FINAL TRANSCRIPT

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PRESENTATION

Operator

Welcome to Visa Inc.'s fiscal Q2 2011 earnings conference call. All participants are in a listen-only mode until the question-and-answer session. Today's conference is being recorded. If you have any objections, you may disconnect at this time.

I would now like to turn the conference over to your host, Mr. Jack Carsky, Head of Global Investor Relations. Mr. Carsky, you may begin.

Jack Carsky - *Visa Inc. - Head of Global IR*

Good afternoon and welcome to Visa Inc.'s fiscal 2011 second-quarter earnings conference call. With us today are Joe Saunders, Visa's Chairman and Chief Executive Officer, and Byron Pollitt, Visa's Chief Financial Officer.

This call is currently being webcast over the Internet and can be accessed on the Investor Relations section of our website at www.investor.visa.com. A replay of the webcast will also be archived on our site for 30 days. A PowerPoint deck containing highlights of today's commentary was posted to our website prior to this call.

Let me also remind you that this presentation may include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. By their nature, forward-looking statements are not guarantees of future performance, and, as a result of a variety of factors, actual results could differ materially from such statements. These include setbacks in the global economy and the impact of new financial reform regulations.

Additional information concerning these factors is available in our last 10-K on file with the SEC. It can be accessed through the SEC website and the Investor Relations section of our website.

For historical non-GAAP or pro forma-related financial information disclosed on this call, the related GAAP measures and other information required by Regulation G of the SEC are available in the financial and statistical summary accompanying our fiscal second-quarter earnings press release. This release can also be accessed through the Investor Relations section of our website.

And with that, I will turn the call over to Joe.

Joe Saunders - *Visa Inc. - Chairman and CEO*

Thanks, Jack. And as always, thanks to all of you for joining us today.

Visa delivered another quarter of solid financial performance, posting net operating revenue of over $2.2 billion, a 15% increase over the same period last year.

As has been the case for over a year now, these revenue gains were driven by double-digit growth in payment volume, cross-border volume, and Visa-processed transactions from across the globe.

Notably, 62% of our total revenue growth came from outside the United States, getting us progressively closer to our stated objective of having our business outside the United States represent more than half of our revenue by fiscal 2015.

Net income for the quarter was $881 million, a 23% increase over the prior year. This equates to diluted earnings per share of $1.23, a 28% increase over the second quarter of 2010.

In the second quarter, we effectively repurchased an additional $630 million worth of shares, nearly exhausting our $1 billion authorization first announced at the beginning of this fiscal year. Given that, and recognizing our ongoing commitment to return excess cash to shareholders, today we are pleased to announce that our Board recently authorized a new $1 billion share repurchase program. This brings our total amounts of effective repurchases in fiscal 2011 to $2.8 billion. Byron will provide some additional detail on the specifics of the activity.

Before covering some of the business highlights from the quarter, I'd like to first address the ongoing legislative dialog in Washington and the industry's efforts to address the Durbin bill.

Reiterating what I said on last quarter's call, since the introduction of the Durbin amendment, Visa has worked with the industry to help educate legislators on the unintended consequences of this piece of legislation. And our efforts are gaining increasing traction.

As you know, Senators Tester and Corker have introduced legislation calling for a delay and a study of the Durbin bill. The Senators' efforts have generated support from a large, growing and diverse group of individuals and organizations who are concerned about the unintended anticonsumer consequences of debit regulation.

We believe strongly that Congress should examine what the real impact of this regulation will be on consumers, the financial institutions that serve them, the payment system and the economy as a whole. This would be the reasonable and rational course of action. To that end, we are hopeful that the Senate will consider Senators Tester and Corker's bill in the very near future.

That said, no matter what happens with Durbin, we will continue to compete in and lead the US electronic payments market and be a growth company for years to come.

I will now turn to business developments from the past quarter that underscore our focus on driving global revenue growth today, while also setting the stage for future growth through new and innovative ways to pay.

