VISA INC.
Form 10-Q
July 20, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017

OR

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

Commission file number 001-33977
VISA INC.
(Exact name of Registrant as specified in its charter)

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

(650) 432-3200
(Registrant’s telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
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 definition of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ Accelerated filer o Smaller reporting company o
Non-accelerated filer o (Do not check if a smaller reporting company.) Emerging growth company o
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. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
As of July 14, 2017 there were 1,829,370,035 shares of class A common stock, par value $0.0001 per share, 245,513,385 shares of class B common stock, par value $0.0001 per share, and 13,178,922 shares of class C common

stock, par value $0.0001 per share, of Visa Inc. outstanding.

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PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements
VISA INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2017	September 30, 2016
	(in millions, except par value data)	
Assets		
Cash and cash equivalents	$7,437	$ 5,619
Restricted cash—U.S. litigation escrow (Note 3)	1,030	1,027
Investment securities (Note 4):		
Trading	80	71
Available-for-sale	2,674	3,248
Settlement receivable	1,419	1,467
Accounts receivable	1,105	1,041
Customer collateral (Note 7)	1,075	1,001
Current portion of client incentives	308	284
Prepaid expenses and other current assets	590	555
Total current assets	15,718	14,313
Investment securities, available-for-sale (Note 4)	2,117	3,931
Client incentives	553	448
Property, equipment and technology, net	2,202	2,150
Other assets	1,079	893
Intangible assets, net (Note 2 and Note 5)	27,322	27,234
Goodwill (Note 2 and Note 5)	15,009	15,066
Total assets	$64,000	$ 64,035
Liabilities		
Accounts payable	$130	$ 203
Settlement payable	2,075	2,084
Customer collateral (Note 7)	1,075	1,001
Accrued compensation and benefits	638	673
Client incentives	1,909	1,976
Accrued liabilities	940	1,128
Current maturities of long-term debt (Note 6)	1,749	—
Accrued litigation (Note 13)	995	981
Total current liabilities	9,511	8,046
Long-term debt (Note 6)	14,142	15,882
Deferred tax liabilities	5,888	4,808
Deferred purchase consideration	1,258	1,225
Other liabilities	1,257	1,162
Total liabilities	32,056	31,123
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 (Note 2 and Note 9)	—	—
Series B convertible participating preferred stock, 2 shares issued and outstanding at June 30, 2017 and September 30, 2016 (Note 2 and Note 9)	2,326	2,516

Series C convertible participating preferred stock, 3 shares issued and outstanding at June 30, 2017 and September 30, 2016 (Note 2 and Note 9)	3,200	3,201
Class A common stock, $0.0001 par value, 2,001,622 shares authorized, 1,832 and 1,871 shares issued and outstanding at June 30, 2017 and September 30, 2016, respectively (Note 9)	—	—
Class B common stock, $0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at June 30, 2017 and September 30, 2016 (Note 9)	—	—
Class C common stock, $0.0001 par value, 1,097 shares authorized, 13 and 17 shares issued and outstanding at June 30, 2017 and September 30, 2016, respectively (Note 9)	—	—
Treasury stock (Note 9)	—	(170)
Right to recover for covered losses (Note 3)	(8)	(34)
Additional paid-in capital	17,009	17,395
Accumulated income	9,299	10,462
Accumulated other comprehensive income (loss), net:		
Investment securities, available-for-sale	58	36
Defined benefit pension and other postretirement plans	(207)	(225)
Derivative instruments classified as cash flow hedges	(15)	(50)
Foreign currency translation adjustments	282	(219)
Total accumulated other comprehensive income (loss), net	118	(458)
Total equity	31,944	32,912
Total liabilities and equity	$64,000	$ 64,035

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

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VISA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016 (1)	2017	2016 (1)
	(in millions, except per share data)			
Operating Revenues				
Service revenues	$1,948	$1,635	$5,859	$4,979
Data processing revenues	1,984	1,541	5,719	4,493
International transaction revenues	1,571	1,084	4,529	3,160
Other revenues	209	209	615	605
Client incentives	(1,147)	(839)	(3,219)	(2,416)
Net operating revenues	4,565	3,630	13,503	10,821
Operating Expenses				
Personnel	698	509	1,973	1,536
Marketing	221	189	632	569
Network and processing	158	123	453	377
Professional fees	102	138	265	276
Depreciation and amortization	132	120	409	361
General and administrative	230	246	822	566
Litigation provision (Note 13)	—	—	17	1
Visa Europe Framework Agreement loss (Note 2)	—	1,877	—	1,877
Total operating expenses	1,541	3,202	4,571	5,563
Operating income	3,024	428	8,932	5,258
Non-operating (Expense) Income				
Interest expense	(140)	(131)	(415)	(292)
Other	30	125	78	536
Non-operating (expense) income	(110)	(6)	(337)	244
Income before income taxes	2,914	422	8,595	5,502
Income tax provision (Note 12)	855	10	4,036	1,442
Net income	$2,059	$412	$4,559	$4,060
Basic earnings per share (Note 10)				
Class A common stock	$0.87	$0.17	$1.90	$1.69
Class B common stock	$1.43	$0.29	$3.13	$2.79
Class C common stock	$3.46	$0.69	$7.60	$6.76
Basic weighted-average shares outstanding (Note 10)				
Class A common stock	1,840	1,899	1,852	1,915
Class B common stock	245	245	245	245
Class C common stock	14	18	15	19
Diluted earnings per share (Note 10)				
Class A common stock	$0.86	$0.17	$1.90	$1.69
Class B common stock	$1.42	$0.28	$3.13	$2.78
Class C common stock	$3.45	$0.69	$7.59	$6.75

