the open market reflect repurchases settled during fiscal 2019, 2018 and 2017. These amounts include repurchases traded but not yet settled on or before September 30, 2019, September 30, 2018 and September 30, 2017 for fiscal 2019, 2018 and 2017, respectively. Also, these exclude repurchases traded but not yet settled on or before September 30, 2019, September 30, 2018 and September 30, 2017 for fiscal 2019, 2018 and 2017, respectively.

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

(3) Average repurchase price per share is calculated based on unrounded numbers.

In January 2019, the Company's board of directors authorized an additional $8.5 billion share repurchase program. This authorization has no expiration date. As of September 30, 2019, the Company's January 2019 share repurchase program had remaining authorized funds of $4.1 billion. All share repurchase programs authorized prior to January 2019 have been completed.

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

The following table presents as-converted class B common stock after deposits into the litigation escrow account for fiscal 2019 and 2018. There were no comparable adjustments recorded for as-converted class B common stock for fiscal 2017.

	For the Years Ended September 30,			
	2019		2018	
	(in millions, except per share data)			
Reduction in equivalent number of as-converted shares of class A common stock		**2**		5
Effective price per share[1]	**$**	**174.73**	$	132.32
Deposits under the U.S. retrospective responsibility plan	**$**	**300**	$	600

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

Class B common stock. The class B common stock is not convertible or transferable until the date on which all of the U.S. covered litigation has been finally resolved. This transfer restriction is subject to limited exceptions, including transfers to other holders of class B common stock. After termination of the restrictions, the class B common stock will be convertible into class A common stock if transferred to a person that was not a Visa Member (as defined in the current certificate of incorporation) or similar person or an affiliate of a Visa Member or similar person. Upon such transfer, each share of class B common stock will automatically convert into a number of shares of class A common stock based upon the applicable conversion rate in effect at the time of such transfer.

Adjustment of the conversion rate occurs upon: (i) the completion of any follow-on offering of class A common stock completed to increase the size of the U.S. litigation escrow account (or any cash deposit by the Company in lieu thereof) resulting in a further corresponding decrease in the conversion rate; or (ii) the final resolution of the U.S. covered litigation and the release of funds remaining on deposit in the U.S. litigation escrow account to the Company resulting in a corresponding increase in the conversion rate. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Class C common stock. As of September 30, 2019, all of the shares of class C common stock have been released from transfer restrictions. A total of 140 million shares have been converted from class C to class A common stock upon their sale into the public market.

Preferred stock. Preferred stock may be issued as redeemable or non-redeemable, and has preference over any class of common stock with respect to the payment of dividends and distribution of the Company's assets in the event of a liquidation or dissolution. The Company had 5 million shares of UK&I and Europe preferred stock outstanding at the end of fiscal 2019 and 2018. The shares of UK&I and Europe preferred stock are subject to restrictions on transfer and may become convertible in stages based on developments in the VE territory covered litigation. The shares of UK&I and Europe preferred stock will become fully convertible on the 12th anniversary of the Closing, subject only to a holdback to cover any then-pending claims. Upon any such conversion of the UK&I or Europe preferred stock (whether by such 12th anniversary, or thereafter with respect to claims pending on such anniversary), the holder would receive either class A common stock or class A equivalent preferred stock (for those who are not eligible to hold class A common stock pursuant to the Company's charter). The class A equivalent preferred stock will be freely transferable and each share of class A equivalent preferred stock will automatically convert into 100 shares of class A common stock upon a transfer to any holder that is eligible to hold class A common stock under the charter. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Voting rights. The holders of the UK&I and Europe preferred stock have no right to vote on any matters, except for certain defined matters, including, in specified circumstances, any consolidation, merger, combination or similar transaction of the Company in which the preferred stockholders would either (i) receive shares of common stock or other equity securities of the Company with preferences, rights and privileges that are not substantially identical to the preferences, rights and privileges of the applicable series of preferred stock or (ii) receive securities, cash or other property that is different from what the Company's class A common stockholders would receive. With respect to these limited matters on which the holders of preferred stock may vote, approval by the preferred stockholders requires the affirmative vote of the outstanding voting power of each such series of preferred stock, each such series voting as a single class. In either case, the UK&I and Europe preferred stockholders are entitled to cast a number of votes equal to the number of shares held by each such holder. Holders of the class A equivalent preferred stock, upon issuance at conversion, will have similar voting rights to the rights of the holders of the UK&I and Europe preferred stock.

Class A common stockholders have the right to vote on all matters on which stockholders generally are entitled to vote. Class B and C common stockholders have no right to vote on any matters, except for certain defined matters, including (i) any decision to exit the core payments business, in which case the class B and C common stockholders will vote together with the class A common stockholders in a single class, and (ii) in specified circumstances, any consolidation, merger, combination or similar transaction of the Company, in which case the class B and C common stockholders will vote together as a single class. In either case, the class B and C common stockholders are entitled to cast a number of votes equal to the number of shares of class B or C common stock held multiplied by the applicable conversion rate in effect on the record date. Holders of the Company's common stock have no right to vote on any amendment to the current certificate of incorporation that relates solely to any series of preferred stock.

Dividends declared. The Company declared and paid $2.3 billion in dividends in fiscal 2019 at a quarterly rate of $0.25 per share in the fiscal year. On October 22, 2019, the Company's board of directors declared a quarterly cash dividend of $0.30 per share of class A common stock (determined in the case of class B and C common stock and UK&I and Europe preferred stock on an as-converted basis), which will be paid on December 3, 2019, to all holders of record of the Company's common and preferred stock as of November 15, 2019.

Note 15—Earnings Per Share

Basic earnings per share is computed by dividing net income available to each class by the weighted-average number of shares of common stock outstanding and participating securities during the period. Net income is allocated to each class of common stock and participating securities based on its proportional ownership on an as-converted basis. The weighted-average number of shares of each class of common stock outstanding reflects changes in ownership over the periods presented. See *Note 14—Stockholders' Equity*.

Diluted earnings per share is computed by dividing net income available by the weighted-average number of shares of common stock outstanding, participating securities and, if dilutive, potential class A common stock equivalent shares outstanding during the period. Dilutive class A common stock equivalents may consist of: (1) shares of class A common stock issuable upon the conversion of UK&I and Europe preferred stock and class B and C common stock based on the conversion rates in effect through the period, and (2) incremental shares of class A common stock calculated by applying the treasury stock method to the assumed exercise of employee stock options, the assumed purchase of stock under the Employee Stock Purchase Plan and the assumed vesting of unearned performance shares.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2019

The following table presents earnings per share for fiscal 2019[(1)].

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)[(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A)[(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
	(in millions, except per share data)					
Class A common stock	$ 9,273	1,742	$ 5.32	$ 12,080	2,272 [(3)]	$ 5.32
Class B common stock	2,130	245	$ 8.68	2,127	245	$ 8.66
Class C common stock	247	12	$ 21.30	246	12	$ 21.26
Participating securities[(4)]	430	Not presented	Not presented	429	Not presented	Not presented
Net income	**$ 12,080**					

The following table presents earnings per share for fiscal 2018[(1)].

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)[(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A)[(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
	(in millions, except per share data)					
Class A common stock	$ 7,937	1,792	$ 4.43	$ 10,301	2,329 [(3)]	$ 4.42
Class B common stock	1,787	245	$ 7.28	1,785	245	$ 7.27
Class C common stock	218	12	$ 17.72	217	12	$ 17.69
Participating securities[(4)]	359	Not presented	Not presented	358	Not presented	Not presented
Net income	$ 10,301					

The following table presents earnings per share for fiscal 2017[(1)].

	Basic Earnings Per Share			Diluted Earnings Per Share		
	Income Allocation (A)[(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A)[(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
	(in millions, except per share data)					
Class A common stock	$ 5,170	1,845	$ 2.80	$ 6,699	2,395 [(3)]	$ 2.80
Class B common stock	1,134	245	$ 4.62	1,132	245	$ 4.61
Class C common stock	163	14	$ 11.21	162	14	$ 11.19
Participating securities[(4)]	232	Not presented	Not presented	232	Not presented	Not presented
Net income	$ 6,699					

(1) Figures in the table may not recalculate exactly due to rounding. Earnings per share is calculated based on unrounded numbers.

(2) Net income is allocated based on proportional ownership on an as-converted basis. The weighted-average number of shares of as-converted class B common stock used in the income allocation was 400 million, 403 million and 405 million for fiscal 2019, 2018 and 2017, respectively. The weighted-average number of shares of as-converted class C common stock used in the income allocation was 46 million, 49 million and 58 million for fiscal 2019, 2018 and 2017, respectively. The weighted-average number of shares of preferred stock included within participating securities was 32 million, 32 million and 33 million of as-converted UK&I preferred stock for fiscal 2019, 2018 and 2017, respectively, and 44 million of as-converted Europe preferred stock for fiscal 2019, 2018 and 2017.

(3) Weighted-average diluted shares outstanding are calculated on an as-converted basis, and include incremental common stock equivalents, as calculated under the treasury stock method. The computation includes 3 million, 3 million and 5 million common stock equivalents for fiscal 2019, 2018 and 2017, respectively, because their effect would have been dilutive. The computation

excludes 1 million, 1 million and 2 million of common stock equivalents for fiscal 2019, 2018 and 2017, respectively, because their effect would have been anti-dilutive.

(4) Participating securities include preferred stock outstanding and unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, such as the Company's UK&I and Europe preferred stock, restricted stock awards, restricted stock units and earned performance-based shares. Participating securities' income is allocated based on the weighted-average number of shares of as-converted stock. See *Note 14—Stockholders' Equity.*

Note 16—Share-based Compensation

2007 Equity Incentive Compensation Plan

The Company's 2007 Equity Incentive Compensation Plan, or the EIP, authorizes the compensation committee of the board of directors to grant non-qualified stock options ("options"), restricted stock awards ("RSAs"), restricted stock units ("RSUs") and performance-based shares to its employees and non-employee directors, for up to 236 million shares of class A common stock. Shares available for award may be either authorized and unissued or previously issued shares subsequently acquired by the Company. The EIP will continue to be in effect until all of the common stock available under the EIP is delivered and all restrictions on those shares have lapsed, unless the EIP is terminated earlier by the Company's board of directors. Awards may be granted under the plan until January 31, 2022.

Share-based compensation cost is recorded net of estimated forfeitures on a straight-line basis for awards with service conditions only, and on a graded-vesting basis for awards with service, performance and market conditions. For fiscal 2019, 2018 and 2017, the Company recorded share-based compensation cost related to the EIP of $388 million, $312 million and $224 million, respectively, in personnel expense on its consolidated statements of operations. The related tax benefits were $59 million, $53 million and $67 million for fiscal 2019, 2018 and 2017, respectively. The amount of capitalized share-based compensation cost was immaterial during fiscal 2019, 2018 and 2017.

Options

Options issued under the EIP expire 10 years from the date of grant and primarily vest ratably over 3 years from the date of grant, subject to earlier vesting in full under certain conditions.

During fiscal 2019, 2018 and 2017, the fair value of each stock option was estimated on the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	For the Years Ended September 30,		
	2019	**2018**	**2017**
Expected term (in years)[1]	**3.98**	4.00	4.23
Risk-free rate of return[2]	**2.9 %**	2.0 %	1.6 %
Expected volatility[3]	**20.2 %**	18.3 %	20.2 %
Expected dividend yield[4]	**0.7 %**	0.7 %	0.8 %
Fair value per option granted	**$ 25.89**	$ 18.24	$ 13.90

(1) Until March 2018, this assumption was based on the Company's historical option exercises and those of a set of peer companies that management believed to be generally comparable to Visa. The Company's data was weighted based on the number of years between the measurement date and Visa's IPO date as a percentage of the options' contractual term. The relative weighting placed on Visa's data and peer data for stock options granted until March 2018 was approximately 97% and 3% in fiscal 2018, respectively, and 87% and 13% in fiscal 2017, respectively. The assumptions for stock options granted after March 2018 was based on Visa's historical exercise experience as the passage of time since the Company's IPO has exceeded 10 years.

(2) Based upon the zero coupon U.S. treasury bond rate over the expected term of the awards.

(3) Based on the Company's implied and historical volatility.

(4) Based on the Company's annual dividend rate on the date of grant.

The following table summarizes the Company's option activity for fiscal 2019:

	Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value[(1)] (in millions)
Outstanding at September 30, 2018	5,788,840	$ 75.30		
Granted	1,109,645	$ 134.76		
Forfeited	(108,973)	$ 114.04		
Expired	(33,574)	$ 28.85		
Exercised	(1,041,280)	$ 54.44		
Outstanding at September 30, 2019	**5,714,658**	**$ 90.18**	**6.83**	**$ 468**
Options exercisable at September 30, 2019	**3,230,165**	$ 70.66	5.63	$ 327
Options exercisable and expected to vest at September 30, 2019[(2)]	**5,635,182**	$ 89.69	6.80	$ 464

(1) Calculated using the closing stock price on the last trading day of fiscal 2019 of $172.01, less the option exercise price, multiplied by the number of instruments.

(2) Applied a forfeiture rate to unvested options outstanding at September 30, 2019 to estimate the options expected to vest in the future.

For the options exercised during fiscal 2019, 2018 and 2017, the total intrinsic value was $107 million, $249 million and $178 million, respectively, and the tax benefit realized was $23 million, $55 million and $62 million, respectively. As of September 30, 2019, there was $19 million of total unrecognized compensation cost related to unvested options, which is expected to be recognized over a weighted-average period of approximately 0.50 years.

Restricted Stock Awards and Restricted Stock Units

RSAs and RSUs issued under the EIP primarily vest ratably over 3 years from the date of grant, subject to earlier vesting in full under certain conditions.

Upon vesting, the RSAs are settled in class A common stock on a one-for-one basis. During the vesting period, RSA award recipients are eligible to receive dividends and participate in the same voting rights as those granted to the holders of the underlying class A common stock. Upon vesting, RSUs can be settled in class A common stock on a one-for-one basis or in cash, or a combination thereof, at the Company's option. The Company does not currently intend to settle any RSUs in cash. During the vesting period, RSU award recipients are eligible to receive dividend equivalents, but do not participate in the voting rights granted to the holders of the underlying class A common stock. The Company discontinued granting RSAs in fiscal 2016 but will continue to grant RSUs under the EIP. As of September 30, 2018, there were no RSAs outstanding.

The fair value and compensation cost before estimated forfeitures for RSAs and RSUs is calculated using the closing price of class A common stock on the date of grant. The weighted-average grant-date fair value of RSUs granted during fiscal 2019, 2018 and 2017 was $137.38, $111.11 and $81.67, respectively. The total grant-date fair value of RSAs and RSUs vested during fiscal 2019, 2018 and 2017 was $228 million, $183 million and $163 million, respectively.

The following table summarizes the Company's RSU activity for fiscal 2019:

	Restricted Stock Units		Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value[1] (in millions)
Outstanding at September 30, 2018	5,204,454	$	96.50			
Granted	2,785,534	$	137.38			
Vested	(2,450,257)	$	93.12			
Forfeited	(372,972)	$	115.15			
Outstanding at September 30, 2019	**5,166,759**	**$**	**118.79**	**0.85**	**$**	**889**

(1) Calculated by multiplying the closing stock price on the last trading day of fiscal 2019 of $172.01 by the number of instruments.

At September 30, 2019, there was $332 million of total unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted-average period of approximately 0.85 years.

Performance-based Shares

For the Company's performance-based shares, in addition to service conditions, the ultimate number of shares to be earned depends on the achievement of both performance and market conditions. The performance condition is based on the Company's earnings per share target. The market condition is based on the Company's total shareholder return ranked against that of other companies that are included in the Standard & Poor's 500 Index. The fair value of the performance-based shares, incorporating the market condition, is estimated on the grant date using a Monte Carlo simulation model. The grant-date fair value of performance-based shares granted in fiscal 2019, 2018 and 2017 was $153.42, $120.11 and $86.37 per share, respectively. Earned performance shares granted in fiscal 2019, 2018 and 2017 vest approximately three years from the initial grant date. All performance awards are subject to earlier vesting in full under certain conditions.

Compensation cost for performance-based shares is initially estimated based on target performance. It is recorded net of estimated forfeitures and adjusted as appropriate throughout the performance period.

The following table summarizes the maximum number of performance-based shares which could be earned and related activity for fiscal 2019:

	Shares		Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value[1] (in millions)
Outstanding at September 30, 2018	999,416	$	102.07			
Granted[2]	540,538	$	153.42			
Vested and earned	(419,908)	$	97.71			
Unearned	—	$	—			
Forfeited	(49,356)	$	127.66			
Outstanding at September 30, 2019	**1,070,690**	**$**	**129.08**	**0.80**	**$**	**184**

(1) Calculated by multiplying the closing stock price on the last trading day of fiscal 2019 of $172.01 by the number of instruments.

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

At September 30, 2019, there was $37 million of total unrecognized compensation cost related to unvested performance-based shares, which is expected to be recognized over a weighted-average period of approximately 0.80 years.

Employee Stock Purchase Plan

The Visa Inc. Employee Stock Purchase Plan (the "ESPP") permits eligible employees to purchase the Company's class A common stock at a 15% discount of the stock price on the purchase date, subject to certain restrictions. A total of 20 million shares of class A common stock have been reserved for issuance under the ESPP. ESPP did not have a material impact on the consolidated financial statements in fiscal 2019, 2018 or 2017.

Note 17—Commitments and Contingencies

Commitments. The Company leases certain premises, equipment and software licenses throughout the world with varying expiration dates. The Company incurred total rent expense of $286 million, $224 million and $159 million in fiscal 2019, 2018 and 2017, respectively. At September 30, 2019, future minimum payments on leases are as follows:

	For the Years Ending September 30,						
	2020	2021	2022	2023	2024	Thereafter	Total
				(in millions)			
Operating leases	$ 143	$ 121	$ 106	$ 96	$ 82	$ 250	**$ 798**

Note 18—Related Parties

Visa considers an entity to be a related party for purposes of this disclosure if that entity owns more than 10% of Visa's total voting common stock at the end of the fiscal year, or if an officer or employee of that entity also serves on the Company's board of directors. The Company considers an investee to be a related party if the Company's: (i) ownership interest in the investee is greater than or equal to 10% or (ii) if the investment is accounted for under the equity method of accounting. At September 30, 2019 and 2018, no entity owned more than 10% of the Company's total voting common stock. There were no significant transactions with related parties during fiscal 2019, 2018 and 2017.

Note 19—Income Taxes

The Company's income before taxes by fiscal year consisted of the following:

	For the Years Ended September 30,		
	2019	2018	2017
		(in millions)	
U.S.	**$ 9,536**	$ 8,088	$ 8,440
Non-U.S.	**5,348**	4,718	3,254
Total income before taxes	**$ 14,884**	$ 12,806	$ 11,694

U.S. income before taxes included $3.0 billion, $2.7 billion and $2.9 billion of the Company's U.S. entities' income from operations outside of the U.S. for fiscal 2019, 2018 and 2017, respectively.

Income tax provision by fiscal year consisted of the following:

	For the Years Ended September 30,		
	2019	2018	2017
		(in millions)	
Current:			
U.S. federal	**$ 1,504**	$ 2,819	$ 2,377
State and local	**243**	219	291
Non-U.S.	**843**	754	629
Total current taxes	**2,590**	3,792	3,297
Deferred:			
U.S. federal	**184**	(1,214)	1,607
State and local	**28**	(96)	66
Non-U.S.	**2**	23	25
Total deferred taxes	**214**	(1,287)	1,698
Total income tax provision	**$ 2,804**	$ 2,505	$ 4,995

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and liabilities at September 30, 2019 and 2018, are presented below:

	September 30,	
	2019	2018
	(in millions)	
Deferred Tax Assets:		
Accrued compensation and benefits	**$ 117**	$ 135
Accrued litigation obligation	**273**	329
Client incentives	**125**	213
Net operating loss carryforwards	**65**	34
Comprehensive loss	**33**	17
Federal benefit of state taxes	**148**	120
Other	**6**	127
Valuation allowance	**(69)**	(34)
Deferred tax assets	**698**	941
Deferred Tax Liabilities:		
Property, equipment and technology, net	**(314)**	(286)
Intangible assets	**(4,983)**	(5,153)
Foreign taxes	**(184)**	(106)
Deferred tax liabilities	**(5,481)**	(5,545)
Net deferred tax liabilities	**$ (4,783)**	$ (4,604)

The Tax Act, enacted on December 22, 2017, transitioned the U.S. tax system to a territorial system and lowered the statutory federal corporate income tax rate from 35% to 21%. The reduction of the statutory federal corporate tax rate to 21% became effective on January 1, 2018. In fiscal 2018, the Company's statutory federal corporate rate was a blended rate of 24.5%, which was reduced to 21% in fiscal 2019.

In transitioning to the territorial tax system, the Tax Act required the Company to include certain untaxed foreign earnings of non-U.S. subsidiaries in its fiscal 2018 taxable income. Such foreign earnings were subject to a one-time tax at 15.5% on the amount held in cash or cash equivalents, and at 8% on the remaining non-cash amount. The 15.5% and 8% tax, collectively referred to as the "transition tax", was estimated to be $1.1 billion, and was recorded as a provisional amount in fiscal 2018. The Company also recorded provisional amounts for the tax effects of various other new provisions in fiscal 2018. As permitted by ASU 2018-05, the Company completed the determination of the accounting impacts of the transition tax and various provisions in the first quarter of fiscal 2019. The adjustments to the provisional amounts were not material. The transition tax will be paid over a period of eight years as permitted by the Tax Act.

In addition, the Tax Act enacted a new deduction for foreign-derived intangible income ("FDII") and a tax on global intangible low-tax income ("GILTI"), effective for the Company on October 1, 2018. In fiscal 2019, the Company adopted the accounting policy of accounting for taxes on GILTI in the period that it is subject to such tax.

At September 30, 2019 and 2018, net deferred tax assets of $24 million and $14 million, respectively, are reflected in other assets on the consolidated balance sheets.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. The fiscal 2019 and 2018 valuation allowances relate primarily to foreign net operating losses from subsidiaries acquired in recent years.

As of September 30, 2019, the Company had $17 million federal, $19 million state and $311 million foreign net operating loss carryforwards from acquired subsidiaries. Federal and state net operating loss carryforwards generated in years prior to fiscal 2018 will expire in fiscal 2028 through 2037. Federal net operating losses generated after fiscal 2017 and the foreign net operating losses may be carried forward indefinitely. The Company expects to fully utilize the state net operating loss carryforwards in future years.

The income tax provision differs from the amount of income tax determined by applying the applicable U.S. federal statutory rate to pretax income, as a result of the following:

	For the Years Ended September 30,					
	2019		2018		2017	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
	(in millions, except percentages)					
U.S. federal income tax at statutory rate	**$ 3,126**	**21 %**	$ 3,141	25 %	$ 4,093	35 %
State income taxes, net of federal benefit	**223**	**2 %**	201	2 %	200	2 %
Non-U.S. tax effect, net of federal benefit	**(527)**	**(4)%**	(465)	(4)%	(641)	(5)%
Transition tax on foreign earnings	**—**	**— %**	1,147	9 %	—	— %
Remeasurement of deferred tax balances	**—**	**— %**	(1,133)	(9)%	—	— %
Reorganization of Visa Europe and other legal entities	**—**	**— %**	—	— %	1,515	13 %
Other, net	**(18)**	**— %**	(386)	(3)%	(172)	(2)%
Income tax provision	**$ 2,804**	**19 %**	$ 2,505	20 %	$ 4,995	43 %

The effective income tax rate was 19% in fiscal 2019 and 20% in fiscal 2018. The effective tax rate in fiscal 2019 differs from the effective tax rate in fiscal 2018 primarily due to:

- a decrease in federal statutory rate as a result of the Tax Act, from a blended rate of 24.5% in fiscal 2018 to a rate of 21% in fiscal 2019, as discussed above;

- new FDII and GILTI provisions enacted as part of the Tax Act, as discussed above; and

- the absence of the following items recorded in fiscal 2018:
  - a $1.1 billion one-time transition tax expense on certain untaxed foreign earnings in accordance with the Tax Act;
  - a $1.1 billion non-recurring, non-cash benefit from the remeasurement of deferred tax balances due to the reduction in U.S. federal tax rate enacted by the Tax Act; and
  - $161 million of tax benefits due to various non-recurring audit settlements.

The effective income tax rate was 20% in fiscal 2018 and 43% in fiscal 2017. The effective tax rate in fiscal 2018 differs from the effective tax rate in fiscal 2017 primarily due to:

- the effects of the Tax Act, which include the decrease in the fiscal 2018 federal statutory rate, the transition tax, and the remeasurement of deferred taxes, as discussed above;
- $161 million of tax benefits due to various non-recurring audit settlements in fiscal 2018; and
- the absence of the following items related to the Visa Europe reorganization recorded in fiscal 2017:
  - a $1.5 billion non-recurring, non-cash income tax provision primarily related to the elimination of deferred tax balances originally recognized upon the acquisition of Visa Europe; and
  - a $71 million one-time tax benefit related to the Visa Foundation's receipt of Visa Inc. shares, previously recorded by Visa Europe as treasury stock.

Current income taxes receivable were $130 million and $82 million at September 30, 2019 and 2018, respectively. Non-current income taxes receivable of $771 million and $689 million at September 30, 2019 and 2018, respectively, were included in other assets. Income taxes payable of $327 million and $257 million at September 30, 2019 and 2018, respectively, were included in accrued liabilities. Accrued income taxes of $2.5 billion and $2.4 billion at September 30, 2019 and 2018, respectively, were included in other liabilities.

The Company's operating hub in the Asia Pacific region is located in Singapore. It is subject to a tax incentive which is effective through September 30, 2023, and is conditional upon meeting certain business operations and employment thresholds in Singapore. The tax incentive decreased Singapore tax by $324 million, $295 million and $252 million, and the benefit of the tax incentive on diluted earnings per share was $0.14, $0.13 and $0.11 in fiscal 2019, 2018 and 2017, respectively.

In accordance with *Accounting Standards Codification 740—Income Taxes*, the Company is required to inventory, evaluate and measure all uncertain tax positions taken or to be taken on tax returns, and to record liabilities for the amount of such positions that may not be sustained, or may only partially be sustained, upon examination by the relevant taxing authorities.

At September 30, 2019, 2018, and 2017, the Company's total gross unrecognized tax benefits were $2.2 billion, $1.7 billion and $1.4 billion, respectively, exclusive of interest and penalties described below. Included in the $2.2 billion, $1.7 billion and $1.4 billion are $1.4 billion, $1.2 billion and $1.1 billion of unrecognized tax benefits, respectively, that if recognized, would reduce the effective tax rate in a future period.

A reconciliation of beginning and ending unrecognized tax benefits by fiscal year is as follows:

	2019	2018	2017
		(in millions)	
Balance at beginning of period	**$ 1,658**	$ 1,353	$ 1,160
Increases of unrecognized tax benefits related to prior years	**216**	367	56
Decreases of unrecognized tax benefits related to prior years	**(13)**	(233)	(59)
Increases of unrecognized tax benefits related to current year	**384**	172	197
Decreases related to settlements with taxing authorities	**(9)**	—	—
Reductions related to lapsing statute of limitations	**(2)**	(1)	(1)
Balance at end of period	**$ 2,234**	$ 1,658	$ 1,353

It is the Company's policy to account for interest expense and penalties related to uncertain tax positions in non-operating expense in its consolidated statements of operations. The Company recognized $66 million, $15 million and $23 million of interest expense in fiscal 2019, 2018 and 2017, respectively, related to uncertain tax positions. The Company accrued $5 million and $1 million of penalties in fiscal 2019 and fiscal 2017, respectively, and accrued no penalties in fiscal 2018, related to uncertain tax positions. At September 30, 2019 and 2018, the Company had accrued interest of $165 million and $99 million, respectively, and accrued penalties of $26 million and $34 million, respectively, related to uncertain tax positions included in other long-term liabilities in its consolidated balance sheets.

The Company's fiscal 2012 through 2015 U.S. federal income tax return is currently under Internal Revenue Service (IRS) examination. The Company has filed federal refund claims for fiscal years 2008 through 2011, which are also currently under IRS examination. Except for the refund claims, the federal statutes of limitations have expired for fiscal years prior to 2012. The Company's fiscal years 2006 through 2015 California tax returns are currently under examination. The California statutes of limitations have expired for fiscal years prior to 2006.

During fiscal 2013, the Canada Revenue Agency (CRA) completed its examination of the Company's fiscal 2003 through 2009 Canadian tax returns and proposed certain assessments. Based on the findings of its examination, the CRA also proposed certain assessments to the Company's fiscal 2010 through 2017 Canadian tax returns. The Company filed notices of objection against these assessments and, in fiscal 2015, completed the appeals process without reaching a settlement with the CRA. In April 2016, the Company petitioned the Tax Court of Canada to overturn the CRA's assessments. Legal proceedings continue to be in progress. The Company continues to believe that its income tax provision adequately reflects its obligations to the CRA.

The India tax authorities completed the first level examination of the Company's income tax returns for the taxable years falling within the period from fiscal 2010 to 2015, and proposed certain assessments. The Company objected to these proposed assessments and filed appeals to the appellate authorities. While the timing and outcome of the final resolution of these appeals are uncertain, the Company believes that its income tax provision adequately reflects its income tax obligations in India.

The Company is also subject to examinations by various state and foreign tax authorities. All material state and foreign tax matters have been concluded for years through fiscal 2002. The timing and outcome of the final resolutions of the federal, state and foreign tax examinations and refund claims are uncertain. As such, it is not reasonably possible to estimate the impact that the final outcomes could have on the Company's unrecognized tax benefits in the next 12 months.

Note 20—Legal Matters

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

The litigation accrual is an estimate and is based on management's understanding of its litigation profile, the specifics of each case, advice of counsel to the extent appropriate and management's best estimate of incurred loss as of the balance sheet date.

The following table summarizes the activity related to accrued litigation by fiscal year:

	2019	2018
	(in millions)	
Balance at beginning of period	**$ 1,434**	$ 982
Provision for uncovered legal matters	**37**	7
Provision for covered legal matters	**535**	601
Payments for legal matters	**(803)**	(156)
Balance at end of period	**$ 1,203**	$ 1,434

Accrual Summary—U.S. Covered Litigation

Visa Inc., Visa U.S.A. and Visa International are parties to certain legal proceedings that are covered by the U.S. retrospective responsibility plan, which the Company refers to as the U.S. covered litigation. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.* An accrual for the U.S. covered litigation and a charge to the litigation provision are recorded when a loss is deemed to be probable and reasonably estimable. In making this determination, the Company evaluates available information, including but not limited to actions taken by the litigation committee. The total accrual related to the U.S. covered litigation could be either higher or lower than the escrow account balance.

The following table summarizes the accrual activity related to U.S. covered litigation by fiscal year:

	2019	2018
	(in millions)	
Balance at beginning of period	**$ 1,428**	$ 978
Provision for interchange multidistrict litigation	**370**	600
Payments for U.S. covered litigation	**(600)**	(150)
Balance at end of period	**$ 1,198**	$ 1,428

During the third quarter of fiscal 2018, pursuant to an amended settlement agreement that superseded the 2012 Settlement Agreement, the Company recorded an additional accrual and deposited $600 million into the U.S. litigation escrow account and in fiscal 2019 paid the amount into court-authorized settlement accounts established under the amended settlement agreement. During the fourth quarter of fiscal 2019, the Company recorded an additional accrual of $370 million and deposited $300 million into the U.S. litigation escrow account to address “opt-out” claims for merchants who opted out of the amended settlement agreement. See further discussion below under *Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions* and *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

Accrual Summary—VE Territory Covered Litigation

Visa Inc., Visa International and Visa Europe are parties to certain legal proceedings that are covered by the Europe retrospective responsibility plan. Unlike the U.S. retrospective responsibility plan, the Europe retrospective responsibility plan does not have an escrow account that is used to fund settlements or judgments. The Company is entitled to recover VE territory covered losses through a periodic adjustment to the conversion rates applicable to the UK&I preferred stock and Europe preferred stock. An accrual for the VE territory covered losses and a reduction to stockholders’ equity will be recorded when the loss is deemed to be probable and reasonably estimable. See further discussion below under *VE Territory Covered Litigation* and *Note 5—U.S. and Europe Retrospective Responsibility Plans*.

The following table summarizes the accrual activity related to VE territory covered litigation by fiscal year:

	2019	2018
	(in millions)	
Balance at beginning of period	**$ —**	$ 1
Accrual for VE territory covered litigation	**165**	1
Payments for VE territory covered litigation	**(160)**	(2)
Balance at end of period	**$ 5**	$ —

U.S. Covered Litigation

Interchange Multidistrict Litigation (MDL) – Putative Class Actions

Beginning in May 2005, a series of complaints (the majority of which were styled as class actions) were filed in U.S. federal district courts by merchants against Visa U.S.A., Visa International and/or Mastercard, and in some cases, certain U.S. financial institutions. The Judicial Panel on Multidistrict Litigation issued an order transferring the cases to the U.S. District Court for the Eastern District of New York for coordination of pre-trial proceedings in MDL 1720. A group of purported class plaintiffs subsequently filed amended and supplemental class complaints. The individual and class complaints generally challenged, among other things, Visa's and Mastercard's purported setting of interchange reimbursement fees, their "no surcharge" and honor-all-cards rules, alleged tying and bundling of transaction fees, and Visa's reorganization and IPO, under the federal antitrust laws and, in some cases, certain state unfair competition laws. The complaints sought money damages, declaratory and injunctive relief, attorneys' fees and, in one instance, an order that the IPO be unwound.

Visa Inc., Visa U.S.A., Visa International, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs signed a settlement agreement (the "2012 Settlement Agreement") to resolve the class plaintiffs' claims. Pursuant to the 2012 Settlement Agreement, the Company deposited approximately $4.0 billion from the U.S. litigation escrow account and approximately $500 million attributable to interchange reductions for an eight-month period into court-authorized settlement accounts. Visa subsequently received from the Court and deposited into the Company's U.S. litigation escrow account "takedown payments" of approximately $1.1 billion. On June 30, 2016, the U.S. Court of Appeals for the Second Circuit vacated the lower court's certification of the merchant class, reversed the approval of the settlement, and remanded the case to the lower court for further proceedings.

On remand, the district court entered an order appointing interim counsel for two putative classes of plaintiffs, a "Damages Class" and an "Injunctive Relief Class." The plaintiffs purporting to act on behalf of the putative Damages Class subsequently filed a Third Consolidated Amended Class Action Complaint, seeking money damages and attorneys' fees, among other relief. A new group of purported class plaintiffs, acting on behalf of the putative Injunctive Relief Class, filed a class action complaint against Visa, Mastercard, and certain bank defendants seeking, among other things, an injunction against the setting of default interchange rates; against certain Visa operating rules relating to merchants, including the honor-all-cards rule; and against various transaction fees, including the fixed acquirer network fee, as well as attorneys' fees.

On September 17, 2018, Visa, Mastercard, and certain U.S. financial institutions reached an agreement with plaintiffs purporting to act on behalf of the putative Damages Class to resolve all Damages Class claims (the “Amended Settlement Agreement”), subject to court approval. The Amended Settlement Agreement supersedes the 2012 Settlement Agreement and includes, among other terms, a release from participating class members for liability arising out of conduct alleged by the Damages Class in the litigation, including claims that accrue no later than five years after the Amended Settlement Agreement becomes final. Participating class members will not release injunctive relief claims as a named representative or non-representative class member in the putative Injunctive Relief Class. The Amended Settlement Agreement also required an additional settlement payment from all defendants totaling $900 million, with the Company’s share of $600 million paid from the Company’s litigation escrow account established pursuant to the Company’s retrospective responsibility plan. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.* The additional settlement payment was added to the approximately $5.3 billion previously deposited into settlement accounts by the defendants pursuant to the 2012 Settlement Agreement. Based on the percentage of class members (by payment volume) that opted out of the class, following final approval of the Amended Settlement Agreement $700 million will be returned to defendants. Visa’s portion of the takedown payment is calculated to be approximately $467 million, and upon receipt, will be deposited into the litigation escrow account with a corresponding increase in accrued litigation to address opt-out claims.

On January 24, 2019, the district court granted preliminary approval of the Amended Settlement Agreement, and on June 7, 2019, the Damages Class plaintiffs moved for final approval of the Amended Settlement Agreement. Certain merchants in the proposed settlement class have objected to the settlement and/or submitted requests to opt out of the settlement class. The district court held a settlement approval hearing on November 7, 2019.

Settlement discussions with plaintiffs purporting to act on behalf of the putative Injunctive Relief Class are ongoing. On January 16, 2019, the bank defendants moved to dismiss the claims brought against them by the Injunctive Relief Class on the grounds that plaintiffs lack standing and failed to state a claim against the bank defendants.

Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions

Since May 2013, more than 50 cases have been filed in or removed to various federal district courts by hundreds of merchants generally pursuing damages claims on allegations similar to those raised in MDL 1720. The cases name as defendants Visa Inc., Visa U.S.A., Visa International, Mastercard Incorporated and Mastercard International Incorporated, although some also include certain U.S. financial institutions as defendants. A number of the cases include allegations that Visa has monopolized, attempted to monopolize, and/or conspired to monopolize debit card-related market segments. Some of the cases seek an injunction against the setting of default interchange rates; certain Visa operating rules relating to merchants, including the honor-all-cards rule; and various transaction fees, including the fixed acquirer network fee. In addition, some cases assert that Visa, Mastercard and/or their member banks conspired to prevent the adoption of chip-and-PIN authentication in the U.S. or otherwise circumvent competition in the debit market. Certain individual merchants have filed amended complaints to, among other things, add claims for injunctive relief and update claims for damages.

In addition to the cases filed by individual merchants, Visa, Mastercard, and certain U.S. financial institution defendants in MDL 1720 filed complaints against certain merchants in the Eastern District of New York seeking, in part, a declaration that Visa’s conduct did not violate federal or state antitrust laws.

The individual merchant actions described in this section have been either assigned to the judge presiding over MDL 1720, or have been transferred or are being considered for transfer by the Judicial Panel on Multidistrict Litigation for inclusion in MDL 1720. These individual merchant actions are U.S. covered litigation for purposes of the U.S. retrospective responsibility plan. See *Note 5—U.S. and Europe Retrospective Responsibility Plans.*

The Company believes it has substantial defenses to the claims asserted in the putative class actions and individual merchant actions, but the final outcome of individual legal claims is inherently unpredictable. The Company could incur judgments, enter into settlements or revise its expectations regarding the outcome of merchants' claims, and such developments could have a material adverse effect on the Company's financial results in the period in which the effect becomes probable and reasonably estimable. While the U.S. retrospective responsibility plan is designed to address monetary liability in these matters, see *Note 5—U.S. and Europe Retrospective Responsibility Plans*, judgments or settlements that require the Company to change its business practices, rules, or contractual commitments could adversely affect the Company's financial results.

VE Territory Covered Litigation

Europe Merchant Litigation

Since July 2013, in excess of 500 Merchants (the capitalized term “Merchant,” when used in this section, means a merchant together with subsidiary/affiliate companies that are party to the same claim) have commenced proceedings against Visa Europe, Visa Inc. and other Visa subsidiaries in the UK and Germany primarily relating to interchange rates in Europe and in some cases relating to fees charged by Visa and certain Visa rules. They seek damages for alleged anti-competitive conduct in relation to one or more of the following types of interchange fees for credit and debit card transactions: UK domestic, Irish domestic, other European domestic, intra-European Economic Area and/or other inter-regional. As of the filing date, Visa Europe, Visa Inc. and Visa International have settled the claims asserted by over 100 Merchants, leaving more than 400 Merchants with outstanding claims. In addition, over 30 additional Merchants have threatened to commence similar proceedings. Standstill agreements have been entered into with respect to some of those threatened Merchant claims, several of which have been settled. While the amount of interchange being challenged could be substantial, these claims have not yet been filed and their full scope is not yet known. The Company has learned that several additional European entities have indicated that they may also bring similar claims and the Company anticipates additional claims in the future.

A trial took place from November 2016 to March 2017, relating to claims asserted by only one Merchant. In judgments published in November 2017 and February 2018, the court found as to that Merchant that Visa’s UK domestic interchange did not restrict competition, but that if it had been found to be restrictive it would not be exemptible under applicable law. In April 2018, the Court of Appeal heard the Merchant’s appeal of the decision alongside two separate Mastercard cases also involving interchange claims. On July 4, 2018, the Court of Appeal overturned the lower court’s rulings, finding that Visa’s UK domestic interchange restricted competition and the question of whether Visa’s UK domestic interchange was exempt from the finding of restriction under applicable law had been incorrectly decided. The Court of Appeal remitted the claim to the lower court to reconsider the exemption issue and the assessment of damages. On November 29, 2018, Visa was granted permission to appeal aspects of the Court of Appeal’s judgment to the Supreme Court of the United Kingdom, including the question of whether Visa’s UK interchange restricted competition. The Supreme Court is scheduled to hold a hearing on the appeal in January 2020.

The full scope of damages is not yet known because not all Merchant claims have been served and Visa has substantial defenses. However, the claims that have been issued, served and/or preserved seek several billion dollars in damages.

Other Litigation

European Commission DCC Investigation

In 2013, the European Commission (EC) opened an investigation against Visa Europe, based on a complaint alleging that Visa Europe’s pricing of and rules relating to Dynamic Currency Conversion (DCC) transactions infringe EU competition rules. This investigation is pending.

Canadian Merchant Litigation

Beginning in December 2010, a number of class action lawsuits were filed in Quebec, British Columbia, Ontario, Saskatchewan and Alberta against Visa Canada, Mastercard and ten financial institutions on behalf of merchants that accept payment by Visa and/or Mastercard credit cards. The actions allege a violation of Canada’s price-fixing law and various common law claims based on separate Visa and Mastercard conspiracies in respect of default interchange and certain of the networks’ rules. In 2015 and 2016, four financial institutions settled with the plaintiffs. In June 2017, Visa, Mastercard and a fifth financial institution also reached settlements with the plaintiffs. Settlement approval hearings were held in 2018 and courts in each of the five provinces approved the settlements. Wal-Mart Canada and/or

Home Depot of Canada Inc. have filed notices of appeal of the decisions approving the settlements. On August 30, 2019, September 9, 2019, and October 17, 2019, the Court of Appeals in British Columbia, Quebec and Ontario, respectively, rejected the appeals filed by Wal-Mart Canada and Home Depot of Canada Inc. Appeals are pending in the remaining provinces.

U.S. ATM Access Fee Litigation

National ATM Council Class Action. In October 2011, the National ATM Council and thirteen non-bank ATM operators filed a purported class action lawsuit against Visa (Visa Inc., Visa International, Visa U.S.A. and Plus System, Inc.) and Mastercard in the U.S. District Court for the District of Columbia. The complaint challenges Visa's rule (and a similar Mastercard rule) that if an ATM operator chooses to charge consumers an access fee for a Visa or Plus transaction, that fee cannot be greater than the access fee charged for transactions on other networks. Plaintiffs claim that the rule violates Section 1 of the Sherman Act, and seek treble damages, injunctive relief, and attorneys' fees. On September 20, 2019, plaintiffs filed a motion for class certification.

Consumer Class Actions. In October 2011, a purported consumer class action was filed against Visa and Mastercard in the same federal court challenging the same ATM access fee rules. Two other purported consumer class actions challenging the rules, later combined, were also filed in October 2011 in the same federal court naming Visa, Mastercard and three financial institutions as defendants. Plaintiffs seek treble damages, restitution, injunctive relief, and attorneys' fees where available under federal and state law, including under Section 1 of the Sherman Act and consumer protection statutes. On September 20, 2019, plaintiffs in both cases filed motions for class certification.

U.S. Department of Justice Civil Investigative Demand

On March 13, 2012, the Antitrust Division of the United States Department of Justice (the "Division") issued a Civil Investigative Demand, or "CID," to Visa Inc. seeking documents and information regarding a potential violation of Section 1 or 2 of the Sherman Act, 15 U.S.C. §§ 1, 2. The CID focuses on PIN-Authenticated Visa Debit and Visa's competitive responses to the Dodd-Frank Act, including Visa's fixed acquirer network fee. Visa is cooperating with the Division in connection with the CID.

Pulse Network

On November 25, 2014, Pulse Network LLC filed suit against Visa Inc. in federal district court in Texas. Pulse alleges that Visa has, among other things, monopolized and attempted to monopolize debit card network services markets. Pulse seeks unspecified treble damages, attorneys' fees and injunctive relief, including to enjoin the fixed acquirer network fee structure, Visa's conduct regarding PIN-Authenticated Visa Debit and Visa agreements with merchants and acquirers relating to debit acceptance. On August 31, 2018, the court granted Visa's motion for summary judgment, finding that Pulse did not have standing to pursue its claims. Pulse appealed the district court's summary judgment decision to the U.S. Court of Appeals for the Fifth Circuit, which held oral argument on October 9, 2019.

EMV Chip Liability Shift

Following their initial complaint filed on March 8, 2016, B&R Supermarket, Inc., d/b/a Milam's Market, and Grove Liquors LLC filed an amended class action complaint on July 15, 2016, against Visa Inc., Visa U.S.A., Mastercard, Discover, American Express, EMVCo and certain financial institutions in the U.S. District Court for the Northern District of California. The amended complaint asserts that defendants, through EMVCo, conspired to shift liability for fraudulent, faulty or otherwise rejected payment card transactions from defendants to the purported class of merchants, defined as those merchants throughout the U.S. who have been subjected to the "Liability Shift" since October 2015. Plaintiffs claim that the so-called "Liability Shift" violates Sections 1 and 3 of the Sherman Act and certain state laws, and seek treble damages, injunctive relief and attorneys' fees.

EMVCo and the financial institution defendants were dismissed, and the matter was subsequently transferred to the U.S. District Court for the Eastern District of New York, which has clarified that this case is not part of MDL 1720.