As ever, our strong relationships with clients continue to help drive our success. In addition to delivering solid financial gains in the second fiscal quarter, we were successful in advancing our strategy of growing and protecting our core business through key wins and relationship renewals with financial institutions and merchants.

First, we grew our core issuance business with several important new deals. For example, in India, we've made significant strides in expanding our business with the State Bank of India. We signed a multiyear deal to issue Visa debit products across the SBI franchise, whereas until now the bank's business was entirely with our competitor.

Nearly 0.5 million Visa cards have been issued since March, and we expect several million to be issued within the first year of the program, with significant runway beyond that. This new win is in addition to the joint venture with already have in the works with SBI and Elavon to terminalize major metropolitan areas of the country.

We also recently signed a multiyear credit and debit agreement with HSBC covering most of our Latin American and Caribbean region that will considerably broaden our issuance with HSBC in this part of the world. This builds upon the long-term issuing relationship we have had with HSBC globally for many years.

And in the US, we expanded our credit program portfolio with a new seven-year program with U.S. Bank and Kroger, one of the largest grocery retailers in the US, which will begin converting to Visa in September. We also strengthened several relationships with longtime key issuing clients in the US. Most recently, we re-signed Regions Bank to a multiyear debit agreement to include signature debit, Interlink and some processing services. Regions is a top 10 debit issuer in the US and a longtime client of Visa.

We also continue to see good traction on the prepaid front in the US with our state government programs. We recently initiated unemployment insurance programs in Connecticut with Chase and in Florida with Wells Fargo.

On that subject, our unemployment programs with the Bank of America in New Jersey and California are ramping up at a very nice pace. Importantly, though, we are seeing increasing use of these cards at the point of sale versus cash withdrawals at the ATM, as consumers get more comfortable with this form of prepaid product.

Beyond working with our financial institution and merchant clients to expand issuance and acceptance of our core products, we also continue to look ahead and develop new channels and form factors to diversify the utility of these products.

For instance, in the mobile space, we've just announced our real-time messaging service with our first client, The Gap. This service allows merchants to send real-time location-based discounts and promotions to consumers via text message. In this case, consumers can opt into the Gap Mobile 4 U program to receive Gap discounts that are triggered when they conduct a qualified Visa transaction, which they can choose to redeem at a Gap store while they are out shopping.

Gap was the first national retailer to test and roll out real-time messaging, and we have a strong pipeline of other retailers to follow. This is an excellent example of a value-added service that supports merchants' desires to personalize the consumer shopping experience made possible by the real-time processing capabilities and unparalleled data from our VisaNet processing infrastructure.

Equally important, if the legislation is not delayed, RTM, along with other offerings such as CyberSource's enhanced Decision Manager -- which I will talk about in a moment -- are the types of Visa value-added services that would incent merchandises to route transactions over VisaNet.

In the area of person-to-person payments, we continue to make important strides in leveraging our network and significant card base to enable people to pay each other using Visa cards. Our recent announcement with CashEdge and Fiserv in the US underscores one of the important ways we are accelerating growth in this area. Increasingly, by working with partners like these who have existing distribution channels, we can broaden the reach and ease of use of P2P payment programs on Visa products.

A recent example of one of these P2P programs overseas involves a service we recently launched in Russia and the Ukraine. We are working with QIWI, Russia's largest payment kiosk operator; 1st Processing Bank in Russia; and PrivatBank, the Ukraine's largest bank. Together, we are enabling domestic transfers within Russia and with a cross-border functionality between Visa account holders in the Ukraine and Russia. Over time, we will partner with additional entities to expand these programs globally.

On the e-commerce front, we closed the PlaySpan acquisition on March 1. In the meantime, we have seen CyberSource's business continue to grow rapidly and gain increasing traction in the marketplace. During the quarter, CyberSource delivered 38% billable transaction growth and secured a number of new business wins with major merchants, including [ADS America] and Olympus America.

I also want to point out one or more of the recent examples of the synergies we are finding with CyberSource that deliver tangible value to our global merchant base.