Diluted weighted-average shares outstanding (Note 10)				
Class A common stock	2,385	2,386	2,404	2,406
Class B common stock	245	245	245	245
Class C common stock	14	18	15	19

(1) The Company did not include Visa Europe's financial results in the Company's unaudited consolidated statements of operations from the acquisition date, June 21, 2016, through June 30, 2016 as the impact was immaterial. The dilutive impact of the outstanding shares of series B and C convertible participating preferred stock from June 21, 2016 through June 30, 2016 was also not included in the calculation of basic or diluted earnings per share as the effect was immaterial. See Note 2—Visa Europe and Note 10—Earnings Per Share to these unaudited consolidated financial statements.

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

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VISA INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Net income	$2,059	$412	$4,559	$4,060
Other comprehensive income (loss), net of tax:				
Investment securities, available-for-sale:				
Net unrealized gain (loss)	22	(18)	38	42
Income tax effect	(9)	8	(17)	(15)
Reclassification adjustment for net loss (gain) realized in net income	—	—	1	(3)
Income tax effect	—	—	—	1
Defined benefit pension and other postretirement plans:				
Net unrealized actuarial (loss) gain and prior service credit	—	—	(5)	61
Income tax effect	—	—	2	(23)
Amortization of actuarial loss (gain) and prior service credit realized in net income	12	—	33	(5)
Income tax effect	(3)	—	(12)	2
Derivative instruments classified as cash flow hedges:				
Net unrealized (loss) gain	(20)	(22)	5	(60)
Income tax effect	5	3	9	9
Reclassification adjustment for net loss (gain) realized in net income	11	(22)	31	(107)
Income tax effect	(5)	8	(10)	33
Foreign currency translation adjustments	1,085	(404)	501	(404)
Other comprehensive income (loss), net of tax	1,098	(447)	576	(469)
Comprehensive income (loss)	$3,157	$(35)	$5,135	$3,591

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

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VISA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30, 2017	2016
	(in millions, except noted otherwise)	
Operating Activities		
Net income	$4,559	$4,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Client incentives	3,219	2,416
Fair value adjustment for the Visa Europe put option	—	(255)
Share-based compensation (Note 11)	183	152
Excess tax benefit for share-based compensation	—	(51)
Depreciation and amortization of property, equipment, technology and intangible assets	409	361
Deferred income taxes	1,715	(603)
Right to recover for covered losses recorded in equity (Note 3)	(165)	—
Charitable contribution of Visa Inc. shares (Note 9 and Note 12)	192	—
Other	30	43
Change in operating assets and liabilities:		
Settlement receivable	42	332
Accounts receivable	(34)	(92)
Client incentives	(3,376)	(2,638)
Other assets	(192)	(552)
Accounts payable	(71)	(35)
Settlement payable	(19)	(368)
Accrued and other liabilities	(65)	398
Accrued litigation (Note 13)	14	(46)
Net cash provided by operating activities	6,441	3,122
Investing Activities		
Purchases of property, equipment, technology and intangible assets	(512)	(382)
Investment securities, available-for-sale:		
Purchases	(1,877)	(26,883)
Proceeds from maturities and sales	4,296	26,193
Acquisitions, net of $2.8 billion cash received from Visa Europe (Note 2)	(302)	(9,082)
Purchases of / contributions to other investments	(18)	(9)
Proceeds / distributions from other investments	—	4
Net cash provided by (used in) investing activities	1,587	(10,159)
Financing Activities		
Repurchase of class A common stock (Note 9)	(5,170)	(5,300)
Treasury stock—class C common stock (Note 9)	—	(170)
Dividends paid (Note 9)	(1,189)	(1,011)
Proceeds from issuance of senior notes (Note 6)	—	15,971
Debt issuance costs (Note 6)	—	(98)
Payments from litigation escrow account—U.S. retrospective responsibility plan (Note 3 and Note 13)	—	45
Cash proceeds from issuance of common stock under employee equity plans	128	69