Plaintiffs filed a renewed motion for class certification on July 16, 2018, following an earlier denial of the motion without prejudice. Plaintiffs' renewed motion was terminated without prejudice to reinstatement on October 17, 2018, but was subsequently reinstated and is currently pending.

Nuts for Candy

On April 5, 2017, plaintiff Nuts for Candy, on behalf of itself and a putative class of California merchants that have accepted Visa-branded cards since January 1, 2004, filed a lawsuit against Visa Inc., Visa International and Visa U.S.A. in California state court. Nuts for Candy pursues claims under California state antitrust and unfair business statutes, seeking damages, costs and other remedies. On October 18, 2018, the court stayed the Nuts for Candy case pending the district court's decision on preliminary and final approval of the Amended Settlement Agreement discussed above under *Interchange Multidistrict Litigation (MDL) – Putative Class Actions*.

Brazilian Administrative Council for Economic Defense

On October 15, 2018, the Brazilian Administrative Council for Economic Defense ("CADE") initiated an investigation against Visa, Mastercard, American Express and Elo seeking information regarding potential competition law violations with respect to network rules that require acquirers to receive certain information from payment facilitators. On October 15, 2019, CADE issued a recommendation to dismiss the investigation, which was dismissed as of October 30, 2019.

Australian Competition & Consumer Commission

On July 12, 2019, the Australian Competition & Consumer Commission (ACCC) informed Visa that the ACCC has commenced an investigation into certain agreements and interchange fees relating to Visa Debit. Visa is cooperating with the ACCC.

Federal Trade Commission Voluntary Access Letter

On November 4, 2019, the Bureau of Competition of the United States Federal Trade Commission (the "Bureau") requested that Visa provide, on a voluntary basis, documents and information for an investigation as to whether Visa's actions inhibited merchant choice in the selection of debit payments networks in potential violation of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act. Visa is cooperating with the Bureau.

Selected Quarterly Financial Data (Unaudited)

The following tables show selected quarterly operating results for each quarter and full year of fiscal 2019 and 2018 for the Company:

	Quarter Ended (unaudited)				Fiscal Year
	September 30, 2019[(1)]	June 30, 2019	March 31, 2019	December 31, 2018	2019
	(in millions, except per share data)				
Net revenues	$ 6,137	$ 5,840	$ 5,494	$ 5,506	**$ 22,977**
Operating income	$ 3,735	$ 3,908	$ 3,641	$ 3,717	**$ 15,001**
Net income	$ 3,025	$ 3,101	$ 2,977	$ 2,977	**$ 12,080**
Basic earnings per share					
Class A common stock	$ 1.34	$ 1.37	$ 1.31	$ 1.30	**$ 5.32**
Class B common stock	$ 2.19	$ 2.23	$ 2.13	$ 2.12	**$ 8.68**
Class C common stock	$ 5.38	$ 5.48	$ 5.23	$ 5.20	**$ 21.30**
Diluted earnings per share					
Class A common stock	$ 1.34	$ 1.37	$ 1.31	$ 1.30	**$ 5.32**
Class B common stock	$ 2.19	$ 2.23	$ 2.13	$ 2.12	**$ 8.66**
Class C common stock	$ 5.37	$ 5.48	$ 5.23	$ 5.20	**$ 21.26**

	Quarter Ended (unaudited)				Fiscal Year
	September 30, 2018[(1)]	June 30, 2018[(1)]	March 31, 2018	December 31, 2017[(1)]	2018
	(in millions, except per share data)				
Net revenues	$ 5,434	$ 5,240	$ 5,073	$ 4,862	$ 20,609
Operating income	$ 3,406	$ 2,885	$ 3,336	$ 3,327	$ 12,954
Net income	$ 2,845	$ 2,329	$ 2,605	$ 2,522	$ 10,301
Basic earnings per share					
Class A common stock	$ 1.24	$ 1.00	$ 1.12	$ 1.07	$ 4.43
Class B common stock	$ 2.01	$ 1.66	$ 1.84	$ 1.77	$ 7.28
Class C common stock	$ 4.94	$ 4.02	$ 4.46	$ 4.30	$ 17.72
Diluted earnings per share					
Class A common stock	$ 1.23	$ 1.00	$ 1.11	$ 1.07	$ 4.42
Class B common stock	$ 2.01	$ 1.65	$ 1.84	$ 1.77	$ 7.27
Class C common stock	$ 4.93	$ 4.01	$ 4.46	$ 4.29	$ 17.69

(1) The Company's unaudited consolidated statement of operations include the impact of several significant one-time items. See *Overview* within *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations* of this report.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that is designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2019, our disclosure controls and procedures were effective at the reasonable assurance level.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. These limitations include the possibility of human error, the circumvention or overriding of the controls and procedures and reasonable resource constraints. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2019. Based on management's assessment, management has concluded that the Company's internal control over financial reporting was effective as of September 30, 2019 using the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Our internal control over financial reporting is designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention or overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks discussed in *Item 1A—Risk Factors* of this report.

The effectiveness of our internal control over financial reporting as of September 30, 2019, has been audited by KPMG LLP, an independent registered public accounting firm and is included in *Item 8* of this report.

Changes in Internal Control over Financial Reporting

In preparation for management's report on internal control over financial reporting, we documented and tested the design and operating effectiveness of our internal control over financial reporting. During fiscal 2019, the Company implemented a new client incentives accounting system along with enhancements and modifications to existing internal controls and procedures to comply with the new revenue standard. There were no other significant changes in our internal controls over financial reporting that occurred during the year ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. Other Information

Not applicable.

PART III

Certain information required by Part III is omitted from this Report and the Company will file a definitive proxy statement pursuant to Regulation 14A under the Exchange Act (the "Proxy Statement") not later than 120 days after the end of the fiscal year ended September 30, 2019, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement that specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the report of the Audit and Risk Committee included in the Proxy Statement.

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this item concerning the Company's directors, executive officers, the Code of Business Conduct and Ethics and corporate governance matters is incorporated herein by reference to the sections entitled *"Director Nominee Biographies," "Executive Officers" and "Corporate Governance"* in our Proxy Statement.

The information required by this item regarding compliance with Section 16(a) of the Exchange Act pursuant to Item 405 of Regulation S-K is incorporated herein by reference to the section entitled *"Section 16(a) Beneficial Ownership Reporting Compliance"* in our Proxy Statement.

Our Code of Business Conduct and Ethics that is applicable to our directors, executive officers, senior financial officers, as well as our employees and contractors and our Corporate Governance Guidelines are available on the Investor Relations page of our website at http://investor.visa.com, under "Corporate Governance." Printed copies of these documents are also available to stockholders without charge upon written request directed to Corporate Secretary, Visa Inc., P.O. Box 193243, San Francisco, California 94119.

ITEM 11. Executive Compensation

The information required by this item concerning director and executive compensation is incorporated herein by reference to the sections entitled *"Compensation of Non-Employee Directors" and "Executive Compensation"* in our Proxy Statement.

The information required by this item pursuant to Item 407(e)(4) of Regulation S-K is incorporated herein by reference to the section entitled *"Compensation Committee Interlocks and Insider Participation"* in our Proxy Statement.

The information required by this item pursuant to Item 407(e)(5) of Regulation S-K is incorporated herein by reference to the section entitled *"Compensation Committee Report"* in our Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item pursuant to Item 403 of Regulation S-K is incorporated herein by reference to the section entitled *"Beneficial Ownership of Equity Securities"* in our Proxy Statement.

For the information required by item 201(d) of Regulation S-K, refer to *Item 5* in this report.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item concerning related party transactions pursuant to Item 404 of Regulation S-K is incorporated herein by reference to the section entitled *"Certain Relationships and Related Person Transactions"* in our Proxy Statement.

The information required by this item concerning director independence pursuant to Item 407(a) of Regulation S-K is incorporated herein by reference to the section entitled *"Independence of Directors"* in our Proxy Statement.

ITEM 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the section entitled *"Independent Registered Public Accounting Firm Fees"* in our Proxy Statement.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

1. Consolidated Financial Statements

   See Index to Consolidated Financial Statements in *Item 8—Financial Statements and Supplementary Data* of this report.

2. Consolidated Financial Statement Schedules

   None.

3. The following exhibits are filed as part of this report or, where indicated, were previously filed and are hereby incorporated by reference:

   Refer to the Exhibit Index herein.

Table of Contents

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit Number	Exhibit Description	Form	File Number	Exhibit Number	Filing Date
2.1	Amended and Restated Transaction Agreement, dated as of May 10, 2016, between Visa Inc. and Visa Europe Limited #	8-K	001-33977	2.1	5/10/2016
3.1	Sixth Amended and Restated Certificate of Incorporation of Visa Inc.	8-K	001-33977	3.2	1/29/2015
3.2	Certificate of Correction of the Certificate of Incorporation of Visa Inc.	8-K	001-33977	3.1	2/27/2015
3.3	Amended and Restated Bylaws of Visa Inc.	8-K	001-33977	3.3	7/17/2019
4.1	Form of stock certificate of Visa Inc.	S-4/A	333-143966	4.1	9/13/2007
4.2	Form of specimen certificate for class B common stock of Visa Inc.	8-A	000-53572	4.1	1/28/2009
4.3	Form of specimen certificate for class C common stock of Visa Inc.	8-A	000-53572	4.2	1/28/2009
4.4	Indenture dated December 14, 2015 between Visa Inc. and U.S. Bank National Association	8-K	001-33977	4.1	12/14/2015
4.5	Form of 2.200% Senior Note due 2020	8-K	001-33977	4.3	12/14/2015
4.6	Form of 2.150% Senior Note due 2022	8-K	001-33977	4.1	9/11/2017
4.7	Form of 2.800% Senior Note due 2022	8-K	001-33977	4.4	12/14/2015
4.8	Form of 3.150% Senior Note due 2025	8-K	001-33977	4.5	12/14/2015
4.9	Form of 2.750% Senior Note due 2027	8-K	001-33977	4.2	9/11/2017
4.10	Form of 4.150% Senior Note due 2035	8-K	001-33977	4.6	12/14/2015
4.11	Form of 4.300% Senior Note due 2045	8-K	001-33977	4.7	12/14/2015
4.12	Form of 3.650% Senior Note due 2047	8-K	001-33977	4.3	9/11/2017
4.13	Certificate of Designations of Series A Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.1	6/21/2016
4.14	Certificate of Designations of Series B Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.2	6/21/2016
4.15	Certificate of Designations of Series C Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.3	6/21/2016
4.16+	Description of Securities				

10.1	Form of Indemnity Agreement	8-K	001-33977	10.1	10/25/2012

10.2	Amended and Restated Global Restructuring Agreement, dated August 24, 2007, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc., Visa Europe Limited, Visa Canada Association, Inovant LLC, Inovant, Inc., Visa Europe Services, Inc., Visa International Transition LLC, VI Merger Sub, Inc., Visa USA Merger Sub Inc. and 1734313 Ontario Inc.	S-4/A	333-143966	Annex A	9/13/2007
10.3	Form of Escrow Agreement by and among Visa Inc., Visa U.S.A. Inc. and the escrow agent	S-4	333-143966	10.15	6/22/2007
10.4	Form of Framework Agreement by and among Visa Inc., Visa Europe Limited, Inovant LLC, Visa International Services Association and Visa U.S.A. Inc. †	S-4/A	333-143966	10.17	7/24/2007
10.5+	Five Year Revolving Credit Agreement, amended and restated as of July 25, 2019, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and Visa Europe Limited, as borrowers, Bank of America, N.A., as administrative agent, JPMorgan Chase Bank N.A., as syndication agent, and the lenders referred to therein #				
10.6	Form of Interchange Judgment Sharing Agreement by and among Visa International Service Association and Visa U.S.A. Inc., and the other parties thereto †	S-4/A	333-143966	10.13	7/24/2007
10.7	Interchange Judgment Sharing Agreement Schedule	8-K	001-33977	10.2	2/8/2011
10.8	Amendment of Interchange Judgment Sharing Agreement	10-K	001-33977	10.10	11/20/2015
10.9	Form of Loss Sharing Agreement by and among Visa U.S.A. Inc., Visa International Service Association, Visa Inc. and various financial institutions	S-4/A	333-143966	10.14	7/24/2007
10.10	Loss Sharing Agreement Schedule	8-K	001-33977	10.1	2/8/2011
10.11	Amendment of Loss Sharing Agreement	10-K	001-33977	10.13	11/20/2015
10.12	Form of Litigation Management Agreement by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and the other parties thereto	S-4/A	333-143966	10.18	8/22/2007
10.13	Omnibus Agreement, dated February 7, 2011, regarding Interchange Litigation Judgment Sharing and Settlement Sharing by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated and the parties thereto	8-K	001-33977	10.2	7/16/2012

10.14	Amendment, dated August 26, 2014, to the Omnibus Agreement regarding Interchange Litigation Judgment Sharing and Settlement Sharing by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated and the parties thereto	10-K	001-33977	10.14	11/21/2014
10.15	Second Amendment, dated October 22, 2015, to Omnibus Agreement regarding Interchange Litigation Judgment Sharing and Settlement Sharing	10-K	001-33977	10.17	11/20/2015

10.16	Settlement Agreement, dated October 19, 2012, by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs to resolve the class plaintiffs' claims in the matter styled In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, No. 05-MD-1720	10-Q	001-33977	10.3	2/6/2013
10.17	Superseding and Amended Settlement Agreement, dated September 17, 2018, by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, Mastercard International Incorporated, various U.S. financial institution defendants, and the damages class plaintiffs to resolve the damages class plaintiffs' claims in the matter styled In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, No. 05-MD-1720	8-K	001-33977	10.1	9/18/2018
10.18	Loss Sharing Agreement, dated as of November 2, 2015, among the UK Members listed on Schedule 1 thereto, Visa Inc. and Visa Europe Limited	8-K	001-33977	10.1	11/2/2015
10.19	Litigation Management Deed, dated as of June 21, 2016, by and among the VE Member Representative, Visa Inc., the LMC Appointing Members, the UK&I DCC Appointing Members, the Europe DCC Appointing Members and the UK&I DCC Interested Members	8-K	001-33977	10.1	6/21/2016
10.20*	Visa 2005 Deferred Compensation Plan, effective as of August 12, 2015	10-K	001-33977	10.21	11/20/2015
10.21*	Visa Directors Deferred Compensation Plan, as amended and restated as of July 22, 2014	10-K	001-33977	10.17	11/21/2014
10.22*	Visa Inc. 2007 Equity Incentive Compensation Plan, as amended and restated as of February 3, 2016	DEFA 14A	001-33977	Annex A	1/12/2016
10.23*	Visa Inc. Incentive Plan, as amended and restated as of February 3, 2016	DEF 14A	001-33977	Annex B	12/11/2015
10.24*	Visa Excess Thrift Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.31	11/21/2008
10.25*	Visa Excess Retirement Benefit Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.32	11/21/2008
10.26*	First Amendment, effective January 1, 2011, of the Visa Excess Retirement	10-K	001-33977	10.34	11/18/2011

	Benefit Plan, as amended and restated as of January 1, 2008				
10.27*	Visa Inc. Executive Severance Plan, effective as of November 3, 2010	8-K	001-33977	10.1	11/9/2010
10.28*	Visa Inc. 2015 Employee Stock Purchase Plan	DEF 14A	001-33977	Appendix B	12/12/2014
10.29*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 18, 2013	10-Q	001-33977	10.1	1/30/2014

10.30*	Form of Alternate Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 18, 2013	10-Q	001-33977	10.5	1/30/2014
10.31*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.40	11/21/2014
10.32*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.41	11/21/2014
10.33*	Form of Alternate Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.45	11/21/2014
10.34*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.1	1/28/2016
10.35*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.2	1/28/2016
10.36*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.3	1/28/2016
10.37*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for the CEO, for the Make-Whole Award.	10-K	001-33977	10.52	11/15/2016
10.38*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.1	1/31/2019
10.39*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.2	1/31/2019
10.40*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.3	1/31/2019
10.41*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for the CEO for awards granted after November 1, 2018	10-Q	001-33977	10.4	1/31/2019
10.42*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit	10-Q	001-33977	10.5	1/31/2019

	Award Agreement for awards granted after November 1, 2018				
10.43*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.6	1/31/2019

Table of Contents

10.44*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for awards granted after November 1, 2018	10-Q	001-33977	10.7	1/31/2019
10.45*	Form of Letter Agreement relating to Visa Inc. Executive Severance Plan	8-K	001-33977	10.2	11/9/2010
10.46*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2017	10-Q	001-33977	10.1	2/1/2018
10.47*	Offer Letter, dated October 17, 2016, between Visa Inc. and Alfred F. Kelly, Jr.	8-K	001-33977	99.1	10/21/2016
10.48*+	Amended and Restated Aircraft Time Sharing Agreement, effective November 1, 2019, between Visa Inc. and Alfred F. Kelly, Jr.				
21.1+	List of Significant Subsidiaries of Visa Inc.				
23.1+	Consent of KPMG LLP, Independent Registered Public Accounting Firm				
31.1+	Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2+	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1+	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2+	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	XBRL Instance Document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				

101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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† Confidential treatment has been requested for portions of this agreement. A completed copy of the agreement, including the redacted portions, has been filed separately with the SEC.

* Management contract, compensatory plan or arrangement.

+ Filed or furnished herewith.

Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the SEC upon request; provided, however, that the parties may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any document so furnished.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

VISA INC.

By:	/s/ Alfred F. Kelly, Jr.
Name:	Alfred F. Kelly, Jr.
Title:	Chairman and Chief Executive Officer
Date:	November 14, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Alfred F. Kelly, Jr. **Alfred F. Kelly, Jr.**	Chairman and Chief Executive Officer, and Director (Principal Executive Officer)	November 14, 2019
/s/ Vasant M. Prabhu **Vasant M. Prabhu**	Vice Chairman and Chief Financial Officer (Principal Financial Officer)	November 14, 2019
/s/ James H. Hoffmeister **James H. Hoffmeister**	Global Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	November 14, 2019
/s/ John F. Lundgren **John F. Lundgren**	Lead Independent Director	November 14, 2019
/s/ Lloyd A. Carney **Lloyd A. Carney**	Director	November 14, 2019
/s/ Mary B. Cranston **Mary B. Cranston**	Director	November 14, 2019
/s/ Francisco Javier Fernández-Carbajal **Francisco Javier Fernández-Carbajal**	Director	November 14, 2019
/s/ Robert W. Matschullat **Robert W. Matschullat**	Director	November 14, 2019
/s/ Denise M. Morrison **Denise M. Morrison**	Director	November 14, 2019
/s/ Suzanne Nora Johnson	Director	November 14, 2019

Suzanne Nora Johnson		
/s/ John A. C. Swainson	Director	November 14, 2019
John A. C. Swainson		
/s/ Maynard G. Webb, Jr.	Director	November 14, 2019
Maynard G. Webb, Jr.		

10-K 1 v093018.htm 10-K

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended September 30, 2018

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

logo.gif

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)**

(650) 432-3200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Class A common stock, par value $0.0001 per share	**New York Stock Exchange**
(Title of each Class)	**(Name of each exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act:

Class B common stock, par value $0.0001 per share
Class C common stock, par value $0.0001 per share

(Title of each Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer" "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Smaller reporting company ☐
Non-accelerated filer ☐	Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the registrant's class A common stock, par value $0.0001 per share, held by non-affiliates (using the New York Stock Exchange closing price as of March 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter) was approximately $214.1 billion. There is currently no established public trading market for the registrant's class B common stock, par value $0.0001 per share, or the registrant's class C common stock, par value $0.0001 per share.

As of November 9, 2018, there were 1,759,797,999 shares outstanding of the registrant's class A common stock, par value $0.0001 per share, 245,513,385 shares outstanding of the registrant's class B common stock, par value $0.0001 per share, and 11,706,272 shares outstanding of the registrant's class C common stock, par value $0.0001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2019 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ended September 30, 2018.

TABLE OF CONTENTS

Unless the context indicates otherwise, reference to “Visa,” “Company,” “we,” “us” or “our” refers to Visa Inc. and its subsidiaries.

“Visa” and our other trademarks referenced in this report are Visa’s property. This report may contain additional trade names and trademarks of other companies. The use or display of other companies’ trade names or trademarks does not imply our endorsement or sponsorship of, or a relationship with these companies.

Forward-Looking Statements:

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 that relate to, among other things, our future operations, prospects, developments, strategies and growth of our business; anticipated expansion of our products in certain countries; industry developments; expectations regarding litigation matters, investigations and proceedings; timing and amount of stock repurchases; sufficiency of sources of liquidity and funding; effectiveness of our risk management programs; and expectations regarding the impact of recent accounting pronouncements on our consolidated financial statements. Forward-looking statements generally are identified by words such as “believes,” “estimates,” “expects,” “intends,” “may,” “projects,” “could,” “should,” “will,” “continue” and other similar expressions. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in *Item 1—Business*, *Item 1A—Risk Factors*, *Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations* and elsewhere in this report. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

PART I

ITEM 1. Business

OVERVIEW

Sixty years ago, in September 1958, the first BankAmericard credit card was issued in Fresno, California. BankAmericard became Visa in 1976 and expanded globally. Ten years ago, in March 2008, Visa Inc. completed the largest initial public offering at that time on the New York Stock Exchange. These milestones have helped establish Visa as one of the world's leading payments technology companies.

Though Visa has evolved and grown over the course of the last six decades, our fundamental business model has remained the same:

- We provide transaction processing services (primarily authorization, clearing and settlement) to our financial institution and merchant clients through VisaNet, our global processing platform. During fiscal 2018, we saw 182 billion payments and cash transactions with Visa's brand, equating to an average of 500 million transactions a day. Of the 182 billion total transactions, 124.3 billion were processed by Visa.

- We offer a wide range of Visa-branded payment products, which our financial institution clients use to develop and offer core business solutions, credit, debit, prepaid and cash access programs for account holders (individuals, businesses and government entities). Our scale and reach are made possible by a network of 15,900 financial institution clients that issue Visa-branded products. During fiscal 2018, Visa's total payments and cash volume grew to $11.2 trillion and more than 3.3 billion cards were available worldwide to be used at nearly 54 million business and merchant locations.

- We provide other value-added services to our clients, including fraud and risk management, debit issuer processing, loyalty services, dispute management, digital services like tokenization, as well as consulting and analytics.

- We manage and promote our brands to the benefit of our clients and partners through advertising, promotional and sponsorship initiatives with the Olympic Games, FIFA and the National Football League, among others. We also use these sponsorship assets to showcase our payment innovations.

In recent years, we have evolved our organization to accelerate the migration of digital payments across new channels including ecommerce, mobile and wearables.

- We have adopted new digital payment and security technologies, such as contactless and tokenization.

- We have accelerated the pace of change in digital payments by making application programming interfaces (APIs) available in an effort to increase access to our network, products and services, offering innovation opportunities at our ten global innovation network locations, and building partnerships with new players, such as financial technology companies, commonly known as fintechs.

networka21.jpg

(1) Transacted on our payment products for the 12 months ended June 30, 2018

(2) As of June 30, 2018

(3) As of September 30, 2018

Two years ago, our industry reached a milestone when digital payments surpassed cash payments worldwide for the first time. Despite this growth, we have a significant opportunity to displace cash payments. In 2018, approximately $17 trillion of payments were conducted using cash and checks. There is additional opportunity among new payment flows, including person-to-person (P2P), business-to-business (B2B), business-to-consumer (B2C) and government-to-consumer (G2C) payments.

Visa's Network

Our four-party model seeks to facilitate secure, reliable and convenient transactions between financial institutions, merchants and account holders through our advanced transaction processing network, VisaNet. VisaNet authorizes, clears and settles a diverse range of payment transactions, and allows us to provide our financial institution and merchant clients with a wide range of products, platforms, and value-added services.

In recent years, we have broadened our network model to incorporate fintechs in an effort to deliver additional value to clients and consumers. As digital payments evolve, we are increasingly engaging new partners, including messaging platforms, technology providers, and device manufacturers to capture new payment flows.

We believe our network is core to the growth of our business and the expansion of digital commerce globally.

velecpmtnetworka05.jpg

Account holder and merchant relationships are managed primarily by our financial institution clients and merchant acquirers, including processors and independent service organizations.

Visa is not a financial institution. We do not issue cards, extend credit, or set rates and fees for account holders of Visa products. We do not earn revenues from, or bear credit risk with respect to, interest or fees paid by account holders on Visa products. Interchange reimbursement fees represent a transfer of value between the financial institutions participating in our open-loop payments network. We administer the collection and remittance of interchange reimbursement fees through the settlement process, but we generally do not receive any revenue related to interchange reimbursement fees. In addition, we do not receive as revenue the fees that merchants are charged directly for acceptance by their acquirers.

Table of Contents

Strategic Focus

Visa's vision — to be the best way to pay and be paid, for everyone, everywhere — guides our purpose. Our mission — to connect the world through the most innovative, reliable, and secure payments network, enabling individuals, businesses, and economies to thrive — is underpinned by seven strategic pillars:

pillars.jpg

Transform Technology

Visa is a technology company. In recent years, we have shifted our proprietary technology architecture to a more open architecture across our software, hardware and networking platforms. The Visa Developer Platform provides application developers with access to certain of Visa's products, services and technology via APIs, in an effort to enable business partners to create new commerce experiences and increase the speed and depth of payment innovations that leverage Visa's products, services and technology.

Champion Security

We have focused many of our investments, partnerships, and expertise to enhance the security of our network, and to enable consumers and businesses to pay and be paid with confidence. As payment methods evolve, we are focused on the following four areas:

- Protecting payment data with a payments architecture that complies with industry standards
- Rendering sensitive payment data useless by deploying technologies such as EMV® chip, EMV tokenization, and encryption
- Using predictive analytics, artificial intelligence, and insights in an effort to identify and prevent fraud before it happens
- Empowering consumers to actively protect their own financial information and transactions

paymentsecuritya04.jpg

Leverage our World-class Brand

The Visa brand is one of the world's most recognized, trusted, and valuable brands. Anchored on the notion that Visa is "everywhere you want to be," we believe the brand stands for acceptance, security, convenience, speed, and reliability. In recognition of its strength among clients and consumers, the Visa brand is ranked highly in a number of brand studies, including BrandZ Top 100 Most Valuable Global Brands Study, Forbes World's Most Valuable Brands, Interbrand's Best Global Brands, and YouGov Brand Index. Our brand strength helps us to deliver added value to financial institutions, merchants, clients and partners through compelling brand expressions, a wide-range of products and services, and innovative marketing efforts.

Develop the Best Talent

Visa's employees are one of our most important assets. Visa's approximately 17,000 employees in 119 locations across the world embody our vision and drive our growth. As a truly global enterprise with the integration of Visa Europe, we are adding new talent and expertise to Visa. At the same time, Visa is building a culture of empowered leadership. This focus is intended to provide functional and market leaders greater autonomy and authority to respond quickly and decisively to the needs of our clients and innovate to capture new digital commerce opportunities.

Drive Digital

Visa transactions today take place across a variety of devices and transaction types. Visa has developed various products, partnerships and platforms in an effort to enable fast and secure commerce on cards, phones, laptops and other form factors. Visa offers a token service, which can be used to replace payment card account numbers with a unique one-time use code, or token, in an effort to make transactions more secure. In doing so, we aim to increase consumer confidence in the security of devices and other solutions that are used to initiate and make payments.

In parallel, Visa is supporting and enabling our clients and partners to harness digital commerce opportunities through Visa Digital Solutions. Visa Digital Solutions is a growing portfolio of Visa payment services and authentication technologies that enable tokenization, online commerce and push payment services to be securely embedded in new products. Our growing portfolio of Visa payment services and authentication technologies enable tokenization and online commerce as well as facilitate secure, cost-effective P2P, B2C, B2B and G2C payment services.

Deepen Partnerships

Visa's business has been built on a foundation of long-standing and mutually-beneficial partnerships. We seek to differentiate our relationships with our clients by offering access to our global network, payment products, value-added services and payment expertise. We have also expanded our partnerships to include technology leaders, governments, non-governmental organizations and fintechs.

Expand Access

The core of Visa's mission — to connect the world — is based on the belief that everyone, everywhere should have access to the speed, convenience and reliability of digital payments.

Table of Contents

Despite the best efforts of governments and the private sector, an estimated 1.7 billion people worldwide lack access to safe and reliable financial services. Mobile connectivity, new acceptance devices untethered to landline infrastructure and new partnerships are enabling digital payments in remote and challenging environments.

In 2018, we made a strategic decision to focus much of our social impact efforts on enabling micro and small enterprises to succeed. Visa and the Visa Foundation are committed to help low-income, financially underserved micro and small enterprises around the world. This initiative is good for small enterprises and the global economy. Sixty-five percent of all new private sector jobs in the U.S. and 60 percent of new jobs in developing economies are in the small and micro-business sector.

Fiscal 2018 Key Statistics

keystatsa12.jpg(1) Please see *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations* for a reconciliation of our adjusted
financial results.

(2) For the 12 months ended June 30, 2018, upon which fiscal 2018 service revenues are based.

KEY INITIATIVES

Visa Europe Integration

In fiscal 2018, we completed the final stages of the Visa Europe technology migration, which was a multi-year process that brought our European clients onto VisaNet. The unified global platform aims to increase the speed-to-market, resilience and availability of innovative solutions to our European clients. As a result, clients will see expanded services including greater support of Visa Direct transactions, real-time risk management, tokenization and global dispute capabilities. In addition, we migrated the fraud scoring and case management service in Europe to our global platform. Clients will benefit from a unified security architecture built on multiple redundant layers of cyber defense designed to protect them from data security breaches and service disruptions.

Interchange Multidistrict Litigation

We reached a damages class settlement in the U.S. interchange multidistrict litigation (MDL) in September 2018. The settlement has been submitted to the district court for preliminary approval, and following such approval, merchant class members will be given the opportunity to opt out of or object to the settlement. The district court will then determine whether to finally approve the settlement. This damages class settlement does not resolve the injunctive relief class claims seeking modifications to network rules. See *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report for a discussion of the MDL.

Table of Contents

How We Work with Partners – Global Innovation Network, Visa Developer Platform, Certifications, and Startups

Our global innovation network with ten locations in key markets such as Dubai, London, Miami, San Francisco, and Singapore fosters collaboration with our financial institution and merchant clients, partners, and developers to help spur the creation of innovative payment and commerce applications and solutions. By providing access to Visa capabilities through APIs, the Visa Developer Platform is designed to enable global partners to transform ideas into new digital commerce, payment, or related experiences or solutions. For example, the Visa Everywhere Initiative is a global innovation program active in more than 80 countries since 2015 that tasks start-ups to solve commerce challenges, further enhance their own product propositions and provide new solutions for our network of partners.

We also make investments in companies around the world that we believe may further our vision and strategic objectives, support deeper engagement with key partners, or expand access to payment solutions worldwide. In 2018, we made several investments in the fintech industry and unveiled a new program in Europe, which we are implementing around the world, called fintech fast-track. The fintech fast-track program provides an accelerated and simplified onboarding process for startup and early growth-stage companies to become Visa issuers. In addition, through the Visa Ready certification program, we provide the structure that allows partners to introduce devices, software, and solutions that can securely initiate or accept Visa payments.

Separately, Visa also launched an investment program to invest up to $100 million to support the fintech ecosystem with the focus on supporting start-up businesses that are innovating in open banking and those using emerging technologies that have the potential to create new commerce experiences.

PRODUCTS & SERVICES

For decades, our growth has been driven by the strength of our core business solutions, credit, debit, and prepaid products, as well as our global ATM network. The ability to access available funds, a line of credit, or a prepaid account has provided consumers and businesses flexibility and convenience.

Core Products

Business Solutions: We offer a portfolio of business payment solutions including small business, corporate (travel) cards, purchasing cards, virtual accounts, and disbursement accounts covering most major industry segments around the world. Business solutions are designed to bring efficiency, controls, and automation to small businesses, commercial and government payment processes, ranging from employee travel to fully integrated, invoice-based payables.

Credit: Credit cards are issued by financial institutions to allow consumers and businesses to access credit to pay for goods and services. Visa does not extend credit; however, we provide combinations of card benefits, including technology, authorization, fraud tools, and brand support that financial institutions use to enable their credit products. We also partner with our clients on product design, consumer segmentation, and consumer experience design to help financial institutions better deliver products and services that match their consumers' needs.

Debit: Debit cards are issued by financial institutions to allow consumers and small businesses to purchase goods and services using funds held in their demand deposit accounts. Debit cards enable cardholders to transact — in person, online, or via mobile — without needing cash or checks and without accessing a line of credit. Visa provides a strong brand; the network infrastructure and processing; acceptance; product features and support; risk tools and services; and industry expertise to help issuers optimize their debit offerings.

Prepaid: Prepaid products draw from a designated balance funded by individuals, corporations, or governments. Prepaid cards address many consumer-use cases and needs including, general purpose reloadable, payroll, government and corporate disbursements, healthcare, gift, and travel. Prepaid cards also play an important part in financial inclusion, bringing payment solutions to those with limited or no access to traditional banking products.

Global ATM: The Visa/PLUS Global ATM network provides account holders with convenient cash access in more than 200 countries and territories worldwide through issuing and acquiring partnerships with both financial institutions and independent ATM operators.

Processing Infrastructure

VisaNet is designed to be one of the world's most secure, reliable and interoperable global payments networks. VisaNet is built on a high-performance architecture that allows us to analyze each authorization we process in real time and provide value-added processing services such as risk scoring and tokenization. It provides the infrastructure for delivering innovation and other payment system enhancements for domestic payments and cross-border international transactions globally.

VisaNet consists of five main areas:

Software: Sitting at the center of Visa's technology platform is a set of commercial software applications powering authorization, clearing, and settlement, as well as value-added services for our clients.

Hardware: Our software runs on powerful servers, mainframes and data storage systems that are capable of processing more than 65,000 transaction messages per second.

Processing Centers: Our hardware resides in four global processing centers, which are located on three continents. Our global processing centers are designed to synchronize in real time, so that if one system encounters an issue, transactions are rerouted almost instantly and automatically to another.

Telecommunications: We connect our clients and partners to VisaNet through a global, private telecommunications network that is designed for redundancies and to provide security and availability of our products and services.

Security: Finally, we have multiple layers of advanced security tools to protect our technology footprint at the enterprise, network, operating system, and application levels. To strengthen our security and cyber defenses, we continue to deploy new tools and measures to help safeguard our network and the wider ecosystem from hackers and cyber-attacks.

Together, these systems are designed to deliver security, convenience and service that our account holders, clients and partners expect of the Visa brand.

Digital Product

Visa Direct: Visa Direct is our push payment platform that facilitates fund transfers by our financial institution clients which allows businesses, governments, and consumers to utilize VisaNet processing capabilities to transfer funds from an originating account to another account via card credentials. The transfer is made with the same level of security protection, network reliability and ease-of-use that Visa uses for other types of transactions. Push payments represent one of our biggest incremental payment flow opportunities. This global platform enables faster payments solutions for a range of new use cases, including P2P, B2B and B2C disbursements, cross-border remittances and bill pay.

Visa Direct is currently operating in more than 150 countries. Over seventy of those countries are enabled for fast funds acceptance through Visa Direct, with funds typically posted in seconds and no longer than 30 minutes. Global growth for Visa Direct means enabling acquirers, processors, and merchants to leverage their existing network connections to build new services, capabilities, and solutions with global scale and reach.

In certain emerging markets, push payments allow consumers to use their enabled mobile applications to "push" money to a business account conveniently using an alias (e.g. QR code), for payment of goods and services. Visa's QR code scan-to-pay functionality enables low-cost, quick to market alternatives for promoting digital payment acceptance at small and medium size merchants.

Visa Token Service: The Visa Token Service (VTS) replaces sensitive account information, such as the 16-digit account number, with a unique digital identifier called a token. The token enables payments to be initiated and communicated to Visa without the account holder or acquirer being required to expose personal account numbers (PANs) that could be compromised.

In fiscal 2018, we expanded VTS presence in ten new markets for a total of 40 markets. We also enabled more than 20 new global and regional token requestors in fiscal 2018. Because of the added security measures, token transactions tend to have lower rates of fraud and higher rates of authorization than PANs, a key value proposition for clients to implement and use tokens. This year, we also signed several significant merchants and gateways to use or otherwise participate in our token service. By expanding access to the Visa Token Service to new partners, we expect Visa issuers and other partners to offer or enable secure digital payments across an increasing range of solutions and circumstances.

Visa Checkout: Visa Checkout offers consumers an expedited and secure payment experience for online and mobile transactions. This is particularly important as digital commerce continues to shift from desktop devices to mobile devices, where shoppers have higher abandonment rates of their items in their shopping carts. At the end of fiscal 2018, Visa Checkout has over 40 million consumer accounts in 26 countries, driven by growth in Europe and the United States. We also launched Visa Checkout Open Platform (VCOP) in fiscal 2017. VCOP allows digital wallet partners to integrate with Visa Checkout, thereby providing consumers with improved online and in-application payment services. In doing so, consumers have additional options for paying online. We plan to start migrating our Visa Checkout users in select markets to Secure Remote Commerce in mid- to late-2019.

Secure Remote Commerce: In 2018, we announced our support of the EMV Secure Remote Commerce (SRC) specifications and the creation of the Visa Digital Commerce Program (Visa DCP). Our Visa DCP platform is an implementation of the EMV Secure Remote Commerce technical framework and specifications that enables a merchant to provide a consistent, streamlined digital checkout experience to consumers, including a common acceptance mark, and to obtain secure customer payment information and enhance the security for digital transactions and stored credentials. Visa DCP includes Visa's SRC and Visa Token Service platforms. Visa DCP is planned for launch in the middle of 2019.

Contactless

Contactless payments allow consumers to tap-to-pay with a card or near field communication (NFC) enabled device at a terminal enabled with NFC technology. Contactless technology offers consumers an additional checkout option while providing the same security as an EMV chip card and helps merchants move customers through their check-out lines faster. At the end of fiscal 2018, nearly one in four of all face-to-face Visa domestic transactions running over our global network were contactless, up from 15% at the end of fiscal 2017. In many parts of the globe, including most of Europe, Canada, and parts of Asia, contactless is mature and accounts for more than half of all face-to-face transactions.

Additionally, contactless payments could provide new payment opportunities in areas such as transit. Transport for London has now seen over 1.7 billion contactless journeys and Translink in Vancouver and Milan Metro launched in the summer of 2018. Additionally, many other transit agencies globally have announced plans to launch contactless payments (e.g. New York Metropolitan Transportation Authority, Singapore Land Transport Authority and Metro Rio). In 2018, we focused on growing contactless card issuance and enabling contactless acceptance in under-penetrated markets, such as the United States.

Merchant Products

We have a suite of products and services to help merchants reduce their payment fraud and improve customer loyalty. Visa Commerce Network, and CyberSource's product offerings are examples of Visa's continued investment to deliver industry-leading products and capabilities to our merchant partners.

Visa Commerce Network uses our global payments network to enable merchants to promote relevant offers to acquire new customers, drive loyalty, and increase sales. For example, Uber and Visa Commerce Network have partnered to introduce Visa Local Offers, a card-linked offer program that rewards enrolled U.S. Visa account holders for shopping at thousands of featured merchants in the United States. Uber credits are awarded to the riders' Uber accounts on qualifying purchases – eliminating the need for coupons or promo codes.

The CyberSource platform enables merchants to accept payments online, in-app or on the mobile web, and in-person. CyberSource's small business solutions are represented by the Authorize.Net brand in North America. CyberSource provides modular, digital capabilities far beyond the traditional gateway function of connecting merchants to payment processing. Using CyberSource services, merchants of all sizes can improve the way their consumers engage and transact, mitigate fraud and security risk, lower operational costs and adapt to changing business requirements. CyberSource's global footprint lets merchants accept payments in over 200 countries and territories across the world and includes a broad choice of acquirer and processor partners, payment types and hardware components. Merchants connect to CyberSource directly through APIs or via pre-built integrations to various ecommerce and point-of-sale platforms. Similarly, CyberSource offers the same technology platform to support acquirers as well as comprehensive payment management solutions and support to attract, retain, and grow their merchant base.

Risk Products & Payment Security Initiatives

We continue to develop our suite of risk products and solutions to help financial institution and merchant clients minimize risk and enable secure commerce. 3-D Secure technology is a fraud detection protocol which provides a data connection between digital merchants, payment networks and financial institutions to be able to analyze and share more intelligence information about transactions to boost security and improve the checkout and user experience. The 3-D Secure standard has been updated and will modernize online security, fully embracing the benefit of always-on connectivity across multiple devices. The new standard will enable ten times more data to be exchanged between financial institutions and merchants, allowing our clients to have greater accuracy in identifying both legitimate and fraudulent transactions.

We are also advancing the adoption of biometric authentication as a more secure alternative to passwords, which can be guessed or stolen. To help financial institutions and merchants more quickly adopt emerging biometric authentication solutions, we launched Visa ID Intelligence, a platform that provides a curated selection of leading third-party authentication technologies. Our clients can create, test and adopt new authentication solutions with simple integrations using Visa APIs and software developer's kits.

Financial data security breaches continue to drive financial institution and merchant losses and can undermine consumer confidence in digital payments. We are investing in more proactive malware and threat identification to help stop fraud and data loss before it occurs. Through our eCommerce Threat Disruption (eTD) capability, we can trace malicious servers and identify compromised merchant websites where skimmer code may have been injected. We have already successfully disrupted criminal servers driving ecommerce merchant compromises. We also conduct testing to identify possible future threats in the context of known vulnerabilities and provide clients with actionable threat intelligence.

We are also providing more robust data-driven insights that help our clients improve their fraud and authorization performance. Visa's data analytics capabilities and interactive delivery platforms enable our clients to assess their performance relative to peers and test alternate fraud procedures to model possible improvements.

In addition to our new initiatives, we continue to improve existing products and services such as Visa Risk Manager, Visa Advanced Authorization, Visa Mobile Location Confirmation, Visa Consumer Controls and Visa Transaction Advisor, which provide data driven tools to issuers, acquirers and merchants to detect and prevent fraud and improve account holder and transaction authentication, as well as providing account holders the ability to track and manage their payment activity on enrolled accounts.

Beyond our risk products and solutions, we continue to work with the Payment Card Industry Security Standards Council, EMVCo, and other industry standards organizations to develop and support standards for payment data security, EMV Chip payment technology, EMV Payment Tokenization, EMV SRC and EMV 3-D Secure. We also partner with financial institutions, merchants, governments, and law enforcement agencies to help identify fraud and share information about security best practices, threat intelligence, and legal and regulatory developments.

NET OPERATING REVENUES

Our gross revenues consist of service revenues, data processing revenues, international transaction revenues, and other revenues. Net operating revenues are gross revenues reduced by costs incurred under client incentive arrangements. We have one reportable segment, Payment Services.

Revenue Details

revenuea06.jpg

COMPETITION

The global payments industry continues to undergo dynamic change. Existing and emerging competitors compete with Visa's network and payment solutions for consumers and for participation by financial institutions and merchants. Technology and innovation are shifting consumer habits and driving growth opportunities in ecommerce, mobile payments, blockchain technology and digital currencies. These advances are enabling new entrants, many of which depart from traditional network payment models. In certain countries, the evolving regulatory landscape is changing how we compete, creating local networks, or enabling additional processing competition.

We compete against all forms of payment. This includes paper-based payments, primarily cash and checks, and all forms of electronic payments. Our electronic payment competitors principally include:

Global or Multi-Regional Networks, which typically offer a range of branded, general purpose card payment products that can be used at millions of merchant locations around the world. Examples include MasterCard, American Express, Discover, JCB, and UnionPay. These competitors may be more concentrated in specific geographic regions, such as JCB in Japan and Discover in the United States, or have a leading position in certain countries. For example, UnionPay operates the sole domestic acceptance mark in China and is expanding into other global markets. See *Item 1A—Risk Factors—Regulatory Risks—Government-imposed restrictions on international payment systems may prevent us from competing against providers in certain countries, including significant markets such as China, India and Russia.* Based on available data, Visa is one of the largest retail electronic funds transfer networks used throughout the world. The following chart compares our network with these network competitors for calendar year 2017[(1)]:

competitiona18.jpg

(1) UnionPay, which operates primarily within the Chinese domestic market, is not included in this table as Visa currently does not compete in that market under local law. Although we are uncertain how UnionPay reports certain volumes, reportedly its numbers could approach or exceed some of those listed in this chart.

(2) The data presented are provided by our financial institution clients. Previously submitted information may be updated and all data are subject to review by Visa.

(3) MasterCard, American Express, JCB and Discover/Diners Club data sourced from The Nilson Report issue 1130 (April 2018). Includes all consumer and commercial credit, debit and prepaid cards. Some figures are estimates and currency figures are in U.S. dollars. MasterCard excludes Maestro and Cirrus figures. American Express includes figures for third-party issuers. Discover figures consist of U.S. data only and include third-party issuers. JCB figures include third-party issuers and other payment-related products.

Local and regional networks, that operate in many countries, often with the support of government influence or mandate. In some cases, they are owned by financial institutions. These networks typically focus on debit payment products and may have strong local acceptance, and recognizable brands. Examples include STAR, NYCE, and Pulse in the United States, Interac in Canada, EFTPOS in Australia and Mir in Russia.

Alternate Payment Providers, which often have a primary focus of enabling payments through ecommerce and mobile channels, but are expanding or may expand their offerings to the physical point of sale. These companies may process payments using in-house account transfers between parties, electronic funds transfer networks like the Automated Clearing House (ACH), global or local networks like Visa, or some combination of the foregoing. In some cases, these entities are both a partner and a competitor to Visa. Examples of alternate payment providers include PayPal, Alipay, and WeChat. Alipay and WeChat Pay are among the fastest growing mobile payment providers in the world and pose a competitive challenge to Visa and other international networks outside of China.