This quarter, we combined the strength of Visa and CyberSource's individual fraud protection capabilities to launch our first iteration of Enhanced Decision Manager, which I mentioned earlier. By combining the risk scores that CyberSource has historically provided to its merchant clients with data from the Visa Inc. Advanced Authorization Service, we are delivering a unique and unparalleled view of transaction data that merchant clients recognize will serve them as a powerful new fraud detection mechanism for their business.

All of these advancements are important steps towards capturing the enormous opportunity we see ahead, with payments innovation fueling our business growth over the moderate to long term.

All of us know the way people connect and transact across the globe is changing dramatically, driven by two global forces -- first, the continued secular shift from paper-based to electronic payments that still largely occurs at the physical point of sale; and second, the widespread adoption of mobile and Internet technology.

These forces are converging, and consumers and merchants are looking for payment solutions that harness these technologies. To that end, we have been working hard to develop a Visa quality payment solution that brings reliability, security and convenience to mobile and e-commerce environments.

In our view, a globally viable payment solution must have five fundamental characteristics -- convenience and simplicity, standardization, interoperability, global accessibility, and security. None of the solutions we have seen from competitors is comprehensive enough because they don't address all of these criteria at once.

Visa has long delivered solutions at the physical point of sale that pass this test, and we are applying the same standard in the online and mobile arenas. Look for us to make an announcement of our global e-commerce and mobile strategy later this month.

And now, over to Byron.

Byron Pollitt - *Visa Inc. - CFO*

Thank you, Joe. I will begin with some overall observations.

First, Visa's 15% net revenue growth was broad based, with solid 10% growth in the US and a very strong 21% growth rate in rest of world. As Joe mentioned earlier, over 60% of the quarter's revenue growth came from outside the United States. This means non-US revenue is now 45% of Visa's total.

Second, US revenue growth has been supported by five consecutive quarters of year-over-year positive credit payment volume growth. Most recently, the months of February and March both comped at 11%, which is the first time we have seen double-digit growth since the recession. We are clearly encouraged by this trend.

Third callout relates to client incentives. Incentives for the quarter as a percent of gross revenue were 16.7%, up from 15.3% in the first quarter. Taken together, incentives as a percent of gross revenue were 16% for the first half of the fiscal year, at the low end of our guidance.

While we still expect client incentives to be in the range of 16% to 16.5% for fiscal 2011, if implementation of the Durbin amendment is not delayed beyond July, it is probable that we would see some upward pressure on this number as a result of potential actions we would take to mitigate volume loss with certain issuers and merchants.

Fourth callout relates to Durbin. Whether the legislation gets delayed or not, we still expect to deliver revenue growth in the 11% to 15% range and earnings per share growth of greater than 20%.

Finally, it's worth noting that beginning with the second fiscal quarter, our three key revenue drivers are now growing at double-digit rates while comping double-digit growth in the same quarter of the prior year. This is true both globally and for the US, indicating that the strength of the recovery is now more broad based.

Now let's turn to the numbers. First, I will cover our global payment volume and transaction trends for the December and March quarters, as well as more recent payment and transaction results for the entire month of April. I will then cover the financial highlights of our fiscal second quarter, followed by our guidance outlook for fiscal year 2011.

Global payment volume growth for the March quarter, in constant dollars, was 13%, a modest decline from the 15% growth we saw in the December quarter.

We saw the following breakdowns in the March quarter figures. In the US, payment volume growth was 12%, relatively flat from the December quarter. Rest-of-world payment volume on a constant-dollar basis grew at 15%, down 2 points from the 17% rate in the December quarter.

More recently, in the month of April, US payment volume growth came in at 11%. Although not yet available, based on the trends we saw during the second quarter, we expect rest-of-world payment volume growth to be higher than the US's 11%.

Global cross-border volume delivered a solid 13% growth rate on a constant-dollar basis in the March quarter, down slightly from a 15% rate in the December quarter. There was notable dropoff in inbound travel to Japan, Middle East and North Africa. In aggregate, these situations may have negatively impacted growth by about 50 basis points. In April, cross-border volumes on a constant-dollar basis grew 13%.