Restricted stock and performance-based shares settled in cash for taxes	(73)	(89)
Excess tax benefit for share-based compensation	—	51
Net cash (used in) provided by financing activities	(6,304)	9,468
Effect of exchange rate changes on cash and cash equivalents	94	(62)
Increase in cash and cash equivalents	1,818	2,369
Cash and cash equivalents at beginning of year	5,619	3,518
Cash and cash equivalents at end of period	$7,437	$5,887
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 2)	$—	$1,236
Income taxes paid, net of refunds	$2,239	$2,043
Interest payments on debt (Note 6)	$489	$244
Accruals related to purchases of property, equipment, technology and intangible assets	$35	$29

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

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VISA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017
(UNAUDITED)

Note 1—Summary of Significant Accounting Policies

Organization. Visa Inc. ("Visa" or the "Company") is a global payments technology company that connects consumers, merchants, financial institutions, businesses, strategic partners and governments in more than 200 countries and territories to fast, secure and reliable electronic payments. Visa and its wholly-owned consolidated subsidiaries, including Visa U.S.A. Inc. ("Visa U.S.A."), Visa International Service Association ("Visa International"), Visa Worldwide Pte. Limited, Visa Europe Limited ("Visa Europe"), Visa Canada Corporation, Inovant LLC and CyberSource Corporation ("CyberSource"), operate one of the world's largest retail electronic payments networks — 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 accompanying unaudited consolidated financial statements include the accounts of Visa and its consolidated entities and are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company consolidates its majority-owned and controlled entities, including variable interest entities ("VIEs") for which the Company is the primary beneficiary. The Company's investments in VIEs have not been material to its consolidated financial statements as of and for the periods presented. All significant intercompany accounts and transactions are eliminated in consolidation.

The accompanying unaudited consolidated financial statements are presented in accordance with the U.S. Securities and Exchange Commission ("SEC") requirements for Quarterly Reports on Form 10-Q and, consequently, do not include all of the annual disclosures required by U.S. GAAP. Reference should be made to the Visa Annual Report on Form 10-K for the year ended September 30, 2016 for additional disclosures, including a summary of the Company's significant accounting policies.

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

Recently Issued and Adopted Accounting Pronouncements.

In 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. 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, and expects to adopt the standard using the modified retrospective transition method. The Company expects that the new standard will primarily impact recognition timing for certain fixed incentives and price discounts provided to clients, and the classification of certain client incentives between contra revenues and operating expenses. The Company is still in the process of quantifying the full effect that ASU 2014-09 and all of its related subsequent updates will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, which simplifies several aspects of the accounting for share-based payments, including the accounting for excess tax benefits and deficiencies, forfeitures, and statutory tax withholding requirements, as well as classification on the statement of cash flows related to excess tax benefits and employee taxes paid when an employer withholds shares for tax-withholding purposes. The Company elected to early adopt this guidance effective October 1, 2016. The adoption had the following impact on the consolidated financial statements:

- The Company recorded excess tax benefits of $59 million in our provision for income taxes rather than as an increase to additional paid-in capital for the nine months ended June 30, 2017 on a prospective basis. Therefore, the prior period presented has not been adjusted.
- The Company excluded the excess tax benefits from the assumed proceeds available to repurchase shares in the computation of diluted earnings per share, which did not have a material impact on our diluted earnings per share for the nine months ended June 30, 2017.
- The Company elected to apply the presentation requirement for cash flows related to excess tax benefits prospectively, and thus, the prior period presented has not been adjusted. This adoption resulted in an increase to both net cash provided by operating activities and net cash used in financing of $59 million for the nine months ended June 30, 2017.

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 standard will be effective for Visa on October 1, 2018. However, the Company is considering early adoption of the standard on October 1, 2017. 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 January 2017, the FASB issued ASU 2017-04, which simplifies the test for goodwill impairment by eliminating a previously required step. The Company will adopt the standard effective October 1, 2020. The adoption is not expected to have a material impact on the consolidated financial statements.

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 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.

Note 2—Visa Europe

On June 21, 2016, the Company acquired 100% of the share capital of Visa Europe, a payments technology business. The acquisition positions Visa to create additional value through increased scale, efficiencies realized by the integration of both businesses, and benefits related to Visa Europe's transition from an association to a for-profit enterprise. At the closing of the transaction (the "Closing"), the Company:

- paid up-front cash consideration of €12.2 billion ($13.9 billion);
- issued preferred stock of the Company convertible upon certain conditions into approximately 79 million shares of class A common stock of the Company, as described below, equivalent to a value of €5.3 billion ($6.1 billion) at the closing stock price of $77.33 on June 21, 2016; and
- agreed to pay an additional €1.0 billion, plus 4% compound annual interest, on the third anniversary of the Closing.