Other Electronic Payments Networks like the ACH in the United States are often regulated by local governments. Historically focused on interbank transfers, many are adding capabilities that may make them more competitive for retail payments. MasterCard acquired VocaLink Holdings Limited in 2016, which provides faster payments and alternative payments technology that competes with our Visa Direct offering, among other things. We also compete with closed-loop payment systems, emerging payments networks, wire transfers, and electronic benefit transfers.

Payment Processors, which we compete with for the processing of Visa transactions or which may benefit from mandates requiring them to handle processing under local regulation. For example, as a result of regulation in Europe under the Interchange Fee Regulation (IFR), we may face competition from other networks, processors, and other third-parties who could process Visa transactions directly with issuers and acquirers.

We believe our fundamental value proposition of acceptance, security, convenience, speed, and reliability offers us a key competitive advantage. We succeed in part because we understand the needs of the individual markets in which we operate and partner with local financial institutions, merchants, governments, non-governmental organizations, and business organizations to provide tailored solutions. We believe Visa is well-positioned competitively, due to our global brand, our broad set of Visa-branded payment products, and our proven track record of processing payment transactions securely and reliably through VisaNet.

SEASONALITY

We generally do not experience any pronounced seasonality in our business. No individual quarter of fiscal 2018 or fiscal 2017 accounted for more than 30% of our operating revenues in those years.

WORKING CAPITAL

Payments settlement due to and from our financial institution clients can represent a substantial daily working capital requirement. Most U.S. dollar settlements are settled within the same day and do not result in a receivable or payable balance, while settlement in currencies other than the U.S. dollar generally remain outstanding for one to two business days, which is consistent with industry practice for such transactions.

GOVERNMENT REGULATION

As a global payments technology company, we are subject to complex and evolving global regulations in the various jurisdictions in which our products and services are used. The most significant government regulations that impact our business are discussed below. For further discussion of how global regulations may impact our business, see *Item 1A—Risk Factors—Regulatory Risks.*

Anti-corruption, Anti-money Laundering, Anti-terrorism, and Sanctions. We are subject to anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and other laws that generally prohibit the making or offering of improper payments to foreign government officials and political figures for the purpose of obtaining or retaining business or to gain an unfair business advantage. We are also subject to anti-money laundering and anti-terrorist financing laws and regulations, including the U.S. Bank Secrecy Act. In addition, we are subject to economic and trade sanctions programs administered by the Office of Foreign Assets Control (OFAC) in the United States. Therefore, we do not permit financial institutions or other entities that are domiciled in countries or territories subject to comprehensive OFAC trade sanctions (currently, Cuba, Iran, North Korea, Syria, and Crimea), or that are included on OFAC's list of Specially Designated Nationals and Blocked Persons, to issue or acquire Visa cards or engage in transactions using our services.

Government-imposed Market Participation and Restrictions. Certain governments, including China, India, Indonesia, Russia, Thailand and Vietnam, have taken actions to advantage domestic payments systems and/or certain issuers, payments networks, or processors, including by imposing regulations that favor domestic providers, impose local ownership requirements on processors, require data localization, or mandate domestic processing be done in that country.

Table of Contents

Interchange Rates and Fees. An increasing number of jurisdictions around the world regulate or influence debit and credit interchange reimbursement rates in their regions. For example, the Dodd-Frank Wall Street Reform and Consumer Act (Dodd-Frank Act) in the United States limits interchange reimbursement rates for certain debit card transactions, the European Union's (EU) IFR limits interchange rates in Europe (as discussed below) and the Reserve Bank of Australia and the Central Bank of Brazil regulate average permissible levels of interchange.

Internet Transactions. Many jurisdictions have adopted regulations that require payments system participants to monitor, identify, filter, restrict, or take other actions with regard to certain types of payment transactions on the Internet, such as gambling and the purchase of cigarettes or alcohol.

Network Exclusivity and Routing. In the United States, the Dodd-Frank Act limits network exclusivity and preferred routing arrangements for the debit and prepaid market segments. Other jurisdictions impose similar limitations, such as the IFR's prohibition on restrictions that prevent multiple payment brands or functionality on the same card.

No-surcharge Rules. We have historically enforced rules that prohibit merchants from charging higher prices to consumers who pay using Visa products instead of other means. However, merchants' ability to surcharge varies by geographic market as well as Visa product type, and continues to be impacted by litigation, regulation, and legislation.

Privacy and Data Protection. Aspects of our operations or business are subject to privacy, data use and data security regulations, which impact the way we use and handle data, operate our products and services, and even impact our ability to offer a product or service. In addition, regulators are proposing new laws or regulations which could require Visa to adopt certain cybersecurity and data handling practices. In many jurisdictions consumers must be notified in the event of a data security breach, and such notification requirements continue to increase in scope and cost. The changing privacy laws in the United States (e.g. California Consumer Privacy Act), Europe, Brazil and elsewhere, including the adoption by the European Union of the General Data Protection Regulation (GDPR) effective in May 2018, create new individual privacy rights and impose increased obligations on companies handling personal data.

Supervisory Oversight of the Payments Industry. Visa is subject to financial sector oversight and regulation in substantially all of the jurisdictions in which we operate. In the United States, for example, the Federal Financial Institutions Examination Council (FFIEC) has supervisory oversight over Visa under applicable federal banking laws and policies as a technology service provider to U.S. financial institutions. The federal banking agencies comprising the FFIEC are the Federal Reserve Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the National Credit Union Administration. Visa also may be separately examined by the Bureau of Consumer Financial Protection as a service provider to the banks that issue Visa-branded consumer credit and debit card products. Central banks in other countries, including Russia, Ukraine, and the United Kingdom (as discussed below), have recognized or designated Visa as a retail payment system under various types of financial stability regulations. Visa is also subject to oversight by banking and financial sector authorities in other jurisdictions, such as Brazil and Hong Kong.

European Regulations and Supervisory Oversight. Visa Europe continues to be subject to complex and evolving regulation in the European Economic Area. Visa Europe has been designated as a Recognized Payment System in the United Kingdom, bringing it within the scope of the Bank of England's supervisory powers and subject to various requirements, including on issues such as governance and risk management designed to maintain the stability of the United Kingdom's financial system. Visa Europe is also subject to the European Central Bank's oversight, whose main focus is on the functioning of card payments, as well as the security, operational reliability, and business continuity of the schemes and their payment instruments. Furthermore, Visa Europe is regulated by the United Kingdom's Payment Systems Regulator (PSR), which has wide ranging powers and authority to review our business practices, systems, rules and fees with respect to promoting competition and innovation in the United Kingdom, and ensuring payments meet account holder needs. The PSR is also the regulator responsible for monitoring Visa Europe's compliance with the IFR in the United Kingdom. The IFR regulates interchange rates within Europe, requires Visa Europe to separate its payment card scheme activities from processing activities for accounting, organization, and decision-making purposes within the European Union and imposes limitations on network exclusivity and routing. National competent authorities in the EU are responsible for monitoring and enforcing the IFR in their markets.

There are other regulations in the European Union that impact our business, as discussed above, including, privacy and data protection, anti-bribery, anti-money laundering, anti-terrorism and sanctions. Other recent regulatory changes in Europe such as the second Payment Services Directive (PSD2) require, among other things, that our financial institution clients provide certain customer account access rights to emerging non-financial institution players. PSD2 also includes strong customer authentication requirements for certain transactions that could impose both operational complexity on Visa and negatively impact consumer payment experiences.

As discussed in *Item 1A—Risk Factors—Business Risks—The United Kingdom's withdrawal from the European Union could harm our business and financial results,* Brexit could lead to further legal and regulatory complexity in Europe.

Additional Regulatory Developments. Various regulatory agencies also continue to examine a wide variety of other issues, including mobile payment transactions, tokenization, access rights for non-financial institutions, money transfer, identity theft, account management guidelines, disclosure rules, security, and marketing that could affect our financial institution clients and us. Furthermore, following the passage of PSD2 in Europe, several countries, including Australia, Canada, Hong Kong and Mexico are contemplating granting various types of access rights to third party processors, including access to consumer account data maintained by our financial institution clients, which could have implications for our business as well.

ADDITIONAL INFORMATION

Visa Inc. was incorporated in Delaware in May 2007 and we completed our initial public offering in March 2008. Prior to 2007 when Visa was reorganized, Visa served its member financial institutions through Visa International and regional member-owned associations (e.g., Visa U.S.A. Inc., Visa Canada Corporation). As part of the 2007 reorganization, these associations became a part of Visa Inc. in October 2007, with the exception of Visa Europe Limited, which continued to operate as an association until our acquisition in June 2016.

AVAILABLE INFORMATION

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act) and its rules and regulations. The Exchange Act requires us to file periodic reports, proxy statements and other information with the U.S. Securities and Exchange Commission (SEC). Copies of these reports, proxy statements and other information can be viewed at *http://www.sec.gov*. Our corporate website is accessible at *http://corporate.visa.com*. We make available, free of charge, on our investor relations website at *http://investor.visa.com* our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. We also may include supplemental financial information on our investor relations website at *http://investor.visa.com* and may use this website as a means of disclosing material, non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor such portions of our investor relations website, in addition to following SEC filings and publicly available conference calls. The information contained on, or accessible through, our corporate website, including the information contained on our investor relations website, is not incorporated by reference into this report or any other report filed with, or furnished to, the SEC.

ITEM 1A. Risk Factors

Regulatory Risks

We are subject to complex and evolving global regulations that could harm our business and financial results.

As a global payments technology company, we are subject to complex and evolving regulations that govern our operations. See *Item 1—Business—Government Regulation* for more information on the most significant areas of regulation that affect our business. The impact of these regulations on us, our clients, and other third parties could limit our ability to enforce our payments system rules; require us to adopt new rules or change existing rules; affect our existing contractual arrangements; increase our compliance costs; require us to make our technology or intellectual property available to third parties, including competitors, in an undesirable manner; and reduce our revenue opportunities. As discussed in more detail below, we may face differing rules and regulations in matters like interchange reimbursement rates, preferred routing, domestic processing requirements, currency conversion, point-of-sale transaction rules and practices, privacy, data use or protection, and associated product technology. As a result, the Visa operating rules and our other contractual commitments may differ from country to country or by product offering. Complying with these and other regulations increases our costs and could reduce our revenue opportunities.

If widely varying regulations come into existence worldwide, we may have difficulty rapidly adjusting our product offerings, services, fees, and other important aspects of our business in the various regions where we operate. Our compliance programs and policies are designed to support our compliance with a wide array of regulations and laws, such as anti-money laundering, anti-corruption, competition, privacy and sanctions, and we continually enhance our compliance programs as regulations evolve. However, we cannot guarantee that our practices will be deemed compliant by all applicable regulatory authorities. In the event our controls should fail or we are found to be out of compliance for other reasons, we could be subject to monetary damages, civil and criminal penalties, litigation, investigations and proceedings, and damage to our global brands and reputation. Furthermore, the evolving and increased regulatory focus on the payments industry could negatively impact or reduce the number of Visa products our clients issue, the volume of payments we process, our revenues, our brands, our competitive positioning, our ability to use our intellectual property to differentiate our products and services, the quality and types of products and services we offer, the countries in which our products are used, and the types of consumers and merchants who can obtain or accept our products, all of which could harm our business.

Increased regulation of the global payments industry, including with respect to interchange reimbursement fees, operating rules, risk management protocols and other related practices, could harm our business.

Regulators around the world have been establishing or increasing their authority to regulate certain aspects of the payments industry. See *Item 1. Business —Government Regulation* for more information. In the United States and many other jurisdictions, we have historically set default interchange reimbursement fees. Even though we generally do not receive any revenue related to interchange reimbursement fees in a payment transaction (in the context of credit and debit transactions, those fees are paid by the acquirers to the issuers; the reverse is true for certain transactions like ATM), interchange reimbursement fees are a factor on which we compete with other payments providers and are therefore an important determinant of the volume of transactions we process. Consequently, changes to these fees, whether voluntarily or by mandate, can substantially affect our overall payments volumes and revenues.

Interchange reimbursement fees, certain operating rules and related practices continue to be subject to increased government regulation globally, and regulatory authorities and central banks in a number of jurisdictions have reviewed or are reviewing these fees, rules, and practices. For example, regulations adopted by the U.S. Federal Reserve cap the maximum U.S. debit interchange reimbursement rate received by large financial institutions at 21 cents plus 5 basis points per transaction, plus a possible fraud adjustment of 1 cent. The Dodd-Frank Act also limits issuers' and our ability to adopt network exclusivity and preferred routing in the debit and prepaid area, which also impacts our business. The EU's IFR places an effective cap on consumer credit and consumer debit interchange fees for both domestic and cross-border transactions within Europe (30 basis points and 20 basis points, respectively). EU member states have the ability to further reduce these interchange levels within their territories. More recently, countries in Latin America have also adopted interchange caps. For example, in March 2017, Argentina's central bank passed regulations that cap interchange fees on credit and debit transactions. In March 2018, Brazil adopted interchange caps on debit transactions.

When we cannot set default interchange reimbursement rates at optimal levels, issuers and acquirers may find our payments system less attractive. This may increase the attractiveness of other payments systems, such as our competitors' closed-loop payments systems with direct connections to both merchants and consumers. We believe some issuers may react to such regulations by charging new or higher fees, or reducing certain benefits to consumers, which make our products less appealing to consumers. Some acquirers may elect to charge higher merchant discount rates regardless of the Visa interchange reimbursement rate, causing merchants not to accept our products or to steer customers to alternate payments systems or forms of payment. In addition, in an effort to reduce the expense of their payment programs, some issuers and acquirers have obtained, and may continue to obtain, incentives from us, including reductions in the fees that we charge, which may directly impact our revenues.

In addition to the regulation of interchange reimbursement fees, a number of regulators impose restrictions on other aspects of our payments business. For example, governments such as in India may use regulation to further drive down merchant discount rates, which could negatively affect the economics of our transactions. Similarly, the Payment System Regulator's review of the acquiring market in the United Kingdom could lead to additional regulatory pressure on our business. With increased merchant lobbying, we could also begin to see regulatory interest in network fees. Government regulations or pressure may also require us to allow other payments networks to support Visa products or services, or to have the other network's functionality or brand marks on our products. As innovations in payment technology have enabled us to expand into new products and services, they have also expanded the potential scope of regulatory influence. In addition, the European Union's requirement to separate scheme and processing adds costs and impacts the execution of our commercial, innovation and product strategies.

We are also subject to central bank oversight in some markets, including, Brazil, Russia, the United Kingdom and within the European Union. This oversight could result in new governance, reporting, licensing, cybersecurity, processing infrastructure, capital, or credit risk management requirements. We could also be required to adopt policies and practices designed to mitigate settlement and liquidity risks, including increased requirements to maintain sufficient levels of capital and financial resources locally, as well as localized risk management or governance. Increased central bank oversight could also lead to new or different criteria for participation in and access to our payments system, including allowing non-traditional financial technology companies to act as issuers or acquirers. Additionally, regulators in other jurisdictions are considering or adopting approaches based on similar regulatory principles.

As we develop new product and service offerings to support our clients, the potential scope of regulatory obligations and scrutiny could also increase. For instance, new products and capabilities, including tokenization, and mobile and push payments, could bring increased licensing or authorization requirements in the countries where the product or capability is offered.

Finally, regulators around the world increasingly take note of each other's approaches to regulating the payments industry. Consequently, a development in one jurisdiction may influence regulatory approaches in another. The risks created by a new law or regulation in one jurisdiction have the potential to be replicated and to negatively affect our business in another jurisdiction or in other product offerings. Similarly, new regulations involving one product offering may prompt regulators to extend the regulations to other product offerings. For example, credit payments could become subject to similar regulation as debit payments. The Reserve Bank of Australia initially capped credit interchange, but subsequently capped debit interchange as well.

Government-imposed restrictions on international payment systems may prevent us from competing against providers in certain countries, including significant markets such as China, India and Russia.

Governments in a number of jurisdictions shield domestic payment card networks, brands, and processors from international competition by imposing market access barriers and preferential domestic regulations. To varying degrees, these policies and regulations affect the terms of competition in the marketplace and undermine the competitiveness of international payments networks. In the future, public authorities may impose regulatory requirements that favor domestic providers or mandate that domestic payments processing be performed entirely within that country, which would prevent us from managing the end-to-end processing of certain transactions.

In Russia, legislation effectively prevents us from processing domestic transactions. The central bank controlled national payment card system (NSPK) is the only entity allowed to process domestically. In China, UnionPay remains the sole processor of domestic payment card transactions and operates the sole domestic acceptance mark. Although we have filed an application with the People's Bank of China (PBOC) to operate a Bank Card Clearing Institution (BCCI) in China, the timing and the procedural steps remain uncertain. The approval process might require several years, and there is no guarantee that the license to operate a BCCI will be approved or, if we obtain such license, that we will be able to successfully compete with domestic payments networks.

Recent regulatory initiatives in India also suggest growing nationalistic priorities, including a recent data localization mandate passed by the government, which has cost implications for us and could affect our ability to effectively compete with domestic payment providers. Furthermore, regional groups of countries, such as the Gulf Cooperation Countries in the Middle East and a number of countries in Southeast Asia, are considering, or may consider, efforts to restrict our participation in the processing of regional transactions. The African Development Bank has also indicated an interest in supporting national payment systems in its efforts to expand financial inclusion and strengthen regional financial stability. Geopolitical events, including sanctions, trade tensions or other types of activities could potentially intensify this activity, which could adversely affect our business.

Due to our inability to manage the end-to-end processing of transactions for cards in certain countries (e.g., Russia and Thailand), we depend on our close working relationships with our clients or third-party processors to ensure transactions involving our products are processed effectively. Our ability to do so may be adversely affected by regulatory requirements and policies pertaining to transaction routing or on-shore processing.

Co-badging and co-residency regulations may pose additional challenges in markets where Visa competes with national networks for issuance and routing. For example, in China, certain banks have issued dual-branded cards for which domestic transactions in China are processed by UnionPay and transactions outside of China are processed by us or other international payments networks. The PBOC is contemplating that dual-branded cards could be phased out over time as new licenses are issued to international companies to participate in China's domestic payments market. Accordingly, we have been working with Chinese issuers to issue Visa-only branded cards for international travel, and later for domestic transactions after we obtain a BCCI license. However, notwithstanding such efforts, the phase out of dual-branded cards may decrease our payment volumes and impact the revenue we generate in China.

Mir and UnionPay have grown rapidly in Russia and China, respectively, and are actively pursuing international expansion plans, which could potentially lead to regulatory pressures on our international routing rule (which requires that international transactions on Visa cards be routed over VisaNet). Furthermore, although regulatory barriers shield Mir and UnionPay from competition in Russia and China, respectively, alternate payment providers such as Alipay and WeChat Pay have rapidly expanded into ecommerce, offline, and cross-border payments, which could make it difficult for us to compete even if our license is approved in China. Last year, with strong backing from China's government, a new digital transaction routing system known as Netlink was established. The PBOC allowed Alipay and other digital payment providers to invest in Netlink. It and other such systems could have a competitive advantage in comparison with other international payments networks.

In general, national laws that protect domestic providers or processing may increase our costs; decrease our payments volumes and impact the revenue we generate in those countries; decrease the number of Visa products issued or processed; impede us from utilizing our global processing capabilities and controlling the quality of the services supporting our brands; restrict our activities; limit our growth and the ability to introduce new products, services and innovations; force us to leave countries or prevent us from entering new markets; and create new competitors, all of which could harm our business.

Laws and regulations regarding the handling of personal data and information may impede our services or result in increased costs, legal claims, or fines against us.

Our business relies on the processing of data in many jurisdictions and the movement of data across national borders. Legal requirements relating to the collection, storage, handling, use, disclosure, transfer, and security of personal data continue to evolve, and regulatory scrutiny in this area is increasing around the world. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. For example, the GDPR extends the scope of the EU data protection law to all companies processing data of EU residents, regardless of the company's location. The law requires companies to meet new requirements regarding the handling of personal data. Although we have an extensive data privacy program that addresses the GDPR requirements, our ongoing efforts to comply with GDPR and other privacy and data protection laws (such as the new California Consumer Privacy Act effective as of January 2020 and the Brazilian General Data Protection Law effective as of February 2020) may entail substantial expenses, may divert resources from other initiatives and projects, and could limit the services we are able to offer. In addition, earlier this year, India adopted a data localization law that requires all payment system operators to store domestic transaction data only in India. Such data localization requirements have cost implications for us, impact our ability to utilize the efficiencies and value of our global network, and could affect our strategy. Furthermore, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase. The enactment of more restrictive laws, rules, regulations, or future enforcement actions or investigations could impact us through increased costs or restrictions on our business, and noncompliance could result in regulatory penalties and significant legal liability.

We may be subject to tax examinations or disputes, or changes in tax laws.

We exercise significant judgment in calculating our worldwide provision for income taxes and other tax liabilities. Although we believe our tax estimates are reasonable, many factors may limit their accuracy. We are currently under examination by, or in disputes with, the U.S. Internal Revenue Service, the UK's HM Revenue & Customs as well as tax authorities in other jurisdictions, and we may be subject to additional examinations or disputes in the future. Relevant tax authorities may disagree with our tax treatment of certain material items and thereby increase our tax liability. Failure to sustain our position in these matters could harm our cash flow and financial position. In addition, changes in existing laws, such as future regulatory guidance on the U.S. Tax Cuts and Jobs Act, tax law changes in the United States or foreign jurisdictions, or those resulting from the Base Erosion and Profit Shifting project being conducted by the Organization for Economic Cooperation and Development, may also materially affect our effective tax rate. A substantial increase in our tax payments could have a material, adverse effect on our financial results. See also *Note 16—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Litigation Risks

We may be adversely affected by the outcome of litigation or investigations, despite certain protections that are in place.

We are involved in numerous litigation matters, investigations, and proceedings asserted by civil litigants, governments, and enforcement bodies alleging, among other things, violations of competition and antitrust law, consumer protection law, and intellectual property law (these are referred to as "actions" in this section). Details of the most significant actions we face are described more fully in *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. These actions are inherently uncertain, expensive, and disruptive to our operations. In the event we are found liable in any material action, particularly in a large class action lawsuit, such as one involving an antitrust claim entitling the plaintiff to treble damages, or we incur liability arising from a government investigation, we may be required to pay significant awards, settlements, or fines. In addition, settlement terms, judgments, or pressures resulting from actions may harm our business by requiring us to modify, among other things, the default interchange reimbursement rates we set, the Visa operating rules or the way in which we enforce those rules, our fees or pricing, or the way we do business. The outcome of these actions may also influence regulators, investigators, governments, or civil litigants in the same or other jurisdictions, which may lead to additional actions against Visa. Finally, we are required by some of our commercial agreements to indemnify other entities for litigation brought against them, even if Visa is not a defendant.

For certain actions like those that are U.S. covered litigation or VE territory covered litigation, as described in *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report, we have certain financial protections pursuant to the respective retrospective responsibility plans. The two retrospective responsibility plans are different in the protections they provide and the mechanisms by which we are protected. The failure of one or both of the retrospective responsibility plans to adequately insulate us from the impact of such settlements, judgments, losses, or liabilities could materially harm our financial condition or cash flows, or even cause us to become insolvent.

Business Risks

We face intense competition in our industry.

The global payments space is intensely competitive. As technology evolves, new competitors or methods of payment emerge, and existing clients and competitors assume different roles. Our products compete with cash, checks, electronic funds, virtual currency payments, global or multi-regional networks, other domestic and closed-loop payments systems, and alternate payment providers primarily focused on enabling payments through ecommerce and mobile channels. As the global payments space becomes more complex, we face increasing competition from our clients, emerging payment providers, and other digital and technology companies that have developed payments systems enabled through online activity in ecommerce and mobile channels.

Our competitors may develop substantially better technology, have more widely adopted delivery channels or have greater financial resources. They may offer more effective, innovative or a wider range of programs, products, and services. They may use more effective advertising and marketing strategies that result in broader brand recognition, and greater issuance and merchant acceptance. They may also develop better security solutions or more favorable pricing arrangements. Moreover, even if we successfully adapt to technological change and the proliferation of alternative types of payment services by developing and offering our own services in these areas, such services may provide less favorable financial terms for us than we currently receive from VisaNet transactions, which could hurt our financial results and prospects.

Certain of our competitors operate with different business models, have different cost structures, or participate in different market segments. Those business models may ultimately prove more successful or more adaptable to regulatory, technological, and other developments. In some cases, these competitors have the support of government mandates that prohibit, limit, or otherwise hinder our ability to compete for transactions within certain countries and regions. Some of our competitors, including American Express, Discover, private-label card networks, virtual currency providers, technology companies that enable the exchange of digital assets, and certain alternate payments systems like Alipay and WeChat Pay, operate closed-loop payments systems, with direct connections to both merchants and consumers. Government actions or initiatives such as the Dodd-Frank Act or the U.S. Federal Reserve's Faster Payments initiatives may provide them with increased opportunities to derive competitive advantages from these business models. Similarly, regulation in Europe under PSD2 and the IFR may require us to open up access to, and allow participation in, our network to additional participants, and reduce the infrastructure investment and regulatory burden on potential competitors. We also run the risk of disintermediation due to factors such as emerging technologies, including mobile payments, alternate payment credentials, other ledger technologies or payment forms, and by virtue of increasing bilateral agreements between entities that prefer not to use our payments network for processing transactions. For example, merchants could process transactions directly with issuers, or processors could process transactions directly with issuers and acquirers.

We expect the competitive landscape to continue to shift and evolve. For example:

- competitors, clients and others are developing alternate payment networks or products, such as mobile payment services, ecommerce payment services, P2P payment services, faster payment initiatives and payment services that permit ACH or direct debits from consumer checking accounts, that could reduce our role or otherwise disintermediate us from the transaction processing or the value-added services we provide to support such processing. Examples include initiatives from The Clearing House, an association comprised of large financial institutions that is developing its own faster payments system, and Early Warning Services, which operates Zelle, a bank-offered alternative network that provides another platform for faster funds or real-time payments across a variety of payment types, including P2P, corporate and government disbursement, bill pay and deposit check transactions;

- similarly, multiple countries are developing or promoting real-time payment systems or mandating local networks with clients that also present a risk of disintermediation to our business and some regions, such as Southeast Asia, under the auspices of the Association of Southeast Asian Nations (ASEAN), are looking into cross-border connectivity of such systems;

- parties that process our transactions may try to minimize or eliminate our position in the payments value chain;

- parties that access our payment credentials, tokens and technologies, including clients, technology solution providers or others might be able to migrate account holders and other clients to alternate payment methods or use our payment credentials, tokens and technologies to establish or help bolster alternate payment methods and platforms;

- participants in the payments industry may merge, form joint ventures or enable or enter into other business combinations that strengthen their existing business propositions or create new, competing payment services; and

- new or revised industry standards related to the EMV Secure Remote Commerce, cloud-based payments, tokenization or other payments-related technologies set by organizations such as the International Organization for Standardization, American National Standards Institute, World Wide Web Consortium, European Card Standards Group and EMVCo may result in additional costs and expenses for Visa and its clients, or otherwise negatively impact the functionality and competitiveness of our products and services.

As the competitive landscape is quickly evolving, we may not be able to foresee or respond sufficiently to emerging risks associated with new businesses, products, services and practices. We may be asked to adjust our local rules and practices, develop or customize certain aspects of our payment services, or agree to business arrangements that may be less protective of Visa's proprietary technology and interests in order to compete and we may face increasing operational costs and risk of litigation concerning intellectual property. Our failure to compete effectively in light of any such developments could harm our business and prospects for future growth.

Our revenues and profits are dependent on our client and merchant base, which may be costly to win, retain, and maintain.

Our financial institution clients and merchants can reassess their commitments to us at any time or develop their own competitive services. While we have certain contractual protections, our clients, including some of our largest clients, generally have flexibility to issue non-Visa products. Further, in certain circumstances, our financial institution clients may decide to terminate our contractual relationship on relatively short notice without paying significant early termination fees. Because a significant portion of our operating revenues is concentrated among our largest clients, the loss of business from any one of these larger clients could harm our business, results of operations, and financial condition.

In addition, we face intense competitive pressure on the prices we charge our financial institution clients. In order to stay competitive, we may need to adjust our pricing or offer incentives to our clients to increase payments volume, enter new market segments, adapt to regulatory changes, and expand their use and acceptance of Visa products and services. These include up-front cash payments, fee discounts, rebates, credits, performance-based incentives, marketing, and other support payments that impact our revenues and profitability. In addition, we offer incentives to certain merchants or acquirers to win routing preference in situations where other network functionality is enabled on our products and there is a choice of network routing options. Market pressures on pricing, incentives, fee discounts, and rebates could moderate our growth. If we are not able to implement cost containment and productivity initiatives in other areas of our business or increase our volumes in other ways to offset or absorb the financial impact of these incentives, fee discounts, and rebates, it may harm our net revenues and profits.

In addition, it may be difficult or costly for us to acquire or conduct business with financial institutions or merchants that have longstanding exclusive, or nearly exclusive, relationships with our competitors. These financial institutions or merchants may be more successful and may grow more quickly than our existing clients or merchants. In addition, if there is a consolidation or acquisition of one or more of our largest clients or co-brand partners by a financial institution client or merchant with a strong relationship with one of our competitors, it could result in our business shifting to a competitor, which could put us at a competitive disadvantage and harm our business.

Merchants' and processors' continued push to lower acceptance costs and challenge industry practices could harm our business.

We rely in part on merchants and their relationships with our clients to maintain and expand the acceptance of Visa products. Certain large retail merchants have been exercising their influence in the global payments system in certain jurisdictions, such as the United States, Canada and Europe, to attempt to lower their acceptance costs by lobbying for new legislation, seeking regulatory enforcement, filing lawsuits and in some cases, refusing to accept Visa products. If they are successful in their efforts, we may face increased compliance and litigation expenses and issuers may decrease their issuance of our products. For example, in the United States, certain stakeholders have raised concerns regarding how payment security standards and rules may impact the cost of payment card acceptance. In addition to ongoing litigation related to the U.S. migration to EMV-capable cards and point-of-sale terminals, U.S. merchant-affiliated groups and processors have expressed concerns regarding the EMV certification process and some policymakers have concerns about the roles of industry bodies such as EMVCo and the Payment Card Industry Security Standards Council in the development of payment card standards.

Additionally, some merchants and processors have advocated for changes to industry practices and Visa acceptance requirements at the point of sale, including the ability for merchants to accept only certain types of Visa products, to mandate only PIN authenticated transactions, to differentiate or steer among Visa product types issued by different financial institutions, and to impose surcharges on customers presenting Visa products as their form of payment. If successful, these efforts could adversely impact consumers' usage of our products, lead to regulatory enforcement and/or litigation, increase our compliance and litigation expenses, and harm our business.

We depend on relationships with financial institutions, acquirers, processors, merchants, and other third parties.

As noted above, our relationships with industry participants are complex and require us to balance the interests of multiple third parties. For instance, we depend significantly on relationships with our financial institution clients and on their relationships with account holders and merchants to support our programs and services, and thereby compete effectively in the marketplace. We engage in discussions with merchants, acquirers, and processors to provide incentives to promote routing preference and acceptance growth. We also engage in many payment card co-branding efforts with merchants, who receive incentives from us. As these and other relationships become more prevalent and take on a greater importance to our business, our success will increasingly depend on our ability to sustain and grow these relationships. In addition, we depend on our clients and third parties, including vendors and suppliers, to process transactions properly, provide various services associated with our payments network on our behalf, and otherwise adhere to our operating rules. To the extent that such parties fail to perform or deliver adequate services, it may result in negative experiences for account holders or others when using their Visa-branded payment products, which could harm our business and reputation.

Our business could be harmed if we are not able to maintain and enhance our brand, if events occur that have the potential to damage our brand or reputation, or if we experience brand disintermediation.

Our brand is globally recognized and is a key asset of our business. We believe that our clients and account holders associate our brand with acceptance, security, convenience, speed, and reliability. Our success depends in large part on our ability to maintain the value of our brand and reputation of our products and services in the payments ecosystem, elevate the brand through new and existing products, services and partnerships, and uphold our corporate reputation. The popularity of products that we have developed in partnership with technology companies and financial institutions may have the potential to cause consumer confusion or brand disintermediation at the point-of-sale and decrease the value of our brand. Our brand reputation may be negatively impacted by a number of factors, including clearing and settlement service disruptions; data security breaches; compliance failures by Visa, including our employees, agents, clients, partners or suppliers; negative perception of our industry, the industries of our clients or Visa-accepting merchants; ill-perceived actions by clients or other third parties, such as sponsorship or co-brand partners; and fraudulent, risky, controversial or illegal activities using our payment products. If we are unable to maintain our reputation, the value of our brand may be impaired, which could harm our relationships with clients, account holders, and the public, as well as impact our business.

Global economic, political, market, and social events or conditions may harm our business.

Our revenues are dependent on the volume and number of payment transactions made by consumers, governments, and businesses whose spending patterns may be affected by prevailing economic conditions. In addition, more than half of our operating revenues are earned outside the United States. International cross-border transaction revenues represent a significant part of our revenue and are an important part of our growth strategy. Therefore, adverse macroeconomic conditions, including recessions, inflation, high unemployment, currency fluctuations, actual or anticipated large-scale defaults or failures, or slowdown of global trade could decrease consumer and corporate confidence and reduce consumer, government, and corporate spending which have a direct impact on our revenues. In addition, outbreaks of illnesses, pandemics, or other local or global health issues, political uncertainties, international hostilities, armed conflict, or unrest, and natural disasters could impact our operations, our clients, our activities in a particular location, and cross-border travel and spend. Geopolitical trends towards nationalism, protectionism, and restrictive visa requirements, as well as continued activity and uncertainty around economic sanctions could limit the expansion of our business in those regions. The current trade environment reduces the likelihood of having our Bank Card Clearing Institution application in China approved. In addition, any decline in cross-border travel and spend could impact the number of cross-border transactions we process and our currency exchange activities, which in turn would reduce our international transaction revenues.

A decline in economic conditions could impact our clients as well, and their decisions could reduce the number of cards, accounts, and credit lines of their account holders, which ultimately impact our revenues. They may also implement cost-reduction initiatives that reduce or eliminate marketing budgets, and decrease spending on optional or enhanced, value-added services from us.

Any events or conditions that impair the functioning of the financial markets, tighten the credit market, or lead to a downgrade of our current credit rating could increase our future borrowing costs and impair our ability to access the capital and credit markets on favorable terms, which could affect our liquidity and capital resources, or significantly increase our cost of capital. If clients default on their settlement obligations, it may also impact our liquidity. Any of these events could adversely affect the growth of our volumes and revenue.

Our indemnification obligation to fund settlement losses of our clients exposes us to significant risk of loss and may reduce our liquidity.

We indemnify issuers and acquirers for settlement losses they may suffer due to the failure of another issuer or acquirer to honor its settlement obligations in accordance with the Visa operating rules. In certain instances, we may indemnify issuers or acquirers even in situations in which a transaction is not processed by our system. This indemnification creates settlement risk for us due to the timing difference between the date of a payment transaction and the date of subsequent settlement. Our indemnification exposure is generally limited to the amount of unsettled Visa payment transactions at any point in time and any subsequent amounts that may fall due relating to adjustments for previously processed transactions. Concurrent settlement failures involving more than one of our largest clients, several of our smaller clients, or systemic operational failures could negatively impact our financial position. Even if we have sufficient liquidity to cover a settlement failure, we may be unable to recover the amount of such payment. This could expose us to significant losses and harm our business. See *Note 8—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

The United Kingdom's withdrawal from the European Union could harm our business and financial results.

In June 2016, voters in the United Kingdom approved the withdrawal of the United Kingdom from the European Union (commonly referred to as "Brexit"). In March 2017, the UK government initiated the exit process under Article 50 of the Treaty of the European Union, commencing a period of up to two years for the United Kingdom and the other EU member states to negotiate the terms of the withdrawal. Uncertainty over the terms of the United Kingdom's departure from the European Union could cause political and economic uncertainty in the United Kingdom and the rest of Europe, which could harm our business and financial results.

Brexit could lead to legal uncertainty and potentially divergent national laws and regulations in the United Kingdom and European Union. We, as well as our clients who have significant operations in the United Kingdom, may incur additional costs and expenses as we adapt to potentially divergent regulatory frameworks from the rest of the European Union and as a result, our Visa operating rules and contractual commitments in the United Kingdom and the rest of the European Union may be impacted. In addition, we may need to apply for regulatory authorization and permission in separate EU member states following Brexit. These factors may impact our ability to operate and process data in the European Union and United Kingdom seamlessly. This and other Brexit-related issues may require changes to our legal entity structure in the United Kingdom and the European Union. Any of these effects of Brexit, among others, could harm our business and financial results.

Technology and Cybersecurity Risks

Failure to anticipate, adapt to or keep pace with new technologies in the payments industry could harm our business and impact future growth.

The global payments industry is undergoing significant and rapid technological change, including mobile and other proximity payment technologies, ecommerce, tokenization, cryptocurrencies, and new authentication technologies such as biometrics, distributed ledger and blockchain technologies. As a result, we expect new services and technologies to continue to emerge and evolve. In addition to our own initiatives and innovations, we work closely with third parties, including potential competitors, for the development of and access to new technologies. It is difficult, however, to predict which technological developments or innovations will become widely adopted and how those technologies may be regulated. Moreover, some of the new technologies could be subject to intellectual property-related lawsuits or claims, potentially impacting our development efforts and/or requiring us to obtain licenses. If we or our partners fail to adapt and keep pace with new technologies in the payments space in a timely manner, it could harm our ability to compete, decrease the value of our products and services to our clients, impact our intellectual property or licensing rights, harm our business and impact our future growth.

A disruption, failure or breach of our networks or systems, including as a result of cyber-attacks, could harm our business.

Our cybersecurity and processing systems, as well as those of financial institutions, merchants, and third-party service providers, may experience errors, interruptions, delays or damage from a number of causes, including power outages, hardware, software and network failures, computer viruses, malware or other destructive software, internal design, manual or usage errors, cyber-attacks, terrorism, workplace violence or wrongdoing, catastrophic events, natural disasters and severe weather conditions. For instance, on June 1, 2018, our European authorization systems suffered a partial service disruption that prevented many cardholders from using Visa's European systems for payments for several hours that day. Although that service disruption was caused by a switch malfunction, rather than a cyber-attack, and was limited to the European authorization system, which has since been decommissioned with the processing migration to our global platform, the fact remains that our systems are highly technical and complex and are not immune from errors and vulnerabilities.

Furthermore, our visibility and role in the global payments industry may also put our company at a greater risk of being targeted by hackers. In the normal course of our business, we have been the target of malicious cyber-attack attempts. We may also be impacted by attacks and data security breaches of financial institutions, merchants, or third-party processors. We are aware of instances where nation states have sponsored attacks against some of our financial institution clients, and other instances where merchants have encountered substantial data security breaches affecting their customers, some of whom were Visa account holders. Although these attacks and breaches have not had a direct, material impact on us, we believe these incidents are likely to continue and we are unable to predict the direct or indirect impact of future attacks or breaches to our business.

Numerous and evolving cybersecurity threats, including advanced and persistent cyber-attacks, phishing and social engineering schemes, particularly on our internet applications, could compromise the confidentiality, availability, and integrity of data in our systems. Because the techniques used to obtain unauthorized access, or to disable or degrade systems change frequently, have become increasingly more complex and sophisticated, and may be difficult to detect for periods of time, we may not anticipate these acts or respond adequately or timely. The security measures and procedures we, our financial institution and merchant clients, other merchants and third-party service providers in the payments ecosystem have in place to protect sensitive consumer data and other information may not be successful or sufficient to counter all data security breaches, cyber-attacks, or system failures. In some cases, the mitigation efforts may be dependent on third parties who may not deliver to the required contractual standards or whose hardware, software or network services may be subject to error, defect, delay, or outage. Although we devote significant resources to our cybersecurity and supplier risk management programs and have implemented security measures to protect our systems and data, and to prevent, detect and respond to data security incidents, there can be no assurance that our efforts will prevent these threats.

These events could significantly disrupt our operations; impact our clients and consumers; damage our reputation and brand; result in litigation, violations of applicable privacy and other laws, and regulatory scrutiny, investigations, actions, fines or penalties; result in damages or changes to our business practices; decrease the overall use and acceptance of our products; decrease our volume, revenues and future growth prospects; and be costly, time consuming and difficult to remedy. In the event of damage or disruption to our business due to these occurrences, we may not be able to successfully and quickly recover all of our critical business functions, assets, and data through our business continuity program. Furthermore, while we maintain insurance, our coverage may not sufficiently cover all types of losses or claims that may arise.

Structural and Organizational Risks

We may not achieve the anticipated benefits of our acquisitions or strategic investments, and may face risks and uncertainties as a result.

As part of our overall business strategy, we may make acquisitions and strategic investments. We may not achieve the anticipated benefits of our current and future acquisitions and strategic investments and they may involve significant risks and uncertainties, including:

- disruption to our ongoing business, including diversion of resources and management's attention from our existing business
- greater than expected investment of resources or operating expenses
- failure to develop the acquired business adequately
- difficulty, expense or failure of implementing controls, procedures, and policies at the acquired company

- challenges of integrating new employees, business cultures, business systems, and technologies
- failure to retain employees, clients, or partners of the acquired business
- in the case of foreign acquisitions, risks related to the integration of operations across different cultures and languages, and the economic, political, and regulatory risks associated with operating in new regions or countries. For more information on regulatory risks, please see *Item 1—Business—Government Regulations* and Item *1A—Risk Factors—Regulatory Risks* above
- discovery of unidentified issues after the acquisition or investment was made
- failure to mitigate the liabilities of the acquired business
- dilutive issuance of equity securities, if new securities are issued
- the incurrence of debt
- negative impact on our financial position and/or statement of operations
- anticipated benefits, synergies, or value of the investment or acquisition not materializing

We may be unable to attract, hire, and retain a highly qualified and diverse workforce, including key management.

The talents and efforts of our employees, particularly our key management, are vital to our success. Our management team has significant industry experience and would be difficult to replace. We may be unable to retain them or to attract other highly qualified employees, particularly if we do not offer employment terms that are competitive with the rest of the labor market. Ongoing changes in laws and policies regarding immigration and work authorizations have made it more difficult for employees to work in, or transfer among, jurisdictions in which we have operations and could continue to impair our ability to attract and retain qualified employees. Failure to attract, hire, develop, motivate, and retain highly qualified and diverse employee talent, to develop and implement an adequate succession plan for the management team, or to maintain a corporate culture that fosters integrity, innovation, and collaboration could disrupt our operations and adversely affect our business and our future success.

The conversions of our class B and class C common stock or series B and series C preferred stock into shares of class A common stock would result in voting dilution to, and could impact the market price of, our existing class A common stock.

The market price of our class A common stock could fall as a result of many factors. Under our U.S. retrospective responsibility plan, upon final resolution of our U.S. covered litigation, all class B common stock will become convertible into class A common stock. Our series B and series C preferred stock will become convertible into class A common stock in stages based on developments in current and potential litigation and will become fully convertible no later than 2028 (subject to a holdback to cover any pending claims). Conversion of our class B and class C common stock into class A common stock, or our series B and series C preferred stock into class A common stock, would increase the amount of class A common stock outstanding, which could adversely affect the market price of our existing class A common stock and would dilute the voting power of existing class A common stockholders.

Holders of our class B and C common stock and series B and series C preferred stock may have different interests than our class A common stockholders concerning certain significant transactions.

Although their voting rights are limited, holders of our class B and C common stock and, in certain specified circumstances, holders of our series B and series C preferred stock, can vote on certain significant transactions. With respect to our class B and C common stock, these transactions include a proposed consolidation or merger, a decision to exit our core payments business and any other vote required under Delaware law. With respect to our series B and series C preferred stock, voting rights are limited to proposed consolidations or mergers in which holders of the series B and series C preferred stock would either (i) receive shares of stock or other equity securities with preferences, rights and privileges that are not substantially identical to the preferences, rights and privileges of the applicable series of preferred stock or (ii) receive securities, cash or other property that is different from what our class A common stockholders would receive. Because the holders of classes of capital stock other than class A common stock are our current and former financial institution clients, they may have interests that diverge from our class A common stockholders. As a result, the holders of these classes of capital stock may not have the same incentive to approve a corporate action that may be favorable to the holders of class A common stock, and their interests may otherwise conflict with interests of our class A common stockholders.

Delaware law, provisions in our certificate of incorporation and bylaws, and our capital structure could make a merger, takeover attempt, or change in control difficult.

Provisions contained in our certificate of incorporation and bylaws and our capital structure could delay or prevent a merger, takeover attempt, or change in control that our stockholders may consider favorable. For example, except for limited exceptions:

- no person may beneficially own more than 15% of our class A common stock (or 15% of our total outstanding common stock on an as-converted basis), unless our board of directors approves the acquisition of such shares in advance
- no competitor or an affiliate of a competitor may hold more than 5% of our total outstanding common stock on an as-converted basis
- the affirmative votes of the class B and C common stock and series B and series C preferred stock are required for certain types of consolidations or mergers
- our stockholders may only take action during a stockholders' meeting and may not act by written consent
- only the board of directors, Chairman, or CEO may call a special meeting of stockholders

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

At September 30, 2018, we owned or leased 115 offices in 72 countries around the world. Our corporate headquarters are located in owned and leased premises in the San Francisco Bay Area.

In addition, we owned or leased a total of four global processing centers located in the United States, Singapore and the United Kingdom.

We believe that these facilities are suitable and adequate to support our ongoing business needs.

ITEM 3. Legal Proceedings

Refer to *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our class A common stock has been listed on the New York Stock Exchange under the symbol "V" since March 19, 2008. At November 9, 2018, we had 362 stockholders of record of our class A common stock. The number of beneficial owners is substantially greater than the number of record holders, because a large portion of our class A common stock is held in "street name" by banks and brokers. There is currently no established public trading market for our class B or C common stock. There were 1,537 and 559 holders of record of our class B and C common stock, respectively, as of November 9, 2018.