Transactions processed over Visa's network totaled $12 billion in the fiscal second quarter, a 13% increase over the year-ago period and modestly behind the 15% growth rate we saw in the December quarter.

In April, processed transactions posted growth of 12%. CyberSource billable transactions totaled just over $1 billion for the quarter, a very strong 38% growth rate over the same period a year ago.

We continue to expect strong results in this part of our business as e-commerce growth remains strong in the US and internationally.

Now, turning to the income statement, in our fiscal second quarter, gross revenue of $2.7 billion was up 16% from the similar period in 2010. Net operating revenue in the quarter was $2.2 billion, a 15% increase year over year, driven by a sustained economic recovery, previously enacted pricing changes, and cross-border transaction growth.

Moving to the individual revenue line items, service revenue was $1.1 billion, up 24% over the prior-year period. This is reflective of strong payment volume growth in the December quarter and the impact of pricing adjustments.

Data processing revenue was $823 million, up 13% over the prior year's quarter, based on strong transaction growth rates for both Visa Process and CyberSource transactions. As expected and discussed previously, data processing revenue growth has moderated due to the impact of key contract renewals two quarters ago and by the prospective removal of certain offsetting gateway pass-through revenue and expense.

International transaction revenue was up 14% to $624 million due to the sustained improvement in cross-border volumes during the period. As I mentioned, client incentives as a percent of gross revenue came in at 16.7% and are running at 16% fiscal year to date, on track with expectation.

Approximately 65% of the year-over-year dollar increase in incentives is due to payment volume growth in client portfolios. About another 25% of the increase is due to non-US client renewals.

Total operating expense for the quarter was $862 million, up 3% from the prior year. Increases in personnel, professional fees, and general and administrative expense were offset by lower marketing in the period.

Additionally -- and I will continue to remind you of this for the next two quarters -- recall that we announced an earnings-neutral change in income statement presentation related to revenue and operating expense associated with certain pass-through activity. As a result, $55 million of revenue and expense which was booked in Q2 fiscal year 2010 did not reoccur in Q2 fiscal year 2011. In Q2, this represented 3 percentage points of revenue growth. For the remainder of the year, these changes in presentation will continue to be earnings-neutral and will affect revenue growth.

The foreign exchange impact on net revenue in the second fiscal quarter was moderated by our hedging activities and contributed a positive 2% increase compared to the same prior-year period. While our operating margin for the quarter was 62%, please note that we expect to aggressively fund important long-term investments across our entire business.

Capital expenditures were $72 million in the quarter, representing ongoing investment in technology, infrastructure and growth initiatives.

Lastly, the PlaySpan acquisition had a dilutive impact to earnings per share of $0.01 for the second quarter of fiscal 2011, and we anticipate a dilutive impact to earnings per share of $0.04 for the full 2011 fiscal year.

Moving on to the balance sheet, we ended the second quarter in great shape, with negligible debt, and cash, cash equivalents, restricted cash and available-for-sale investments of $6.6 billion. Of this total, $3 billion is restricted cash, which represents amounts sufficient to fully pay off the balance of the American Express settlement over the remaining three quarters, with $2.7 billion uncommitted as of the end of the second quarter.

In terms of our ongoing buyback, at the end of the quarter we announced the prefunding of the litigation escrow by $400 million to be funded with cash previously designated for our $1 billion share repurchase. This was executed at an average price of $73.81 per share. Additionally, we repurchased $230 million of our shares in the open market during the quarter at an average price of $70.53 per share.

All told, we effectively repurchased 8.7 million shares at an average price of $72.58. This leaves us with $64 million of open to buy under the original program.

At the end of the quarter, we had 704 million shares outstanding on an as-converted basis, and importantly, the A Class now accounts for almost 75% of our outstanding shares.

Management remains committed to returning excess cash to shareholders. And to this end, as Joe mentioned at the outset, our Board of Directors authorized a new $1 billion repurchase plan, which we will execute at prices we feel are attractive relative to the long-term value of Visa.