Preferred stock. In connection with the transaction, three new series of preferred stock of the Company were created:

- series A convertible participating preferred stock, par value $0.0001 per share, which is generally designed to be economically equivalent to the Company’s class A common stock (the “class A equivalent preferred stock”);

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- series B convertible participating preferred stock, par value $0.0001 per share (the "U.K.&I preferred stock"); and
- series C convertible participating preferred stock, par value $0.0001 per share (the "Europe preferred stock").

The Company issued 2,480,466 shares of U.K.&I preferred stock to Visa Europe's member financial institutions in the United Kingdom and Ireland entitled to receive preferred stock at the Closing, and 3,156,823 shares of Europe preferred stock to Visa Europe's other member financial institutions entitled to receive preferred stock at the Closing. Under certain conditions described below, the U.K.&I and Europe preferred stock is convertible 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 U.K.&I preferred stock and Europe preferred stock. The conversion rates may be reduced from time to time to offset certain liabilities, 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 of multilateral interchange fee rates in the Visa Europe territory, where, generally, the relevant claims (and resultant liabilities and losses) relate to the period before the Closing. See Note 3—U.S. and Europe Retrospective Responsibility Plans.

Final purchase price allocation.

Upon the Closing, total purchase consideration of $18.8 billion was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on a preliminary valuation. During the nine months ended June 30, 2017, based on additional information that became available, which impacted certain of the assumptions used, the Company finalized the purchase price allocation.

The following table summarizes the final purchase price allocation:

	Preliminary Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation
	(in millions)		
Current assets[1]	$4,457	$ —	$ 4,457
Non-current assets[2]	258	(46)	212
Current liabilities[3]	(2,731)	(36)	(2,767)
Non-current liabilities[2]	(2,605)	607	(1,998)
Tangible assets and liabilities	(621)	525	(96)
Intangible assets — customer relationships and reacquired rights[2]	16,137	(232)	15,905
Goodwill[4]	3,268	(293)	2,975
Fair value of net assets acquired	$18,784	$ —	$ 18,784

(1) Current assets are largely comprised of cash and cash equivalents and settlement receivable.

(2) Intangible assets consist of customer relationships and reacquired rights, which have been valued as a single composite intangible asset as they are inextricably linked. These intangibles are considered indefinite-lived assets as the associated customer relationships have historically not experienced significant attrition, and the reacquired rights are based on the Framework Agreement, which has a perpetual term. Non-current assets and liabilities include deferred tax assets and liabilities that result in net deferred tax liabilities of $1.7 billion based on the final valuation. In February 2017, the Company completed a legal entity reorganization, resulting in the elimination of most of these deferred tax assets and liabilities. See Note 12—Income Taxes.

(3) Current liabilities assumed mainly include settlement payable, client incentives liabilities and accrued liabilities.

(4) The excess of purchase consideration over net assets acquired was recorded as goodwill, which represents the value that is expected from increased scale and synergies as a result of the integration of both businesses.

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VISA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Actual and pro forma impact of acquisition.
The following table presents unaudited supplemental pro forma information for the three and nine months ended June 30, 2016, as if the acquisition and related issuance of senior notes had occurred on October 1, 2014. The pro forma financial information is not necessarily indicative of the Company's consolidated results of operations that would have been realized had the acquisition been completed on October 1, 2014, nor does it purport to project the future results of operations of the combined company or reflect any reorganizations, or cost or other operating synergies that may occur subsequent to the Closing. The actual results of operations of the combined company may differ significantly from the pro forma results presented here due to many factors.

	Consolidated Actual Results	Unaudited Pro Forma Consolidated Results	Consolidated Actual Results	Unaudited Pro Forma Consolidated Results
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
	(in millions, except per share data)			
Net operating revenues	$4,565	$ 3,930	$13,503	$ 11,829
Net income	$2,059	$ 1,686	$4,559	$ 5,141
Diluted earnings per share	$0.86	$ 0.68	$1.90	$ 2.07

The unaudited pro forma financial information for the three and nine months ended June 30, 2016 reflects the following material pro forma adjustments:

- conversion of Visa Europe's historical results of operations from euro to U.S. dollar, and from International Financial Reporting Standards to U.S. GAAP;
- elimination of transactions between Visa and Visa Europe upon consolidation, primarily related to annual license and various other fees paid by Visa Europe to Visa in accordance with the Framework Agreement;
- an increase in non-operating expense for the nine months ended June 30, 2016 for additional interest expense and amortization of debt issuance costs resulting from the issuance of the $16.0 billion senior notes;
- exclusion of a $255 million gain related to the revaluation of the Visa Europe put option from the nine months ended June 30, 2016[(1)]; and
- exclusion of non-recurring amounts from the three and nine months ended June 30, 2016, which are assumed to have been incurred on October 1, 2014, the date the acquisition is presumed to have occurred for purposes of presenting pro forma results, as follows:
  - $1.9 billion Visa Europe Framework Agreement loss related to the effective settlement of the Framework Agreement recognized in the three and nine months ended June 30, 2016;
  - $152 million of acquisition-related costs for the three and nine months ended June 30, 2016;
  - $145 million of foreign exchange gains related to euros held during the three and nine months ended June 30, 2016; and
  - $42 million of losses and $74 million of gains for the three and nine months ended June 30, 2016, respectively, related to currency forward contracts entered into to mitigate a portion of the foreign currency exchange rate risk associated with the upfront cash consideration.