On October 16, 2018, our board of directors declared a quarterly cash dividend of $0.25 per share of class A common stock (determined in the case of class B and C common stock and series B and C preferred stock on an as-converted basis) payable on December 4, 2018, to holders of record as of November 16, 2018 of our common and preferred stock.

Subject to legally available funds, we expect to continue paying quarterly cash dividends on our outstanding common and preferred stock in the future. However, the declaration and payment of future dividends is at the sole discretion of our board of directors after taking into account various factors, including our financial condition, settlement indemnifications, operating results, available cash and current and anticipated cash needs.

Issuer Purchases of Equity Securities

The table below sets forth our purchases of common stock during the quarter ended September 30, 2018.

Period	Total Number Of Shares Purchased [(1)]	Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs [(2),(3)]	Approximate Dollar Value Of Shares That May Yet Be Purchased Under The Plans Or Programs [(2),(3)]
July 1-31, 2018	2,767,789	$ 138.90	2,762,543	$ 5,406,314,588
August 1-31, 2018	4,898,688	$ 141.55	4,898,688	$ 4,712,814,749
September 1-30, 2018	3,869,153	$ 147.30	3,869,153	$ 4,142,815,994
Total	**11,535,630**	**$ 142.84**	**11,530,384**	

(1) Includes 5,246 shares of class A common stock withheld at an average price of $140.71 per share (per the terms of grants under our 2007 Equity Incentive Compensation Plan) to offset tax withholding obligations that occur upon vesting and release of restricted shares.

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

(3) Our board of directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. In January 2018, our board of directors authorized a share repurchase program for $7.5 billion. This authorization has no expiration date. All share repurchase programs authorized prior to January 2018 have been completed.

EQUITY COMPENSATION PLAN INFORMATION

The table below presents information as of September 30, 2018, for the Visa 2007 Equity Incentive Compensation Plan (the "EIP") and the Visa Inc. Employee Stock Purchase Plan (the "ESPP"), which were approved by our stockholders. We do not have any equity compensation plans that have not been approved by our stockholders. For a description of the awards issued under the EIP and the ESPP, see *Note 13—Share-based Compensation* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Plan Category	(a) Number Of Shares Of Class A Common Stock Issuable Upon Exercise Of Outstanding Options And Rights	Weighted-Average Exercise Price Of Outstanding Options	Number Of Shares Of Class A Common Stock Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected In Column (a))
Equity compensation plans approved by stockholders	12,401,143 (1)	$ 75.30 (2)	162,313,945 (3)

(1) The maximum number of shares issuable as of September 30, 2018 consisted of 5,788,840 outstanding options, 5,204,454 outstanding restricted stock units and 999,416 outstanding performance shares under the EIP and 408,433 purchase rights outstanding under the ESPP.

(2) The weighted-average exercise price is calculated based solely on the exercise prices of the outstanding stock options and does not reflect the shares that will be issued upon the vesting of outstanding restricted stock units and performance shares, which have no exercise price. Additionally, it excludes the weighted-average exercise price of the outstanding purchase rights under the ESPP, as the exercise price is based on the future stock price, net of discount, at the end of each monthly purchase over the offering period.

(3) As of September 30, 2018, 145 million shares and 17 million shares remain available for issuance under the EIP and the ESPP, respectively.

ITEM 6. Selected Financial Data

The following tables present selected Visa Inc. financial data for the past five fiscal years. The data below should be read in conjunction with *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Item 8—Financial Statements and Supplementary Data* of this report.

Selected Financial Data

Statement of Operations Data:	Fiscal Year Ended September 30, 2018[1]	2017[1]	2016[1]	2015	2014
	(in millions, except per share data)				
Operating revenues	$ 20,609	$ 18,358	$ 15,082	$ 13,880	$ 12,702
Operating expenses	$ 7,655	$ 6,214	$ 7,199 (2)	$ 4,816	$ 5,005
Operating income	$ 12,954	$ 12,144	$ 7,883	$ 9,064	$ 7,697
Net income	$ 10,301 (3)	$ 6,699 (4)	$ 5,991	$ 6,328	$ 5,438
Basic earnings per share—class A common stock[5]	$ 4.43	$ 2.80	$ 2.49	$ 2.58	$ 2.16
Diluted earnings per share—class A common stock[5]	$ 4.42	$ 2.80	$ 2.48	$ 2.58	$ 2.16

Balance Sheet Data:	At September 30, 2018[1]	2017[1]	2016[1]	2015	2014
	(in millions, except per share data)				
Total assets	$ 69,225	$ 67,977	$ 64,035	$ 39,367	$ 37,543
Accrued litigation	$ 1,434 (6)	$ 982	$ 981	$ 1,024	$ 1,456 (6)
Long-term debt	$ 16,630	$ 16,618 (7)	$ 15,882 (7)	$ —	$ —
Total equity	$ 34,006	$ 32,760	$ 32,912	$ 29,842	$ 27,413
Dividend declared and paid per common share[5]	$ 0.825	$ 0.660	$ 0.560	$ 0.480	$ 0.400

(1) Our results of operations and the financial position beginning with the last quarter of fiscal 2016 include Visa Europe's financial results.

(2) During fiscal 2016, upon consummation of the Visa Europe acquisition, we recorded a non-recurring loss of $1.9 billion, before tax, in operating expense resulting from the effective settlement of the Framework Agreement between us and Visa Europe.

(3) During fiscal 2018, as a result of the U.S. tax reform legislation, our net income reflected a lower statutory tax rate, a non-recurring, non-cash income tax benefit of approximately $1.1 billion from the remeasurement of our deferred tax liabilities, and a one-time transition tax of approximately $1.1 billion.

(4) During fiscal 2017, in connection with our legal entity reorganization, we eliminated deferred tax balances originally recognized upon the acquisition of Visa Europe, resulting in the recognition of a non-recurring, non-cash income tax provision of $1.5 billion.

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

(6) During fiscal 2014, the court entered the final judgment order approving the settlement with the class plaintiffs in the interchange multidistrict litigation proceedings. Certain merchants in the settlement classes objected to the settlement and filed opt-out claims. Takedown payments of approximately $1.1 billion related to the opt-out merchants were received and deposited into the U.S. litigation escrow account, and a related increase in accrued litigation to address the opt-out claims were recorded in the second quarter of fiscal 2014. During fiscal 2018, pursuant to an amended settlement agreement that superseded the 2012 Settlement Agreement, we recorded an additional accrual of $600 million. See *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(7) During fiscal 2017 and fiscal 2016, we issued fixed-rate senior notes in an aggregate principal amount of $2.5 billion and $16.0 billion, respectively. See *Note 6—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

ITEM 7. 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 liquidity and capital resources of Visa Inc. and its subsidiaries ("Visa," "we," "us," "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 the consolidated financial statements and related notes included in Item 8 of this report.

Overview

Visa is a global payments technology company that enables fast, secure and reliable electronic payments across more than 200 countries and territories. We facilitate global commerce through the transfer of value and information among a global network of consumers, merchants, financial institutions, businesses, strategic partners and government entities. Our advanced transaction processing network, VisaNet, enables authorization, clearing and settlement of payment transactions and allows us to provide our financial institution and merchant clients a wide range of products, platforms and value-added services.

U.S. Tax Reform Legislation. On December 22, 2017, the U.S. government enacted comprehensive tax reform legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act transitions the U.S. tax system to a new territorial system and lowers the statutory federal corporate income tax rate. As a result of the reduction in the federal corporate income tax rate, we remeasured our net deferred tax liabilities as of the enactment date and the remeasurement resulted in a one-time, non-cash tax benefit of $1.1 billion and was recorded in the year ended September 30, 2018. In transitioning to the new territorial system, the Tax Act requires us to include certain untaxed foreign earnings of non-U.S. subsidiaries in our fiscal 2018 taxable income. This tax, referred to as the "transition tax", was estimated to be $1.1 billion and was recorded in the year ended September 30, 2018. See *Note 16—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data.*

Financial overview. Our financial results for fiscal 2018, 2017 and 2016 include the impact of several significant one-time items. Our as-reported U.S. GAAP and adjusted non-GAAP net income and diluted earnings per share are shown in the table below.

	For the Years Ended September 30,			% Change[(1)]	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
	(in millions, except percentages)				
Net income, as reported	**$ 10,301**	$ 6,699	$ 5,991	54 %	12 %
Diluted earnings per share, as reported	**$ 4.42**	$ 2.80	$ 2.48	58 %	13 %
Net income, as adjusted[(2)]	**$ 10,729**	$ 8,335	$ 6,862	29 %	21 %
Diluted earnings per share, as adjusted[(2)]	**$ 4.61**	$ 3.48	$ 2.84	32 %	22 %

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

(2) Adjusted net income and adjusted diluted earnings per share in fiscal 2018, 2017 and 2016 exclude the impact of certain significant items that we believe are not indicative of our operating performance, as they were either non-recurring or had no cash impact. For a full reconciliation of our adjusted financial results, see tables in *Adjusted financial results* below.

Highlights for fiscal 2018. Our business is affected by overall economic conditions and consumer spending. Our business performance during fiscal 2018 reflects solid global consumer spending growth, supported by favorable U.S. economic conditions and tempered by volatility in some emerging markets. We recorded net operating revenues of $20.6 billion for fiscal 2018, an increase of 12% over the prior year, primarily reflecting continued growth in processed transactions, nominal payments volume and nominal cross-border volume. The effect of exchange rate movements, as partially mitigated by our hedging program, resulted in an approximately one percentage point positive impact to our net operating revenue growth.

Total operating expenses for fiscal 2018 were $7.7 billion, compared to $6.2 billion in fiscal 2017. The increase over the prior year was primarily driven by a higher litigation provision and continued investments to support our business growth.

Adjusted financial results. Our financial results for fiscal 2018, 2017 and 2016 reflect the impact of certain significant items that we do not believe are indicative of our ongoing operating performance in the prior or future years, as they were either non-recurring or had no cash impact. As such, we believe the presentation of adjusted financial results excluding the following items provides a clearer understanding of our operating performance for the periods presented.

- *Charitable contributions*

    - During fiscal 2018, we donated available-for-sale investment securities to the Visa Foundation and recognized a non-cash general and administrative expense of $195 million, before tax, and recorded $193 million of realized gain on the donation of these investments as non-operating income. Net of the related cash tax benefit of $51 million, determined by applying applicable tax rates, adjusted net income decreased by $49 million.

    - During fiscal 2017, associated with our legal entity reorganization, we recognized a non-cash general and administrative expense of $192 million, before tax, related to the charitable donation of Visa Inc. shares that were acquired as part of the Visa Europe acquisition and held as treasury stock. Net of the related cash tax benefit of $71 million, determined by applying applicable tax rates, adjusted net income increased by $121 million.

- *Litigation provision.* During fiscal 2018, we recorded a litigation provision of $600 million and related tax benefits of $137 million associated with the interchange multidistrict litigation. The tax impact is determined by applying applicable federal and state tax rates to the litigation provision. Under the U.S. retrospective responsibility plan, we recover the monetary liabilities related to the U.S. covered litigation through a reduction to the conversion rate of our class B common stock to shares of class A common stock.

- *Remeasurement of deferred tax balances.* During fiscal 2018, in connection with the Tax Act's reduction of the corporate income tax rate, we remeasured our net deferred tax liabilities as of the enactment date, resulting in the recognition of a non-recurring, non-cash income tax benefit of $1.1 billion.

- *Transition tax on foreign earnings.* During fiscal 2018, in connection with the Tax Act's requirement that we include certain untaxed foreign earnings of non-U.S. subsidiaries in our fiscal 2018 taxable income, we recorded a one-time transition tax estimated to be approximately $1.1 billion.

- *Elimination of deferred tax balances.* During fiscal 2017, in connection with our legal entity reorganization, we eliminated deferred tax balances originally recognized upon the acquisition of Visa Europe, resulting in the recognition of a non-recurring, non-cash income tax provision of $1.5 billion.

- *Severance cost.* During fiscal 2016, we recorded a $110 million charge for severance costs related to personnel reductions, including planned reductions at Visa Europe. Although we routinely record severance expenses, these charges are larger than any past quarterly accrual due to the acquisition and integration of Visa Europe. Net of related tax benefit of $38 million, determined by applying applicable tax rates, the adjustment to net income was an increase of $72 million.

- *Remeasurement of deferred tax liability.* During fiscal 2016, we recorded a non-cash, non-recurring $88 million gain upon the remeasurement of a deferred tax liability, recorded upon the acquisition of Visa Europe, to reflect a tax rate change in the United Kingdom.

- *Acquisition-related costs.* During fiscal 2016, we incurred $152 million of non-recurring acquisition costs in operating expense as a result of the Visa Europe transaction. This amount is comprised of $60 million of transaction expenses recorded in professional fees, and $92 million of UK stamp duty recorded in general and administrative expenses. Net of related tax benefit of $56 million, determined by applying applicable federal and state tax rates, the adjustment to net income was an increase of $96 million.

- *Visa Europe Framework Agreement loss*. During fiscal 2016, upon consummation of the Visa Europe transaction, we recorded a non-recurring loss of $1.9 billion, before tax, in operating expense resulting from the effective settlement of the Framework Agreement between us and Visa Europe. Net of related tax benefit of $693 million, determined by applying applicable federal and state tax rates, the adjustment to net income was an increase of $1.2 billion.

- *Net gains on currency forward contracts.* During fiscal 2016, we entered into currency forward contracts to mitigate a portion of our foreign currency exchange rate risk associated with the upfront cash consideration paid in the Visa Europe acquisition. As a result, we recorded non-recurring, net gains of $74 million, before tax, in other non-operating income. Net of related tax expense of $27 million, determined by applying applicable federal and state tax rates, the adjustment to net income was a decrease of $47 million.

- *Foreign exchange gain on euro deposits.* During fiscal 2016, we recorded a non-recurring foreign exchange gain of $145 million, before tax, in other non-operating income as a result of holding euro-denominated bank balances for a short period in advance of the closing of the Visa Europe acquisition. Net of related tax expense of $54 million, determined by applying applicable federal and state tax rates, the impact to net income was a decrease of $91 million.

- *Revaluation of Visa Europe put option.* During fiscal 2016, we recorded a decrease of $255 million in the fair value of the Visa Europe put option, resulting in the recognition of non-cash income in other non-operating income. This amount is not subject to income tax and therefore has no impact on our reported income tax provision.

Adjusted operating expenses, operating margin, non-operating income (expense), income tax provision, net income and diluted earnings per share are non-GAAP financial measures and should not be relied upon as substitutes for measures calculated in accordance with U.S. GAAP. The following tables reconcile our as-reported financial measures calculated in accordance with U.S. GAAP to the respective non-GAAP adjusted financial measures for fiscal 2018, 2017 and 2016:

	Year ended September 30, 2018					
(in millions, except percentages and per share data)	**Operating Expenses**	**Operating Margin (1),(2)**	**Non-operating Income (Expense)**	**Income Tax Provision**	**Net Income**	**Diluted Earnings Per Share(2)**
As reported	$ 7,655	63 %	$ (148)	$ 2,505	$ 10,301	$ 4.42
Charitable contribution	(195)	1 %	(193)	51	(49)	(0.02)
Litigation provision	(600)	3 %	—	137	463	0.20
Remeasurement of deferred tax balances	—	— %	—	1,133	(1,133)	(0.49)
Transition tax on foreign earnings	—	— %	—	(1,147)	1,147	0.49
As adjusted	$ 6,860	67 %	$ (341)	$ 2,679	$ 10,729	$ 4.61

	Year ended September 30, 2017					
(in millions, except percentages and per share data)	**Operating Expenses**	**Operating Margin (1),(2)**	**Non-operating Income (Expense)**	**Income Tax Provision**	**Net Income**	**Diluted Earnings Per Share(2)**
As reported	$ 6,214	66 %	$ (450)	$ 4,995	$ 6,699	$ 2.80
Charitable contribution	(192)	1 %	—	71	121	0.05
Elimination of deferred tax balances	—	— %	—	(1,515)	1,515	0.63
As adjusted	$ 6,022	67 %	$ (450)	$ 3,551	$ 8,335	$ 3.48

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

(2) Figures in the table may not recalculate exactly due to rounding. Operating margin, diluted earnings per share and their respective totals are calculated based on unrounded numbers.

(in millions, except percentages and per share data)	Year ended September 30, 2016 Operating Expenses	Operating Margin (1),(2)	Non-operating Income (Expense)	Income Tax Provision	Net Income	Diluted Earnings Per Share(2)
As reported	$ 7,199	52 %	$ 129	$ 2,021	$ 5,991	$ 2.48
Severance cost	(110)	1 %	—	38	72	0.03
Remeasurement of deferred tax liability	—	— %	—	88	(88)	(0.04)
Acquisition-related costs	(152)	1 %	—	56	96	0.04
Visa Europe Framework Agreement loss	(1,877)	12 %	—	693	1,184	0.49
Net gains on currency forward contracts	—	— %	(74)	(27)	(47)	(0.02)
Foreign exchange gain on euro deposits	—	— %	(145)	(54)	(91)	(0.04)
Revaluation of Visa Europe put option	—	— %	(255)	—	(255)	(0.11)
As adjusted	$ 5,060	66 %	$ (345)	$ 2,815	$ 6,862	$ 2.84

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

(2) Figures in the table may not recalculate exactly due to rounding. Operating margin, diluted earnings per share and their respective totals are calculated based on unrounded numbers.

Interchange multidistrict litigation. During fiscal 2018, we recorded an additional accrual of $600 million to address claims associated with the interchange multidistrict litigation, resulting in an accrued litigation balance related to U.S. covered litigation of $1.4 billion at September 30, 2018. We also deposited $600 million of operating cash into the U.S. litigation escrow account. See *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data.*

Reduction in as-converted shares. During fiscal 2018, total as-converted class A common stock was reduced by 63 million shares at an average price of $124.29 per share. Of the 63 million shares, 58 million were repurchased in the open market using $7.2 billion of operating cash on hand. Additionally, in June 2018, we deposited $600 million of operating cash into the litigation escrow account previously established under the U.S. retrospective responsibility plan. Also, we recovered $56 million of VE territory covered losses in accordance with the Europe retrospective responsibility plan during fiscal 2018. The deposit and recovery have the same economic effect on earnings per share as repurchasing our class A common stock, because they reduce the class B common stock conversion rate and the UK&I and Europe preferred stock conversion rates and consequently, reduce the as-converted class A common stock share count. See *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 11—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

In January 2018, our board of directors authorized an additional $7.5 billion share repurchase program. As of September 30, 2018, the program had remaining authorized funds of $4.2 billion for share repurchase. All share repurchase programs authorized prior to January 2018 have been completed. See *Note 11—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data*.

Nominal payments volume and transaction counts. Payments volume is the primary driver for our service revenues, and the number of processed transactions is the primary driver for our data processing revenues. Nominal payments volume over the prior year posted low double-digit growth in the United States, driven mainly by consumer credit and debit. Nominal international payments volume growth was positively impacted by the strengthening of the U.S. dollar and the ongoing worldwide shift to electronic payments. On a constant-dollar basis, which excludes the impact of exchange rate movements, our international payments volume growth rate was 11% for the 12 months ended June 30, 2018. Growth on a constant-dollar basis was not significantly different from the nominal-dollar basis growth rate for the 12 months ended June 30, 2017[1]. Growth in processed transactions for fiscal 2017 reflects the inclusion of Visa Europe's processed transactions for the full year compared to three months in fiscal 2016.

The following tables[2] present nominal payments and cash volume:

	United States			International[7]			Visa Inc.[7]		
	12 months ended June 30,[1]			12 months ended June 30,[1]			12 months ended June 30,[1]		
	2018	2017	% Change	2018	2017	% Change	2018	2017	% Change
	(in billions, except percentages)								
Nominal payments volume									
Consumer credit	**$ 1,441**	$ 1,309	10 %	**$ 2,443**	$ 2,177	12 %	**$ 3,885**	$ 3,486	11 %
Consumer debit[3]	**1,496**	1,373	9 %	**1,757**	1,491	18 %	**3,253**	2,864	14 %
Commercial[4]	**562**	506	11 %	**363**	306	19 %	**925**	812	14 %
Total nominal payments volume	**$ 3,499**	$ 3,188	10 %	**$ 4,562**	$ 3,974	15 %	**$ 8,063**	$ 7,162	13 %
Cash volume	**562**	544	3 %	**2,435**	2,348	4 %	**2,997**	2,892	4 %
Total nominal volume[6]	**$ 4,061**	$ 3,732	9 %	**$ 6,998**	$ 6,322	11 %	**$ 11,060**	$ 10,054	10 %

	United States			International[7]			Visa Inc.[7]		
	12 months ended June 30,[1]			12 months ended June 30,[1]			12 months ended June 30,[1]		
	2017	2016	% Change	2017	2016	% Change	2017	2016	% Change
	(in billions, except percentages)								
Nominal payments volume									
Consumer credit	$ 1,309	$ 1,079	21 %	$ 2,177	$ 1,720	27 %	$ 3,486	$ 2,799	25 %
Consumer debit[3]	1,373	1,320	4 %	1,491	454	229 %	2,864	1,774	61 %
Commercial[4]	506	450	12 %	306	148	107 %	812	598	36 %
Total nominal payments volume[5]	**$ 3,188**	**$ 2,850**	**12 %**	**$ 3,974**	**$ 2,321**	**71 %**	**$ 7,162**	**$ 5,171**	**39 %**
Cash volume	544	520	5 %	2,348	1,775	32 %	2,892	2,294	26 %
Total nominal volume[5], [6]	**$ 3,732**	**$ 3,369**	**11 %**	**$ 6,322**	**$ 4,096**	**54 %**	**$ 10,054**	**$ 7,465**	**35 %**

The following table presents nominal and constant payments and cash volume growth.[2]

	International[7]				Visa Inc.[7]			
	12 months ended June 30, 2018 vs 2017[1]		12 months ended June 30, 2017 vs 2016[1]		12 months ended June 30, 2018 vs 2017[1]		12 months ended June 30, 2017 vs 2016[1]	
	Nominal	Constant[8]	Nominal	Constant[8]	Nominal	Constant[8]	Nominal	Constant[8]
Payments volume growth								
Consumer credit	12 %	9 %	27 %	27 %	11 %	10 %	25 %	25 %
Consumer debit[3]	18 %	12 %	229 %	241 %	14 %	11 %	61 %	65 %

Commercial[4]	19 %	15 %	107 %	105 %	14 %	12 %	36 %	36 %
Total payments volume growth[5]	**15 %**	**11 %**	**71 %**	**74 %**	**13 %**	**10 %**	**39 %**	**40 %**
Cash volume growth	4 %	2 %	32 %	33 %	4 %	2 %	26 %	27 %
Total volume growth[5]	**11 %**	**7 %**	**54 %**	**57 %**	**10 %**	**8 %**	**35 %**	**36 %**

(1) Service revenues in a given quarter are assessed based on nominal payments volume in the prior quarter. Therefore, service revenues reported for the 12 months ended September 30, 2018, 2017 and 2016, were based on nominal payments volume reported by our financial institution clients for the 12 months ended June 30, 2018, 2017 and 2016, respectively.

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

(3) Includes consumer prepaid volume and interlink volume.

(4) Includes large, middle and small business credit and debit, as well as commercial prepaid volume.

(5) Our nominal payments volume, total payments volume growth and total volume growth for the 12 months ended June 30, 2016 does not reflect the related nominal payments volume of $477 billion and cash volume of $177 billion for Visa Europe for the three months ended June 30, 2016, which impacts our service revenues for the fourth quarter of fiscal 2016.

(6) Total nominal volume is the sum of total nominal payments volume and cash volume. Total nominal payments volume is the total monetary value of transactions for goods and services that are purchased on cards carrying the Visa, Visa Electron, Interlink and V PAY brands. Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks. Total nominal volume is provided by our financial institution clients, subject to review by Visa. On occasion, previously presented volume information may be updated. Prior period updates are not material.

(7) As a result of European Union Interchange Fee regulation changes, effective with the quarter ended December 31, 2016, Europe co-badged payments volume is no longer included in reported volume. For comparative purposes, prior year figures were adjusted to exclude co-badged volume. The associated growth rates for the 12 months ended June 30, 2018 and 2017 were calculated using these adjusted amounts.

(8) Growth on a constant-dollar basis excludes the impact of foreign currency fluctuations against the U.S. dollar.

The following table[(1),(2)] provides the number of transactions involving Visa, Visa Electron, Interlink, VPAY and PLUS cards processed on Visa's networks during the fiscal periods presented:

	2018	2017	2016	2018 vs. 2017 % Change	2017 vs. 2016 % Change
	(in millions, except percentages)				
Visa processed transactions	**124,320**	111,215	83,159	12 %	34 %

(1) Figures in the table may not recalculate exactly due to rounding. Percentage changes are calculated based on unrounded numbers. On occasion, previously presented information may be updated. Prior period updates are not material. Our operating revenues and related processed transactions for fiscal 2016 do not reflect the financial results or related processed transactions of Visa Europe from the acquisition date, June 21, 2016, through June 30, 2016 as the impact was immaterial.

(2) Visa processed transactions in fiscal 2018, 2017 and the fourth quarter of fiscal 2016 include transactions processed by Visa Europe.

Financial Information Presentation

Operating Revenues

Our operating revenues are primarily generated from payments volume on Visa products for purchased goods and services, as well as the number of transactions processed on our network. We do not earn revenues from, or bear credit risk with respect to, interest or fees paid by account holders on Visa products. Our issuing clients have the responsibility for issuing cards and other payment products, and determining the interest rates and fees paid by account holders. We generally do not earn revenues from the fees that merchants are charged for acceptance by acquirers, including the merchant discount rate. Our acquiring clients are generally responsible for soliciting merchants, and establishing and earning these fees.

The following sets forth the components of our operating revenues:

Service revenues consist mainly of revenues earned for services provided in support of client usage of Visa products. Current quarter service revenues are primarily assessed using a calculation of current pricing applied to the prior quarter's payments volume. Service revenues also include assessments designed to support ongoing acceptance and volume growth initiatives, which are recognized in the same period the related volume is transacted.

Data processing revenues are earned for authorization, clearing, settlement, network access and other maintenance and support services that facilitate transaction and information processing among our clients globally. Data processing revenues are recognized in the same period the related transactions occur or services are rendered.

International transaction revenues are earned for cross-border transaction processing and currency conversion activities. Cross-border transactions arise when the country of origin of the issuer is different from that of the merchant. International transaction revenues are primarily generated by cross-border payments and cash volume.

Other revenues consist mainly of license fees for use of the Visa brand, fees for account holder services, certification and licensing, and other activities related to our acquired entities. With respect to fiscal 2016, other revenues also consists of revenues earned from Visa Europe in accordance with the Visa Europe Framework Agreement prior to the completion of the Visa Europe acquisition. Other revenues also include optional service or product enhancements, such as extended account holder protection and concierge services.

Client incentives consist of long-term contracts with financial institution clients, merchants and strategic partners for various programs designed to build payments volume, increase Visa product acceptance, win merchant routing transactions over our network and drive innovation. These incentives are primarily accounted for as reductions to operating revenues.

Operating Expenses

Personnel expenses include salaries, employee benefits, incentive compensation, share-based compensation, severance charges and contractor expense.

Marketing expenses include expenses associated with advertising and marketing campaigns, sponsorships and other related promotions of the Visa brand.

Network and processing expenses mainly represent expenses for the operation of our processing network, including maintenance, equipment rental and fees for other data processing services.

Professional fees mainly consist of fees for consulting, legal and other professional services.

Depreciation and amortization expenses include depreciation expense for property and equipment, as well as amortization of purchased and internally developed software. Also included in this amount is amortization of finite-lived intangible assets primarily obtained through acquisitions.

General and administrative expenses mainly consist of product enhancements, facilities costs, travel activities, foreign exchange gains and losses and other corporate expenses incurred in support of our business, and with respect to fiscal 2016, transaction costs related to the Visa Europe acquisition.

Litigation provision is an estimate of litigation expense and is based on management’s understanding of our litigation profile, the specifics of the cases, advice of counsel to the extent appropriate and management’s best estimate of incurred loss as of the balance sheet date.

Visa Europe Framework Agreement loss is a one-time loss incurred upon consummation of the Visa Europe acquisition on June 21, 2016, resulting from the effective settlement of the Framework Agreement between us and Visa Europe.

Non-operating Income (Expense)

Non-operating income (expense) primarily includes interest expense, gains and losses earned on investments and derivative instruments not associated with our core operations, and with respect to fiscal 2016, changes in the fair value of the Visa Europe put option and income.

Results of Operations

Operating Revenues

The following table sets forth our operating revenues earned in the United States, internationally and in accordance with the Framework Agreement prior to the Visa Europe acquisition on June 21, 2016. Visa Europe revenue earned for fiscal 2018, 2017 and the fourth quarter of fiscal 2016 is included in International.

	For the Years Ended September 30,			$ Change		% Change[(1)]	
	2018	2017	2016[(2)]	2018 vs. 2017	2017 vs. 2016	2018 vs. 2017	2017 vs. 2016
	(in millions, except percentages)						
United States	**$ 9,332**	$ 8,704	$ 7,851	$ 628	$ 853	7 %	11 %
International	**11,277**	9,654	7,040	1,623	2,614	17 %	37 %
Revenues earned under the Framework Agreement[(3)]	**—**	—	191	—	(191)	NM	(100 %)
Net operating revenues	**$ 20,609**	$ 18,358	$ 15,082	$ 2,251	$ 3,276	12 %	22 %

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

(2) Our operating revenues for fiscal 2016 do not reflect revenues earned by Visa Europe from the acquisition date, June 21, 2016, through June 30, 2016 as the impact was immaterial.

(3) Reflects revenues earned from Visa Europe prior to the acquisition, in accordance with the Framework Agreement that provided for trademark and technology licenses and bilateral services. The Framework Agreement was effectively settled upon the closing of the acquisition.

The increase in operating revenues in fiscal 2018 and 2017 reflects the continued growth in nominal payments volume, nominal cross-border volume, and processed transactions. The increase in operating revenues in fiscal 2017 also reflects the inclusion of operating revenues from Visa Europe for the full year compared to one quarter in fiscal 2016. These benefits were partially offset by increases in client incentives in both fiscal 2018 and 2017.

Our operating revenues, primarily service revenues, international transaction revenues, and client incentives, are impacted by the overall strengthening or weakening of the U.S. dollar as payments volume and related revenues denominated in local currencies are converted to U.S. dollars. The effect of exchange rate movements in fiscal 2018, as partially mitigated by our hedging program, resulted in an approximately one percentage point positive impact to our net operating revenue growth.

The following table sets forth the components of our net operating revenues, including operating revenues earned by Visa Europe for fiscal 2018, 2017 and the fourth quarter of fiscal 2016. Other revenues in fiscal 2016 included revenue earned from Visa Europe in accordance with the Framework Agreement prior to its acquisition on June 21, 2016.

	For the Years Ended September 30,			$ Change		% Change[(1)]	
	2018	2017	2016[(2)]	2018 vs. 2017	2017 vs. 2016	2018 vs. 2017	2017 vs. 2016
	(in millions, except percentages)						
Service revenues	**$ 8,918**	$ 7,975	$ 6,747	$ 943	$ 1,228	12 %	18 %
Data processing revenues	**9,027**	7,786	6,272	1,241	1,514	16 %	24 %
International transaction revenues	**7,211**	6,321	4,649	890	1,672	14 %	36 %
Other revenues	**944**	841	823	103	18	12 %	2 %

Client incentives	**(5,491)**	(4,565)	(3,409)	(926)	(1,156)	20%	34%
Net operating revenues	**$ 20,609**	$ 18,358	$ 15,082	$ 2,251	$ 3,276	12%	22%

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

(2) Our operating revenues for fiscal 2016 do not reflect revenues earned by Visa Europe from the acquisition date, June 21, 2016, through June 30, 2016 as the impact was immaterial.

- *Service revenues* increased in fiscal 2018 and 2017 primarily due to 13% and 39% growth in nominal payments volume, respectively. The growth in service revenues was slower than the growth in payments volume during fiscal 2017, reflecting the inclusion of Visa Europe revenue and the resulting impact on our service revenue yield.

- *Data processing revenues* increased in fiscal 2018 and 2017 due to overall growth in processed transactions of 12% and 34%, respectively. Fiscal 2018 growth also reflected select pricing modifications. The growth in data processing revenues was slower than the growth in processed transactions during fiscal 2017, reflecting the inclusion of data processing revenues earned by Visa Europe and the resulting impact on our data processing revenue yield.

- *International transaction revenues* increased in fiscal 2018 and 2017 primarily due to nominal cross-border volume growth of 14% and 79%, respectively, and select pricing modifications. International transaction revenue growth in fiscal 2017 also reflects the inclusion of revenues earned by Visa Europe and the resulting impact on our corresponding yield, which was partially offset by lower volatility in a broad range of currencies.

- *Client incentives* increased in fiscal 2018 and 2017, reflecting overall growth in global payments volume, incentives recognized on long-term client contracts that were initiated or renewed during fiscal 2018 and 2017 and the inclusion of Visa Europe's incentives for fiscal 2018, 2017 and the fourth quarter of fiscal 2016. The amount of client incentives we record in future periods will vary based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Operating Expenses

The following table sets forth the components of our total operating expenses:

	For the Years Ended September 30,			$ Change		% Change(1)	
	2018	**2017**	**2016(2)**	**2018 vs. 2017**	**2017 vs. 2016**	**2018 vs. 2017**	**2017 vs. 2016**
	(in millions, except percentages)						
Personnel	**$ 3,170**	$ 2,628	$ 2,226	$ 542	$ 402	21 %	18 %
Marketing	**988**	922	869	66	53	7 %	6 %
Network and processing	**686**	620	538	66	82	11 %	15 %
Professional fees	**446**	409	389	37	20	9 %	5 %
Depreciation and amortization	**613**	556	502	57	54	10 %	11 %
General and administrative	**1,145**	1,060	796	85	264	8 %	33 %
Litigation provision	**607**	19	2	588	17	NM	NM
Visa Europe Framework Agreement loss	**—**	—	1,877	—	(1,877)	NM	(100)%
Total operating expenses(3)	**$ 7,655**	$ 6,214	$ 7,199	$ 1,441	$ (985)	23 %	(14)%

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

(2) Our operating expenses for fiscal 2016 do not reflect the expenses incurred by Visa Europe from the acquisition date, June 21, 2016, through June 30, 2016 as the impact was immaterial.

(3) Operating expenses for fiscal 2018, 2017 and 2016 include significant items that we do not believe are indicative of our operating performance as they are related to the charitable donation or the Visa Europe acquisition. See *Overview* within this *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Total operating expenses increased in fiscal 2018 primarily due to the $600 million accrual related to the U.S. covered litigation and our ongoing investments to support our business growth. See *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report for more information on the U.S. covered litigation accrual. Total operating expenses decreased in fiscal 2017 primarily due to the $1.9 billion loss related to the effective settlement of the Framework Agreement between Visa and Visa Europe recorded during fiscal 2016. The remaining components of total operating expenses increased in fiscal 2017 primarily due to the inclusion of Visa Europe expenses. Additional factors impacting our operating expenses are discussed below.

- *Personnel expenses* increased in fiscal 2018 and 2017 driven by continued increase in headcount and higher incentive compensation, reflecting our strategy to invest for future growth.

- *Marketing expenses* increased in fiscal 2018 primarily due to higher spending in support of a number of campaigns, including the Olympic Winter Games PyeongChang 2018 and 2018 FIFA World Cup™.

Non-operating Income (Expense)

The following table sets forth the components of our non-operating income (expense).

	For the Years Ended September 30,			$ Change		% Change[1]	
	2018	2017	2016[2]	2018 vs. 2017	2017 vs. 2016	2018 vs. 2017	2017 vs. 2016
	(in millions, except percentages)						
Interest expense	**$ (612)**	$ (563)	$ (427)	$ (49)	$ (136)	9 %	32 %
Other	**464**	113	556	351	(443)	311 %	(80)%
Total non-operating income (expense)	**$ (148)**	$ (450)	$ 129	$ 302	$ (579)	(67)%	NM

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

(2) Fiscal 2016 non-operating income (expense) includes financial results of Visa Europe for the fourth quarter of fiscal 2016, but does not reflect the financial results of Visa Europe from the acquisition date, June 21, 2016, through June 30, 2016 as the impact was immaterial.

- *Interest expense* increased during fiscal 2018 and 2017 primarily due to the issuance of fixed-rate senior notes in fiscal 2017 and 2016. See *Note 6—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

- *Other* non-operating income (expense) increased in fiscal 2018 primarily due to gains of $292 million from the donation of securities to the Visa Foundation and sales of investments. Other non-operating income (expense) decreased in fiscal 2017 primarily due to the absence of the following:

    - net gains of $74 million in fiscal 2016 related to currency forward contracts entered into to mitigate a portion of our foreign currency exchange rate risk associated with the upfront cash consideration paid in the Visa Europe acquisition;
    - a foreign exchange gain of $145 million in fiscal 2016 on euro deposits as a result of holding euro-denominated bank balances for a short period in advance of the closing of the Visa Europe acquisition; and
    - a non-cash adjustment of $255 million in fiscal 2016 to decrease the fair value of the Visa Europe put option, which is not subject to tax, reducing the fair value of the liability to zero.

See *Note 3—Fair Value Measurements and Investments* and *Note 9—Derivative and Non-derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Effective Income Tax Rate

The effective income tax rate was 20% in fiscal 2018 and 43% in fiscal 2017. The effective tax rate in fiscal 2018 differs from the effective tax rate in fiscal 2017 primarily due to:

- the effects of the Tax Act, enacted on December 22, 2017, as discussed below;

- $161 million of tax benefits due to various non-recurring audit settlements in fiscal 2018; and

- the absence of the following items related to the Visa Europe reorganization recorded in fiscal 2017:

    - a $1.5 billion non-recurring, non-cash income tax provision primarily related to the elimination of deferred tax balances originally recognized upon the acquisition of Visa Europe; and

    - a $71 million one-time tax benefit related to the Visa Foundation's receipt of Visa Inc. shares, previously recorded by Visa Europe as treasury stock.

The effective income tax rate was 43% in fiscal 2017 and 25% in fiscal 2016. The effective tax rate in fiscal 2017 differs from the effective tax rate in fiscal 2016 primarily due to:

- the items listed above related to the Visa Europe reorganization recorded in fiscal 2017;
- $70 million of excess tax benefits related to share-based payments recorded in fiscal 2017, as a result of the early adoption of Accounting Standards Update 2016-09; and
- the absence of:
  - the effect of one-time items related to the Visa Europe acquisition recorded during fiscal 2016, the most significant of which was the $1.9 billion U.S. loss related to the effective settlement of the Framework Agreement between Visa and Visa Europe. These one-time items impacted the geographic mix of our global income, resulting in a reduced effective tax rate in fiscal 2016;
  - an $88 million one-time tax benefit due to the remeasurement of deferred tax liabilities as a result of the reduction in the UK tax rate enacted in fiscal 2016; and
  - the non-taxable $255 million revaluation of the Visa Europe put option recorded in fiscal 2016.

The Tax Act, enacted on December 22, 2017, transitions the U.S. tax system to a new territorial system and lowers the statutory federal corporate income tax rate from 35% to 21%. The reduction of the statutory federal corporate tax rate to 21% became effective on January 1, 2018. In fiscal 2018, our statutory federal corporate rate is a blended rate of 24.5%, which will be reduced to 21% in fiscal 2019 and thereafter.

As a result of the reduction in the federal corporate tax rate, we provisionally remeasured our net deferred tax liabilities as of the enactment date of the Tax Act. The deferred tax remeasurement is now complete and resulted in a one-time, non-cash tax benefit of $1.1 billion, recorded in fiscal 2018.

In transitioning to the new territorial tax system, the Tax Act requires that we include certain untaxed foreign earnings of non-U.S. subsidiaries in our fiscal 2018 taxable income. Such foreign earnings are subject to a one-time tax at 15.5% on the amount held in cash or cash equivalents, and at 8% on the remaining non-cash amount. The 15.5% and 8% tax, collectively referred to as the “transition tax”, was estimated to be $1.1 billion, and was recorded in fiscal 2018. The transition tax will be paid over a period of eight years as permitted by the Tax Act.

The above-mentioned accounting impact of the transition tax is provisional, based on currently available information and technical guidance on the interpretations of the new law. We continue to obtain and analyze additional information and guidance as they become available to complete the accounting for the tax impact of the Tax Act. Additional information currently unavailable that is needed to complete the analysis includes, but is not limited to, foreign tax returns and foreign tax documentation for the computation of foreign tax credits, and the final determination of the untaxed foreign earnings subject to the transition tax. The provisional accounting impact may change until the accounting analysis is finalized, which will occur no later than the first quarter of fiscal 2019, as permitted by ASU 2018-05.

Adjusted effective income tax rate. Our financial results for fiscal 2018 and 2017 reflect the impact of certain significant items that we do not believe are indicative of our ongoing operating performance in prior or future years, as they are either non-recurring or have no cash impact. As such, we have presented our adjusted effective income tax rates in the tables below, which we believe provides a clearer understanding of our operating performance in fiscal 2018 and 2017. See *Overview—Adjusted financial results* within this *Management’s Discussion and Analysis of Financial Condition and Results of Operations* for descriptions of the adjustments in the table below.

	Year ended September 30, 2018		
	Income Before Income Taxes	Income Tax Provision	Effective Income Tax Rate[(1)]
	(in millions, except percentages)		
As reported	$ 12,806	$ 2,505	19.6 %
Charitable contribution	2	51	
Litigation provision	600	137	
Remeasurement of deferred tax balances	—	1,133	
Transition tax on foreign earnings	—	(1,147)	
As adjusted	$ 13,408	$ 2,679	20.0 %

	Year ended September 30, 2017		
	Income Before Income Taxes	Income Tax Provision	Effective Income Tax Rate[(1)]
	(in millions, except percentages)		
As reported	$ 11,694	$ 4,995	42.7 %
Charitable contribution	192	71	
Elimination of deferred tax balances	—	(1,515)	
As adjusted	$ 11,886	$ 3,551	29.9 %

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

Liquidity and Capital Resources

Management of Our Liquidity

We regularly evaluate cash requirements for current operations, commitments, development activities and capital expenditures, and we may elect to raise additional funds for these purposes in the future through the issuance of either debt or equity. Our treasury policies provide management with the guidelines and authority to manage liquidity risk in a manner consistent with our corporate objectives.

The objectives of our treasury policies are to:

- provide adequate liquidity to cover operating expenditures and liquidity contingency scenarios;
- ensure timely completion of payments settlement activities;
- ensure payments on required litigation settlements;
- make planned capital investments in our business;
- pay dividends and repurchase our shares at the discretion of our board of directors; and
- invest excess cash in securities that enable us to first meet our working capital and liquidity needs, and earn additional income.

Based on our current cash flow budgets and forecasts of our short-term and long-term liquidity needs, we believe that our projected sources of liquidity will be sufficient to meet our projected liquidity needs for more than the next 12 months. We will continue to assess our liquidity position and potential sources of supplemental liquidity in view of our operating performance, current economic and capital market conditions, and other relevant circumstances.

Cash Flow Data

The following table summarizes our cash flow activity for the fiscal years presented:

	For the Years Ended September 30,		
	2018	**2017**	**2016**
		(in millions)	
Total cash provided by (used in):			
Operating activities	**$ 12,713**	$ 9,208	$ 5,574
Investing activities	**(3,084)**	735	(10,916)
Financing activities	**(11,240)**	(5,924)	7,477
Effect of exchange rate changes on cash and cash equivalents	**(101)**	236	(34)
(Decrease) increase in cash and cash equivalents	**$ (1,712)**	$ 4,255	$ 2,101

Operating activities. Cash provided by operating activities in fiscal 2018 and 2017 was impacted by continued growth in our underlying business. Fiscal 2017 was impacted by the inclusion of Visa Europe in our results for the full year, while fiscal 2016 had one quarter of results that included Visa Europe. Other factors impacting cash provided by operating activities include:

- net deposits made into the U.S. litigation escrow account of $450 million in fiscal 2018;
- $1.9 billion of the consideration paid in the Visa Europe acquisition during fiscal 2016 related to the effective settlement of the Framework Agreement between us and Visa Europe; and
- payments of $545 million, $489 million and $244 million of interest on the outstanding senior notes during fiscal 2018, 2017 and 2016 respectively.

The cash inflows and outflows related to the U.S. litigation escrow account are also reflected as offsetting cash flows within financing activities for their respective years as they are covered by the U.S. retrospective responsibility plan. See *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Investing activities. Cash used in investing activities in fiscal 2018 was higher than the prior-year comparable period as purchases of available-for-sale investment securities reflected additional investment of net proceeds received from new fixed-rate senior notes issued in September 2017. Cash provided by investing activities in fiscal 2017 reflected net proceeds from maturities and sales of available-for-sale investment securities. Cash used in investing activities in fiscal 2016 primarily reflected the up-front cash consideration paid in the Visa Europe acquisition, offset by $2.8 billion of cash held by Visa Europe at the closing of the transaction in fiscal 2016.

Financing activities. Cash used in financing activities in fiscal 2018 primarily reflected the $7.2 billion used to repurchase class A common stock, $1.9 billion of dividend payments, the redemption of $1.75 billion principal amount outstanding of the 2017 Notes and $600 million deposited into the U.S. litigation escrow account, partially offset by payments of $150 million from our litigation escrow account. Cash used in financing activities in fiscal 2017 primarily reflected $6.9 billion used to repurchase class A common stock in the open market and $1.6 billion of dividend payments, partially offset by $2.5 billion net aggregate proceeds received from our debt issuance completed in September 2017. Cash provided by financing activities in fiscal 2016 primarily reflected $15.9 billion net aggregate proceeds received from our debt issuance completed in December 2015, partially offset by $7.0 billion used to repurchase class A common stock in the open market and $1.4 billion of dividend payments. See *Note 2—U.S. and Europe Retrospective Responsibility Plans*, *Note 6—Debt*, *Note 11—Stockholders' Equity* and *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Sources of Liquidity

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

Foreign Earnings. Pursuant to the Tax Act, we are required to pay U.S. tax on most of the undistributed and untaxed foreign earnings of non-U.S. subsidiaries accumulated as of December 31, 2017. The transition tax will be paid over a period of eight years as permitted by the Tax Act. As a result of the Tax Act, we are no longer subject to incremental U.S. federal tax on foreign earnings of non-U.S. subsidiaries in the event that we repatriate these earnings back to the United States.