As to guidance for the balance of 2011, given results to date, we are not making any adjustments at this time. With or without a Durbin delay, we expect to deliver revenue growth in the 11% to 15% range and EPS growth of better than 20%.

Once the timing and content of the Reform Act regulations are clarified, we will determine whether any 2011 guidance requires adjustment, such as client incentives, and we will consider providing an early earnings outlook for fiscal 2012.

In summary, we expect Visa to remain a solid growth company for years to come. Our core businesses continue to grow at healthy rates while we are aggressively investing in technologies and platforms that will extend our core payment and processing capabilities, thereby creating new sources of growth.

Finally, we expect to deliver this growth while driving significant free cash flow, which we will use to enhance shareholder returns through continued dividend increases and share repurchases.

And with that, we are ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Bruce Harting, Barclays Capital.

Bruce Harting - *Barclays Capital - Analyst*

With 60% of growth coming from rest of world, Byron, I'm just trying to circle the next time you have an earnings announcement, hopefully we will know one way or another the outcome of the Fed decision and whether it is stalled or not. But is it one way to look at it, of $2.2 billion of net revenue this quarter, I figure about 10% -- given your previous numbers -- came from issuers at US debit, so call that maybe $200 million. And in theory, if that were reduced, say, 20%, just to pick a number, maybe worst case, or $40 million a quarter, the other $2 billion of revenue is growing faster, as you said, with 60% of revenue growth coming from rest of world -- particularly strong in credit, given that credit is much larger rest of world than debit.

Isn't one way to look at it and say that that other $2 billion of revenue not impacted by Durbin growing, say, 15% would more than offset, say, the $40 million decline in the $200 million of US debit coming from issuers? Is that one way to try to size this in the second half if we get a worst case?

Byron Pollitt - *Visa Inc. - CFO*

Without confirming any of the numbers, I think the mindset that we are conveying and you are picking up is that with that 45% of our net revenue in the quarter is now coming from outside the US, that revenue this quarter grew at 21%, twice what the growth rate is of the US at 10%. And we were particularly pleased to see that this is the fifth straight quarter of positive payment volume growth in US credit.

And so, within the US portfolio, which is being outgrown by rest of world, credit is beginning to take a stronger presence and thereby putting debit in a different financial perspective than it was, say, 12 months ago.

So I think that thesis is exactly what we were trying to convey on the call. Thank you for asking.

Operator

Tien-Tsin Huang, JPMorgan.

Tien-Tsin Huang - *JPMorgan - Analyst*

Glad to see the buyback. Joe, I just want to ask you, I guess you are teasing us a little bit here with the e-commerce mobile strategy announcement later this month. Is there any way you can elaborate on that further? And I guess I would also ask you if you can update us on your willingness to work with, I will call it nonbank partners in the US, names like ISIS, which I believe is now opening things up outside of Discover?

Joe Saunders - *Visa Inc. - Chairman and CEO*

Well, I can't really expand on the first point because, as I suggested, we are going to make an announcement, and we'll begin with something in the middle to end of next week. So you're going to have to hold off for a few days or several days in that regards.

As it relates to the second part of the question, obviously one of the things that we are looking at is opening up new and different sources of revenue. And that would suggest that we will be working with different types of entities than we have pretty much exclusively worked with before.

Having said that, I want to make perfectly clear we are not going to do this at the expense of our primary customers, financial institutions.

Operator

Adam Frisch, Morgan Stanley.

Adam Frisch - *Morgan Stanley - Analyst*

I want to address the A&M line in the quarter, because all the calls I'm getting post the release is on this. And I know, Byron, you went through the details. It was based on the accounting changes around Extras and no Olympics this year and so forth.

But just to set an apples-to-apples basis, what would the year-over-year EPS compare have been? And as a follow-on, you said that you will continually invest in growth initiatives. With the margins at 62%, does that mean they are not sustainable at current levels? Thank you.