(1) For purposes of preparing this pro forma financial information, the fair value of the Visa Europe put option is presumed to have been reduced to zero prior to October 1, 2014. Therefore, the Company did not include any gains associated with a write-down in the fair value of the Visa Europe put option liability in the unaudited pro forma net income for the nine months ended June 30, 2016.

The pro forma results also reflect the applicable tax impact of the pro forma adjustments. The taxes associated with the adjustments reflect the statutory tax rate in effect during the respective periods.

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VISA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 3—U.S. and Europe Retrospective Responsibility Plans

U.S. Retrospective Responsibility Plan

Under the terms of the U.S. retrospective responsibility plan, the Company maintains an escrow account from which settlements of, or judgments in, the U.S. covered litigation are paid. The escrow funds are held in money market investments along with interest income earned, less applicable taxes, and are classified as restricted cash on the consolidated balance sheets. The balance of the escrow account was $1.0 billion at June 30, 2017 and September 30, 2016. The Company did not make any payments to opt-out merchants from the litigation escrow account during the nine months ended June 30, 2017. See Note 13—Legal Matters.

The accrual related to the covered litigation could be either higher or lower than the litigation escrow account balance. The Company did not record an additional accrual for the covered litigation during the nine months ended June 30, 2017. See Note 13—Legal Matters.

Europe Retrospective Responsibility Plan

Under the terms of the Europe retrospective responsibility plan, 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 U.K.&I and Europe preferred stock. VE territory covered losses are recorded in "right to recover for covered losses" within equity 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.

During the nine months ended June 30, 2017, the Company recovered $191 million of VE territory covered losses through adjustments to the class A common stock conversion rates applicable to the U.K.&I and Europe preferred stock, from 13.952 at September 30, 2016 to 13.077 and 13.948, respectively, at June 30, 2017.

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 nine months ended June 30, 2017. VE territory covered losses incurred reflect settlements with merchants and additional legal costs. See Note 13—Legal Matters.

	Preferred Stock		Right to Recover for Covered Losses
	U.K.&I	Europe	
	(in millions)		
Balance as of September 30, 2016	$2,516	$3,201	$ (34)
VE territory covered losses incurred	—	—	(165)
Recovery through conversion rate adjustment	(190)	(1)	191
Balance as of June 30, 2017	$2,326	$3,200	$ (8)

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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 unaudited consolidated balance sheet as of June 30, 2017.[1]

	June 30, 2017	
	As-Converted Value of Preferred Stock[2]	Book Value of Preferred Stock
	(in millions)	
U.K.&I preferred stock	$3,042	$ 2,326
Europe preferred stock	4,129	3,200
Total	7,171	5,526
Less: Right to recover for covered losses	(8)	(8)
Total recovery for covered losses available	$7,163	$ 5,518

(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 U.K.&I and Europe preferred stock outstanding, respectively, as of June 30, 2017; (b)13.077 and 13.948, the class A common stock conversion rate applicable to the U.K.&I and Europe preferred stock as of June 30, 2017, respectively; and (c) $93.78, Visa's class A common stock closing stock price as of June 30, 2017.

Note 4—Fair Value Measurements and Investments

Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value Measurements Using Inputs Considered as			
	Level 1		Level 2	
	June 30, 2017	September 30, 2016	June 30, 2017	September 30, 2016
	(in millions)			
Assets				
Cash equivalents and restricted cash:				
Money market funds	$5,860	$ 4,537		
U.S. government-sponsored debt securities			$626	$ 196
Investment securities, trading:				
Equity securities	80	71		
Investment securities, available-for-sale:				
U.S. government-sponsored debt securities			3,234	4,699
U.S. Treasury securities	1,373	2,178		
Equity securities	104	53		
Corporate debt securities			80	249
Prepaid and other current assets:				
Foreign exchange derivative instruments			43	50
Other assets:				
Foreign exchange derivative instruments			—	6
Total	$7,417	$ 6,839	$3,983	$ 5,200
Liabilities				
Accrued liabilities:				
Foreign exchange derivative instruments			$80	$ 116
Other liabilities:				
Foreign exchange derivative instruments			—	20
Total	$—	$ —	$80	$ 136

There were no transfers between Level 1 and Level 2 assets during the nine months ended June 30, 2017.

Level 1 assets measured at fair value on a recurring basis. Money market funds, publicly-traded equity securities and U.S. Treasury securities are classified as Level 1 within the fair value hierarchy, as fair value is based on quoted prices in active markets.