Available-for-sale investment securities. Our investment portfolio is designed to invest excess cash in securities which enables us to meet our working capital and liquidity needs. Our investment portfolio primarily consists of debt securities issued by the U.S. Treasury or U.S. government-sponsored agencies. The majority of these investments, $3.4 billion, are classified as current and are available to meet short-term liquidity needs. The remaining non-current investments have stated maturities of more than one year from the balance sheet date; however, they are also generally available to meet short-term liquidity needs.

Factors that may impact the liquidity of our investment portfolio include, but are not limited to, changes to credit ratings of the securities, uncertainty related to regulatory developments, actions by central banks and other monetary authorities, and the ongoing strength and quality of credit markets. We will continue to review our portfolio in light of evolving market and economic conditions. However, if current market conditions deteriorate, the liquidity of our investment portfolio may be impacted and we could determine that some of our investments are impaired, which could adversely impact our financial results. We have policies that limit the amount of credit exposure to any one financial institution or type of investment.

Commercial paper program. We maintain a commercial paper program to support our working capital requirements and for other general corporate purposes. Under the program, we are authorized to issue up to $3.0 billion in outstanding notes, with maturities up to 397 days from the date of issuance. We had no outstanding obligations under the program at September 30, 2018. See *Note 6—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Credit facility. We have an unsecured $4.0 billion revolving credit facility (the “Credit Facility”) which expires on January 27, 2022. There were no borrowings under the credit facility as of September 30, 2018 and we were in compliance with all related covenants as of and during the year ended September 30, 2018. See *Note 6—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Universal shelf registration statement. In July 2018, we filed a registration statement with the SEC using a shelf registration process. As permitted by the registration statement, we may, from time to time, sell shares of debt or equity securities in one or more transactions. This registration statement expires in July 2021.

U.S. Litigation escrow account. Pursuant to the terms of the U.S. retrospective responsibility plan, we maintain a U.S. litigation escrow account from which monetary liabilities from settlements of, or judgments in, the U.S. covered litigation will be payable. When we fund the U.S. litigation escrow account, the shares of class B common stock held by our stockholders 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. In June 2018, we deposited $600 million into the U.S. litigation escrow account to address claims associated with the interchange multidistrict litigation. See *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. The balance in this account at September 30, 2018, was $1.5 billion and is reflected as restricted cash in our consolidated balance sheets. As these funds are restricted for the sole purpose of making payments related to the U.S. covered litigation matters, as described below under *Uses of Liquidity*, we do not rely on them for other operational needs.

Long-term debt. In September 2017, we issued fixed-rate senior notes in an aggregate principal amount of $2.5 billion, with maturities ranging between 5 and 30 years. In October 2017, we redeemed all of the $1.75 billion principal amount outstanding of the 2017 Notes. The redemption was funded with the net proceeds from the new fixed-rate senior notes issued in September 2017. We are not subject to any financial covenants and did not experience any changes to our investment credit ratings as a result of this debt issuance. See *Note 6—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Credit Ratings

At September 30, 2018, our credit ratings by Standard and Poor's and Moody's were as follows:

	Standard and Poor's		Moody's	
Debt type	Rating	Outlook	Rating	Outlook
Short-term unsecured debt	A-1	Positive	P-1	Stable
Long-term unsecured debt	A+	Positive	A1	Stable

Various factors affect our credit ratings, including changes in our operating performance, the economic environment, conditions in the electronic payment industry, our financial position and changes in our business strategy. We do not currently foresee any reasonable circumstances under which our credit ratings would be significantly downgraded. If a downgrade were to occur, it could adversely impact, among other things, our future borrowing costs and access to capital markets.

Uses of Liquidity

Payments settlement. Payments settlement due to and from our financial institution clients can represent a substantial daily liquidity requirement. Most U.S. dollar settlements are settled within the same day and do not result in a net receivable or payable balance, while settlements in currencies other than the U.S. dollar generally remain outstanding for one to two business days, which is consistent with industry practice for such transactions. In general, during fiscal 2018, we were not required to fund settlement-related working capital. Our average daily net settlement position was a net payable of $931 million. We hold approximately $7.6 billion of available liquidity globally as of September 30, 2018, in the form of cash, cash equivalents and available-for-sale investment securities, to fund daily settlement in the event one or more of our financial institution clients are unable to settle.

U.S. covered litigation. We are parties to legal and regulatory proceedings with respect to a variety of matters, including certain litigation that we refer to as the U.S. covered litigation. As noted above, monetary liabilities from settlements of, or judgments in, the U.S. covered litigation are payable from the U.S. litigation escrow account. During fiscal 2018, we deposited $600 million into the U.S. litigation escrow account to address claims associated with the interchange multidistrict litigation, and made $150 million covered litigation payments that were funded from the U.S. litigation escrow account. At September 30, 2018, the U.S. litigation escrow account had an available balance of $1.5 billion. In September 2018, Visa and other defendants entered into a new settlement agreement with plaintiffs in the interchange multidistrict litigation purporting to represent a class of plaintiffs seeking monetary damages, which superseded and amended the 2012 Settlement Agreement. The proposed settlement amount is approximately $6.2 billion. Our share represents approximately $4.1 billion, the majority of which will be satisfied through funds previously deposited with the court plus the $600 million we deposited into its litigation escrow account in June 2018. No additional funds are required for this class settlement. Our share is covered under the U.S. retrospective responsibility plan, which was created to insulate Visa and our class A common shareholders from financial liability for certain litigation cases. Until the court approves the 2018 Settlement Agreement, it is uncertain whether the Company will be able to resolve the damages class plaintiffs' claims as contemplated by that agreement. If the 2018 Settlement Agreement is terminated and no further agreement is reached regarding funds previously paid from the litigation escrow account into court-supervised settlement funds, we will have the right to the majority of these funds, which would be returned to the U.S. litigation escrow account. This will increase our taxable income, thereby increasing our taxes to be paid. See *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Other litigation. Judgments in and settlements of litigation, other than the U.S. covered litigation, including VE territory covered litigation or other fines imposed in investigations and proceeding, could give rise to future liquidity needs.

Reduction in as-converted shares. During fiscal 2018, share repurchases and escrow deposits reduced as-converted class A common stock by 63 million at an average price of $124.38 per share. Of the 63 million shares, 58 million were repurchased in the open market using $7.2 billion of cash on hand.

Additionally, we deposited $600 million of operating cash into the U.S. litigation escrow account previously established under the U.S. retrospective responsibility plan. The deposit has the same economic effect on earnings per share as repurchasing our Class A common stock because it reduces the class B conversion rate and consequently the as-converted class A common stock share count. See *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 11—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

In January 2018, our board of directors authorized a share repurchase program for $7.5 billion. This authorization has no expiration date. As of September 30, 2018, we had remaining authorized funds of $4.2 billion. All share repurchase programs authorized prior to January 2018 have been completed. See *Note 11—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Dividends. During fiscal 2018, we declared and paid $1.9 billion in dividends. On October 16, 2018, our board of directors declared a quarterly dividend in the aggregate amount of $0.25 per share of class A common stock (determined in the case of class B and C common stock and series B and C preferred stock on an as-converted basis). We expect to pay approximately $574 million in connection with this dividend on December 4, 2018. See *Note 11—Stockholders' Equity* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We expect to continue paying quarterly dividends in cash, subject to approval by the board of directors. All preferred and class B and C common stock will share ratably on an as-converted basis in such future dividends.

Pension and other postretirement benefits. We sponsor various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for substantially all employees residing in the United States. As a result of the acquisition of Visa Europe, we assumed the obligations related to Visa Europe's defined benefit plan, primarily consisting of the UK pension plans. Our policy with respect to our U.S. qualified pension plan is to contribute annually in September of each year, an amount not less than the minimum required under the Employee Retirement Income Security Act. Our U.S. non-qualified pension and other postretirement benefit plans are funded on a current basis. In relation to the Visa Europe UK pension plans, our funding policy is to contribute in accordance with the appropriate funding requirements agreed with the trustees of our UK pension plans. Additional amounts may be agreed with the UK pension plan trustees. In fiscal 2018, 2017 and 2016, we made contributions to our U.S. pension and other postretirement benefit plans of $3 million, $12 million and $4 million, respectively. For Visa Europe's UK pension plans, we made contributions of $11 million, $5 million and $102 million in fiscal 2018, 2017 and 2016, respectively, subsequent to the acquisition date as agreed upon with the trustees to improve the funding level of the plans. In fiscal 2019, given current projections and assumptions, we anticipate funding our U.S. pension and other postretirement benefit plans and Visa Europe's UK defined benefit pension plans by approximately $3 million and $10 million, respectively. The actual contribution amount will vary depending upon the funded status of the pension plan, movements in the discount rate, performance of the plan assets and related tax consequences. See *Note 7—Pension, Postretirement and Other Benefits* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Capital expenditures. Our capital expenditures increased during fiscal 2018, due to investments in technology, infrastructure and growth initiatives. We expect to continue investing in technology assets and payments system infrastructure to support our digital solutions and core business initiatives.

Acquisitions. In February 2017, we acquired a business using $302 million of cash on hand, primarily reflecting total purchase price less cash received. The acquisition will help Visa's clients and merchant partners accelerate digital commerce. On June 21, 2016, we acquired 100% of the share capital of Visa Europe. In connection with the purchase, we will pay an additional €1.0 billion, plus 4% compound annual interest, on the third anniversary of the closing of the Visa Europe acquisition. See *Note 5—Intangible Assets and Goodwill* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

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 September 30, 2018, our financial instruments measured at fair value on a recurring basis included approximately $15.0 billion of assets and $22 million of liabilities. None of these instruments were valued using significant unobservable inputs. See *Note 3—Fair Value*

Measurements and Investments to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements are primarily comprised of guarantees and indemnifications. Visa has no off-balance sheet debt, other than lease and purchase order commitments, as discussed and reflected in our contractual obligations table below.

Indemnifications

We indemnify our financial institution clients for settlement losses suffered due to the failure of any other client to fund its settlement obligations in accordance with our rules. The amount of the indemnification is limited to the amount of unsettled Visa payment transactions at any point in time. We maintain global credit settlement risk policies and procedures to manage settlement risk, which may require clients to post collateral if certain credit standards are not met. See *Note 1—Summary of Significant Accounting Policies* and *Note 8—Settlement Guarantee Management* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

In the ordinary course of business, we enter into contractual arrangements with financial institutions and other clients and partners under which we may agree to indemnify the client for certain types of losses incurred relating to the services we provide or otherwise relating to our performance under the applicable agreement.

Contractual Obligations

Our contractual commitments will have an impact on our future liquidity. The contractual obligations identified in the table below include both on- and off-balance sheet transactions that represent a material, expected or contractually committed future obligation as of September 30, 2018. We believe that we will be able to fund these obligations through cash generated from our operations and available credit facilities.

	Payments Due by Period				
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
			(in millions)		
Long-term debt[1]	$ 537	$ 4,041	$ 4,140	$ 15,719	$ 24,437
Purchase obligations[2]	1,375	410	198	542	2,525
Leases[3]	180	225	164	178	747
Transition tax[4]	88	177	177	663	1,105
Dividends[5]	574	—	—	—	574
Deferred purchase consideration[6]	1,317	—	—	—	1,317
Total[7],[8],[9]	**$ 4,071**	**$ 4,853**	**$ 4,679**	**$ 17,102**	**$ 30,705**

(1) Amounts presented include payments for both interest and principal. Also see *Note 6—Debt* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(2) Represents agreements to purchase goods and services that specify significant terms, including: fixed or minimum quantities to be purchased, minimum or variable price provisions, and the approximate timing of the transaction. For obligations where the individual years of spend are not specified in the contract, we have estimated the timing of when these amounts will be spent.

(3) Includes operating leases for premises, equipment and software licenses, which range in terms from less than one year to twenty years.

(4) Amounts presented relate to the estimated transition tax, net of foreign tax credit carryovers, on certain foreign earnings of non-U.S. subsidiaries. See *Note 16—Income Taxes* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

(5) Includes expected dividend amount of $574 million as dividends were declared on October 16, 2018 and will be paid on December 4, 2018 to all holders of record of Visa's common stock as of November 16, 2018.

(6) On June 21, 2016, we acquired 100% of the share capital of Visa Europe. In connection with the purchase, we will pay an additional €1.0 billion, plus 4% compound annual interest, on the third anniversary of the closing of the Visa Europe acquisition. Amount presented was converted to U.S. dollar at the September 30, 2018 exchange rate.

(7) We have liabilities for uncertain tax positions of $1.4 billion as of September 30, 2018. At September 30, 2018, we had also accrued $99 million of interest and $34 million of penalties associated with our uncertain tax positions. We cannot determine the range of cash payments that will be made and the timing of the cash settlements, if any, associated with our uncertain tax positions. Therefore, no amounts related to these obligations have been included in the table.

(8) We evaluate the need to make contributions to our pension plan after considering the funded status of the pension plan, movements in the discount rate, performance of the plan assets and related tax consequences. Expected contributions to our

pension plan have not been included in the table as such amounts are dependent upon the considerations discussed above, and may result in a wide range of amounts. See *Note 7—Pension, Postretirement and Other Benefits* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report and the *Liquidity and Capital Resources s*ection of this *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

(9) Future cash payments for long-term contracts with financial institution clients and other business partners are not included in the table as the amounts are unknowable due to the inherent unpredictability of payment and transaction volume. These agreements, which range in terms from one to eleven years, can provide card issuance and/or conversion support, volume/growth targets and marketing and program support based on specific performance requirements. As of September 30, 2018, we have $2.8 billion of client incentives liability recorded on the consolidated balance sheet related to these arrangements.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require us to make judgments, assumptions and estimates that affect the amounts reported. See *Note 1—Summary of Significant Accounting Policies* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report. We have established policies and control procedures which seek to ensure that estimates and assumptions are appropriately governed and applied consistently from period to period. However, actual results could differ from our assumptions and estimates, and such differences could be material.

We believe that the following accounting estimates are the most critical to fully understand and evaluate our reported financial results, as they require our most subjective or complex management judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain and unpredictable.

Revenue Recognition—Client Incentives

Critical estimates. We enter into incentive agreements with financial institution clients, merchants and other business partners for various programs designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to our network and driving innovation. These incentives are primarily accounted for as reductions to operating revenues; however, if a separate identifiable benefit at fair value can be established, they are accounted for as operating expenses. We generally capitalize advance incentive payments under these agreements if select criteria are met. The capitalization criteria include the existence of future economic benefits to Visa, the existence of legally enforceable recoverability language (e.g., early termination clauses), management's ability and intent to enforce the recoverability language and the ability to generate future earnings from the agreement in excess of amounts deferred. Capitalized amounts are amortized over the shorter of the period of contractual recoverability or the corresponding period of economic benefit. Incentives not yet paid are accrued systematically and rationally based on management's estimate of each client's performance. These accruals are regularly reviewed and estimates of performance are adjusted as appropriate, based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Assumptions and judgment. Estimation of client incentives relies on forecasts of payments and transaction volume, card issuance and card conversion. Performance is estimated using client-reported information, transactional information accumulated from our systems, historical information and discussions with our clients, merchants and business partners.

Impact if actual results differ from assumptions. If actual performance or recoverable cash flows are not consistent with our estimates, client incentives may be materially different than initially recorded. Increases in incentive payments are generally driven by increased payments and transaction volume, which drive our net revenues. As a result, in the event incentive payments exceed estimates, such payments are not expected to have a material effect on our financial condition, results of operations or cash flows. The cumulative impact of a revision in estimates is recorded in the period such revisions become probable and estimable. For the year ended September 30, 2018, client incentives represented 21% of gross operating revenues.

Legal and Regulatory Matters

Critical estimates. We are currently involved in various legal proceedings, the outcomes of which are not within our complete control or may not be known for prolonged periods of time. Management is required to assess the probability of loss and amount of such loss, if any, in preparing our financial statements.

Assumptions and judgment. We evaluate the likelihood of a potential loss from legal or regulatory proceedings to which we are a party. We record a liability for such claims when a loss is deemed probable and the amount can be reasonably estimated. Significant judgment may be required in the determination of both probability and whether a potential loss is reasonably estimable. Our judgments are subjective based on the status of the legal or regulatory proceedings, the merits of our defenses and consultation with in-house and outside legal counsel. As additional information becomes available, we reassess the potential liability related to pending claims and may revise our estimates.

Our U.S. retrospective responsibility plan only addresses monetary liabilities from settlements of, or final judgments in, the U.S. covered litigation. The plan's mechanisms include the use of the U.S. litigation escrow account. The accrual related to the U.S. covered litigation could be either higher or lower than the U.S. litigation escrow account balance. We recorded an additional accrual of $600 million for U.S. covered litigation during fiscal 2018. Our Europe retrospective responsibility plan only covers Visa Europe territory covered litigation (and resultant liabilities and losses) relating to the covered period, subject to certain limitations, and does not cover any fines or penalties incurred in the European Commission proceedings or any other matter. See *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Impact if actual results differ from assumptions. Due to the inherent uncertainties of the legal and regulatory processes in the multiple jurisdictions in which we operate, our judgments may be materially different than the actual outcomes, which could have material adverse effects on our business, financial conditions and results of operations. See *Note 17—Legal Matters* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

Income Taxes

Critical estimates. In calculating our effective income tax rate, we make judgments regarding certain tax positions, including the timing and amount of deductions and allocations of income among various tax jurisdictions.

Assumptions and judgment. We have various tax filing positions with regard to the timing and amount of deductions and credits, the establishment of liabilities for uncertain tax positions and the allocation of income among various tax jurisdictions. We are also required to inventory, evaluate and measure all uncertain tax positions taken or to be taken on tax returns and to record liabilities for the amount of such positions that may not be sustained, or may only be partially sustained, upon examination by the relevant taxing authorities.

Impact if actual results differ from assumptions. Although we believe that our estimates and judgments are reasonable, actual results may differ from these estimates. Some or all of these judgments are subject to review by the taxing authorities. If one or more of the taxing authorities were to successfully challenge our right to realize some or all of the tax benefit we have recorded, and we were unable to realize this benefit, it could have a material adverse effect on our financial results and cash flows.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential economic loss arising from adverse changes in market factors. Our exposure to financial market risks results primarily from fluctuations in foreign currency exchange rates, interest rates and equity prices. Aggregate risk exposures are monitored on an ongoing basis.

Foreign Currency Exchange Rate Risk

We are exposed to risks from foreign currency exchange rate fluctuations that are primarily related to changes in the functional currency value of revenues generated from foreign currency-denominated transactions and changes in the functional currency value of payments in foreign currencies. We manage these risks by entering into foreign currency forward contracts that hedge exposures of the variability in the functional currency equivalent of anticipated non-functional currency denominated cash flows. Our foreign currency exchange rate risk management program reduces, but does not entirely eliminate, the impact of foreign currency exchange rate movements.

The aggregate notional amounts of our foreign currency forward contracts outstanding in our exchange rate risk management program, including contracts not designated for cash flow hedge accounting, were $3.7 billion and $3.1 billion at September 30, 2018 and 2017, respectively. The aggregate notional amount outstanding at September 30, 2018 is fully consistent with our strategy and treasury policy aimed at reducing foreign exchange risk below a predetermined and approved threshold. However, actual results could materially differ from our forecast. The effect of a hypothetical 10% increase or decrease in the value of the functional currencies is estimated to create an additional fair value gain of approximately $280 million or loss of approximately $350 million, respectively, on our foreign currency forward contracts outstanding at September 30, 2018. See *Note 1—Summary of Significant Accounting*

Policies and *Note 9—Derivative and Non-derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

On June 21, 2016, we acquired 100% of the share capital of Visa Europe. On the third anniversary of the closing of the Visa Europe transaction, we will pay an additional purchase consideration of €1.0 billion, plus 4.0% compounded annual interest. As such, we are exposed to foreign currency exchange rate risk with respect to fluctuations of the U.S. dollar against the euro. A hypothetical 10% decline in the U.S. dollar against the euro, compared to the exchange rate at September 30, 2018, would increase the deferred purchase consideration liability by $130 million, including interest.

We are further exposed to foreign currency exchange rate risk as the functional currency of Visa Europe is the euro. Translation from the euro to the U.S. dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive income or loss on the consolidated balance sheets. A hypothetical 10% change in the euro against the U.S. dollar compared to the exchange rate at September 30, 2018, would result in a foreign currency translation adjustment of $2.0 billion. We designate a portion of our euro-denominated deferred consideration liability as a net investment hedge against a portion of the foreign exchange rate exposure of our net investment of $18.8 billion in Visa Europe as of September 30, 2018. Changes in the value of the deferred cash consideration liability, attributable to a change in exchange rates at the end of each reporting period, partially offset the foreign currency translation of the Company's net investment recorded in accumulated other comprehensive income in the Company's consolidated balance sheets. See *Note 1—Summary of Significant Accounting Policies* and *Note 9—Derivative and Non-derivative Financial Instruments* to our consolidated financial statements included in *Item 8—Financial Statements and Supplementary Data* of this report.

We are also subject to foreign currency exchange risk in daily settlement activities. This risk arises from the timing of rate setting for settlement with clients relative to the timing of market trades for balancing currency positions. Risk in settlement activities is limited through daily operating procedures, including the utilization of Visa settlement systems and our interaction with foreign exchange trading counterparties.

Interest Rate Risk

Our investment portfolio assets are held in both fixed-rate and adjustable-rate securities. These assets are included in cash equivalents and short-term or long-term available-for-sale investments. Investments in fixed-rate instruments carry a degree of interest rate risk. The fair value of fixed-rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling-rate environment creates reinvestment risk because as securities mature, the proceeds are reinvested at a lower rate, generating less interest income. Historically, we have been able to hold investments until maturity. Neither our operating results or cash flows have been, nor are they expected to be, materially impacted by a sudden change in market interest rates.

The fair value balances of our fixed-rate investment securities at September 30, 2018 and 2017 were $5.1 billion and $6.4 billion, respectively. A hypothetical 100 basis point increase or decrease in interest rates would create an estimated change in fair value of approximately $31 million on our investment securities at September 30, 2018. The fair value balances of our adjustable-rate debt securities were $3.5 billion and $1.8 billion at September 30, 2018 and 2017, respectively.

Pension Plan Risk

At September 30, 2018 and 2017, our U.S. defined benefit pension plan assets were $1.1 billion at each year end, and projected benefit obligations were $0.8 billion and $0.9 billion, respectively. A material adverse decline in the value of pension plan assets and/or in the discount rate for benefit obligations would result in a decrease in the funded status of the pension plan, an increase in pension cost and an increase in required funding. A hypothetical 10% decrease in the value of pension plan assets and a 1% decrease in the discount rate would result in an aggregate decrease of approximately $206 million in the funded status and an increase of approximately $35 million in pension cost.

At September 30, 2018 and 2017, our non-U.S. defined benefit pension plan assets were $0.4 billion at each year end, and projected benefit obligations were $0.5 billion and $0.4 billion, respectively. A material adverse decline in the value of pension plan assets and/or in the discount rate for benefit obligations would result in a decrease in the funded status of the pension plan, an increase in pension cost and an increase in required funding. A hypothetical 10% decrease in the value of pension plan assets and a 1% decrease in the discount rate would result in an aggregate decrease of approximately $148 million in the funded status and an increase of approximately $13 million in pension cost.

We will continue to monitor the performance of pension plan assets and market conditions as we evaluate the amount of our contribution to the pension plan for fiscal 2019, if any, which would be made in September 2019.

ITEM 8. Financial Statements and Supplementary Data

VISA INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2018 and 2017 and for the years ended September 30, 2018, 2017 and 2016

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Visa Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Visa Inc. and subsidiaries (Visa Inc. or the Company) as of September 30, 2018 and 2017, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended September 30, 2018 and the related notes. We also have audited Visa Inc.'s internal control over financial reporting as of September 30, 2018, based on *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Visa Inc. and subsidiaries as of September 30, 2018 and 2017, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Visa Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018, based on *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

Visa Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Report of Independent Registered Public Accounting Firm—(Continued)

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Santa Clara, California
November 16, 2018

VISA INC.

CONSOLIDATED BALANCE SHEETS

	September 30, 2018	September 30, 2017
	(in millions, except par value data)	
Assets		
Cash and cash equivalents	**$ 8,162**	$ 9,874
Restricted cash—U.S. litigation escrow (Note 2)	**1,491**	1,031
Investment securities (Note 3):		
Trading	**98**	82
Available-for-sale	**3,449**	3,482
Settlement receivable	**1,582**	1,422
Accounts receivable	**1,208**	1,132
Customer collateral (Note 8)	**1,324**	1,106
Current portion of client incentives	**340**	344
Prepaid expenses and other current assets	**562**	550
Total current assets	**18,216**	19,023
Investment securities, available-for-sale (Note 3)	**4,082**	1,926
Client incentives	**538**	591
Property, equipment and technology, net (Note 4)	**2,472**	2,253
Goodwill (Note 5)	**15,194**	15,110
Intangible assets, net (Note 5)	**27,558**	27,848
Other assets	**1,165**	1,226
Total assets	**$ 69,225**	$ 67,977
Liabilities		
Accounts payable	**$ 183**	$ 179
Settlement payable	**2,168**	2,003
Customer collateral (Note 8)	**1,325**	1,106
Accrued compensation and benefits	**901**	757
Client incentives	**2,834**	2,089
Accrued liabilities	**1,160**	1,129
Deferred purchase consideration	**1,300**	—
Current maturities of long-term debt (Note 6)	**—**	1,749
Accrued litigation (Note 17)	**1,434**	982
Total current liabilities	**11,305**	9,994
Long-term debt (Note 6)	**16,630**	16,618
Deferred tax liabilities (Note 16)	**4,618**	5,980
Deferred purchase consideration	**—**	1,304
Other liabilities	**2,666**	1,321
Total liabilities	**35,219**	35,217
Commitments and contingencies (Note 14)		
Equity		
Preferred stock, $0.0001 par value, 25 shares authorized and 5 shares issued and outstanding as follows:		
Series A convertible participating preferred stock, none issued (the “class A equivalent preferred stock”) (Note 11)	**—**	—
Series B convertible participating preferred stock, 2 shares issued and outstanding at September 30, 2018 and 2017 (the “UK&I preferred stock”) (Note 11)	**2,291**	2,326
Series C convertible participating preferred stock, 3 shares issued and outstanding at September 30, 2018 and 2017 (the “Europe preferred stock”) (Note 11)	**3,179**	3,200
Class A common stock, $0.0001 par value, 2,001,622 shares authorized, 1,768 and 1,818 shares issued and outstanding at September 30, 2018 and 2017, respectively (Note 11)	**—**	—

Class B common stock, $0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at September 30, 2018 and 2017, respectively (Note 11)	**—**	—
Class C common stock, $0.0001 par value, 1,097 shares authorized, 12 and 13 shares issued and outstanding at September 30, 2018 and 2017, respectively (Note 11)	**—**	—
Right to recover for covered losses (Note 2)	**(7)**	(52)
Additional paid-in capital	**16,678**	16,900
Accumulated income	**11,318**	9,508
Accumulated other comprehensive income (loss), net:		
Investment securities, available-for-sale	**(17)**	73
Defined benefit pension and other postretirement plans	**(61)**	(76)
Derivative instruments classified as cash flow hedges	**60**	(36)
Foreign currency translation adjustments	**565**	917
Total accumulated other comprehensive income (loss), net	**547**	878
Total equity	**34,006**	32,760
Total liabilities and equity	**$ 69,225**	$ 67,977

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

VISA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended September 30,		
	2018	2017	2016 (1)
	(in millions, except per share data)		
Operating Revenues			
Service revenues	**$ 8,918**	$ 7,975	$ 6,747
Data processing revenues	**9,027**	7,786	6,272
International transaction revenues	**7,211**	6,321	4,649
Other revenues	**944**	841	823
Client incentives	**(5,491)**	(4,565)	(3,409)
Net operating revenues	**20,609**	18,358	15,082
Operating Expenses			
Personnel	**3,170**	2,628	2,226
Marketing	**988**	922	869
Network and processing	**686**	620	538
Professional fees	**446**	409	389
Depreciation and amortization	**613**	556	502
General and administrative	**1,145**	1,060	796
Litigation provision (Note 17)	**607**	19	2
Visa Europe Framework Agreement loss	**—**	—	1,877
Total operating expenses	**7,655**	6,214	7,199
Operating income	**12,954**	12,144	7,883
Non-operating Income (Expense)			
Interest expense	**(612)**	(563)	(427)
Other	**464**	113	556
Total non-operating income (expense)	**(148)**	(450)	129
Income before income taxes	**12,806**	11,694	8,012
Income tax provision (Note 16)	**2,505**	4,995	2,021
Net income	**$ 10,301**	$ 6,699	$ 5,991
Basic earnings per share (Note 12)			
Class A common stock	**$ 4.43**	$ 2.80	$ 2.49
Class B common stock	**$ 7.28**	$ 4.62	$ 4.10
Class C common stock	**$ 17.72**	$ 11.21	$ 9.94
Basic weighted-average shares outstanding (Note 12)			
Class A common stock	**1,792**	1,845	1,906
Class B common stock	**245**	245	245
Class C common stock	**12**	14	19
Diluted earnings per share (Note 12)			
Class A common stock	**$ 4.42**	$ 2.80	$ 2.48
Class B common stock	**$ 7.27**	$ 4.61	$ 4.09
Class C common stock	**$ 17.69**	$ 11.19	$ 9.93

Diluted weighted-average shares outstanding (Note 12)

Class A common stock	**2,329**	2,395	2,414
Class B common stock	**245**	245	245
Class C common stock	**12**	14	19

(1) The Company did not include Visa Europe's financial results in the Company's consolidated statements of operations from the acquisition date, June 21, 2016, through June 30, 2016 as the impact was immaterial. The Company's consolidated statement of operations for the year ended September 30, 2016 includes Visa Europe's financial results for the three months ended September 30, 2016.

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

VISA INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended September 30,		
	2018	2017	2016
		(in millions)	
Net income	$ 10,301	$ 6,699	$ 5,991
Other comprehensive income (loss), net of tax:			
Investment securities, available-for-sale:			
Net unrealized gain	94	60	51
Income tax effect	(19)	(24)	(18)
Reclassification adjustment for net (gain) loss realized in net income	(215)	1	(3)
Income tax effect	50	—	1
Defined benefit pension and other postretirement plans:			
Net unrealized actuarial gain (loss) and prior service credit	16	183	(106)
Income tax effect	(5)	(54)	36
Reclassification adjustment for net loss realized in net income	5	32	10
Income tax effect	(1)	(12)	(4)
Derivative instruments classified as cash flow hedges:			
Net unrealized gain (loss)	90	(22)	(74)
Income tax effect	(24)	15	9
Reclassification adjustment for net loss (gain) realized in net income	32	33	(103)
Income tax effect	(2)	(12)	35
Foreign currency translation adjustments	(352)	1,136	(218)
Other comprehensive income (loss), net of tax	(331)	1,336	(384)
Comprehensive income	$ 9,970	$ 8,035	$ 5,607

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

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Preferred Stock[1]		Common Stock									
	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Treasury Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Loss	Total Equity
	(in millions, except per share data)											
Balance as of September 30, 2015	—	—	1,950	245	20	$ —	$ —	$ —	$18,073	$ 11,843	$ (74)	$ 29,842
Net income										5,991		5,991
Other comprehensive income, net of tax											(384)	(384)
Comprehensive income												5,607
Issuance of preferred stock (Note 11)	2	3				5,717						5,717
VE territory covered losses incurred (Note 2)								(34)				(34)
Class C common stock held by Visa Europe, a wholly-owned subsidiary of Visa Inc. (Note 11)					(1)		(170)					(170)
Conversion of class C common stock upon sales into public market			8		(2)							—
Issuance and vesting of restricted stock and performance-based shares			2									—
Share-based compensation, net of forfeitures (Note 13)			— [2]						221			221
Restricted stock and performance-based shares settled in cash for taxes			(1)						(92)			(92)
Excess tax benefit for share-based compensation									63			63
Cash proceeds from issuance of common stock under employee equity plans			3						95			95
Cash dividends declared and paid, at a quarterly amount of $0.14 per as-										(1,350)		(1,350)

converted share (Note 11)												
Repurchase of class A common stock (Note 11)			(91)						(965)	(6,022)		(6,987)
Balance as of September 30, 2016	2	3	1,871	245	17	$5,717	$(170)	$ (34)	$17,395	$10,462	$ (458)	$32,912

(1) Series B and C preferred stock are alternatively referred to as UK&I and Europe preferred stock, respectively.

(2) Decrease in Class A common stock related to forfeitures of restricted stock awards is less than one million shares.

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

VISA INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Preferred Stock[(1)]		Common Stock					Right to Recover for			Accumulated Other Comprehensive	
	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Treasury Stock	Covered Losses	Additional Paid-In Capital	Accumulated Income	Income (Loss)	Total Equity
	(in millions, except per share data)											
Balance as of September 30, 2016	2	3	1,871	245	17	$5,717	$(170)	$ (34)	$17,395	$ 10,462	$ (458)	$ 32,912
Net income										6,699		6,699
Other comprehensive income, net of tax											1,336	1,336
Comprehensive income												8,035
VE territory covered losses incurred (Note 2)								(209)				(209)
Recovery through conversion rate adjustment (Note 2 and Note 11)						(191)		191				—
Charitable contribution of Visa Inc. shares (Note 11 and Note 16)			2				170					170
Treasury stock appreciation, net of tax									14			14
Conversion of class C common stock upon sales into public market			17		(4)							—
Issuance and vesting of restricted stock and performance-based shares			2									—
Share-based compensation, net of forfeitures (Note 13)			— [(2)]						235			235
Restricted stock and performance-based shares settled in cash for taxes			(1)						(76)			(76)
Cash proceeds from issuance of common stock under employee equity plans			4						149			149
Cash dividends declared and paid, at a quarterly amount of										(1,579)		(1,579)

$0.165 per as-converted share (Note 11)												
Repurchase of class A common stock (Note 11)			(77)						(817)	(6,074)		(6,891)
Balance as of September 30, 2017	2	3	1,818	245	13	$5,526	$ —	$ (52)	$16,900	$ 9,508	$ 878	$ 32,760

(1) Series B and C preferred stock are alternatively referred to as UK&I and Europe preferred stock, respectively.

(2) Decrease in Class A common stock related to forfeitures of restricted stock awards is less than one million shares.

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

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Preferred Stock[1]		Common Stock								
	Series B	Series C	Class A	Class B	Class C	Preferred Stock	Right to Recover for Covered Losses	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive Income	Total Equity
	(in millions, except per share data)										
Balance as of September 30, 2017	2	3	1,818	245	13	$5,526	$ (52)	$16,900	$ 9,508	$ 878	$ 32,760
Net income									10,301		10,301
Other comprehensive income, net of tax										(331)	(331)
Comprehensive income											9,970
VE territory covered losses incurred (Note 2)							(11)				(11)
Recovery through conversion rate adjustment (Note 2 and Note 11)						(56)	56				—
Conversion of class C common stock upon sales into public market			4		(1)						—
Issuance and vesting of restricted stock and performance-based shares			2								—
Share-based compensation, net of forfeitures (Note 13)			— [2]					327			327
Restricted stock and performance-based shares settled in cash for taxes			(1)					(94)			(94)
Cash proceeds from issuance of common stock under employee equity plans			3					164			164
Cash dividends declared and paid, at a quarterly amount of $0.195 per as-converted share in the first quarter and $0.210 per as-converted share for the rest of the fiscal year (Note 11)									(1,918)		(1,918)
Repurchase of class A common stock (Note 11)			(58)					(619)	(6,573)		(7,192)
Balance as of September 30, 2018	2	3	1,768	245	12	5,470	(7)	16,678	11,318	547	$ 34,006

(1) Series B and C preferred stock are alternatively referred to as UK&I and Europe preferred stock, respectively.

(2) Decrease in Class A common stock related to forfeitures of restricted stock awards is less than one million shares.

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

VISA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended September 30,		
	2018	**2017**	**2016**
		(in millions)	
Operating Activities			
Net income	**$ 10,301**	$ 6,699	$ 5,991
Adjustments to reconcile net income to net cash provided by operating activities:			
Client incentives	**5,491**	4,565	3,409
Fair value adjustment for the Visa Europe put option	**—**	—	(255)
Share-based compensation (Note 13)	**327**	235	221
Excess tax benefit for share-based compensation	**—**	—	(63)
Depreciation and amortization of property, equipment, technology and intangible assets	**613**	556	502
Deferred income taxes	**(1,277)**	1,700	(764)
Right to recover for covered losses recorded in equity (Note 2)	**(11)**	(209)	(9)
Charitable contribution of Visa Inc. shares (Note 11 and Note 16)	**—**	192	—
Other	**(74)**	50	64
Change in operating assets and liabilities:			
Settlement receivable	**(223)**	94	391
Accounts receivable	**(70)**	(54)	(65)
Client incentives	**(4,682)**	(4,628)	(3,508)
Other assets	**(160)**	(252)	(315)
Accounts payable	**3**	(30)	43
Settlement payable	**262**	(176)	(302)
Accrued and other liabilities	**1,761**	465	277
Accrued litigation (Note 17)	**452**	1	(43)
Net cash provided by operating activities	**12,713**	9,208	5,574
Investing Activities			
Purchases of property, equipment, technology and intangible assets	**(718)**	(707)	(523)
Proceeds from sales of property, equipment and technology	**14**	12	—
Investment securities, available-for-sale:			
Purchases	**(5,772)**	(3,238)	(10,426)
Proceeds from maturities and sales	**3,636**	5,012	9,119
Acquisitions, net of cash received	**(196)**	(302)	(9,082)
Purchases of / contributions to other investments	**(50)**	(46)	(10)
Proceeds / distributions from other investments	**2**	4	6
Net cash (used in) provided by investing activities	**(3,084)**	735	(10,916)
Financing Activities			
Repurchase of class A common stock (Note 11)	**(7,192)**	(6,891)	(6,987)
Repayments of long-term debt (Note 6)	**(1,750)**	—	—
Treasury stock—class C common stock (Note 11)	**—**	—	(170)
Dividends paid (Note 11)	**(1,918)**	(1,579)	(1,350)
Proceeds from issuance of senior notes (Note 6)	**—**	2,488	15,971
Debt issuance costs (Note 6)	**—**	(15)	(98)
Deposit into U.S. litigation escrow account—U.S. retrospective responsibility plan (Note 2 and Note 17)	**(600)**	—	—
Payments from U.S. litigation escrow account—U.S. retrospective responsibility plan (Note 2 and Note 17)	**150**	—	45
Cash proceeds from issuance of common stock under employee equity plans	**164**	149	95
Restricted stock and performance-based shares settled in cash for taxes	**(94)**	(76)	(92)

Excess tax benefit for share-based compensation	**—**	—	63
Net cash (used in) provided by financing activities	**(11,240)**	(5,924)	7,477
Effect of exchange rate changes on cash and cash equivalents	**(101)**	236	(34)
(Decrease) increase in cash and cash equivalents	**(1,712)**	4,255	2,101
Cash and cash equivalents at beginning of year	**9,874**	5,619	3,518
Cash and cash equivalents at end of year	**$ 8,162**	$ 9,874	$ 5,619
Supplemental Disclosure			
Series B and C convertible participating preferred stock issued in Visa Europe acquisition (Note 2)	**$ —**	$ —	$ 5,717
Deferred purchase consideration recorded for Visa Europe acquisition (Note 14)	**$ —**	$ —	$ 1,236
Income taxes paid, net of refunds	**$ 2,285**	$ 3,038	$ 2,842
Interest payments on debt	**$ 545**	$ 489	$ 244
Charitable contribution of available-for-sale investment securities to Visa Foundation	**$ 195**	$ —	$ —
Accruals related to purchases of property, equipment, technology and intangible assets	**$ 77**	$ 50	$ 42

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

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018

Note 1—Summary of Significant Accounting Policies

Organization. Visa Inc. ("Visa" or the "Company") is a global payments technology company that enables fast, secure and reliable electronic payments across more than 200 countries and territories. Visa and its wholly-owned consolidated subsidiaries, including Visa U.S.A. Inc. ("Visa U.S.A."), Visa International Service Association ("Visa International"), Visa Worldwide Pte. Limited, Visa Europe Limited ("Visa Europe"), Visa Canada Corporation ("Visa Canada"), Visa Technology & Operations LLC and CyberSource Corporation, operate one of the world's largest retail electronic payments network — VisaNet — which facilitates authorization, clearing and settlement of payment transactions and enables the Company to provide its financial institution and merchant clients a wide range of products, platforms and value-added services. VisaNet also offers fraud protection for account holders and assured payment for merchants. Visa is not a bank and does not issue cards, extend credit or set rates and fees for account holders on Visa products. In most cases, account holder and merchant relationships belong to, and are managed by, Visa's financial institution clients.

Consolidation and basis of presentation. The consolidated financial statements include the accounts of Visa and its consolidated entities and are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company consolidates its majority-owned and controlled entities, including variable interest entities ("VIEs") for which the Company is the primary beneficiary. The Company's investments in VIEs have not been material to its consolidated financial statements as of and for the periods presented. All significant intercompany accounts and transactions are eliminated in consolidation.

The Company's activities are interrelated, and each activity is dependent upon and supportive of the other. All significant operating decisions are based on analysis of Visa as a single global business. Accordingly, the Company has one reportable segment, Payment Services.

Use of estimates. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Future actual results could differ materially from these estimates. The use of estimates in specific accounting policies is described further below as appropriate.

Cash and cash equivalents. Cash and cash equivalents include cash and certain highly liquid investments with original maturities of 90 days or less from the date of purchase. Cash equivalents are primarily recorded at cost, which approximates fair value due to their generally short maturities.

Restricted cash—U.S. litigation escrow. The Company maintains an escrow account from which monetary liabilities from settlements of, or judgments in, the U.S. covered litigation are paid. See *Note 2—U.S. and Europe Retrospective Responsibility Plans* and *Note 17—Legal Matters* for a discussion of the U.S. covered litigation. The escrow funds are held in money market investments, together with the interest earned, less applicable taxes payable, and classified as restricted cash on the consolidated balance sheets. Interest earned on escrow funds is included in non-operating income on the consolidated statements of operations.

Investments and fair value. The Company measures certain assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are reported under a three-level valuation hierarchy. See *Note 3—Fair Value Measurements and Investments.* The classification of the Company's financial assets and liabilities within the hierarchy is as follows:

Level 1—Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities. The Company's Level 1 assets include money market funds, publicly-traded equity securities and U.S. Treasury securities.

Level 2—Inputs to the valuation methodology can include: (1) quoted prices in active markets for similar (not identical) assets or liabilities; (2) quoted prices for identical or similar assets in non-active markets; (3) inputs other than quoted prices that are observable for the asset or liability; or (4) inputs that are derived principally from or corroborated by observable market data. The Company's Level 2 assets and liabilities include commercial paper, U.S. government-sponsored debt securities, corporate debt securities and foreign exchange derivative instruments.

Level 3—Inputs to the valuation methodology are unobservable and cannot be corroborated by observable market data. The Company's Level 3 assets include non-marketable equity investments and investments accounted for under the equity method.

Trading investment securities include mutual fund equity security investments related to various employee compensation and benefit plans. Trading activity in these investments is at the direction of the Company's employees. These investments are held in a trust and are not available for the Company's operational or liquidity needs. Interest and dividend income and changes in fair value are recorded in non-operating income, and offset in personnel expense on the consolidated statements of operations.

Available-for-sale investment securities include investments in debt and equity securities. These securities are recorded at cost at the time of purchase and are carried at fair value. The Company considers these securities to be available-for-sale to meet working capital and liquidity needs. Investments with original maturities of greater than 90 days and stated maturities of less than one year from the balance sheet date, or investments that the Company intends to sell within one year, are classified as current assets, while all other securities are classified as non-current assets. These investments are generally available to meet short-term liquidity needs. Unrealized gains and losses are reported in accumulated other comprehensive income or loss on the consolidated balance sheets until realized. The specific identification method is used to calculate realized gain or loss on the sale of marketable securities, which is recorded in non-operating income on the consolidated statements of operations. Dividend and interest income are recognized when earned and are included in non-operating income on the consolidated statements of operations.

The Company evaluates its debt and equity securities for other-than-temporary impairment, or OTTI, on an ongoing basis. When there has been a decline in fair value of a debt or equity security below the amortized cost basis, the Company recognizes OTTI if: (1) it has the intent to sell the security; (2) it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis; or (3) it does not expect to recover the entire amortized cost basis of the security.

The Company applies the equity method of accounting for investments in other entities when it holds between 20% and 50% ownership in the entity or when it exercises significant influence. Under the equity method, the Company's share of each entity's profit or loss is reflected in non-operating income on the consolidated statements of operations. The equity method of accounting is also used for flow-through entities such as limited partnerships and limited liability companies when the investment ownership percentage is equal to or greater than 5% of outstanding ownership interests, regardless of whether the Company has significant influence over the investees.

The Company applies the cost method of accounting for investments in other entities when it holds less than 20% ownership in the entity and does not exercise significant influence, or for flow-through entities when the investment ownership is less than 5% and the Company does not exercise significant influence. These investments consist of equity holdings in non-public companies and are recorded in other assets on the consolidated balance sheets.

The Company regularly reviews investments accounted for under the cost and equity methods for possible impairment, which generally involves an analysis of the facts and changes in circumstances influencing the investment, expectations of the entity's cash flows and capital needs, and the viability of its business model.