Level 2 assets and liabilities measured at fair value on a recurring basis. The fair value of U.S. government-sponsored debt securities and corporate debt securities, as provided by third-party pricing vendors, is based on quoted prices in active markets for similar, not identical, assets. The pricing data obtained from outside sources is reviewed internally for reasonableness, compared against benchmark quotes from independent pricing sources, then confirmed or revised accordingly. 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 the nine months ended June 30, 2017.

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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 impairments during the nine months ended June 30, 2017 or 2016. These investments totaled $65 million and $46 million at June 30, 2017 and September 30, 2016, respectively, and 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.
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, 2017, and concluded that there was no impairment. No recent events or changes in circumstances indicate that impairment existed at June 30, 2017.
Other Fair Value Disclosures
Long-term debt. Debt instruments are measured at amortized cost on the Company's unaudited consolidated balance sheet at June 30, 2017. 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 following table presents the carrying amount and estimated fair value of the Company’s debt in order of maturity:

	June 30, 2017		September 30, 2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(in millions)			
1.20% Senior Notes due December 2017	$1,749	$ 1,749	$1,746	$ 1,754
2.20% Senior Notes due December 2020	2,990	3,025	2,988	3,077
2.80% Senior Notes due December 2022	2,239	2,291	2,238	2,359
3.15% Senior Notes due December 2025	3,966	4,061	3,964	4,225
4.15% Senior Notes due December 2035	1,485	1,625	1,485	1,698
4.30% Senior Notes due December 2045	3,462	3,839	3,461	4,045
Total	$15,891	$ 16,590	$15,882	$ 17,158

Other financial instruments not measured at fair value. The following financial instruments are not measured at fair value on the Company's unaudited consolidated balance sheet at June 30, 2017, but disclosure of their fair values is required: time deposits recorded in prepaid expenses and other current assets, settlement receivable and payable, commercial paper, and customer collateral. The estimated fair value of such instruments at June 30, 2017 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.

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Investments

Available-for-sale investment securities. The Company had $97 million in gross unrealized gains and $4 million in gross unrealized losses at June 30, 2017. There were $55 million gross unrealized gains and no gross unrealized losses at September 30, 2016. A majority of the Company's available-for-sale investment securities with stated maturities are due within one to two years.

Note 5—Intangible Assets and Goodwill

Intangible assets at June 30, 2017 increased from September 30, 2016 primarily due to foreign currency translation, which is recorded as a component of accumulated other comprehensive income in the consolidated balance sheet, as well as the additions described below, partially offset by measurement period adjustments as the Company finalized the Visa Europe purchase price allocation during the nine months ended June 30, 2017. See Note 2—Visa Europe.

Goodwill at June 30, 2017 decreased from September 30, 2016 primarily due to measurement period adjustments as the Company finalized the Visa Europe purchase price allocation during the nine months ended June 30, 2017 (see Note 2—Visa Europe), partially offset by additions described below and foreign currency translation, which is recorded as a component of accumulated other comprehensive income in the consolidated balance sheet.

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.

Note 6—Debt

The Company had outstanding debt as follows:

	June 30, 2017			September 30, 2016			
	Principal Amount	Unamortized Discounts and Debt Issuance Costs	Carrying Amount	Principal Amount	Unamortized Discounts and Debt Issuance Costs	Carrying Amount	Effective Interest Rate
	(in millions, except percentages)						
1.20% Senior Notes due December 2017 (the "2017 Notes")	$1,750	$ (1)	$1,749	$—	$ —	$—	1.37 %
Total current maturities of long-term debt	1,750	(1)	1,749	—	—	—	
1.20% Senior Notes due December 2017 (the "2017 Notes")	—	—	—	1,750	(4)	1,746	1.37 %
2.20% Senior Notes due December 2020 (the "2020 Notes")	3,000	(10)	2,990	3,000	(12)	2,988	2.30 %
2.80% Senior Notes due December 2022 (the "2022 Notes")	2,250	(11)	2,239	2,250	(12)	2,238	2.89 %
3.15% Senior Notes due December 2025 (the "2025 Notes")	4,000	(34)	3,966	4,000	(36)	3,964	3.26 %
4.15% Senior Notes due December 2035 (the "2035 Notes")	1,500	(15)	1,485	1,500	(15)	1,485	4.23 %
4.30% Senior Notes due December 2045 (the "2045 Notes")	3,500	(38)	3,462	3,500	(39)	3,461	4.37 %
Total long-term debt	14,250	(108)	14,142	16,000	(118)	15,882	
Total debt	$16,000	$ (109)	$15,891	$16,000	$ (118)	$15,882	

Senior Notes

Interest expense for the senior notes was $125 million and $376 million for the three and nine months ended June 30, 2017, respectively, as compared to $125 million and $274 million for the same periods in 2016. The Company recognized interest expense as non-operating expense and paid $489 million in interest on the senior notes during the nine months ended June 30, 2017.

Credit Facility Extension

On January 27, 2017, the Company extended the term of the $4.0 billion credit facility that was entered into on January 27, 2016. The credit facility will now expire on January 27, 2022. No other terms were materially changed. A brief description of the material terms and conditions of the credit facility are described in the Company's Form 10-K, as filed with the SEC on November 15, 2016.

Note 7—Settlement Guarantee Management

The Company indemnifies its clients for settlement losses suffered due to failure of any other clients to fund its settlement obligations in accordance with the Visa 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. The exposure to settlement losses through Visa's settlement indemnification is accounted for as a settlement risk guarantee. The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time. The Company requires certain clients that do not meet its credit standards to post collateral to offset potential loss from their estimated unsettled transactions. The Company's estimated maximum settlement exposure was $69.6 billion for the quarter ended June 30, 2017, compared to $67.8 billion for the quarter ended September 30, 2016. Of these amounts, $3.2 billion and $2.9 billion were covered by collateral at June 30, 2017 and September 30, 2016, respectively.

The Company maintained collateral as follows:

	June 30, 2017	September 30, 2016
	(in millions)	
Cash equivalents[1]	$1,443	$ 1,295
Pledged securities at market value	168	170
Letters of credit	1,488	1,311
Guarantees	1,187	1,418
Total	$4,286	$ 4,194

(1) Cash collateral held by Visa Europe is not included on the Company's consolidated balance sheets as its clients retain beneficial ownership and the cash is only accessible to the Company in the event of default by the client on its settlement obligations.

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

The fair value of the settlement risk guarantee is estimated based on a proprietary probability-weighted model and was approximately $2 million at June 30, 2017 and September 30, 2016. These amounts are reflected in accrued liabilities on the Company's consolidated balance sheets.

Note 8—Pension and Other Postretirement Benefits

The Company sponsors various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for substantially all employees residing in the U.S. The Company also sponsors other pension benefit plans that provide benefits for internationally-based employees at certain non-U.S. locations. The components of net periodic benefit cost presented below include the U.S. pension plans and the non-U.S. plans, which represent Visa Europe funded and unfunded pension plans in fiscal 2017. The amounts and disclosures presented below do not include Visa Europe pension plans in fiscal 2016 as the net periodic pension cost for the period is not material. Disclosures relating to other non-U.S. pension benefit plans are not included as they are immaterial, individually and in aggregate.

In October 2015, the Company amended the U.S. qualified defined benefit pension plan and discontinued employer provided credits after December 31, 2015. Plan participants will continue to earn interest credits on existing balances at December 31, 2015. The Visa Europe pension plans had been closed to new entrants prior to the Visa Europe acquisition.

	U.S. Plans				Non-U.S. Plans
	Pension Benefits		Other Postretirement Benefits		Pension Benefits
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,
	2017	2016	2017	2016	2017
	(in millions)				
Service cost	$—	$—	$ —	$ —	$ 2
Interest cost	9	9	—	—	3
Expected return on assets	(17)	(17)	—	—	(4)
Amortization of:					

Actuarial loss (gain)	3	2	(1)	(1)	—
Settlement loss	9	—	—	—	—
Total net periodic benefit cost	$4	$(6)	$ (1)	$ (1)	$ 1

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	U.S. Plans				Non-U.S. Plans
	Pension Benefits		Other Postretirement Benefits		Pension Benefits
	Nine Months Ended June 30,		Nine Months Ended June 30,		Nine Months Ended June 30,
	2017	2016	2017	2016	2017
	(in millions)				
Service cost	$—	$13	$ —	$ —	$ 5
Interest cost	27	30	—	—	8
Expected return on assets	(52)	(52)	—	—	(12)
Amortization of:					
Prior service credit	—	(1)	(1)	(2)	—
Actuarial loss (gain)	11	6	(1)	(1)	1
Curtailment gain	—	(8)	—	—	—
Settlement loss	22	—	—	—	—
Total net periodic benefit cost	$8	$(12)	$ (2)	$ (3)	$ 2

Note 9—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 at June 30, 2017, are as follows:

(in millions, except conversion rates)	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock[(1)]
U.K.&I preferred stock	2	13.0770	32
Europe preferred stock	3	13.9480	44
Class A common stock [(2)]	1,832	—	1,832
Class B common stock	245	1.6483 [(3)]	405
Class C common stock	13	4.0000	53
Total			2,366

(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 exclude repurchases traded but not yet settled on or before June 30, 2017.

(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.

During the nine months ended June 30, 2017, the newly-formed Visa Foundation received all Visa Inc. shares that were previously recorded as treasury stock. See Note 12—Income Taxes.