Financial instruments. The Company considers the following to be financial instruments: cash and cash equivalents, restricted cash—U.S. litigation escrow, trading and available-for-sale investment securities, settlement receivable and payable, customer collateral, non-marketable equity investments, settlement risk guarantee, and derivative instruments. See *Note 3—Fair Value Measurements and Investments.*

Settlement receivable and payable. The Company operates systems for authorizing, clearing and settling payment transactions worldwide. Most U.S. dollar settlements with the Company's financial institution clients are settled within the same day and do not result in a receivable or payable balance, while settlements in currencies other than the U.S. dollar generally remain outstanding for one to two business days, resulting in amounts due from and to clients. These amounts are presented as settlement receivable and settlement payable on the consolidated balance sheets.

Customer collateral. The Company holds cash deposits and other non-cash assets from certain clients in order to ensure their performance of settlement obligations arising from Visa payment products are processed in accordance with the Company's rules. The cash collateral assets are restricted and fully offset by corresponding liabilities and both balances are presented on the consolidated balance sheets, excluding certain cash collateral for which clients retain beneficial ownership and the cash is only accessible to the Company in the event of default by the client on its settled obligations. All other collateral is excluded from the consolidated balance sheets. Pledged securities are held by a custodian in an account under the Company's name and ownership; however, the Company does not have the right to repledge these securities, but may sell these securities in the event of default by the client on its settlement obligations. Letters of credit are provided primarily by client financial institutions to serve as irrevocable guarantees of payment. Guarantees are provided primarily by parent financial institutions to secure the obligations of their subsidiaries. The Company routinely evaluates the financial viability of institutions providing the letters of credit and guarantees. See *Note 8—Settlement Guarantee Management.*

Guarantees and indemnifications. The Company recognizes an obligation at inception for guarantees and indemnifications that qualify for recognition, regardless of the probability of occurrence. The Company indemnifies its financial institution clients for settlement losses suffered due to the failure of any other client to fund its settlement obligations in accordance with the Visa operating rules. The estimated fair value of the liability for settlement indemnification is included in accrued liabilities on the consolidated balance sheets.

Property, equipment and technology, net. Property, equipment and technology are recorded at historical cost less accumulated depreciation and amortization, which are computed on a straight-line basis over the asset's estimated useful life. Depreciation and amortization of technology, furniture, fixtures and equipment are computed over estimated useful lives ranging from 2 to 10 years. Capital leases are amortized over the lease term and leasehold improvements are amortized over the shorter of the useful life of the asset or lease term. Building improvements are depreciated between 3 and 40 years, and buildings are depreciated over 40 years. Improvements that increase functionality of the asset are capitalized and depreciated over the asset's remaining useful life. Land and construction-in-progress are not depreciated. Fully depreciated assets are retained in property, equipment and technology, net, until removed from service.

Technology includes purchased and internally developed software, including technology assets obtained through acquisitions. Internally developed software represents software primarily used by the VisaNet electronic payments network. Internal and external costs incurred during the preliminary project stage are expensed as incurred. Qualifying costs incurred during the application development stage are capitalized. Once the project is substantially complete and ready for its intended use these costs are amortized on a straight-line basis over the technology's estimated useful life. Acquired technology assets are initially recorded at fair value and amortized on a straight-line basis over the estimated useful life.

The Company evaluates the recoverability of long-lived assets for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If the sum of expected undiscounted net future cash flows is less than the carrying amount of an asset or asset group, an impairment loss is recognized to the extent that the carrying amount of the asset or asset group exceeds its fair value. See *Note 4—Property, Equipment and Technology, Net*.

Leases. The Company enters into operating and capital leases for the use of premises, software and equipment. Rent expense related to operating lease agreements, which may or may not contain lease incentives, is primarily recorded on a straight-line basis over the lease term.

Intangible assets, net. The Company records identifiable intangible assets at fair value on the date of acquisition and evaluates the useful life of each asset.

Finite-lived intangible assets primarily consist of customer relationships, reacquired rights, reseller relationships and trade names obtained through acquisitions. Finite-lived intangible assets are amortized on a straight-line basis and are tested for recoverability if events or changes in circumstances indicate that their carrying amounts may not be recoverable. These intangibles have useful lives ranging from 3 to 15 years. No events or changes in circumstances indicate that impairment existed as of September 30, 2018. See *Note 5—Intangible Assets and Goodwill*.

Indefinite-lived intangible assets consist of trade name, customer relationships and reacquired rights. Intangible assets with indefinite useful lives are not amortized but are evaluated for impairment annually or more frequently if events or changes in circumstances indicate that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative impairment test for indefinite-lived intangible assets. The Company assesses each category of indefinite-lived intangible assets for impairment on an aggregate basis, which may require the allocation of cash flows and/or an estimate of fair value to the assets or asset group. Impairment exists if the fair value of the indefinite-lived intangible asset is less than the carrying value. The Company relies on a number of factors when completing impairment assessments, including a review of discounted net future cash flows, business plans and the use of present value techniques.

The Company completed its annual impairment review of indefinite-lived intangible assets as of February 1, 2018, and concluded there was no impairment as of that date. No recent events or changes in circumstances indicate that impairment of the Company's indefinite-lived intangible assets existed as of September 30, 2018.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is not amortized but is evaluated for impairment at the reporting unit level annually as of February 1, or more frequently if events or changes in circumstances indicate that impairment may exist.

The Company evaluated its goodwill for impairment as of February 1, 2018, and concluded there was no impairment as of that date. No recent events or changes in circumstances indicate that impairment existed as of September 30, 2018.

Accrued litigation. The Company evaluates the likelihood of an unfavorable outcome in legal or regulatory proceedings to which it is a party and records a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These judgments are subjective, based on the status of such legal or regulatory proceedings, the merits of the Company's defenses and consultation with corporate and external legal counsel. Actual outcomes of these legal and regulatory proceedings may differ materially from the Company's estimates. The Company expenses legal costs as incurred in professional fees in the consolidated statements of operations. See *Note 17—Legal Matters.*

Revenue recognition. The Company's operating revenues consist of service revenues, data processing revenues, international transaction revenues and other revenues, reduced by costs incurred under client incentives arrangements. The Company recognizes revenue, net of sales and other similar taxes, when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

Service revenues consist of revenues earned for services provided in support of client usage of Visa products. Current quarter service revenues are primarily assessed using a calculation of current pricing applied to the prior quarter's payments volume. The Company also earns revenues from assessments designed to support ongoing acceptance and volume growth initiatives, which are recognized in the same period the related volume is transacted.

Data processing revenues consist of revenues earned for authorization, clearing, settlement, network access and other maintenance and support services that facilitate transaction and information processing among the Company’s clients globally. Data processing revenues are recognized in the same period the related transactions occur or services are rendered.

International transaction revenues are earned for cross-border transaction processing and currency conversion activities. Cross-border transactions arise when the country of origin of the issuer is different from that of the merchant. International transaction revenues are primarily generated by cross-border payments and cash volume.

Other revenues consist mainly of license fees for use of the Visa brand, fees for account holder services, licensing and certification and other activities related to the Company's acquired entities. Other revenues also include optional service or product enhancements, such as extended account holder protection and concierge services. Other revenues are recognized in the same period the related transactions occur or services are rendered. Prior to the acquisition of Visa Europe, other revenues also included revenues earned from Visa Europe in connection with the Visa Europe Framework Agreement.

Client incentives. The Company enters into long-term contracts with financial institution clients, merchants and strategic partners for various programs designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to Visa's network and driving innovation. These incentives are primarily accounted for as reductions to operating revenues or as operating expenses if a separate identifiable benefit at fair value can be established. The Company generally capitalizes advance incentive payments under these agreements if select criteria are met. The capitalization criteria include the existence of future economic benefits to Visa, the existence of legally enforceable recoverability language (e.g., early termination clauses), management's ability and intent to enforce the recoverability language and the ability to generate future earnings from the agreement in excess of amounts deferred. Capitalized amounts are amortized over the shorter of the period of contractual recoverability or the corresponding period of economic benefit. Incentives not yet paid are accrued systematically and rationally based on management's estimate of each client's performance. These accruals are regularly reviewed and estimates of performance are adjusted, as appropriate, based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Marketing. The Company expenses costs for the production of advertising as incurred. The cost of media advertising is expensed when the advertising takes place. Sponsorship costs are recognized over the period in which the Company benefits from the sponsorship rights. Promotional items are expensed as incurred, when the related services are received, or when the related event occurs.

Income taxes. The Company's income tax expense consists of two components: current and deferred. Current income tax expense represents taxes paid or payable for the current period. Deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to temporary differences between the financial statement carrying amounts and the respective tax basis of existing assets and liabilities, and operating loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing whether deferred tax assets are realizable, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is recorded for the portions that are not expected to be realized based on the level of historical taxable income, projections of future taxable income over the periods in which the temporary differences are deductible, and qualifying tax planning strategies.

Where interpretation of the tax law may be uncertain, the Company recognizes, measures and discloses income tax uncertainties. The Company accounts for interest expense and penalties related to uncertain tax positions as non-operating expense in the consolidated statements of operations. The Company files a consolidated federal income tax return and, in certain states, combined state tax returns. The Company elects to claim foreign tax credits in any given year if such election is beneficial to the Company. See *Note 16—Income Taxes*.

Pension and other postretirement benefit plans. The Company's defined benefit pension and other postretirement benefit plans are actuarially evaluated, incorporating various critical assumptions including the discount rate and the expected rate of return on plan assets (for qualified pension plans). The discount rate is based on a cash flow matching analysis, with the projected benefit payments matching spot rates from a yield curve developed from high-quality corporate bonds. The expected rate of return on pension plan assets considers the current and expected asset allocation, as well as historical and expected returns on each plan asset class. Any difference between actual and expected plan experience, including asset return experience, in excess of a 10% corridor is recognized in net periodic pension cost over the expected average employee future service period, which is approximately 9 years for the U.S. plans and 11 years for the Visa Europe UK pension plan. Other assumptions involve demographic factors such as retirement age, mortality, attrition and the rate of compensation increases. The Company evaluates assumptions annually and modifies them as appropriate.

The Company recognizes the funded status of its benefit plans in its consolidated balance sheets as other assets, accrued liabilities and other liabilities. The Company recognizes settlement losses when it settles pension benefit obligations, including making lump-sum cash payments to plan participants in exchange for their rights to receive specified pension benefits, when certain thresholds are met. See *Note 7—Pension, Postretirement and Other Benefits*.

Foreign currency remeasurement and translation. The Company's functional currency is the U.S. dollar for the majority of its foreign operations except for Visa Europe whose functional currency is the euro. Transactions denominated in currencies other than the applicable functional currency are converted to the functional currency at the exchange rate on the transaction date. At period end, monetary assets and liabilities are remeasured to the functional currency using exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical exchange rates. Resulting foreign currency transaction gains and losses related to conversion and remeasurement are recorded in general and administrative expense in the consolidated statements of operations and were not material for fiscal 2018, 2017 and 2016.

Where a non-U.S. currency is the functional currency, translation from that functional currency to the U.S. dollar is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate for the period. Resulting translation adjustments are reported as a component of accumulated other comprehensive income or loss on the consolidated balance sheets.

Derivative financial instruments. The Company uses foreign exchange forward derivative contracts to reduce its exposure to foreign currency rate changes on forecasted non-functional currency denominated operational cash flows. To qualify for cash flow hedge accounting treatment, the Company formally documents, at inception of the hedge, all relationships between the hedging transactions and the hedged items, as well as the Company's risk management objective and strategy for undertaking various hedging transactions. The Company also formally assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items and whether those derivatives may be expected to remain highly effective in future periods.

Derivatives are carried at fair value on a gross basis in either prepaid and other current assets, non-current other assets, accrued liabilities or non-current other liabilities on the consolidated balance sheets. At September 30, 2018, derivatives outstanding mature within 12 months or less. Gains and losses resulting from changes in fair value of designated derivative instruments are accounted for either in accumulated other comprehensive income or loss on the consolidated balance sheets, or in the consolidated statements of operations in the corresponding account where revenue or expense is hedged, or to general and administrative for hedge amounts determined to be ineffective. Gains and losses resulting from changes in fair value of derivative instruments not designated for hedge accounting are recorded in general and administrative for hedges of operating activity, or non-operating income (expense) for hedges of non-operating activity. See *Note 9—Derivative and Non-derivative Financial Instruments*.

Non-derivative financial instrument designated as a net investment hedge. The Company designated the euro-denominated deferred cash consideration liability, a non-derivative financial instrument, as a hedge against a portion of the Company's euro-denominated net investment in Visa Europe. Changes in the value of the deferred cash consideration liability, attributable to the change in exchange rates at the end of each reporting period, partially offset the foreign currency translation adjustments resulting from the euro-denominated net investment, are reported as a component of accumulated other comprehensive income or loss on the Company's consolidated balance sheets. See *Note 9—Derivative and Non-derivative Financial Instruments*.

Share-based compensation. The Company recognizes share-based compensation cost using the fair value method of accounting. The Company recognizes compensation cost for awards with only service conditions on a straight-line basis over the requisite service period, which is generally the vesting period. Compensation cost for performance and market-condition-based awards is recognized on a graded-vesting basis. The amount is initially estimated based on target performance and is adjusted as appropriate based on management's best estimate throughout the performance period. See *Note 13—Share-based Compensation.*

Earnings per share. The Company calculates earnings per share using the two-class method to reflect the different rights of each class and series of outstanding common stock. The dilutive effect of incremental common stock equivalents is reflected in diluted earnings per share by application of the treasury stock method. See *Note 12—Earnings Per Share.*

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services to customers. The ASU will replace existing revenue recognition guidance in U.S. GAAP when it becomes effective. Subsequently, the FASB also issued a series of amendments to the new revenue standard. The Company will adopt the standard effective October 1, 2018 using the modified retrospective transition method. The new standard will primarily impact the timing of recognition and classification of certain client incentives, including certain services provided as an incentive, and certain marketing-related funds paid to customers.

The Company has completed an assessment of its existing customer contracts through September 30, 2018. Based on this assessment, application of the new standard to the consolidated financial statements for fiscal 2018 would not have resulted in a material impact. The impact of the new standard to future financial results is unknowable as it is not possible to estimate the impact of the standard to new customer contracts which may be executed in future periods. However, the new standard is not expected to have a material impact to the fiscal 2019 consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. The Company will adopt the standard effective October 1, 2018. The adoption is not expected to have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, which requires the recognition of lease assets and lease liabilities arising from operating leases in the statement of financial position. The Company will adopt the standard effective October 1, 2019 and does not anticipate that this new accounting guidance will have a material impact on its consolidated statement of operations. The Company estimates the value of leased assets and liabilities that may be recognized could be in the hundreds of millions of dollars. The actual impact will depend on the Company's lease portfolio at the time of adoption. In July 2018, the FASB issued ASU 2018-11, which provides entities with an additional transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements will continue to be in accordance with the current leases standard. The optional transition method does not change the existing disclosure requirements. The Company is evaluating the effect that ASU 2018-11 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05, which clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815, *Derivatives and Hedging*, does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The Company adopted the standard effective October 1, 2017. The adoption did not have a material impact on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-06, which clarifies the requirements for assessing whether contingent call/put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment is required to assess the embedded call/put options solely in accordance with a four-step decision sequence. The Company adopted the standard effective October 1, 2017. The adoption did not have a material impact on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, which eliminates the requirement that an entity retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. The equity method investor is required to add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The Company adopted the standard effective October 1, 2017. The adoption did not have a material impact on the consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, which requires that entities recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The Company will adopt the standard effective October 1, 2018. The Adoption is not expected to have a material impact on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, which requires that a statement of cash flows includes the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents when reconciling the beginning-of-period and end-of-period total amounts. The Company will adopt the standard effective October 1, 2018. The adoption will impact the presentation of transactions related to the U.S. litigation escrow account on the consolidated statements of cash flows.

In March 2017, the FASB issued ASU 2017-07, which requires that the service cost component of net periodic pension and postretirement benefit cost be presented in the same line item as other employee compensation costs, while the other components be presented separately as non-operating income (expense). Currently, all net periodic pension and postretirement benefit costs are presented in personnel expense on the Company's consolidated statement of operations. The Company will adopt the standard effective October 1, 2018. The adoption is not expected to have a material impact on the consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, which amends the scope of modification accounting for share-based payment arrangements. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The Company will adopt the standard effective October 1, 2018. The adoption is not expected to have a material impact on the consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, which allows a reclassification from accumulated other comprehensive income to retained earnings for adjustments to tax effects that were originally recorded in other comprehensive income due to changes in the U.S. federal corporate income tax rate resulting from the enactment of the U.S. tax reform legislation, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Company will adopt the standard effective October 1, 2019. The adoption is not expected to have a material impact on the consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05 to insert the SEC's interpretive guidance from Staff Accounting Bulletin No. 118 into the income tax accounting codification under U.S. GAAP. The ASU permits companies to use provisional amounts for certain income tax effects of the Tax Act during a one-year measurement period. The provisional accounting impacts for the Company may change in future reporting periods until the accounting analysis is finalized, which will occur no later than the first quarter of fiscal 2019.

In August 2018, the FASB issued ASU 2018-15, which requires implementation costs incurred by customers in cloud computing arrangements to be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customer in a software licensing arrangement under the internal-use software guidance. The standard will be effective for the Company on October 1, 2020. However, the Company is evaluating the effect that ASU 2018-15 will have on its consolidated financial statements and is considering early adoption of the standard.

Note 2—U.S. and Europe Retrospective Responsibility Plans

U.S. Retrospective Responsibility Plan

The Company has established several related mechanisms designed to address potential liability under certain litigation referred to as the "U.S. covered litigation." These mechanisms are included in and referred to as the U.S. retrospective responsibility plan and consist of a U.S. litigation escrow agreement, the conversion feature of the Company's shares of class B common stock, the indemnification obligations of the Visa U.S.A. members, an interchange judgment sharing agreement, a loss sharing agreement and an omnibus agreement, as amended.

U.S. covered litigation consists of a number of matters that have been settled or otherwise fully or substantially resolved, as well as the following:

- *the Interchange Multidistrict Litigation*. In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, 1:05-md-01720-JG-JO (E.D.N.Y.) or MDL 1720, including all cases currently included in MDL 1720, any other case that includes claims for damages relating to the period prior to the Company's IPO that has been or is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction;

- any claim that challenges the reorganization or the consummation thereof; provided that such claim is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction; and

- any case brought after October 22, 2015 by a merchant that opted out of the Rule 23(b)(3) settlement class pursuant to the 2012 Settlement Agreement in MDL 1720 that arises out of facts or circumstances substantially similar to those alleged in MDL 1720 and that is not transferred to or otherwise included in MDL 1720. See *Note 17—Legal Matters.*

U.S. litigation escrow agreement. In accordance with the U.S. litigation escrow agreement, the Company maintains an escrow account, from which settlements of, or judgments in, the U.S. covered litigation are paid. The amount of the escrow is determined by the board of directors and the Company's litigation committee, all members of which are affiliated with, or act for, certain Visa U.S.A. members. The escrow funds are held in money market investments along with the interest earned, less applicable taxes and are classified as restricted cash on the consolidated balance sheets.

The following table sets forth the changes in the restricted cash—U.S. litigation escrow account by fiscal year:

	2018	2017
	(in millions)	
Balance at beginning of period	**$ 1,031**	$ 1,027
Deposits into the litigation escrow account	**600**	—
Payments to opt-out merchants and interest earned on escrow funds[1]	**(140)**	4
Balance at end of period	**$ 1,491**	$ 1,031

(1) These payments are associated with the interchange multidistrict litigation. See *Note 17—Legal Matters.*

The accrual related to the U.S. covered litigation could be either higher or lower than the U.S. litigation escrow account balance. The Company recorded an additional accrual of $600 million for the

U.S. covered litigation during fiscal 2018. No additional accrual was recorded for the U.S. covered litigation during fiscal 2017. See *Note 17—Legal Matters*.

Conversion feature. Under the terms of the plan, when the Company funds the U.S. litigation 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. This has the same economic effect on diluted class A common stock earnings per share as repurchasing the Company's class A common stock, because it reduces the class B conversion rate and consequently the as-converted class A common stock share count. See *Note 11—Stockholders' Equity*.

Indemnification obligations. To the extent that amounts available under the U.S. litigation escrow arrangement and other agreements in the plan are insufficient to fully resolve the U.S. covered litigation, the Company will use commercially reasonable efforts to enforce the indemnification obligations of Visa U.S.A.'s members for such excess amount, including but not limited to enforcing indemnification obligations pursuant to Visa U.S.A.'s certificate of incorporation and bylaws and in accordance with their membership agreements.

Interchange judgment sharing agreement. Visa U.S.A. and Visa International have entered into an interchange judgment sharing agreement with certain Visa U.S.A. members that have been named as defendants in the interchange multidistrict litigation, which is described in *Note 17—Legal Matters*. Under this judgment sharing agreement, Visa U.S.A. members that are signatories will pay their membership proportion of the amount of a final judgment not allocated to the conduct of MasterCard.

Loss sharing agreement. Visa has entered into a loss sharing agreement with Visa U.S.A., Visa International and certain Visa U.S.A. members. The loss sharing agreement provides for the indemnification of Visa U.S.A., Visa International and, in certain circumstances, Visa with respect to: (i) the amount of a final judgment paid by Visa U.S.A. or Visa International in the U.S. covered litigation after the operation of the interchange judgment sharing agreement, plus any amounts reimbursable to the interchange judgment sharing agreement signatories; or (ii) the damages portion of a settlement of a U.S. covered litigation that is approved as required under Visa U.S.A.'s certificate of incorporation by the vote of Visa U.S.A.'s specified voting members. The several obligation of each bank that is a party to the loss sharing agreement will equal the amount of any final judgment enforceable against Visa U.S.A., Visa International or any other signatory to the interchange judgment sharing agreement, or the amount of any approved settlement of a U.S. covered litigation, multiplied by such bank's then-current membership proportion as calculated in accordance with Visa U.S.A.'s certificate of incorporation.

On October 22, 2015, Visa entered into an amendment to the loss sharing agreement. The amendment includes within the scope of U.S. covered litigation any action brought after the amendment by an opt out from the Rule 23(b)(3) Settlement Class in MDL 1720 that arises out of facts or circumstances substantially similar to those alleged in MDL 1720 and that is not transferred to or otherwise included in MDL 1720. On the same date, Visa entered into amendments to the interchange judgment sharing agreement and omnibus agreement that include any such action within the scope of those agreements as well.

Omnibus agreement. Visa entered into an omnibus agreement with MasterCard and certain Visa U.S.A. members that confirmed and memorialized the signatories' intentions with respect to the loss sharing agreement, the interchange judgment sharing agreement and other agreements relating to the interchange multidistrict litigation, see *Note 17—Legal Matters.* Under the omnibus agreement, the monetary portion of any settlement of the interchange multidistrict litigation covered by the omnibus agreement would be divided into a MasterCard portion at 33.3333% and a Visa portion at 66.6667%. In addition, the monetary portion of any judgment assigned to Visa-related claims in accordance with the omnibus agreement would be treated as a Visa portion. Visa would have no liability for the monetary portion of any judgment assigned to MasterCard-related claims in accordance with the omnibus agreement, and if a judgment is not assigned to Visa-related claims or MasterCard-related claims in accordance with the omnibus agreement, then any monetary liability would be divided into a MasterCard portion at 33.3333% and a Visa portion at 66.6667%. The Visa portion of a settlement or judgment covered by the omnibus agreement would be allocated in accordance with specified provisions of the

Company's U.S. retrospective responsibility plan. The litigation provision on the consolidated statements of operations was not impacted by the execution of the omnibus agreement.

On August 26, 2014, Visa entered into an amendment to the omnibus agreement. The omnibus amendment makes applicable to certain settlements in opt-out cases in the interchange multidistrict litigation the settlement-sharing provisions of the omnibus agreement, pursuant to which the monetary portion of any settlement of the interchange multidistrict litigation covered by the omnibus agreement would be divided into a MasterCard portion at 33.3333% and a Visa portion at 66.6667%. The omnibus amendment also provides that in the event of termination of the class settlement agreement, Visa and MasterCard would make mutually acceptable arrangements so that Visa shall have received two-thirds and MasterCard shall have received one-third of the total of (i) the sums paid to defendants as a result of the termination of the settlement agreement and (ii) the takedown payments previously made to defendants.

Europe Retrospective Responsibility Plan

UK loss sharing agreement. The Company has entered into a loss sharing agreement with Visa Europe and certain of Visa Europe's member financial institutions located in the United Kingdom (the "UK LSA members"). Each of the UK LSA members has agreed, on a several and not joint basis, to compensate the Company for certain losses which may be incurred by the Company, Visa Europe or their affiliates as a result of certain existing and potential litigation relating to the setting and implementation of domestic multilateral interchange fee rates in the United Kingdom prior to the closing of the Visa Europe acquisition (the "Closing"), subject to the terms and conditions set forth therein and, with respect to each UK LSA member, up to a maximum amount of the up-front cash consideration received by such UK LSA member. The UK LSA members' obligations under the UK loss sharing agreement are conditional upon, among other things, either (a) losses valued in excess of the sterling equivalent on June 21, 2016 of €1.0 billion having arisen in UK covered claims (and such losses having reduced the conversion rate of the UK&I preferred stock accordingly), or (b) the conversion rate of the UK&I preferred stock having been reduced to zero pursuant to losses arising in claims relating to multilateral interchange fee rate setting in the Visa Europe territory.

Litigation management deed. The Company has entered into a litigation management deed with Visa Europe which sets forth the agreed upon procedures for the management of the VE territory covered litigation, the allocation of losses resulting from this litigation (the "VE territory covered losses") between the UK&I and Europe preferred stock, and any accelerated conversion or reduction in the conversion rate of the shares of UK&I and Europe preferred stock. The litigation management deed applies only to VE territory covered litigation (and resultant losses and liabilities). The litigation management deed provides that the Company will generally control the conduct of the VE territory covered litigation, subject to certain obligations to report and consult with the litigation management committees for VE territory covered litigation (the "VE territory litigation management committees"). The VE territory litigation management committees, which are composed of representatives of certain Visa Europe members, have also been granted consent rights to approve certain material decisions in relation to the VE territory covered litigation.

The Company obtained certain protections for VE territory covered losses through the UK&I and Europe preferred stock, the UK loss sharing agreement, and the litigation management deed, referred to as the "Europe retrospective responsibility plan." The plan covers VE territory covered litigation (and resultant liabilities and losses) relating to the covered period, which generally refers to the period before the Closing. Visa's protection from the plan is further limited to 70% of any liabilities where the claim relates to inter-regional multilateral interchange fee rates where the issuer is located outside the Visa Europe territory, and the merchant is located within the Visa Europe territory. The plan does not protect the Company in Europe against all types of litigation or remedies or fines imposed in competition law enforcement proceedings, only the interchange litigation specifically covered by the plan's terms.

Unlike the U.S. retrospective responsibility plan, the Europe retrospective responsibility plan does not have an escrow account that is used to fund settlements or judgments. The Company is entitled to recover VE territory covered losses through a periodic adjustment to the class A common stock conversion rates applicable to the UK&I and Europe preferred stock. The total amount of protection available through the preferred stock component of the Europe retrospective responsibility plan is equivalent to the as-converted value of the preferred stock, which can be calculated at any point in time as the product of: (a) the outstanding number of shares of preferred stock; (b) the current conversion rate applicable to each class of preferred stock; and (c) Visa's class A common stock price. This amount differs from the value of the preferred stock recorded within stockholders' equity on the Company's consolidated balance sheets. The book value of the preferred stock reflects its historical value recorded at the Closing less VE territory covered losses recovered through a reduction of the applicable conversion rate. The book value does not reflect changes in the underlying class A common stock price subsequent to the Closing.

Visa Inc. net income will not be impacted by VE territory covered losses as long as the as-converted value of the preferred stock is greater than the covered loss. VE territory covered losses will be recorded when the loss is deemed to be probable and reasonably estimable, or in the case of attorney's fees, when incurred. Concurrently, the Company will record a reduction to stockholders' equity, which represents the Company's right to recover such losses through adjustments to the conversion rate applicable to the preferred stock. The reduction to stockholders' equity is recorded in a contra-equity account referred to as "right to recover for covered losses."

VE territory covered losses may be recorded before the corresponding adjustment to the applicable conversion rate is effected. Adjustments to the conversion rate may be executed once in any six-month period unless a single, individual loss greater than €20 million is incurred, in which case, the six-month limitation does not apply. When the adjustment to the conversion rate is made, the amount previously recorded in "right to recover for covered losses" as contra-equity will then be recorded against the book value of the preferred stock within stockholders' equity.

During the year ended September 30, 2018, the Company recovered $56 million of VE territory covered losses through adjustments to the class A common stock conversion rates applicable to the UK&I and Europe preferred stock. The conversion rates applicable to the UK&I and Europe preferred stock were reduced from 13.077 and 13.948, respectively, as of September 30, 2017 to 12.955 and 13.888, respectively, as of September 30, 2018.

The following table sets forth the activities related to VE territory covered losses in preferred stock and "right to recover for covered losses" within equity during the year ended September 30, 2018. VE territory covered losses incurred reflect settlements with merchants and additional legal costs. See *Note 17—Legal Matters*.

	Preferred Stock		Right to Recover for Covered Losses
	UK&I	Europe	
	(in millions)		
Balance as of September 30, 2017	$ 2,326	$ 3,200	$ (52)
VE territory covered losses incurred	—	—	(11)
Recovery through conversion rate adjustment	(35)	(21)	56
Balance as of September 30, 2018	**$ 2,291**	**$ 3,179**	**$ (7)**

The following table sets forth the as-converted value of the preferred stock available to recover VE territory covered losses compared to the book value of preferred shares recorded in stockholders' equity within the Company's consolidated balance sheets as of September 30, 2018 and 2017.[(1)]

	September 30, 2018		September 30, 2017	
	As-Converted Value of Preferred Stock[(2)]	Book Value of Preferred Stock	As-Converted Value of Preferred Stock[(3)]	Book Value of Preferred Stock
	(in millions)			
UK&I preferred stock	**$ 4,823**	**$ 2,291**	$ 3,414	$ 2,326
Europe preferred stock	**6,580**	**3,179**	4,634	3,200
Total	**11,403**	**5,470**	8,048	5,526
Less: right to recover for covered losses	**(7)**	**(7)**	(52)	(52)
Total recovery for covered losses available	**$ 11,396**	**$ 5,463**	$ 7,996	$ 5,474

(1)

Figures in the table may not recalculate exactly due to rounding. As-converted and book values of preferred stock are based on unrounded numbers.

(2) The as-converted value of preferred stock is calculated as the product of: (a) 2 million and 3 million shares of the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2018; (b) 12.955 and 13.888, the class A common stock conversion rate applicable to the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2018; and (c) $150.09, Visa's class A common stock closing stock price as of September 30, 2018. Earnings per share is calculated based on unrounded numbers.

(3) The as-converted value of preferred stock is calculated as the product of: (a) 2 million and 3 million shares of the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2017; (b) 13.077 and 13.948, the class A common stock conversion rate applicable to the UK&I and Europe preferred stock outstanding, respectively, as of September 30, 2017; and (c) $105.24, Visa's class A common stock closing stock price as of September 30, 2017. Earnings per share is calculated based on unrounded numbers.

Note 3—Fair Value Measurements and Investments

Fair Value Measurements

The Company measures certain assets and liabilities at fair value. See *Note 1—Summary of Significant Accounting Policies*.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value Measurements at September 30 Using Inputs Considered as			
	Level 1		Level 2	
	2018	2017	2018	2017
	(in millions)			
Assets				
Cash equivalents and restricted cash:				
Money market funds	**$ 6,252**	$ 5,935		
U.S. government-sponsored debt securities			**$ 1,048**	$ 2,870
Investment securities, trading:				
Equity securities	**98**	82		
Investment securities, available-for-sale:				
U.S. government-sponsored debt securities			**5,008**	3,663
U.S. Treasury securities	**2,508**	1,621		
Equity securities	**15**	124		
Prepaid and other current assets:				
Foreign exchange derivative instruments			**78**	18
Other assets:				
Total	**$ 8,873**	$ 7,762	**$ 6,134**	$ 6,551
Liabilities				
Accrued liabilities:				
Foreign exchange derivative instruments			**$ 22**	$ 98
Total	**$ —**	$ —	**$ 22**	$ 98

There were no transfers between Level 1 and Level 2 assets during fiscal 2018.

Level 1 assets measured at fair value on a recurring basis. Money market funds, publicly-traded equity securities and U.S. Treasury securities are classified as Level 1 within the fair value hierarchy, as fair value is based on quoted prices in active markets.

Level 2 assets and liabilities measured at fair value on a recurring basis. The fair value of U.S. government-sponsored debt securities, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. The pricing data obtained from outside sources is reviewed internally for reasonableness, compared against benchmark quotes from independent pricing sources, then confirmed or revised accordingly. Foreign exchange derivative instruments are valued using inputs that are observable in the market or can be derived principally from or corroborated by observable market data. There were no substantive changes to the valuation techniques and related inputs used to measure fair value during fiscal 2018.

Assets Measured at Fair Value on a Non-recurring Basis

Non-marketable equity investments and investments accounted for under the equity method. These investments are classified as Level 3 due to the absence of quoted market prices, the inherent lack of liquidity and the fact that inputs used to measure fair value are unobservable and require management's judgment. When certain events or circumstances indicate that impairment may exist, the Company revalues the investments using various assumptions, including the financial metrics and ratios of comparable public companies. There were no significant impairment charges incurred during fiscal 2018, 2017 and 2016. At September 30, 2018 and 2017, these investments totaled $137 million and $94 million, respectively. These assets are classified in other assets on the consolidated balance sheets.

Non-financial assets and liabilities. Long-lived assets such as goodwill, indefinite-lived intangible assets, finite-lived intangible assets and property, equipment and technology are considered non-financial assets. The Company does not have any non-financial liabilities measured at fair value on a non-recurring basis. Finite-lived intangible assets primarily consist of customer relationships, trade names and reseller relationships, all of which were obtained through acquisitions. See *Note 5—Intangible Assets and Goodwill.*

If the Company were required to perform a quantitative assessment for impairment testing of goodwill and indefinite-lived intangible assets, the fair values would generally be estimated using an income approach. As the assumptions employed to measure these assets on a non-recurring basis are based on management's judgment using internal and external data, these fair value determinations are classified as Level 3 in the fair value hierarchy. The Company completed its annual impairment review of its indefinite-lived intangible assets and goodwill as of February 1, 2018, and concluded that there was no impairment. No recent events or changes in circumstances indicate that impairment existed at September 30, 2018. See *Note 1—Summary of Significant Accounting Policies*.

Other Fair Value Disclosures

*Long-term debt. D*ebt instruments are measured at amortized cost on the Company's consolidated balance sheets at September 30, 2018 and 2017. The fair value of these notes, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. The pricing data obtained from outside sources is reviewed internally for reasonableness, compared against benchmark quotes from independent pricing sources, then confirmed or revised accordingly. If measured at fair value in the financial statements, these instruments would be classified as Level 2 in the fair value hierarchy. The carrying value and estimated fair value of long-term debt were both $16.6 billion as of September 30, 2018. The carrying value and estimated fair value of long-term debt was $18.4 billion and $19.2 billion, respectively, as of September 30, 2017.

Other Financial Instruments not Measured at Fair Value

The following financial instruments are not measured at fair value on the Company's consolidated balance sheet at September 30, 2018, but require disclosure of their fair values: time deposits recorded in prepaid expenses and other current assets, settlement receivable and payable and customer collateral. The estimated fair value of such instruments at September 30, 2018 approximates their carrying value due to their generally short maturities. If measured at fair value in the financial statements, these financial instruments would be classified as Level 2 in the fair value hierarchy.

Investments

Trading Investment Securities

Trading investment securities include mutual fund equity security investments related to various employee compensation and benefit plans. Trading activity in these investments is at the direction of the Company's employees. These investments are held in trust and are not available for the Company's operational or liquidity needs. Interest and dividend income and changes in fair value are recorded in non-operating income, and offset in personnel expense on the consolidated statements of operations. As of September 30, 2018 and 2017, trading investment securities totaled $98 million and $82 million, respectively.

Available-for-sale Investment Securities

The amortized cost, unrealized gains and losses and fair value of available-for-sale investment securities are as follows:

	September 30, 2018				September 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in millions)							
U.S. government-sponsored debt securities	**$ 5,016**	**$ —**	**$ (8)**	**$ 5,008**	$ 3,664	$ 1	$ (2)	$ 3,663
U.S. Treasury securities	**2,516**	**—**	**(8)**	**2,508**	1,623	—	(2)	1,621
Equity securities	**4**	**11**	**—**	**15**	5	119	—	124
Total	**$ 7,536**	**$ 11**	**$ (16)**	**$ 7,531**	$ 5,292	$ 120	$ (4)	$ 5,408
Less: current portion of available-for-sale investment securities				**$ (3,449)**				$ (3,482)
Long-term available-for-sale investment securities				**$ 4,082**				$ 1,926

Available-for-sale investment securities primarily include U.S. Treasury securities and U.S. government-sponsored debt securities. Available-for-sale debt securities are presented below in accordance with their stated maturities. A portion of these investments, $4.1 billion, are classified as non-current, as they have stated maturities of more than one year from the balance sheet date. However, these investments are generally available to meet short-term liquidity needs.

	Amortized Cost	Fair Value
	(in millions)	
September 30, 2018:		
Due within one year	$ 3,443	$ 3,434
Due after 1 year through 5 years	4,089	4,082
Due after 5 years through 10 years	—	—
Due after 10 years	—	—
Total	**$ 7,532**	**$ 7,516**

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2018

Investment Income

Investment income is recorded as non-operating income in the Company's consolidated statements of operations and consisted of the following:

	For the Years Ended September 30,		
	2018	**2017**	**2016**
		(in millions)	
Interest and dividend income on cash and investments	**$ 173**	$ 92	$ 75
Gain on other investments	**—**	6	5
Investment securities, trading:			
Unrealized gains, net	**2**	6	3
Realized gains, net	**4**	2	—
Investment securities, available-for-sale:			
Realized gains (losses), net from sales	**98**	(1)	3
Realized gains from donation	**193**	—	—
Other-than-temporary impairment on investments	**—**	—	(4)
Investment income	**$ 470**	$ 105	$ 82

Note 4—Property, Equipment and Technology, Net

Property, equipment and technology, net, consisted of the following:

	September 30, 2018	September 30, 2017
	(in millions)	
Land	**$ 69**	$ 72
Buildings and building improvements	**898**	865
Furniture, equipment and leasehold improvements	**1,661**	1,534
Construction-in-progress	**153**	139
Technology	**2,916**	2,533
Total property, equipment and technology	**5,697**	5,143
Accumulated depreciation and amortization	**(3,225)**	(2,890)
Property, equipment and technology, net	**$ 2,472**	$ 2,253

Technology consists of both purchased and internally developed software. Internally developed software primarily represents software utilized by the VisaNet electronic payments network. At September 30, 2018 and 2017, accumulated amortization for technology was $1.9 billion and $1.7 billion, respectively.

At September 30, 2018, estimated future amortization expense on technology was as follows:

Fiscal year ending September 30,	2019	2020	2021	2022	2023	Thereafter	Total
				(in millions)			
Estimated future amortization expense	$ 309	$ 257	$ 195	$ 128	$ 69	$ 32	**$ 990**

Depreciation and amortization expense related to property, equipment and technology was $558 million, $500 million and $452 million for fiscal 2018, 2017 and 2016, respectively. Included in those amounts was amortization expense on technology of $312 million, $285 million and $259 million for fiscal 2018, 2017 and 2016, respectively.

Note 5—Intangible Assets and Goodwill

Indefinite-lived and finite-lived intangible assets consisted of the following:

	September 30, 2018			September 30, 2017		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
			(in millions)			
Finite-lived intangible assets:						
Customer relationships	**$ 452**	**$ (274)**	**$ 178**	$ 438	$ (237)	$ 201
Trade names	**199**	**(106)**	**93**	195	(93)	102
Reseller relationships	**95**	**(82)**	**13**	95	(79)	16
Other	**17**	**(11)**	**6**	17	(9)	8
Total finite-lived intangible assets	**763**	**(473)**	**290**	745	(418)	327
Indefinite-lived intangible assets:						
Customer relationships and reacquired rights	**23,184**	**—**	**23,184**	23,437	—	23,437
Visa trade name	**4,084**	**—**	**4,084**	4,084	—	4,084
Total indefinite-lived intangible assets	**27,268**	**—**	**27,268**	27,521	—	27,521
Total intangible assets	**$ 28,031**	**$ (473)**	**$ 27,558**	$ 28,266	$ (418)	$ 27,848

Amortization expense related to finite-lived intangible assets was $55 million, $56 million and $50 million for fiscal 2018, 2017 and 2016, respectively. At September 30, 2018, estimated future amortization expense on finite-lived intangible assets is as follows:

Fiscal year ending September 30,	2019	2020	2021	2022	2023	Thereafter	Total
				(in millions)			
Estimated future amortization expense	$ 56	$ 56	$ 56	$ 50	$ 28	$ 44	**$ 290**

There was no impairment related to the Company's indefinite-lived or finite-lived intangible assets during fiscal 2018, 2017 or 2016.

In February 2017, the Company acquired a business for a total purchase consideration net of cash received of approximately $302 million, paid primarily with cash on hand. Total purchase consideration has been allocated to the tangible and identifiable intangible assets acquired, and to liabilities assumed based on their respective fair values on the acquisition date. Related finite-lived intangible assets recorded totaled $104 million with a weighted-average useful life of eight years. Goodwill of $181 million was recorded to reflect the excess purchase consideration over net assets acquired. The consolidated financial statements include the operating results of the acquired business from the date of acquisition. Pro forma information related to the acquisition has not been presented as the impact is not material to the Company's financial results.

The decrease in total net intangible assets and goodwill during fiscal 2018 was primarily related to foreign currency translation, which is recorded as a component of accumulated other comprehensive income in the consolidated balance sheets.

Note 6—Debt

The Company had outstanding debt as follows:

	September 30, 2018	September 30, 2017	
	Principal Amount	Principal Amount	Effective Interest Rate
	(in millions, except percentages)		
1.20% Senior Notes due 2017 (the "2017 Notes")	**—**	1,750	1.37 %
2.20% Senior Notes due 2020 (the "2020 Notes")	**3,000**	3,000	2.30 %
2.15% Senior Notes due September 2022 (the "September 2022 Notes")	**1,000**	1,000	2.30 %
2.80% Senior Notes due December 2022 (the "December 2022 Notes")	**2,250**	2,250	2.89 %
3.15% Senior Notes due 2025 (the "2025 Notes")	**4,000**	4,000	3.26 %
2.75% Senior Notes due 2027 (the "2027 Notes")	**750**	750	2.91 %
4.15% Senior Notes due 2035 (the "2035 Notes")	**1,500**	1,500	4.23 %
4.30% Senior Notes due 2045 (the "2045 Notes")	**3,500**	3,500	4.37 %
3.65% Senior Notes due 2047 (the "2047 Notes")	**750**	750	3.73 %
Total debt	**$ 16,750**	$ 18,500	
Unamortized discounts and debt issuance costs	**(120)**	(133)	
Less: current portion of long-term debt	**—**	(1,749)	
Total long-term debt	**$ 16,630**	$ 16,618	

Senior Notes

In September 2017, the Company issued fixed-rate senior notes (the September 2022 Notes, 2027 Notes and 2047 Notes, or collectively, the "Notes issued in 2017") in an aggregate principal amount of $2.5 billion, with maturities ranging between 5 and 30 years. Interest on the Notes issued in 2017 is payable semi-annually on March 15 and September 15 of each year, commencing March 15, 2018. The net aggregate proceeds from the Notes issued in 2017, after deducting discounts and debt issuance costs, were approximately $2.5 billion.

Use of Proceeds from Notes issued in 2017. On September 11, 2017, the Company called for redemption of all of the $1.75 billion principal amount outstanding of the 2017 Notes in accordance with the optional redemption provisions set forth in the governing indenture. Subsequent to fiscal 2017, on October 11, 2017, the redemption date, the Company redeemed all of the $1.75 billion principal amount. The redemption was funded with the proceeds from the Notes issued in 2017.

The indenture governing the Company's outstanding senior notes, or collectively, the "Notes", contains customary event of default provisions. The Notes are senior unsecured obligations of the Company, ranking equally and ratably among themselves and with the Company's existing and future unsecured and unsubordinated debt. The Notes are not secured by any assets of the Company and are not guaranteed by any of the Company's subsidiaries. The Company was in compliance with all related covenants as of September 30, 2018. Each series of Notes may be redeemed as a whole or in part at the Company's option at any time at specified redemption prices.

The Company recognized related interest expense of $550 million and $505 million in fiscal 2018 and fiscal 2017, respectively, as non-operating expense.

At September 30, 2018, future principal payments on the Company's outstanding debt are as follows:

Fiscal year ending September 30,	2019	2020	2021	2022	2023	Thereafter	Total
				(in millions)			
Future principal payments	$ —	$ —	$ 3,000	$ 1,000	$ 2,250	$10,500	**$ 16,750**

Commercial Paper Program

Visa maintains a commercial paper program to support its working capital requirements and for other general corporate purposes. Under the program, the Company is authorized to issue up to $3.0 billion in outstanding notes, with maturities up to 397 days from the date of issuance. The Company had no outstanding obligations under the program as of September 30, 2018 and 2017.

Credit Facility

The Company is a party to a credit agreement for a 5-year, unsecured $4.0 billion revolving credit facility (the "Credit Facility") which expires on January 27, 2022. Borrowings under the Credit Facility are available for general corporate purposes. Interest on borrowings under the Credit Facility would be charged at the London Interbank Offered Rate (LIBOR) or an alternative base rate, in each case plus applicable margins that fluctuate based on the applicable rating of senior unsecured long-term securities of the Company. The Company has agreed to pay a commitment fee which will fluctuate based on such applicable rating of the Company. The Company had no amounts outstanding under the Credit Facility as of September 30, 2018 and 2017.

Note 7—Pension, Postretirement and Other Benefits

The Company sponsors various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for all eligible employees residing in the United States. The Company also sponsors other pension benefit plans that provide benefits for internationally-based employees at certain non-U.S. locations.

Disclosures presented below include the U.S. pension plans and the non-U.S. plans, comprising only the Visa Europe plans. Disclosures relating to other U.S. postretirement benefit plans and other non-U.S. pension benefit plans are not included as they are immaterial, individually and in aggregate. The Company uses a September 30 measurement date for its pension and other postretirement benefit plans.

Defined benefit pension plans. The U.S. pension benefits under the defined benefit pension plan were earned based on a cash balance formula. An employee's cash balance account was credited with an amount equal to 6% of eligible compensation plus interest based on 30-year Treasury securities. In October 2015, the Company's board of directors approved an amendment of the U.S. qualified defined benefit pension plan such that the Company discontinued employer provided credits after December 31, 2015. Plan participants continue to earn interest credits on existing balances at the time of the freeze. As a result, a curtailment gain totaling $8 million was recognized in fiscal 2016 as part of the Company's net periodic benefit cost.

The funding policy for the U.S. pension benefits is to contribute annually no less than the minimum required contribution under ERISA.

Under the Visa Europe UK pension plans, presented below under "non-U.S. plans", retirement benefits are provided based on the participants' final pensionable pay and are currently closed to new entrants. However, future benefits continue to accrue for active participants. The funding policy is to contribute in accordance with the appropriate funding requirements agreed with the trustees of the UK pension plans. Additional amounts may be agreed with the UK pension plan trustees.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2018

Summary of Plan Activities

Reconciliation of pension benefit obligations, plan assets, funded status and amounts recognized in the Company's consolidated balance sheets:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2018	2017	2018	2017
	(in millions)			
Change in Pension Benefit Obligation:				
Benefit obligation—beginning of fiscal year	**$ 913**	$ 1,072	**$ 433**	$ 474
Service cost	**—**	—	**4**	6
Interest cost	**32**	36	**12**	11
Actuarial loss (gain)	**(38)**	(58)	**24**	(52)
Benefit payments	**(63)**	(137)	**(9)**	(14)
Foreign currency exchange rate changes	**—**	—	**(12)**	8
Benefit obligation—end of fiscal year	**$ 844**	$ 913	**$ 452**	$ 433
Accumulated benefit obligation	**$ 844**	$ 913	**$ 452**	$ 433
Change in Plan Assets:				
Fair value of plan assets—beginning of fiscal year	**$ 1,074**	$ 1,077	**$ 433**	$ 415
Actual return on plan assets	**78**	125	**13**	17
Company contribution	**1**	9	**11**	5
Benefit payments	**(63)**	(137)	**(9)**	(14)
Foreign currency exchange rate changes	**—**	—	**(12)**	10
Fair value of plan assets—end of fiscal year	**$ 1,090**	$ 1,074	**$ 436**	$ 433
Funded status at end of fiscal year	**$ 246**	$ 161	**$ (16)**	$ —
Recognized in Consolidated Balance Sheets:				
Non-current asset	**$ 252**	$ 168	**$ —**	$ 5
Current liability	**(1)**	(1)	**(10)**	(5)
Non-current liability	**(5)**	(6)	**(6)**	—
Funded status at end of fiscal year	**$ 246**	$ 161	**$ (16)**	$ —

Amounts recognized in accumulated other comprehensive income before tax:

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2018	2017	2018	2017
	(in millions)			
Net actuarial loss	**$ 47**	$ 97	**$ 39**	$ 9

Benefit obligations in excess of plan assets related to the Company's U.S. non-qualified plan and the non-U.S. pension plans[1]**:**

	U.S. Plans		Non-U.S. Plans	
	September 30,		September 30,	
	2018	2017	2018	2017
	(in millions)			
Accumulated benefit obligation in excess of plan assets				
Accumulated benefit obligation—end of year	**$ (6)**	$ (7)	**$ (452)**	$ (5)
Fair value of plan assets—end of year	**$ —**	$ —	**$ 436**	$ —
Projected benefit obligation in excess of plan assets				
Benefit obligation—end of year	**$ (6)**	$ (7)	**$ (452)**	$ (5)
Fair value of plan assets—end of year	**$ —**	$ —	**$ 436**	$ —

Net periodic pension cost:

	U.S. Plans			Non-U.S. Plans[1]		
	For the Years Ended September 30,					
	2018	2017	2016	2018	2017	2016
	(in millions)					
Service cost	**$ —**	$ —	$ 13	**$ 4**	$ 6	$ 1
Interest cost	**32**	36	40	**12**	11	3
Expected return on assets	**(70)**	(70)	(69)	**(20)**	(16)	(4)
Amortization of prior service credit	**—**	—	(1)	**—**	—	—
Amortization of actuarial loss	**—**	15	7	**—**	2	—
Curtailment gain	**—**	—	(8)	**—**	—	—
Settlement loss	**3**	15	13	**—**	—	—
Total net periodic benefit cost	**$ (35)**	$ (4)	$ (5)	**$ (4)**	$ 3	$ —

(1) For fiscal 2016, the amounts represent the Visa Europe plans' net pension benefit cost recognized from the Closing through September 30, 2016.

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2018	2017	2016	2018	2017	2016
	(in millions)					
Current year actuarial loss (gain)	**$ (47)**	$ (113)	$ 30	**$ 30**	$ (53)	$ 66
Amortization of actuarial (loss) gain	**(3)**	(30)	(20)	**—**	(2)	—
Amortization of prior service credit	**—**	—	9	**—**	—	—
Total recognized in other comprehensive income	**$ (50)**	$ (143)	$ 19	**$ 30**	$ (55)	$ 66
Total recognized in net periodic benefit cost and other comprehensive income	**$ (85)**	$ (147)	$ 14	**$ 26**	$ (52)	$ 66

Weighted-Average Actuarial Assumptions:

	U.S. Plans			Non-U.S. Plans		
	For the Years Ended September 30,					
	2018	2017	2016	2018	2017	2016
Discount rate[1] for benefit obligation:						
Pension	**4.23 %**	3.84 %	3.62 %	**2.90 %**	2.70 %	2.40 %
Discount rate for net periodic benefit cost:						
Pension	**3.84 %**	3.62 %	4.33 %	**2.70 %**	2.40 %	3.10 %
Expected long-term rate of return on plan assets[2]	**7.00 %**	7.00 %	7.00 %	**4.25 %**	4.50 %	3.92 %
Rate of increase[3] in compensation levels for:						
Benefit obligation	**NA**	NA	NA	**3.20 %**	3.20 %	3.20 %
Net periodic benefit cost	**NA**	NA	NA	**3.20 %**	3.20 %	3.00 %

(1) Represents a single weighted-average discount rate derived based on a cash flow matching analysis, with the projected benefit payments matching spot rates from a yield curve developed from high-quality corporate bonds.

(2) Primarily based on the targeted allocation, and evaluated for reasonableness by considering such factors as: (i) actual return on plan assets; (ii) historical rates of return on various asset classes in the portfolio; (iii) projections of returns on various asset classes; and (iv) current and prospective capital market conditions and economic forecasts.

(3) This assumption is not applicable for the U.S. plans due to the amendment of the U.S. qualified defined benefit pension plan in October 2015, which discontinued the employer provided credits effective after December 31, 2015.

Pension Plan Assets

Pension plan assets are managed with a long-term perspective to ensure that there is an adequate level of assets to support benefit payments to participants over the life of the pension plan. Pension plan assets are managed by external investment managers. Investment manager performance is measured against benchmarks for each asset class on a quarterly basis. An independent consultant assists management with investment manager selections and performance evaluations.

Pension plan assets are broadly diversified to maintain a prudent level of risk and to provide adequate liquidity for benefit payments. The Company generally evaluates and rebalances the pension plan assets, as appropriate, to ensure that allocations are consistent with its investment strategy and within target allocation ranges. For U.S. pension plan assets, the Company's investment strategy is to invest in the following: equity securities of 50% to 80%, fixed income securities of 25% to 35% and other, primarily consisting of cash equivalents to meet near term expected benefit payments and expenses, of up to 7%. At September 30, 2018, U.S. pension plan asset allocations for these categories were 65%, 29% and 6%, respectively, which were within target allocation ranges.

For non-U.S. pension plan assets, the Company's investment strategy is to invest in the following: equity securities of 15%, interest and inflation hedging assets of 40% and other of 45%, consisting of cash, certain multi-asset funds and property. At September 30, 2018, non-U.S. pension plan asset allocations for these categories were 16%, 38% and 46%, respectively, which were generally aligned with the target allocations.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2018

The following tables set forth by level, within the fair value hierarchy, the pension plan's investments at fair value as of September 30, 2018 and 2017, including the impact of transactions that were not settled at the end of September:

	U.S. Plans							
	Fair Value Measurements at September 30 Using Inputs Considered as							
	Level 1		Level 2		Level 3		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	(in millions)							
Cash equivalents	**$ 65**	$ 31					**$ 65**	$ 31
Collective investment funds			**571**	540			**571**	540
Corporate debt securities			**187**	197			**187**	197
U.S. government-sponsored debt securities			**30**	47			**30**	47
U.S. Treasury securities	**62**	75					**62**	75
Asset-backed securities					**34**	39	**34**	39
Equity securities	**141**	145					**141**	145
Total	**$ 268**	$ 251	**$ 788**	$ 784	**$ 34**	$ 39	**$ 1,090**	$ 1,074

	Non-U.S. Plans							
	Fair Value Measurements at September 30 Using Inputs Considered as							
	Level 1		Level 2		Level 3		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	(in millions)							
Cash equivalents	**$ 6**	$ 1					**$ 6**	$ 1
Corporate debt securities			**—**	39			**—**	39
UK Treasury securities	**—**	150					**—**	150
Asset-backed securities					**33**	32	**33**	32
Equity securities	**68**	134					**68**	134
Multi-asset securities [(1)]			**329**	77			**329**	77
Total	**$ 74**	$ 285	**$ 329**	$ 116	**$ 33**	$ 32	**$ 436**	$ 433

(1) Multi-asset securities represent pension plan assets that are invested in funds comprised of broad ranges of assets.

Level 1 assets. Cash equivalents (money market funds and time deposits), U.S. and UK Treasury securities and equity securities are classified as Level 1 within the fair value hierarchy, as fair value is based on quoted prices in active markets.

Level 2 assets. Collective investment funds are unregistered investment vehicles that generally commingle the assets of multiple fiduciary clients, such as pension and other employee benefit plans, to invest in portfolio of stocks, bonds or other securities. Although the collective investment funds held by the plan are ultimately invested in publicly traded equity securities, their own unit values are not directly observable, and therefore they are classified as Level 2. The fair values of corporate debt, multi-asset, derivatives and U.S. government-sponsored securities are based on quoted prices in active markets for similar assets as provided by third-party pricing vendors. This pricing data is reviewed internally for reasonableness through comparisons with benchmark quotes from independent third-party sources. Based on this review, the valuation is confirmed or revised accordingly.

Level 3 assets. Asset-backed securities are bonds that are backed by various types of assets and primarily consist of mortgage-backed securities. Asset-backed securities are classified as Level 3 due to a lack of observable inputs in measuring fair value.

There were no transfers between Level 1 and Level 2 assets during fiscal 2018 or 2017. A roll-forward of Level 3 plan assets measured at fair value is not presented because activities during fiscal 2018 and 2017 were immaterial.

Cash Flows

	U.S. Plans	Non-U.S. Plans
Actual employer contributions	(in millions)	
2018	$ 1	$ 11
2017	9	5
Expected employer contributions		
2019	1	10
Expected benefit payments		
2019	150	5
2020	73	5
2021	70	5
2022	67	5
2023	64	5
2024-2028	284	28

Other Benefits

The Company sponsors a defined contribution plan, or 401(k) plan, that covers substantially all of its employees residing in the United States. Personnel costs included $93 million, $58 million, and $55 million in fiscal 2018, 2017 and 2016, respectively, for expenses attributable to the Company's employees under the 401(k) plan. The Company's contributions to this 401(k) plan are funded on a current basis, and the related expenses are recognized in the period that the payroll expenses are incurred.

Note 8—Settlement Guarantee Management

The Company indemnifies its clients for settlement losses suffered due to failure of any other client to fund its settlement obligations in accordance with the Visa operating rules. This indemnification creates settlement risk for the Company due to the difference in timing between the date of a payment transaction and the date of subsequent settlement.

Historically, the Company has experienced minimal losses as a result of its settlement risk guarantee. However, the Company's future obligations, which could be material under its guarantees, are not determinable as they are dependent upon future events.

The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time, which vary significantly day to day. The Company's maximum settlement exposure was $91.7 billion and the average daily settlement exposure was $56.7 billion during the year ended September 30, 2018.

The Company maintains and regularly reviews global settlement risk policies and procedures to manage settlement exposure, which may require clients to post collateral if certain credit standards are not met. At September 30, 2018 and 2017, the Company held the following collateral to manage settlement exposure:

	September 30, 2018	September 30, 2017
	(in millions)	
Cash equivalents	**$ 1,708**	$ 1,490
Pledged securities at market value	**192**	167
Letters of credit	**1,382**	1,316
Guarantees	**860**	941
Total	**$ 4,142**	$ 3,914

Cash equivalent collateral reflected in customer collateral on the consolidated balance sheets is held by a custodian in an account under the Company's name and ownership. At September 30, 2018 and 2017, $384 million of cash equivalent collateral is excluded from the consolidated balance sheets as clients retain beneficial ownership of it and it is only accessible to the Company in the event of default by the client on its settlement obligations. All other collateral is excluded from the consolidated balance sheets. See *Note 1—Summary of Significant Accounting Policies*.

Note 9—Derivative and Non-derivative Financial Instruments

Derivative Financial Instruments

Designated derivative financial instrument hedges. The aggregate notional amount of the Company's derivative contracts outstanding in its hedge program was $2.5 billion at September 30, 2018 and $1.8 billion at September 30, 2017. As of September 30, 2018, the Company's cash flow hedges in an asset position totaled $78 million and were classified in prepaid expenses and other current assets on the consolidated balance sheets, while cash flow hedges in a liability position totaled $20 million and were classified in accrued liabilities on the consolidated balance sheets. These amounts are subject to master netting agreements, which provide the Company with a legal right to net settle multiple payable and receivable positions with the same counterparty, in a single currency through a single payment. However, the Company presents fair values on a gross basis on the consolidated balance sheets. See *Note 1—Summary of Significant Accounting Policies.*

The Company uses regression analysis to assess hedge effectiveness prospectively and retrospectively. The effectiveness tests are performed on foreign exchange forward contracts based on changes in the spot rate of the derivative instrument compared to changes in the spot rate of the forecasted hedged transaction. Forward points are excluded from effectiveness testing and measurement purposes. Excluded forward points are reported in earnings. For fiscal 2018, 2017 and 2016, the amounts by which earnings were reduced relating to excluded forward points were $9 million, $18 million and $30 million, respectively.

The effective portion of changes in the fair value of derivative contracts is recorded as a component of accumulated other comprehensive income or loss on the consolidated balance sheets. When the forecasted transaction occurs and is recognized in earnings, the amount in accumulated other comprehensive income or loss related to that hedge is reclassified to operating revenue or expense. The Company expects to reclassify $71 million of pre-tax gains to earnings during fiscal 2019.

Non-designated derivative financial instrument hedges. Subsequent to the acquisition of Visa Europe, the Company entered into currency forward contracts to offset Visa Europe hedges outstanding at the date of the acquisition that did not qualify for cash flow hedge accounting treatment in accordance with U.S. GAAP or the Company's accounting policy.

The Company utilizes foreign exchange derivative contracts to hedge against foreign currency exchange rate fluctuations related to certain monetary assets and liabilities denominated in foreign currency held by Visa Europe. As of September 30, 2018 and 2017, the aggregate notional amount of these balance sheet hedges was $1.2 billion and $1.0 billion, respectively.

Credit and market risks. The Company's derivative financial instruments are subject to both credit and market risk. The Company monitors the credit-worthiness of the financial institutions that are counterparties to its derivative financial instruments and does not consider the risks of counterparty nonperformance to be significant. The Company mitigates this risk by entering into master netting agreements, and such agreements require each party to post collateral against its net liability position with the respective counterparty. As of September 30, 2018, the Company has received collateral of $56 million, from counterparties, which is included in accrued liabilities in the consolidated balance sheets, and posted collateral of $2 million, which is included in prepaid expenses and other current assets in the consolidated balance sheets. Notwithstanding the Company's efforts to manage foreign exchange risk, there can be no absolute assurance that its hedging activities will adequately protect against the risks associated with foreign currency fluctuations. Credit and market risks related to derivative instruments were not considered significant as of September 30, 2018.

Non-derivative Financial Instrument Designated as a Net Investment Hedge

As of September 30, 2018, the Company had designated $1.1 billion of its euro-denominated deferred cash consideration liability, a non-derivative financial instrument, as a hedge against a portion of the foreign currency exchange rate exposure of the Company's euro-denominated net investment of $18.8 billion in Visa Europe. During fiscal 2018, changes in the euro exchange rate against the U.S. dollar resulted in net foreign currency translation adjustments of $0.4 billion.

Note 10—Enterprise-wide Disclosures and Concentration of Business

The Company's long-lived net property, equipment and technology assets are classified by major geographic areas as follows:

	September 30, 2018	September 30, 2017
	(in millions)	
United States	**$ 2,152**	$ 2,003
International	**320**	250
Total	**$ 2,472**	$ 2,253

Revenue by geographic market is primarily based on the location of the issuing financial institution. Revenues earned in the United States were approximately 45% of net operating revenues in fiscal 2018, 47% in fiscal 2017 and 52% in fiscal 2016. No individual country, other than the United States, generated more than 10% of net operating revenues in these years.

A significant portion of Visa's operating revenues is concentrated among its largest clients. Loss of business from any of these clients could have an adverse effect on the Company. The Company did not have any customer that generated greater than 10% of its net operating revenues in fiscal 2018, 2017 and 2016.

Note 11—Stockholders' Equity

Visa Europe acquisition. In connection with the Visa Europe acquisition, three new series of preferred stock of the Company were created. Upon issuance, all of the preferred stock participate on an as-converted basis in regular quarterly cash dividends declared on the Company's class A common stock. Additionally, Visa Europe held shares of Visa Inc.'s class C common stock, which were treated as treasury stock in purchase accounting. During fiscal 2017, the newly-formed Visa Foundation received all Visa Inc. shares that were previously recorded as treasury stock. See *Note 16—Income Taxes*

As-converted class A common stock. The UK&I and Europe preferred stock, issued in the Visa Europe acquisition, is convertible upon certain conditions into shares of class A common stock or class A equivalent preferred stock, at an initial conversion rate of 13.952 shares of class A common stock for each share of UK&I and Europe preferred stock. The conversion rates may be reduced from time to time to offset certain liabilities. See *Note 2—U.S. and Europe Retrospective Responsibility Plans*.

VISA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2018

The number of shares of each series and class, and the number of shares of class A common stock on an as-converted basis at September 30, 2018, are as follows:

	Shares Outstanding	Conversion Rate Into Class A Common Stock		As-converted Class A Common Stock [(1)]
	(in millions, except conversion rate)			
UK&I preferred stock	2	12.9550		32
Europe preferred stock	3	13.8880		44
Class A common stock [(2)]	1,768	—		1,768
Class B common stock	245	1.6298	(3)	400
Class C common stock	12	4.0000		47
Total				**2,291**

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

(2) Class A common stock shares outstanding reflect repurchases settled on or before September 30, 2018.

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

Reduction in as-converted shares. During fiscal 2018, total as-converted class A common stock was reduced by 63 million shares at an average price of $124.29 per share. Of the 63 million shares, 58 million were repurchased in the open market using $7.2 billion of operating cash on hand. Additionally, in June 2018, the Company deposited $600 million of operating cash into the litigation escrow account previously established under the U.S. retrospective responsibility plan. Also, the Company recovered $56 million of VE territory covered losses in accordance with the Europe retrospective responsibility plan during fiscal 2018. The deposit and recovery have the same economic effect on earnings per share as repurchasing the Company's class A common stock, because they reduce the class B common stock conversion rate and the UK&I and Europe preferred stock conversion rates and consequently, reduce the as-converted class A common stock share count. See *Note 2—U.S. and Europe Retrospective Responsibility Plans*.

The following table presents share repurchases in the open market for the following fiscal years[(1)]:

	For the Years Ended September 30,		
	2018	2017	2016
	(in millions, except per share data)		
Shares repurchased in the open market[(2)]	**58**	77	91
Average repurchase price per share[(3)]	**$ 123.76**	$ 89.98	$ 77.05
Total cost	**$ 7,192**	$ 6,891	$ 6,987

(1) Shares repurchased in the open market reflect repurchases settled during fiscal 2018, 2017 and 2016. These amounts include repurchases traded but not yet settled on or before September 30, 2017, September 30, 2016 and September 30, 2015 for fiscal 2018, 2017 and 2016, respectively. Also, these exclude repurchases traded but not yet settled on or before September 30, 2018, September 30, 2017 and September 30, 2016 for fiscal 2018, 2017 and 2016, respectively.

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

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

In January 2018, the Company's board of directors authorized an additional $7.5 billion share repurchase program. This authorization has no expiration date. As of September 30, 2018, the Company's January 2018 share repurchase program had remaining authorized funds of $4.2 billion for share repurchase. All share repurchase programs authorized prior to January 2018 have been completed.

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

The following table presents as-converted class B common stock after deposits into the litigation escrow account for fiscal 2018. There were no comparable adjustments recorded for as-converted class B common stock during fiscal 2017 and 2016.

	For the Year Ended September 30, 2018	
	(in millions, except per share data)	
Reduction in equivalent number of as-converted shares of class A common stock		5
Effective price per share[(1)]	$	132.32
Deposits under the U.S. retrospective responsibility plan	$	600

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

Under the terms of the Europe retrospective responsibility plan, the Company is entitled to recover VE territory covered losses through periodic adjustments to the class A common stock conversion rates applicable to the UK&I and Europe preferred stock. See *Note 2—U.S. and Europe Retrospective Responsibility Plans*.

The following table presents as-converted UK&I and Europe preferred stock, after the Company recovered VE territory covered losses through conversion rate adjustments, for fiscal 2018 and 2017. There were no comparable adjustments recorded for UK&I and Europe preferred stock during fiscal 2016.

	UK&I Preferred Stock				Europe Preferred Stock			
	For the Years Ended September 30,							
	2018		2017		2018		2017	
	(in millions, except per share and conversion rate data)							
Reduction in equivalent number of as-converted shares of class A common stock		— (1)		2		— (1)		— (1)
Effective price per share (2)	**$**	**113.05**	$	88.70	**$**	**112.92**	$	85.01
Recovery through conversion rate adjustment	**$**	**35**	$	190	**$**	**21**	$	1

(1) The reduction in equivalent number of shares of class A common stock was less than one million shares.

(2) Effective price per share for each adjustment made during the year is calculated using the volume-weighted average price of the Company's class A common stock over a pricing period in accordance with the Company's current certificates of designations for its series B and C convertible participating preferred stock. Effective price per share for each fiscal year is calculated using the weighted-average effective prices of the respective adjustments made during the year.

Class B common stock. The class B common stock is not convertible or transferable until the date on which all of the U.S. covered litigation has been finally resolved. This transfer restriction is subject to limited exceptions, including transfers to other holders of class B common stock. After termination of the restrictions, the class B common stock will be convertible into class A common stock if transferred to a person that was not a Visa Member (as defined in the current certificate of incorporation) or similar person or an affiliate of a Visa Member or similar person. Upon such transfer, each share of class B common stock will automatically convert into a number of shares of class A common stock based upon the applicable conversion rate in effect at the time of such transfer.

Adjustment of the conversion rate occurs upon: (i) the completion of any follow-on offering of class A common stock completed to increase the size of the U.S. litigation escrow account (or any cash deposit by the Company in lieu thereof) resulting in a further corresponding decrease in the conversion rate; or (ii) the final resolution of the U.S. covered litigation and the release of funds remaining on deposit in the U.S. litigation escrow account to the Company resulting in a corresponding increase in the conversion rate. See *Note 2—U.S. and Europe Retrospective Responsibility Plans.*

Class C common stock. As of September 30, 2018, all of the shares of class C common stock have been released from transfer restrictions. A total of 140 million shares have been converted from class C to class A common stock upon their sale into the public market.

Preferred stock. Preferred stock may be issued as redeemable or non-redeemable, and has preference over any class of common stock with respect to the payment of dividends and distribution of the Company's assets in the event of a liquidation or dissolution. The Company had 5 million shares of UK&I and Europe preferred stock outstanding at the end of fiscal 2018 and 2017. The shares of UK&I and Europe preferred stock are subject to restrictions on transfer and may become convertible in stages based on developments in the VE territory covered litigation. The shares of UK&I and Europe preferred stock will become fully convertible on the 12th anniversary of the Closing, subject only to a holdback to cover any then-pending claims. Upon any such conversion of the UK&I or Europe preferred stock (whether by such 12th anniversary, or thereafter with respect to claims pending on such anniversary), the holder would receive either class A common stock or class A equivalent preferred stock (for those who are not eligible to hold class A common stock pursuant to the Company's charter). The class A equivalent preferred stock will be freely transferable and each share of class A equivalent preferred stock will automatically convert into 100 shares of class A common stock upon a transfer to any holder that is eligible to hold class A common stock under the charter. See *Note 2—U.S. and Europe Retrospective Responsibility Plans.*

Voting rights. The holders of the UK&I and Europe preferred stock have no right to vote on any matters, except for certain defined matters, including, in specified circumstances, any consolidation, merger, combination or similar transaction of the Company in which the preferred stockholders would either (i) receive shares of common stock or other equity securities of the Company with preferences, rights and privileges that are not substantially identical to the preferences, rights and privileges of the applicable series of preferred stock or (ii) receive securities, cash or other property that is different from what the Company's class A common stockholders would receive. With respect to these limited matters on which the holders of preferred stock may vote, approval by the preferred stockholders requires the affirmative vote of the outstanding voting power of each such series of preferred stock, each such series voting as a single class. In either case, the UK&I and Europe preferred stockholders are entitled to cast a number of votes equal to the number of shares held by each such holder. Holders of the class A equivalent preferred stock, upon issuance at conversion, will have similar voting rights to the rights of the holders of the UK&I and Europe preferred stock.

Class A common stockholders have the right to vote on all matters on which stockholders generally are entitled to vote. Class B and C common stockholders have no right to vote on any matters, except for certain defined matters, including (i) any decision to exit the core payments business, in which case the class B and C common stockholders will vote together with the class A common stockholders in a single class, and (ii) in specified circumstances, any consolidation, merger, combination or similar transaction of the Company, in which case the class B and C common stockholders will vote together as a single class. In either case, the class B and C common stockholders are entitled to cast a number of votes equal to the number of shares of class B or C common stock held multiplied by the applicable conversion rate in effect on the record date. Holders of the Company's common stock have no right to vote on any amendment to the current certificate of incorporation that relates solely to any series of preferred stock.

Dividends declared. The Company declared and paid $1.9 billion in dividends in fiscal 2018 at a quarterly rate of $0.195 per share in the first fiscal quarter and $0.21 per share in the remaining quarters of the fiscal year. On October 16, 2018, the Company's board of directors declared a quarterly cash dividend of $0.25 per share of class A common stock (determined in the case of class B and C common stock and UK&I and Europe preferred stock on an as-converted basis), which will be paid on December 4, 2018, to all holders of record of the Company's common and preferred stock as of November 16, 2018.

Note 12—Earnings Per Share

Basic earnings per share is computed by dividing net income available to each class by the weighted-average number of shares of common stock outstanding and participating securities during the period. Net income is allocated to each class of common stock and participating securities based on its proportional ownership on an as-converted basis. The weighted-average number of shares of each class of common stock outstanding reflects changes in ownership over the periods presented. See *Note 11—Stockholders' Equity*.

Diluted earnings per share is computed by dividing net income available by the weighted-average number of shares of common stock outstanding, participating securities and, if dilutive, potential class A common stock equivalent shares outstanding during the period. Dilutive class A common stock equivalents may consist of: (1) shares of class A common stock issuable upon the conversion of UK&I and Europe preferred stock and class B and C common stock based on the conversion rates in effect through the period, and (2) incremental shares of class A common stock calculated by applying the treasury stock method to the assumed exercise of employee stock options, the assumed purchase of stock under the Employee Stock Purchase Plan and the assumed vesting of unearned performance shares.

The following table presents earnings per share for fiscal 2018.[(1)]

	Basic Earnings Per Share			Diluted Earnings Per Share		
	(in millions, except per share data)					
	Income Allocation (A) [(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A) [(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
Class A common stock	$ 7,937	1,792	$ 4.43	$ 10,301	2,329 [(3)]	$ 4.42
Class B common stock	1,787	245	$ 7.28	$ 1,785	245	$ 7.27
Class C common stock	218	12	$ 17.72	$ 217	12	$ 17.69
Participating securities[(4)]	359	Not presented	Not presented	$ 358	Not presented	Not presented
Net income	$ 10,301					

The following table presents earnings per share for fiscal 2017.[(1)]

	Basic Earnings Per Share			Diluted Earnings Per Share		
	(in millions, except per share data)					
	Income Allocation (A) [(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A) [(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
Class A common stock	$ 5,170	1,845	$ 2.80	$ 6,699	2,395 [(3)]	$ 2.80
Class B common stock	1,134	245	$ 4.62	$ 1,132	245	$ 4.61
Class C common stock	163	14	$ 11.21	$ 162	14	$ 11.19
Participating securities[(4)]	232	Not presented	Not presented	$ 232	Not presented	Not presented
Net income	$ 6,699					

The following table presents earnings per share for fiscal 2016.[(1)]

	Basic Earnings Per Share			Diluted Earnings Per Share		
	(in millions, except per share data)					
	Income Allocation (A) [(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A) [(2)]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
Class A common stock	$ 4,738	1,906	$ 2.49	$ 5,991	2,414 [(3)]	$ 2.48
Class B common stock	1,006	245	$ 4.10	$ 1,004	245	$ 4.09
Class C common stock	185	19	$ 9.94	$ 185	19	$ 9.93
Participating securities[(4)]	62	Not presented	Not presented	$ 61	Not presented	Not presented
Net income	$ 5,991					

(1) Figures in the table may not recalculate exactly due to rounding. Earnings per share is calculated based on unrounded numbers.

(2)

Net income is allocated based on proportional ownership on an as-converted basis. The weighted-average number of shares of as-converted class B common stock used in the income allocation was 403 million for fiscal 2018, and 405 million for fiscal 2017 and 2016. The weighted-average number of shares of as-converted class C common stock used in the income allocation was 49 million, 58 million and 75 million for fiscal 2018, 2017 and 2016, respectively. The weighted-average number of shares of preferred stock included within participating securities was 32 million and 33 million of as-converted UK&I preferred stock for fiscal 2018 and 2017, respectively, and 44 million of as-converted Europe preferred stock for fiscal 2018 and 2017.

(3) Weighted-average diluted shares outstanding are calculated on an as-converted basis, and include incremental common stock equivalents, as calculated under the treasury stock method. The computation includes 3 million common stock equivalents for fiscal 2018, and 5 million common stock equivalents for fiscal 2017 and 2016, because their effect would have been dilutive. The computation excludes 1 million of common stock equivalents for fiscal 2018, and 2 million of common stock equivalents for fiscal 2017 and 2016, because their effect would have been anti-dilutive.

(4) Participating securities include preferred stock outstanding and unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, such as the Company's UK&I and Europe preferred stock, restricted stock awards, restricted stock units and earned performance-based shares. Participating securities' income is allocated based on the weighted-average number of shares of as-converted stock. See *Note 11—Stockholders' Equity.*

Note 13—Share-based Compensation

2007 Equity Incentive Compensation Plan

The Company's 2007 Equity Incentive Compensation Plan, or the EIP, authorizes the compensation committee of the board of directors to grant non-qualified stock options ("options"), restricted stock awards ("RSAs"), restricted stock units ("RSUs") and performance-based shares to its employees and non-employee directors, for up to 236 million shares of class A common stock. Shares available for award may be either authorized and unissued or previously issued shares subsequently acquired by the Company. The EIP will continue to be in effect until all of the common stock available under the EIP is delivered and all restrictions on those shares have lapsed, unless the EIP is terminated earlier by the Company's board of directors. Awards may be granted under the plan until January 31, 2022.

Share-based compensation cost is recorded net of estimated forfeitures on a straight-line basis for awards with service conditions only, and on a graded-vesting basis for awards with service, performance and market conditions. For fiscal 2018, 2017 and 2016, the Company recorded share-based compensation cost related to the EIP of $312 million, $224 million and $211 million, respectively, in personnel expense on its consolidated statements of operations. The related tax benefits were $53 million, $67 million and $62 million for fiscal 2018, 2017 and 2016, respectively. The amount of capitalized share-based compensation cost was immaterial during fiscal 2018, 2017 and 2016.

Options

Options issued under the EIP expire 10 years from the date of grant and primarily vest ratably over 3 years from the date of grant, subject to earlier vesting in full under certain conditions.

During fiscal 2018, 2017 and 2016, the fair value of each stock option was estimated on the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	For the Years Ended September 30,		
	2018	**2017**	**2016**
Expected term (in years)[1]	**4**	4.23	4.35
Risk-free rate of return[2]	**2.0%**	1.6%	1.5%
Expected volatility[3]	**18.3%**	20.2%	21.7%
Expected dividend yield[4]	**0.7%**	0.8%	0.7%
Fair value per option granted	**$ 18.24**	$ 13.90	$ 15.01

(1) Until March 2018, this assumption was based on the Company's historical option exercises and those of a set of peer companies that management believed to be generally comparable to Visa. The Company's data was weighted based on the number of years between the measurement date and Visa's IPO date as a percentage of the options' contractual term. The relative weighting placed on Visa's data and peer data for stock options granted until March 2018 in fiscal 2018 was approximately 97% and 3%, respectively, 87% and 13% in fiscal 2017, respectively, and 77% and 23% in fiscal 2016, respectively. The assumptions for stock options granted after March 2018 was based on Visa's historical exercise experience as the passage of time since the Company's IPO has exceeded 10 years.

(2) Based upon the zero coupon U.S. treasury bond rate over the expected term of the awards.

(3) Based on the Company's implied and historical volatility. The expected volatility was approximately 18% in fiscal 2018 and 20% in fiscal 2017 and ranged from 20% to 23% in fiscal 2016.

(4) Based on the Company's annual dividend rate on the date of grant.

The following table summarizes the Company's option activity for fiscal 2018:

	Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value [(1)] (in millions)
Outstanding at September 30, 2017	7,115,876	$ 50.17		
Granted	1,646,060	$ 110.26		
Forfeited	(281,952)	$ 93.19		
Expired	(1,128)	$ 11.00		
Exercised	(2,690,016)	$ 28.37		
Outstanding at September 30, 2018	**5,788,840**	**$ 75.30**	**6.94**	**$433**
Options exercisable at September 30, 2018	3,000,704	$ 55.28	5.42	$285
Options exercisable and expected to vest at September 30, 2018[(2)]	5,567,702	$ 74.23	6.86	$422

(1) Calculated using the closing stock price on the last trading day of fiscal 2018 of $150.09, less the option exercise price, multiplied by the number of instruments.

(2) Applies a forfeiture rate to unvested options outstanding at September 30, 2018 to estimate the options expected to vest in the future.

For the options exercised during fiscal 2018, 2017 and 2016, the total intrinsic value was $249 million, $178 million and $103 million, respectively, and the tax benefit realized was $55 million, $62 million and $35 million, respectively. As of September 30, 2018, there was $22 million of total unrecognized compensation cost related to unvested options, which is expected to be recognized over a weighted-average period of approximately 0.6 years.

Restricted Stock Awards and Restricted Stock Units

RSAs and RSUs issued under the EIP primarily vest ratably over 3 years from the date of grant, subject to earlier vesting in full under certain conditions.

Upon vesting, the RSAs are settled in class A common stock on a one-for-one basis. During the vesting period, RSA award recipients are eligible to receive dividends and participate in the same voting rights as those granted to the holders of the underlying class A common stock. Upon vesting, RSUs can be settled in class A common stock on a one-for-one basis or in cash, or a combination thereof, at the Company's option. The Company does not currently intend to settle any RSUs in cash. During the vesting period, RSU award recipients are eligible to receive dividend equivalents, but do not participate in the voting rights granted to the holders of the underlying class A common stock. The company discontinued granting RSAs in fiscal 2016 but will continue to grant RSUs under the EIP.

The fair value and compensation cost before estimated forfeitures for RSAs and RSUs is calculated using the closing price of class A common stock on the date of grant. No RSAs were granted during fiscal 2018, 2017 and 2016. The weighted-average grant-date fair value of RSUs granted during fiscal 2018, 2017 and 2016 was $111.11, $81.67 and $79.77, respectively. The total grant-date fair value of RSAs and RSUs vested during fiscal 2018, 2017 and 2016 was $183 million, $163 million and $142 million, respectively.

The following table summarizes the Company's RSA and RSU activity for fiscal 2018:

	Restricted Stock		Weighted-Average Grant Date Fair Value		Weighted-Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value [(1)] (in millions)	
	Awards	Units	RSA	RSU	RSA	RSU	RSA	RSU
Outstanding at September 30, 2017	466,007	4,673,701	$ 63.37	$ 80.37				
Granted	—	2,832,984	$ —	$ 111.11				
Vested	(451,297)	(1,937,132)	$ 63.39	$ 79.76				
Forfeited	(14,710)	(365,099)	$ 72.25	$ 92.31				
Outstanding at September 30, 2018	**—**	**5,204,454**	**$ —**	**$ 96.50**	**0.0**	**0.88**	**$ —**	**$781**

(1) Calculated by multiplying the closing stock price on the last trading day of fiscal 2018 of $150.09 by the number of instruments.

At September 30, 2018, there was $284 million of total unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted-average period of approximately 0.88 years for RSUs.

Performance-based Shares

The following table summarizes the maximum number of performance-based shares which could be earned and related activity for fiscal 2018:

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value [(1)] (in millions)
Outstanding at September 30, 2017	937,675	$ 84.20		
Granted[(2)]	641,498	$ 120.11		
Vested and earned	(355,563)	$ 88.05		
Unearned	(48,980)	$ 76.07		
Forfeited	(175,214)	$ 108.05		
Outstanding at September 30, 2018	**999,416**	**$ 102.07**	**0.94**	**$150**

(1) Calculated by multiplying the closing stock price on the last trading day of fiscal 2018 of $150.09 by the number of instruments.

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

For the Company's performance-based shares, in addition to service conditions, the ultimate number of shares to be earned depends on the achievement of both performance and market conditions. The performance condition is based on the Company's earnings per share target. The market condition is based on the Company's total shareholder return ranked against that of other companies that are included in the Standard & Poor's 500 Index. The fair value of the performance-based shares, incorporating the market condition, is estimated on the grant date using a Monte Carlo simulation model. The grant-date fair value of performance-based shares granted in fiscal 2018, 2017 and 2016 was $120.11, $86.37 and $92.71 per share, respectively. Earned performance shares granted in fiscal 2018, 2017 and 2016 vest approximately three years from the initial grant date. All performance awards are subject to earlier vesting in full under certain conditions.

Compensation cost for performance-based shares is initially estimated based on target performance. It is recorded net of estimated forfeitures and adjusted as appropriate throughout the performance period. At September 30, 2018, there was $54 million of total unrecognized compensation cost related to unvested performance-based shares, which is expected to be recognized over a weighted-average period of approximately 0.94 years.

Employee Stock Purchase Plan

The Visa Inc. Employee Stock Purchase Plan (the "ESPP") permits eligible employees to purchase the Company's class A common stock at a 15% discount of the stock price on the purchase date, subject to certain restrictions. A total of 20 million shares of class A common stock have been reserved for issuance under the ESPP. ESPP did not have a material impact on the consolidated financial statements in fiscal 2018, 2017 or 2016.

Note 14—Commitments and Contingencies

Commitments. The Company leases certain premises and equipment throughout the world with varying expiration dates. The Company incurred total rent expense of $224 million, $159 million and $134 million in fiscal 2018, 2017 and 2016, respectively. Future minimum payments on leases at September 30, 2018 are as follows:

	2019	2020	2021	2022	2023	Thereafter	Total
				(in millions)			
Operating leases	$ 180	$ 123	$ 102	$ 89	$ 75	$ 178	$ 747

Deferred purchase consideration. On June 21, 2016, the Company acquired 100% of the share capital of Visa Europe. In connection with the purchase, the Company will pay an additional €1.0 billion, plus 4% compound annual interest, on the third anniversary of the Closing.

Note 15—Related Parties

Visa considers an entity to be a related party for purposes of this disclosure if that entity owns more than 10% of Visa's total voting common stock at the end of the fiscal year, or if an officer or employee of that entity also serves on the Company's board of directors. The Company considers an investee to be a related party if the Company's: (i) ownership interest in the investee is greater than or equal to 10% or (ii) if the investment is accounted for under the equity method of accounting. At September 30, 2018 and 2017, no entity owned more than 10% of the Company's total voting common stock. There were no significant transactions with related parties during fiscal 2018, 2017 and 2016.

Note 16—Income Taxes

The Company's income before taxes by fiscal year consisted of the following:

	2018	2017	2016
		(in millions)	
U.S.	**$ 8,088**	$ 8,440	$ 5,839
Non-U.S.	**4,718**	3,254	2,173
Total income before taxes	**$ 12,806**	$ 11,694	$ 8,012

U.S. income before taxes included $2.7 billion, $2.9 billion and $2.5 billion of the Company's U.S. entities' income from operations outside of the U.S. for fiscal 2018, 2017 and 2016, respectively.

Income tax provision by fiscal year consisted of the following:

	2018	2017	2016
		(in millions)	
Current:			
U.S. federal	**$ 2,819**	$ 2,377	$ 2,250
State and local	**219**	291	181
Non-U.S.	**754**	629	368
Total current taxes	**3,792**	3,297	2,799
Deferred:			
U.S. federal	**(1,214)**	1,607	(508)
State and local	**(96)**	66	(63)
Non-U.S.	**23**	25	(207)
Total deferred taxes	**(1,287)**	1,698	(778)
Total income tax provision	**$ 2,505**	$ 4,995	$ 2,021

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and liabilities at September 30, 2018 and 2017, are presented below:

	2018	2017
	(in millions)	
Deferred Tax Assets:		
Accrued compensation and benefits	**$ 135**	$ 194
Accrued litigation obligation	**329**	373
Client incentives	**213**	272
Net operating loss carryforwards	**34**	45
Comprehensive loss	**17**	29
Federal benefit of state taxes	**120**	236
Other	**127**	193
Valuation allowance	**(34)**	(35)
Deferred tax assets	**941**	1,307
Deferred Tax Liabilities:		
Property, equipment and technology, net	**(286)**	(391)
Intangible assets	**(5,153)**	(6,756)
Foreign taxes	**(106)**	(59)
Deferred tax liabilities	**(5,545)**	(7,206)
Net deferred tax liabilities	**$ (4,604)**	$ (5,899)

The Tax Act, enacted on December 22, 2017, transitions the U.S. tax system to a new territorial system and lowers the statutory federal corporate income tax rate from 35% to 21%. The reduction of the statutory federal corporate tax rate to 21% became effective on January 1, 2018. In fiscal 2018, the Company's statutory federal corporate rate is a blended rate of 24.5%, which will be reduced to 21% in fiscal 2019 and thereafter.

As a result of the reduction in the federal corporate tax rate, the Company provisionally remeasured its net deferred tax liabilities as of the enactment date of the Tax Act. The deferred tax remeasurement is now complete and resulted in a one-time, non-cash tax benefit of $1.1 billion, recorded in fiscal 2018.

In transitioning to the new territorial tax system, the Tax Act requires the Company to include certain untaxed foreign earnings of non-U.S. subsidiaries in its fiscal 2018 taxable income. Such foreign earnings are subject to a one-time tax at 15.5% on the amount held in cash or cash equivalents, and at 8% on the remaining non-cash amount. The 15.5% and 8% tax, collectively referred to as the “transition tax”, was estimated to be $1.1 billion, and was recorded in fiscal 2018. The transition tax will be paid over a period of eight years as permitted by the Tax Act.

The above-mentioned accounting impact of the transition tax is provisional, based on currently available information and technical guidance on the interpretations of the new law. The Company continues to obtain and analyze additional information and guidance as they become available to complete the accounting for the tax impact of the Tax Act. Additional information currently unavailable that is needed to complete the analysis includes, but is not limited to, foreign tax returns and foreign tax documentation for the computation of foreign tax credits, and the final determination of the untaxed foreign earnings subject to the transition tax. The provisional accounting impact may change until the accounting analysis is finalized, which will occur no later than the first quarter of fiscal 2019, as permitted by ASU 2018-05.

The Tax Act also introduces several tax provisions, including:

- Tax on global intangible low-tax income, which, in general, is determined annually based on the Company’s aggregate foreign subsidiaries’ income in excess of certain qualified business asset investment return. This provision is effective for the Company on October 1, 2018. The Company needs additional information to complete its analysis on whether to adopt an accounting policy to account for the tax effects of global intangible low-tax income in the period that it is subject to such tax, or to provide deferred taxes for book and tax basis differences that, upon reversal, may be subject to such tax. Hence, the Company has not recorded any tax on global intangible low-tax income in fiscal 2018. The Company will make an accounting policy election no later than the first quarter of fiscal 2019.