Reduction in as-converted shares. During the nine months ended June 30, 2017, total as-converted class A common stock was reduced by 62 million shares at an average price of $86.63 per share. Of the 62 million shares, 60 million were repurchased in the open market using $5.2 billion of operating cash on hand. Additionally, the Company recovered $191 million of VE territory covered losses in accordance with the Europe retrospective responsibility plan. The recovery has the same economic effect on earnings per share as repurchasing the Company's class A common stock, because it reduces the U.K.&I and Europe preferred stock conversion rates and consequently the as-converted class A common stock share count. See Note 3—U.S. and Europe Retrospective Responsibility Plans.

The following table presents share repurchases in the open market.[1]

(in millions, except per share data)	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2017
Shares repurchased in the open market [2]	18	60
Average repurchase price per share [3]	$ 93.43	$ 86.59
Total cost	$ 1,701	$ 5,170

(1) Shares repurchased in the open market reflect repurchases settled during the three and nine months ended June 30, 2017. These amounts include repurchases traded but not yet settled on or before September 30, 2016 for the nine months, or March 31, 2017 for the three months, and exclude repurchases traded but not yet settled on or before June 30, 2017.

(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 April 2017, the Company's board of directors authorized an additional $5.0 billion share repurchase program. As of June 30, 2017, the Company's July 2016 and April 2017 share repurchase programs had remaining authorized funds of $5.6 billion for share repurchase. All share repurchase programs authorized prior to July 2016 have been completed.

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 U.K.&I and Europe preferred stock. See Note 3—U.S. and Europe Retrospective Responsibility Plans.

The following table presents as-converted U.K.&I and Europe preferred stock, after the Company recovered VE territory covered losses through conversion rate adjustments, for the three and nine months ended June 30, 2017. There was no comparable adjustment recorded for Europe Preferred Stock during the three months ended June 30, 2017.

	U.K.&I Preferred Stock		Europe Preferred Stock
(in millions, except per share and conversion rate data)	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2017
Reduction in equivalent number of shares of class A common stock	1	2	— [1]
Effective price per share [2]	$92.38	$ 88.70	$ 85.01
Recovery through conversion rate adjustment	$71	$ 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 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.

Dividends. In July 2017, the Company’s board of directors declared a quarterly cash dividend of $0.165 per share of class A common stock (determined in the case of class B and C common stock and U.K.&I and Europe preferred stock on an as-converted basis). The cash dividend will be paid on September 5, 2017, to all holders of record of the Company's common and preferred stock as of August 18, 2017. The Company declared and paid $394 million and

$1.2 billion in dividends to holders of the Company's common stock during the three and nine months ended June 30, 2017, respectively.

Note 10—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 9—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 U.K.&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 the three months ended June 30, 2017.[1]

	Basic Earnings Per Share (in millions, except per share data)			Diluted Earnings Per Share			
	Income Allocation (A)[2]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A)[2]	Weighted-Average Shares Outstanding (B)		Earnings per Share = (A)/(B)
Class A common stock	$1,591	1,840	$ 0.87	$2,059	2,385	[3]	$ 0.86
Class B common stock	350	245	$ 1.43	$349	245		$ 1.42
Class C common stock	47	14	$ 3.46	$47	14		$ 3.45
Participating securities[4]	71	Not presented	Not presented	$71	Not presented		Not presented
Net income	$2,059						

The following table presents earnings per share for the nine months ended June 30, 2017.[1]

	Basic Earnings Per Share (in millions, except per share data)			Diluted Earnings Per Share			
	Income Allocation (A)[2]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A)[2]	Weighted-Average Shares Outstanding (B)		Earnings per Share = (A)/(B)
Class A common stock	$3,518	1,852	$ 1.90	$4,559	2,404	[3]	$ 1.90
Class B common stock	769	245	$ 3.13	$767	245		$ 3.13
Class C common stock	114	15	$ 7.60	$114	15		$ 7.59
Participating securities[4]	158	Not presented	Not presented	$158	Not presented		Not presented
Net income	$4,559						

The following table presents earnings per share for the three months ended June 30, 2016.[1]

	Basic Earnings Per Share (in millions, except per share data)			Diluted Earnings Per Share			
	Income Allocation (A)[2]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A)[2]	Weighted-Average Shares Outstanding (B)		Earnings per Share = (A)/(B)
Class A common stock	$329	1,899	$ 0.17	$412	2,386	[3]	$ 0.17
Class B common stock	70	245	$ 0.29	$70	245		$ 0.28
Class C common stock	12	18	$ 0.69	$13	18		$ 0.69
Participating securities[4],[5]	1	Not presented	Not presented	$1	Not presented		Not presented
Net income	$412						

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The following table presents earnings per share for the nine months ended June 30, 2016.[1]

	Basic Earnings Per Share (in millions, except per share data)			Diluted Earnings Per Share		
	Income Allocation (A)[2]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)	Income Allocation (A)[2]	Weighted-Average Shares Outstanding (B)	Earnings per Share = (A)/(B)
Class A common stock	$3,238	1,915	$ 1.69			