- Base erosion and anti-abuse tax, which, in general, functions like a minimum tax that partially disallows deductions for certain related party transactions. This new minimum tax is determined on a year-by-year basis, and this provision is effective for the Company on October 1, 2018. Hence, no base erosion anti-abuse tax has been recorded in fiscal 2018.

- Deduction for foreign-derived intangible income, which, in general, allows a deduction of certain intangible income derived from serving foreign markets. This provision is effective for the Company on October 1, 2018. Hence, the Company has not recorded the impact of this provision in fiscal 2018.

- Other new tax provisions, which disallow certain deductions related to entertainment expenses, fringe benefits provided to employees, executive compensation, and fines or penalties or similar payments to governments. The Company has recorded provisional amounts for the tax effects of these new provisions in fiscal 2018, based on information currently available. The provisional amounts may change no later than the first quarter of fiscal 2019, if additional information is obtained and analyzed.

At September 30, 2018 and 2017, net deferred tax assets of $14 million and $81 million, respectively, are reflected in other assets on the consolidated balance sheets.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. The fiscal 2018 and 2017 valuation allowances relate primarily to foreign net operating losses from subsidiaries acquired in recent years.

As of September 30, 2018, the Company had $17 million federal, $21 million state and $137 million foreign net operating loss carryforwards. The federal and state net operating loss carryforwards will expire in fiscal 2028 through 2037. The foreign net operating loss may be carried forward indefinitely. The Company expects to fully utilize the federal and state net operating loss carryforwards in future years.

The income tax provision differs from the amount of income tax determined by applying the applicable U.S. federal statutory rate of 24.5% to pretax income, as a result of the following:

	For the Years Ended September 30,					
	2018		2017		2016	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
	(in millions, except percentages)					
U.S. federal income tax at statutory rate	**$ 3,141**	**25 %**	$ 4,093	35 %	$ 2,804	35 %
State income taxes, net of federal benefit	**201**	**2 %**	200	2 %	135	2 %
Non-U.S. tax effect, net of federal benefit	**(465)**	**(4)%**	(641)	(5)%	(553)	(7)%
Transition tax on foreign earnings	**1,147**	**9 %**	—	— %	—	— %
Remeasurement of deferred tax balances	**(1,133)**	**(9)%**	—	— %	(88)	(1)%
Revaluation of Visa Europe put option	**—**	**— %**	—	— %	(89)	(1)%
Reorganization of Visa Europe and other legal entities	**—**	**— %**	1,515	13 %	—	— %
Other, net	**(386)**	**(3)%**	(172)	(2)%	(188)	(3)%
Income tax provision	**$ 2,505**	**20 %**	$ 4,995	43 %	$ 2,021	25 %

The effective income tax rate was 20% in fiscal 2018 and 43% in fiscal 2017. The effective tax rate in fiscal 2018 differs from the effective tax rate in fiscal 2017 primarily due to:

- the effects of the Tax Act, which include the decrease in the fiscal 2018 federal statutory rate, the transition tax, and the remeasurement of deferred taxes, as discussed above;
- $161 million of tax benefits due to various non-recurring audit settlements in fiscal 2018; and
- the absence of the following items related to the Visa Europe reorganization recorded in fiscal 2017:
  - a $1.5 billion non-recurring, non-cash income tax provision primarily related to the elimination of deferred tax balances originally recognized upon the acquisition of Visa Europe; and
  - a $71 million one-time tax benefit related to the Visa Foundation's receipt of Visa Inc. shares, previously recorded by Visa Europe as treasury stock.

The effective income tax rate was 43% in fiscal 2017 and 25% in fiscal 2016. The effective tax rate in fiscal 2017 differs from the effective tax rate in fiscal 2016 primarily due to:

- the items listed above related to the Visa Europe reorganization recorded in fiscal 2017;
- $70 million of excess tax benefits related to share-based payments recorded in fiscal 2017, as a result of the early adoption of ASU 2016-09; and
- the absence of:

- the effect of one-time items related to the Visa Europe acquisition recorded during fiscal 2016, the most significant of which was the $1.9 billion U.S. loss related to the effective settlement of the Framework Agreement between Visa and Visa Europe. These one-time items impacted the geographic mix of global income, resulting in a reduced effective tax rate in fiscal 2016;
- an $88 million one-time tax benefit due to the remeasurement of deferred tax liabilities as a result of the reduction in the UK tax rate enacted in fiscal 2016; and
- the non-taxable $255 million revaluation of the Visa Europe put option recorded in fiscal 2016.

Current income taxes receivable were $82 million and $148 million at September 30, 2018 and 2017, respectively. Non-current income taxes receivable of $689 million and $755 million at September 30, 2018 and 2017, respectively, were included in other assets. Income taxes payable of $257 million and $243 million at September 30, 2018 and 2017, respectively, were included in accrued liabilities. Accrued income taxes of $2.4 billion and $1.1 billion at September 30, 2018 and 2017, respectively, were included in other liabilities.

The Company's operating hub in the Asia Pacific region is located in Singapore. It is subject to a tax incentive which is effective through September 30, 2023, and is conditional upon meeting certain business operations and employment thresholds in Singapore. The tax incentive decreased Singapore tax by $295 million, $252 million and $235 million, and the benefit of the tax incentive on diluted earnings per share was $0.13, $0.11 and $0.10 in fiscal 2018, 2017 and 2016, respectively.

In accordance with *Accounting Standards Codification 740—Income Taxes*, the Company is required to inventory, evaluate and measure all uncertain tax positions taken or to be taken on tax returns, and to record liabilities for the amount of such positions that may not be sustained, or may only partially be sustained, upon examination by the relevant taxing authorities.

At September 30, 2018 and 2017, the Company's total gross unrecognized tax benefits were $1.7 billion and $1.4 billion, respectively, exclusive of interest and penalties described below. Included in the $1.7 billion and $1.4 billion are $1.2 billion and $1.1 billion of unrecognized tax benefits, respectively, that if recognized, would reduce the effective tax rate in a future period.

A reconciliation of beginning and ending unrecognized tax benefits by fiscal year is as follows:

	2018	2017
	(in millions)	
Balance at beginning of period	**$ 1,353**	$ 1,160
Increases of unrecognized tax benefits related to prior years	**367**	56
Decreases of unrecognized tax benefits related to prior years	**(233)**	(59)
Increases of unrecognized tax benefits related to current year	**172**	197
Reductions related to lapsing statute of limitations	**(1)**	(1)
Balance at end of period	**$ 1,658**	$ 1,353

It is the Company's policy to account for interest expense and penalties related to uncertain tax positions in non-operating expense in its consolidated statements of operations. The Company recognized $15 million, $23 million and $15 million of interest expense in fiscal 2018, 2017 and 2016, respectively, related to uncertain tax positions. The Company accrued no penalties in fiscal 2018, and accrued $1 million and $3 million of penalties in fiscal 2017 and 2016, respectively, related to uncertain tax positions. At September 30, 2018 and 2017, the Company had accrued interest of $99 million and $84 million, respectively, and accrued penalties of $34 million related to uncertain tax positions in its other long-term liabilities.

The Company's fiscal 2012 through 2015 U.S. federal income tax return is currently under Internal Revenue Service (IRS) examination. The Company has filed federal refund claims for fiscal years 2008 through 2011, which are also currently under IRS examination. Except for the refund claims, the federal statutes of limitations have expired for fiscal years prior to 2012. The Company's fiscal years 2006 through 2011 California tax returns are currently under examination. The California statutes of limitations have expired for fiscal years prior to 2006.

During fiscal 2013, the Canada Revenue Agency (CRA) completed its examination of the Company's fiscal 2003 through 2009 Canadian tax returns and proposed certain assessments. Based on the findings of its examination, the CRA also proposed certain assessments to the Company's fiscal 2010 through 2017 Canadian tax returns. The Company filed notices of objection against these assessments and, in fiscal 2015, completed the appeals process without reaching a settlement with the CRA. In April 2016, the Company petitioned the Tax Court of Canada to overturn the CRA's assessments. Legal proceedings continue to be in progress. The Company continues to believe that its income tax provision adequately reflects its obligations to the CRA.

The Office of the Assistant Commissioner of Income Tax in India completed the examination of the Company's income tax returns for the taxable years falling within the period from fiscal 2010 to 2015, and proposed certain assessments. The Company objected to these proposed assessments and filed appeals to the appellate authorities. While the timing and outcome of the final resolution of these appeals are uncertain, the Company believes that its income tax provision adequately reflects its income tax obligations in India.

The Company is also subject to examinations by various state and foreign tax authorities. All material state and foreign tax matters have been concluded for years through fiscal 2002. The timing and outcome of the final resolutions of the federal, state and foreign tax examinations and refund claims are uncertain. As such, it is not reasonably possible to estimate the impact that the final outcomes could have on the Company's unrecognized tax benefits in the next 12 months.

Note 17—Legal Matters

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

The litigation accrual is an estimate and is based on management's understanding of its litigation profile, the specifics of each case, advice of counsel to the extent appropriate and management's best estimate of incurred loss as of the balance sheet date.

The following table summarizes the activity related to accrued litigation by fiscal year:

	2018	2017
	(in millions)	
Balance at beginning of period	**$ 982**	$ 981
Provision for uncovered legal matters	**7**	19
Provision for covered legal matters	**601**	186
Payments for legal matters	**(156)**	(204)
Balance at end of period	**$ 1,434**	$ 982

Accrual Summary—U.S. Covered Litigation

Visa Inc., Visa U.S.A. and Visa International are parties to certain legal proceedings that are covered by the U.S. retrospective responsibility plan, which the Company refers to as the U.S. covered litigation. See *Note 2—U.S. and Europe Retrospective Responsibility Plans.* An accrual for the U.S. covered litigation and a charge to the litigation provision are recorded when a loss is deemed to be probable and reasonably estimable. In making this determination, the Company evaluates available information, including but not limited to actions taken by the litigation committee. The total accrual related to the U.S. covered litigation could be either higher or lower than the escrow account balance.

The following table summarizes the accrual activity related to U.S. covered litigation by fiscal year:

	2018	2017
	(in millions)	
Balance at beginning of period	**$ 978**	$ 978
Provision for interchange multidistrict litigation	**600**	—
Payments for U.S. covered litigation	**(150)**	—
Balance at end of period	**$ 1,428**	$ 978

During the second quarter of fiscal 2014, pursuant to the 2012 Settlement Agreement approved by the MDL 1720 court on January 14, 2014, the Company recorded a $1.1 billion accrual to address “opt-out” claims for merchants who opted out of the original class settlement agreement. An additional accrual of $450 million associated with these opt-out claims was recorded in the fourth quarter of fiscal 2014. During the third quarter of fiscal 2018, pursuant to an amended settlement agreement that superseded the 2012 Settlement Agreement, the Company recorded an additional accrual and deposited $600 million into the U.S. litigation escrow account. See further discussion below under *Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions* and *Note 2—U.S. and Europe Retrospective Responsibility Plans.*

Accrual Summary—VE Territory Covered Litigation

Visa Inc., Visa International and Visa Europe are parties to certain legal proceedings that are covered by the Europe retrospective responsibility plan. Unlike the U.S. retrospective responsibility plan, the Europe retrospective responsibility plan does not have an escrow account that is used to fund settlements or judgments. The Company is entitled to recover VE territory covered losses through a periodic adjustment to the conversion rates applicable to the UK&I preferred stock and Europe preferred stock. An accrual for the VE territory covered losses and a reduction to stockholders’ equity will be recorded when the loss is deemed to be probable and reasonably estimable. See further discussion below under *VE Territory Covered Litigation* and *Note 2—U.S. and Europe Retrospective Responsibility Plans*.

The following table summarizes the accrual activity related to VE territory covered litigation by fiscal year:

	2018	2017
	(in millions)	
Balance at beginning of period	**$ 1**	$ 2
Accrual for VE territory covered litigation	**1**	186
Payments for VE territory covered litigation	**(2)**	(187)
Balance at end of period	**$ —**	$ 1

U.S. Covered Litigation

Interchange Multidistrict Litigation (MDL) – Putative Class Actions

Beginning in May 2005, a series of complaints (the majority of which were styled as class actions) were filed in U.S. federal district courts by merchants against Visa U.S.A., Visa International and/or MasterCard, and in some cases, certain U.S. financial institutions. The Judicial Panel on Multidistrict Litigation issued an order transferring the cases to the U.S. District Court for the Eastern District of New York for coordination of pre-trial proceedings in MDL 1720. A group of purported class plaintiffs subsequently filed amended and supplemental class complaints. The individual and class complaints generally challenged, among other things, Visa’s and MasterCard’s purported setting of interchange reimbursement fees, their “no surcharge” and honor-all-cards rules, alleged tying and bundling of transaction fees, and Visa’s reorganization and IPO, under the federal antitrust laws and, in some cases, certain state unfair competition laws. The complaints sought money damages, declaratory and injunctive relief, attorneys’ fees and, in one instance, an order that the IPO be unwound.

Visa Inc., Visa U.S.A., Visa International, MasterCard Incorporated, MasterCard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs signed a settlement agreement (the “2012 Settlement Agreement”) to resolve the class plaintiffs’ claims. Pursuant to the 2012 Settlement Agreement, the Company deposited approximately $4.0 billion from the U.S. litigation escrow account and approximately $500 million attributable to interchange reductions for an eight-month period into settlement accounts established under the 2012 Settlement Agreement.

Subsequently, Visa received from the Court and deposited into the Company's U.S. litigation escrow account "takedown payments" of approximately $1.1 billion. On June 30, 2016, the U.S. Court of Appeals for the Second Circuit vacated the lower court's certification of the merchant class and reversed the approval of the settlement. The Second Circuit determined that the class plaintiffs were inadequately represented, and remanded the case to the lower court for further proceedings.

On remand, the district court entered an order appointing interim counsel for two putative classes of plaintiffs, a "Damages Class" and an "Injunctive Relief Class." Thereafter, a new group of purported class plaintiffs, acting on behalf of the putative Injunctive Relief Class, filed a class action complaint seeking declaratory and injunctive relief, as well as attorneys' fees. That complaint seeks, among other things, an injunction against: the setting of default interchange rates; certain Visa operating rules relating to merchants, including the honor-all-cards rule; and various transaction fees, including the fixed acquirer network fee. The complaint names as defendants Visa Inc., MasterCard Incorporated and MasterCard International Incorporated, and certain U.S. financial institutions. In addition, the plaintiffs purporting to act on behalf of the putative Damages Class filed a Third Consolidated Amended Class Action Complaint, seeking money damages and attorneys' fees, among other relief.

On September 17, 2018, Visa, MasterCard, and certain U.S. financial institutions reached an agreement with plaintiffs purporting to act on behalf of the putative Damages Class to resolve all Damages Class claims (the "Amended Settlement Agreement"), subject to court approval. The Amended Settlement Agreement supersedes the 2012 Settlement Agreement and includes, among other terms, a release from participating class members for liability arising out of conduct alleged by the Damages Class in the litigation, including claims that accrue no later than five years after the Amended Settlement Agreement becomes final. Participating class members will not release injunctive relief claims as a named representative or non-representative class member in the putative Injunctive Relief Class. The Amended Settlement Agreement also requires an additional settlement payment from all defendants totaling $900 million, with the Company's share of $600 million to be paid from the Company's litigation escrow account established pursuant to the Company's retrospective responsibility plan. See *Note 2—U.S. and Europe Retrospective Responsibility Plans.* The additional settlement payment will be added to the approximately $5.3 billion previously deposited into settlement accounts by the defendants pursuant to the 2012 Settlement Agreement. If more than 15% of class members (by payment volume) opt out of the class, up to $700 million may be returned to defendants (with up to $467 million to the Company) based on the total merchant opt-out percentage. Defendants may terminate the Amended Settlement Agreement if more than 25% of class members (by payment volume) opt out of the class.

Settlement discussions with plaintiffs purporting to act on behalf of the putative Injunctive Relief Class are ongoing.

Interchange Multidistrict Litigation (MDL) – Individual Merchant Actions

Beginning in May 2013, more than 50 cases have been filed in or removed to various federal district courts by hundreds of merchants generally pursuing damages claims on allegations similar to those raised in MDL 1720. A number of the cases also include allegations that Visa has monopolized, attempted to monopolize, and/or conspired to monopolize debit card-related market segments. In addition, some of the cases seek an injunction against the setting of default interchange rates; certain Visa operating rules relating to merchants, including the honor-all-cards rule; and various transaction fees, including the fixed acquirer network fee. One merchant's complaint also asserts that Visa, MasterCard and their member banks conspired to prevent the adoption of chip-and-PIN authentication in the U.S. or otherwise circumvent competition in the debit market. The cases name as defendants Visa Inc., Visa U.S.A., Visa International, MasterCard Incorporated and MasterCard International Incorporated, although some also include certain U.S. financial institutions as defendants. On October 27, 2017, certain individual merchants filed amended complaints that, among other things, added claims for injunctive relief and updated claims for damages.

In addition to the cases filed by individual merchants, Visa, MasterCard, and certain U.S. financial institution defendants in MDL 1720 filed complaints against certain merchants in the Eastern District of New York seeking, in part, a declaration that Visa's conduct did not violate federal or state antitrust laws.

A number of the individual merchant actions have been settled, and remain settled. Those settled merchants are not members of the putative Damages Class for purposes of the Amended Settlement Agreement.

The individual merchant actions described in this section have been either assigned to the judge presiding over MDL 1720, or have been transferred or are being considered for transfer by the Judicial Panel on Multidistrict Litigation for inclusion in MDL 1720. The court has entered an order confirming that *In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation*, 1:05-md-01720-JG-JO (E.D.N.Y.), includes (1) all current and future actions transferred to MDL 1720 by the Judicial Panel on Multidistrict Litigation or other order of any court for inclusion in coordinated or pretrial proceedings, and (2) all actions filed in the Eastern District of New York that arise out of operative facts as alleged in the cases subject to the transfer orders of the Judicial Panel on Multidistrict Litigation. These individual merchant actions are U.S. covered litigation for purposes of the U.S. retrospective responsibility plan. See *Note 2—U.S. and Europe Retrospective Responsibility Plans.*

The Company believes it has substantial defenses to the claims asserted in the putative class actions and individual merchant actions, but the final outcome of individual legal claims is inherently unpredictable. The Company could incur judgments, enter into settlements or revise its expectations regarding the outcome of merchants' claims, and such developments could have a material adverse effect on the Company's financial results in the period in which the effect becomes probable and reasonably estimable. While the U.S. retrospective responsibility plan is designed to address monetary liability in these matters, see *Note 2—U.S. and Europe Retrospective Responsibility Plans*, judgments or settlements that require the Company to change its business practices, rules, or contractual commitments could adversely affect the Company's financial results.

VE Territory Covered Litigation

UK Merchant Litigation

Since July 2013, in excess of 400 Merchants (the capitalized term "Merchant," when used in this section, means a merchant together with subsidiary/affiliate companies that are party to the same claim) have commenced proceedings against Visa Europe, Visa Inc. and Visa International primarily relating to interchange rates in Europe. They seek damages for alleged anti-competitive conduct in relation to one or more of the following types of interchange fees for credit and debit card transactions: UK domestic, Irish domestic, other European domestic, intra-European Economic Area and/or other inter-regional. As of the filing date, Visa Europe, Visa Inc. and Visa International have settled the claims asserted by over 75 Merchants, leaving more than 300 Merchants with outstanding claims.

A trial took place from November 2016 to March 2017, relating to claims asserted by only one Merchant. In judgments published in November 2017 and February 2018, the court found as to that Merchant that Visa's UK domestic interchange did not restrict competition, but that if it had been found to be restrictive it would not be exemptible under applicable law. In April 2018, the Court of Appeal heard the Merchant's appeal of the decision alongside two separate MasterCard cases also involving interchange claims. On July 4, 2018, the Court of Appeal overturned the lower court's rulings, finding that Visa's UK domestic interchange restricted competition and the question of whether Visa's UK domestic interchange was exempt from the finding of restriction under applicable law had been incorrectly decided. The Court of Appeal remitted the claim to the lower court to reconsider the exemption issue and the assessment of damages. On July 31, 2018, both Visa and the Merchant applied for permission to appeal aspects of the Court of Appeal's judgment to the Supreme Court of the United Kingdom.

In addition, over 30 additional Merchants have threatened to commence similar proceedings. Standstill agreements have been entered into with respect to some of those Merchants' claims. While the amount of interchange being challenged could be substantial, these claims have not yet been filed and their full scope is not yet known. The Company has learned that several additional European entities have indicated that they may also bring similar claims and the Company anticipates additional claims in the future.

The full scope of damages is not yet known because not all Merchant claims have been served and Visa has substantial defenses. However, the total damages sought in the outstanding claims that have been issued, served and/or preserved likely amount to approximately $2 billion.

Other Litigation

European Commission Proceedings

Inter-regional Interchange Investigation. Following the issuance of a Statement of Objections in 2009 concerning, among other things, the alleged default application of Visa Inc.'s inter-regional interchange fees to intra-regional and domestic consumer debit and credit card transactions in the European Economic Area (EEA), the European Commission (EC) served a Supplementary Statement of Objections (SSO) on Visa Inc. and Visa International in 2013 and a revised SSO in August 2017. The revised SSO concerns only the application of Visa Inc.'s inter-regional interchange fees to transactions involving Visa consumer debit and credit cards issued outside of the Visa Europe region and used at merchants located within the EEA.

The EC continues to claim that inter-regional interchange fees violate EEA competition law and may impose fines in the event that it adopts an infringement decision. The potential amount of any fine cannot be estimated at this time. The EC may also require Visa to reduce the default inter-regional interchange rates the Company sets, revise the Visa operating rules or the way in which the Company enforces its rules, or otherwise modify the way the Company does business. Visa responded in writing to the revised SSO in November 2017 and an oral hearing was held in February 2018. Visa continues to cooperate with the EC in its investigation.

All issues relating to intra-regional or domestic consumer debit and credit card transactions acquired in the EEA were settled by commitments offered by Visa Europe Limited in 2010 and 2014 respectively, and endorsed by the EC. Those commitments have now expired, but the European Union rates on which those commitments were applied remain subject to limits imposed by the European Interchange Fee Regulation.

DCC Investigation. In 2013, the EC opened an investigation against Visa Europe, based on a complaint alleging that Visa Europe's pricing of and rules relating to Dynamic Currency Conversion (DCC) transactions infringe EU competition rules. This investigation is pending.

Canadian Merchant Litigation

Beginning in December 2010, a number of class action lawsuits were filed in Quebec, British Columbia, Ontario, Saskatchewan and Alberta against Visa Canada, MasterCard and ten financial institutions on behalf of merchants that accept payment by Visa and/or MasterCard credit cards. The actions allege a violation of Canada's price-fixing law and various common law claims based on separate Visa and MasterCard conspiracies in respect of default interchange and certain of the networks' rules. In 2015 and 2016, four financial institutions settled with the plaintiffs. In June 2017, Visa, MasterCard and a fifth financial institution also reached settlements with the plaintiffs. Settlement approval hearings were held in 2018 and courts in each of the five provinces approved the settlements. Wal-Mart Canada and/or Home Depot of Canada Inc. have filed notices of appeal of the British Columbia, Ontario, Saskatchewan and Alberta decisions approving the settlements.

U.S. ATM Access Fee Litigation

National ATM Council Class Action. In October 2011, the National ATM Council and thirteen non-bank ATM operators filed a purported class action lawsuit against Visa (Visa Inc., Visa International, Visa U.S.A. and Plus System, Inc.) and MasterCard in the U.S. District Court for the District of Columbia. The complaint challenges Visa's rule (and a similar MasterCard rule) that if an ATM operator chooses to charge consumers an access fee for a Visa or Plus transaction, that fee cannot be greater than the access fee charged for transactions on other networks. Plaintiffs claim that the rule violates Section 1 of the Sherman Act, and seek treble damages, injunctive relief, and attorneys' fees.

Consumer Class Actions. In October 2011, a purported consumer class action was filed against Visa and MasterCard in the same federal court challenging the same ATM access fee rules. Two other purported consumer class actions challenging the rules, later combined, were also filed in October 2011 in the same federal court naming Visa, MasterCard and three financial institutions as defendants. Plaintiffs seek treble damages, restitution, injunctive relief, and attorneys' fees where available under federal and state law, including under Section 1 of the Sherman Act and consumer protection statutes.

These cases are proceeding in the district court.

U.S. Department of Justice Civil Investigative Demand

On March 13, 2012, the Antitrust Division of the United States Department of Justice (the "Division") issued a Civil Investigative Demand, or "CID," to Visa Inc. seeking documents and information regarding a potential violation of Section 1 or 2 of the Sherman Act, 15 U.S.C. §§ 1, 2. The CID focuses on PIN-Authenticated Visa Debit and Visa's competitive responses to the Dodd-Frank Act, including Visa's fixed acquirer network fee. Visa is cooperating with the Division in connection with the CID.

Pulse Network

On November 25, 2014, Pulse Network LLC filed suit against Visa Inc. in federal district court in Texas. Pulse alleges that Visa has, among other things, monopolized and attempted to monopolize debit card network services markets. Pulse seeks unspecified treble damages, attorneys' fees and injunctive relief, including to enjoin the fixed acquirer network fee structure, Visa's conduct regarding PIN-Authenticated Visa Debit and Visa agreements with merchants and acquirers relating to debit acceptance. On August 31, 2018, the court granted Visa's motion for summary judgment, finding that Pulse did not have standing to pursue its claims. On September 28, 2018, Pulse filed a notice of appeal seeking review of the district court's summary judgment decision by the U.S. Court of Appeals for the Fifth Circuit.

EMV Chip Liability Shift

Following their initial complaint filed on March 8, 2016, B&R Supermarket, Inc., d/b/a Milam's Market, and Grove Liquors LLC filed an amended class action complaint on July 15, 2016, against Visa Inc., Visa U.S.A., MasterCard, Discover, American Express, EMVCo and certain financial institutions in the U.S. District Court for the Northern District of California. The amended complaint asserts that defendants, through EMVCo, conspired to shift liability for fraudulent, faulty or otherwise rejected payment card transactions from defendants to the purported class of merchants, defined as those merchants throughout the United States who have been subjected to the "Liability Shift" since October 2015. Plaintiffs claim that the so-called "Liability Shift" violates Sections 1 and 3 of the Sherman Act and certain state laws, and seek treble damages, injunctive relief and attorneys' fees.

EMVCo and the financial institution defendants were dismissed, and the matter was subsequently transferred to the U.S. District Court for the Eastern District of New York, which has clarified that this case is not part of MDL 1720.

Plaintiffs filed a renewed motion for class certification on July 16, 2018, following an earlier denial of the motion without prejudice.

Kroger

On June 27, 2016, The Kroger Co. ("Kroger") filed a lawsuit against Visa Inc. in the U.S. District Court for the Southern District of Ohio. After granting a motion to dismiss filed by Visa, Kroger filed an amended complaint seeking a declaratory judgment that certain of its actions or policies with respect to its acceptance of Visa debit cards did not violate a commercial agreement between Kroger and Visa, and seeking monetary damages under state law. On November 13, 2017, Visa filed a motion to dismiss the amended complaint, and Kroger subsequently sought leave to file a second amended complaint. The parties have stipulated that the litigation, including consideration of that motion, be stayed until December 4, 2018.

Nuts for Candy

On April 5, 2017, plaintiff Nuts for Candy, on behalf of itself and a putative class of California merchants that have accepted Visa-branded cards since January 1, 2004, filed a lawsuit against Visa Inc., Visa International and Visa U.S.A. in California state court. Nuts for Candy pursues claims under California state antitrust and unfair business statutes, seeking damages, costs and other remedies. Subject to the court's approval, Visa and Nuts for Candy have reached an agreement to resolve Nuts for Candy's claims in connection with the settlement of the putative Damages Class claims discussed above in *Interchange Multidistrict Litigation (MDL) – Putative Class Actions*.

Korea Fair Trade Commission

Following complaints lodged by certain financial institutions in Korea, in November 2016, the Korea Fair Trade Commission (KFTC) initiated an investigation into certain pricing changes applicable to Visa financial institutions in Korea. In August 2018, the KFTC notified Visa that the KFTC determined that the pricing changes did not violate Korean law and the investigation was closed.

Ohio Attorney General Civil Investigative Demand

On January 19, 2017, the State of Ohio Office of the Attorney General issued an investigative demand to Visa seeking documents and information focusing on Visa's rules related to the acceptance of Visa debit cards, as well as cardholder verification methods and the routing of Visa debit transactions. Visa is cooperating with the Attorney General.

Brazilian Administrative Council for Economic Defense

On October 15, 2018, the Brazilian Administrative Council for Economic Defense ("CADE") initiated an investigation against Visa, Mastercard, American Express and Elo seeking information regarding potential competition law violations with respect to network rules that require acquirers to receive certain information from payment facilitators. Visa is cooperating with CADE.

Selected Quarterly Financial Data (Unaudited)

The following tables show selected quarterly operating results for each quarter and full year of fiscal 2018 and 2017 for the Company:

Visa Inc.	Quarter Ended (unaudited) September 30, 2018[(1)]	June 30, 2018[(1)]	March 31, 2018	December 31, 2017[(1)]	Fiscal Year 2018 Total
	(in millions, except per share data)				
Operating revenues	$ 5,434	$ 5,240	$ 5,073	$ 4,862	$ 20,609
Operating income	$ 3,406	$ 2,885	$ 3,336	$ 3,327	$ 12,954
Net income	$ 2,845	$ 2,329	$ 2,605	$ 2,522	$ 10,301
Basic earnings per share					
Class A common stock	$ 1.24	$ 1.00	$ 1.12	$ 1.07	$ 4.43
Class B common stock	$ 2.01	$ 1.66	$ 1.84	$ 1.77	$ 7.28
Class C common stock	$ 4.94	$ 4.02	$ 4.46	$ 4.30	$ 17.72
Diluted earnings per share					
Class A common stock	$ 1.23	$ 1.00	$ 1.11	$ 1.07	$ 4.42
Class B common stock	$ 2.01	$ 1.65	$ 1.84	$ 1.77	$ 7.27
Class C common stock	$ 4.93	$ 4.01	$ 4.46	$ 4.29	$ 17.69

Visa Inc.	Quarter Ended (unaudited) September 30, 2017	June 30, 2017	March 31, 2017 [(1)]	December 31, 2016	Fiscal Year 2017 Total
	(in millions, except per share data)				
Operating revenues	$ 4,855	$ 4,565	$ 4,477	$ 4,461	$ 18,358
Operating income	$ 3,212	$ 3,024	$ 2,808	$ 3,100	$ 12,144
Net income	$ 2,140	$ 2,059	$ 430	$ 2,070	$ 6,699
Basic earnings per share					
Class A common stock	$ 0.91	$ 0.87	$ 0.18	$ 0.86	$ 2.80
Class B common stock	$ 1.49	$ 1.43	$ 0.30	$ 1.41	$ 4.62
Class C common stock	$ 3.62	$ 3.46	$ 0.72	$ 3.43	$ 11.21
Diluted earnings per share					
Class A common stock	$ 0.90	$ 0.86	$ 0.18	$ 0.86	$ 2.80
Class B common stock	$ 1.49	$ 1.42	$ 0.29	$ 1.41	$ 4.61
Class C common stock	$ 3.61	$ 3.45	$ 0.72	$ 3.42	$ 11.19

(1) The Company's unaudited consolidated statement of operations include the impact of several significant one-time items. See *Overview* within *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations* of this report.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that is designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2018, our disclosure controls and procedures were effective at the reasonable assurance level.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. These limitations include the possibility of human error, the circumvention or overriding of the controls and procedures and reasonable resource constraints. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2018. Based on management's assessment, management has concluded that the Company's internal control over financial reporting was effective as of September 30, 2018 using the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Our internal control over financial reporting is designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention or overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks discussed in *Item 1A—Risk Factors* of this report.

The effectiveness of our internal control over financial reporting as of September 30, 2018, has been audited by KPMG LLP, an independent registered public accounting firm and is included in *Item 8* of this report.

Changes in Internal Control over Financial Reporting

In preparation for management's report on internal control over financial reporting, we documented and tested the design and operating effectiveness of our internal control over financial reporting. During fiscal 2018, there were no significant changes in our internal controls over financial reporting that occurred during the year ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information

Not applicable.

PART III

Certain information required by Part III is omitted from this Report and the Company will file a definitive proxy statement pursuant to Regulation 14A under the Exchange Act (the “Proxy Statement”) not later than 120 days after the end of the fiscal year ended September 30, 2018, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement that specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the report of the Audit and Risk Committee included in the Proxy Statement.

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this item concerning the Company’s directors, executive officers, the Code of Business Conduct and Ethics and corporate governance matters is incorporated herein by reference to the sections entitled *“Director Nominee Biographies,” “Executive Officers” and “Corporate Governance”* in our Proxy Statement.

The information required by this item regarding compliance with Section 16(a) of the Exchange Act pursuant to Item 405 of Regulation S-K is incorporated herein by reference to the section entitled *“Section 16(a) Beneficial Ownership Reporting Compliance”* in our Proxy Statement.

Our Code of Business Conduct and Ethics that is applicable to our directors, executive officers, senior financial officers, as well as our employees and contractors and our Corporate Governance Guidelines are available on the Investor Relations page of our website at http://investor.visa.com, under “Corporate Governance.” Printed copies of these documents are also available to stockholders without charge upon written request directed to Corporate Secretary, Visa Inc., P.O. Box 193243, San Francisco, California 94119.

ITEM 11. Executive Compensation

The information required by this item concerning director and executive compensation is incorporated herein by reference to the sections entitled *“Compensation of Non-Employee Directors” and “Executive Compensation”* in our Proxy Statement.

The information required by this item pursuant to Item 407(e)(4) of Regulation S-K is incorporated herein by reference to the section entitled *“Compensation Committee Interlocks and Insider Participation”* in our Proxy Statement.

The information required by this item pursuant to Item 407(e)(5) of Regulation S-K is incorporated herein by reference to the section entitled *“Compensation Committee Report”* in our Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item pursuant to Item 403 of Regulation S-K is incorporated herein by reference to the section entitled *“Beneficial Ownership of Equity Securities”* in our Proxy Statement.

For the information required by item 201(d) of Regulation S-K, refer to *Item 5* in this report.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item concerning related party transactions pursuant to Item 404 of Regulation S-K is incorporated herein by reference to the section entitled *“Certain Relationships and Related Person Transactions”* in our Proxy Statement.

The information required by this item concerning director independence pursuant to Item 407(a) of Regulation S-K is incorporated herein by reference to the section entitled *“Independence of Directors”* in our Proxy Statement.

ITEM 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the section entitled *“Independent Registered Public Accounting Firm Fees”* in our Proxy Statement.

Table of Contents

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

1. Consolidated Financial Statements

   See Index to Consolidated Financial Statements in *Item 8—Financial Statements and Supplementary Data* of this report.

2. Consolidated Financial Statement Schedules

   None.

3. The following exhibits are filed as part of this report or, where indicated, were previously filed and are hereby incorporated by reference:

   Refer to the Exhibit Index herein.

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File Number	Exhibit Number	Filing Date
2.1	Amended and Restated Transaction Agreement, dated as of May 10, 2016, between Visa Inc. and Visa Europe Limited #	8-K	001-33977	2.1	5/10/2016
3.1	Sixth Amended and Restated Certificate of Incorporation of Visa Inc.	8-K	001-33977	3.2	1/29/2015
3.2	Certificate of Correction of the Certificate of Incorporation of Visa Inc.	8-K	001-33977	3.1	2/27/2015
3.3	Amended and Restated Bylaws of Visa Inc.	10-K	001-33977	3.3	11/20/2015
4.1	Form of stock certificate of Visa Inc.	S-4/A	333-143966	4.1	9/13/2007
4.2	Form of specimen certificate for class B common stock of Visa Inc.	8-A	000-53572	4.1	1/28/2009
4.3	Form of specimen certificate for class C common stock of Visa Inc.	8-A	000-53572	4.2	1/28/2009
4.5	Indenture dated December 14, 2015 between Visa Inc. and U.S. Bank National Association	8-K	001-33977	4.1	12/14/2015
4.6	Form of 2.200% Senior Note due 2020	8-K	001-33977	4.3	12/14/2015
4.7	Form of 2.150% Senior Note due 2022	8-K	001-33977	4.1	9/11/2017
4.8	Form of 2.800% Senior Note due 2022	8-K	001-33977	4.4	12/14/2015
4.9	Form of 3.150% Senior Note due 2025	8-K	001-33977	4.5	12/14/2015
4.1	Form of 2.750% Senior Note due 2027	8-K	001-33977	4.2	9/11/2017
4.11	Form of 4.150% Senior Note due 2035	8-K	001-33977	4.6	12/14/2015
4.12	Form of 4.300% Senior Note due 2045	8-K	001-33977	4.7	12/14/2015
4.13	Form of 3.650% Senior Note due 2047	8-K	001-33977	4.3	9/11/2017
4.14	Certificate of Designations of Series A Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.1	6/21/2016
4.15	Certificate of Designations of Series B Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.2	6/21/2016
4.16	Certificate of Designations of Series C Convertible Participating Preferred Stock of Visa Inc.	8-K	001-33977	3.3	6/21/2016
10.1	Form of Indemnity Agreement	8-K	001-33977	10.1	10/25/2012

10.2	Amended and Restated Global Restructuring Agreement, dated August 24, 2007, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc., Visa Europe Limited, Visa Canada Association, Inovant LLC, Inovant, Inc., Visa Europe Services, Inc., Visa International Transition LLC, VI Merger Sub, Inc., Visa USA Merger Sub Inc. and 1734313 Ontario Inc.	S-4/A	333-143966	Annex A	9/13/2007

Table of Contents

10.3	Form of Escrow Agreement by and among Visa Inc., Visa U.S.A. Inc. and the escrow agent	S-4	333-143966	10.15	6/22/2007
10.4	Form of Framework Agreement by and among Visa Inc., Visa Europe Limited, Inovant LLC, Visa International Services Association and Visa U.S.A. Inc. †	S-4/A	333-143966	10.17	7/24/2007
10.5	Five Year Revolving Credit Agreement, amended and restated as of January 27, 2017, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc., as borrowers, Bank of America, N.A., as administrative agent, JPMorgan Chase Bank N.A., as syndication agent, and the lenders referred to therein #	10-Q	001-33977	10.1	4/21/2017
10.6	Form of Interchange Judgment Sharing Agreement by and among Visa International Service Association and Visa U.S.A. Inc., and the other parties thereto †	S-4/A	333-143966	10.13	7/24/2007
10.7	Interchange Judgment Sharing Agreement Schedule	8-K	001-33977	10.2	2/8/2011
10.8	Amendment of Interchange Judgment Sharing Agreement	10-K	001-33977	10.10	11/20/2015
10.9	Form of Loss Sharing Agreement by and among Visa U.S.A. Inc., Visa International Service Association, Visa Inc. and various financial institutions	S-4/A	333-143966	10.14	7/24/2007
10.10	Loss Sharing Agreement Schedule	8-K	001-33977	10.1	2/8/2011
10.11	Amendment of Loss Sharing Agreement	10-K	001-33977	10.13	11/20/2015
10.12	Form of Litigation Management Agreement by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and the other parties thereto	S-4/A	333-143966	10.18	8/22/2007
10.13	Omnibus Agreement, dated February 7, 2011, regarding Interchange Litigation Judgment Sharing and Settlement Sharing by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, MasterCard Incorporated, MasterCard International Incorporated and the parties thereto	8-K	001-33977	10.2	7/16/2012
10.14	Amendment, dated August 26, 2014, to the Omnibus Agreement regarding Interchange Litigation Judgment Sharing and Settlement Sharing by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, MasterCard Incorporated, MasterCard International Incorporated and the parties thereto	10-K	001-33977	10.14	11/21/2014
10.15		10-K	001-33977	10.17	11/20/2015

	Second Amendment, dated October 22, 2015, to Omnibus Agreement regarding Interchange Litigation Judgment Sharing and Settlement Sharing				
10.16	Settlement Agreement, dated October 19, 2012, by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, MasterCard Incorporated, MasterCard International Incorporated, various U.S. financial institution defendants, and the class plaintiffs to resolve the class plaintiffs' claims in the matter styled In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, No. 05-MD-1720	10-Q	001-33977	10.3	2/6/2013

10.17	Superseding and Amended Settlement Agreement, dated September 17, 2018, by and among Visa Inc., Visa U.S.A. Inc., Visa International Service Association, MasterCard Incorporated, MasterCard International Incorporated, various U.S. financial institution defendants, and the damages class plaintiffs to resolve the damages class plaintiffs' claims in the matter styled In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, No. 05-MD-1720	8-K	001-33977	10.1	9/18/2018
10.18	Loss Sharing Agreement, dated as of November 2, 2015, among the UK Members listed on Schedule 1 thereto, Visa Inc. and Visa Europe Limited	8-K	001-33977	10.1	11/2/2015
10.19	Litigation Management Deed, dated as of June 21, 2016, by and among the VE Member Representative, Visa Inc., the LMC Appointing Members, the UK&I DCC Appointing Members, the Europe DCC Appointing Members and the UK&I DCC Interested Members	8-K	001-33977	10.1	6/21/2016
10.20*	Visa 2005 Deferred Compensation Plan, effective as of August 12, 2015	10-K	001-33977	10.21	11/20/2015
10.21*	Visa Directors Deferred Compensation Plan, as amended and restated as of July 22, 2014	10-K	001-33977	10.17	11/21/2014
10.22*	Visa Inc. 2007 Equity Incentive Compensation Plan, as amended and restated as of February 3, 2016	DEFA 14A	001-33977	Annex A	1/12/2016
10.23*	Visa Inc. Incentive Plan, as amended and restated as of February 3, 2016	DEF 14A	001-33977	Annex B	12/11/2015
10.24*	Visa Excess Thrift Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.31	11/21/2008
10.25*	Visa Excess Retirement Benefit Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.32	11/21/2008
10.26*	First Amendment, effective January 1, 2011, of the Visa Excess Retirement Benefit Plan, as amended and restated as of January 1, 2008	10-K	001-33977	10.34	11/18/2011
10.27*	Visa Inc. Executive Severance Plan, effective as of November 3, 2010	8-K	001-33977	10.1	11/9/2010
10.28*	Visa Inc. 2015 Employee Stock Purchase Plan	DEF 14A	001-33977	Appendix B	12/12/2014
10.29*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award	10-Q	001-33977	10.1	1/30/2014

	Agreement for awards granted after November 18, 2013				
10.30*	Form of Alternate Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 18, 2013	10-Q	001-33977	10.5	1/30/2014
10.30*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.40	11/21/2014

10.31*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.41	11/21/2014
10.31*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.43	11/21/2014
10.32*	Form of Alternate Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2014	10-K	001-33977	10.45	11/21/2014
10.33*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Stock Option Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.1	1/28/2016
10.34*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.2	1/28/2016
10.35*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Performance Share Award Agreement for awards granted after November 1, 2015	10-Q	001-33977	10.3	1/28/2016
10.36*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Restricted Stock Unit Award Agreement for the CEO, for the Make-Whole Award.	10-K	001-33977	10.52	11/15/2016
10.37*	Form of Letter Agreement relating to Visa Inc. Executive Severance Plan	8-K	001-33977	10.2	11/9/2010
10.38*	Form of Visa Inc. 2007 Equity Incentive Compensation Plan Director Restricted Stock Unit Award Agreement for awards granted after November 1, 2017	10-Q	001-33977	10.1	2/1/2018
10.39*	Offer Letter, dated October 17, 2016, between Visa Inc. and Alfred F. Kelly, Jr.	8-K	001-33977	99.1	10/21/2016
10.40*	Aircraft Time Sharing Agreement, dated November 9, 2016, between Visa Inc. and Alfred F. Kelly, Jr.	10-K	001-33977	10.59	11/15/2016
10.41*	Amendment No.1 to the Aircraft Time Sharing Agreement, dated November 9, 2016, between Visa Inc. and Alfred F. Kelly, Jr.	10-Q	001-33977	10.1	4/27/2018
21.1+	List of Significant Subsidiaries of Visa Inc.				
23.1+	Consent of KPMG LLP, Independent Registered Public Accounting Firm				
31.1+	Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to				

	Section 302 of the Sarbanes-Oxley Act of 2002
31.2+	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Table of Contents

32.1+	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2+	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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† Confidential treatment has been requested for portions of this agreement. A completed copy of the agreement, including the redacted portions, has been filed separately with the SEC.

* Management contract, compensatory plan or arrangement.

+ Filed or furnished herewith.

Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the SEC upon request; provided, however, that the parties may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any document so furnished.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

VISA INC.

By:	/s/ Alfred F. Kelly,Jr.
Name:	Alfred F. Kelly, Jr.
Title:	Chief Executive Officer
Date:	November 16, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Alfred F. Kelly, Jr. **Alfred F. Kelly, Jr.**	Chief Executive Officer and Director (Principal Executive Officer)	November 16, 2018
/s/ Vasant M. Prabhu **Vasant M. Prabhu**	Chief Financial Officer (Principal Financial Officer)	November 16, 2018
/s/ James H. Hoffmeister **James H. Hoffmeister**	Global Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	November 16, 2018
/s/ Robert W. Matschullat **Robert W. Matschullat**	Independent Chair	November 16, 2018
/s/ Lloyd A. Carney **Lloyd A. Carney**	Director	November 16, 2018
/s/ Mary B. Cranston **Mary B. Cranston**	Director	November 16, 2018
/s/ Francisco Javier Fernández-Carbajal **Francisco Javier Fernández-Carbajal**	Director	November 16, 2018
/s/ John F. Lundgren **John F. Lundgren**	Director	November 16, 2018
/s/ Denise A. Morrison **Denise A. Morrison**	Director	November 16, 2018
/s/ Suzanne Nora Johnson **Suzanne Nora Johnson**	Director	November 16, 2018

/s/ John A. C. Swainson **John A. C. Swainson**	Director	November 16, 2018
/s/ Maynard G. Webb, Jr. **Maynard G. Webb, Jr.**	Director	November 16, 2018