Byron Pollitt - *Visa Inc. - CFO*

So, on the first one, I think what you are asking, Adam, on marketing is because we took the Visa Extras out of the expense base going forward, does that have a P&L impact? Is that the question?

Because the revenue came out equal to the expenses. So while marketing is down -- and it is down in part because of the removal of Extras, and also because of timing -- the full-year impact of the change that we made with Visa Extras is income statement neutral. So, no impact on EPS and no impact on the full-year guidance for marketing, because when we guided the -- while marketing is down versus the same quarter last year, there's always -- given the campaign that we had last year relative to the Olympics, you would naturally expect it to be down somewhat.

So we are still fully consistent with the guidance that we gave earlier on marketing and the announcements we made for Extras, no income statement impact.

With regards to the margin at 62% for the quarter, that would be -- what you should take away is that we are increasingly investing in our products, platforms to drive future growth, and the margin will simply be an outcome of the level of investment that we make. And we continue to invest aggressively in that arena.

Operator

Dan Perlin, RBC Capital Markets.

Dan Perlin - *RBC Capital Markets - Analyst*

I had a question as pertains to watching inflation, gas prices and food. And I wanted to know, what really has been your experience where certain I guess friction points or price levels really start to impact the transaction growth relative to (technical difficulty) that you guys get from higher average ticket prices? And then, are you really concerned at current levels, or would you be concerned if these levels were kind of held up for a prolonged period of time?

Byron Pollitt - *Visa Inc. - CFO*

This is Byron. Let me give you a few -- a little bit of factual perspective first. With regards -- and let's talk about this in the context of the US. So, for gas, historically, if you go back a year, gas prices -- at gas prices that were roughly 30% less than the average, on average, than they are today, we were running about 8% of total US payment volume in the gas category -- we refer to it as oil -- in the oil category.

In the month of April, that was just a little over 10% of US payment volume, suggesting that the share had moved up about -- that's about a 25% increase in the share of US payment volume when you compare that to roughly -- based on our measures -- a 32% increase in the average price of gasoline, April versus about where we were a year ago.

And you factor in that there has probably been some degree of consumption cutback, given prices that are now posted in the $4-plus range, that is the immediate impact. We have not yet seen -- and it may be a bit early -- we have not yet seen any specific callouts relative to tradeouts on other spending categories, which may be in part due to the additional disposable income created by reductions in withholding tax and Social Security.

So we are still trying to sort that out. Inevitably, there's probably going to be some friction, but at the moment it's hard for us to identify it.

Operator

Andrew Jeffrey, SunTrust.

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

Thanks for taking the question. Byron, if we operate under the assumption that indeed Durbin is not delayed and, as you said, you would adjust incentives to maintain volume, could we think about that -- first of all, I'm assuming what you're saying is you would be above the high end of the 16.5% range you've set. And second, would that effectively be a one-time event concentrated in the second half of '11, and then you would go back to more normalized levels in the future? Or is that a structurally higher level of volume to support incentives, in your view?

Byron Pollitt - *Visa Inc. - CFO*

Let me deal with the first part of your question. We delivered the first six months at 16% incentives as a percent of growth, and our guidance was 16% to 16.5%. That 16% to 16.5% guidance did assume that Durbin would not be delayed, that we would have some impact of Durbin before the end of the year. And we provided for some degree of incentives in the event that that were to happen.

Without knowing the exact timing, without knowing exactly how the rules will be promulgated, without knowing the timing -- the implementation timing associated with those rules, those are some pretty big wildcards with regards to the incentives that we may or may not be putting on the table this fiscal year.

And therefore, we were drawing attention to the fact that we've got a year in the bag at 16%, but there is some significant uncertainty still to go. But some of those uncertainties were contemplated, so don't automatically assume that were it not to be delayed that we would necessarily be above that range. But where we end up is going to be a function of the timing and the exact wording of the rules.

And I would say on the second, it's just hard to know with regards to how we would be deploying incentives today versus how we would do it under Durbin. The notion that incentives would be in play I think is a fair assumption. To what degree, whether it would be one-time, sustained, I think it will be -- once we understand better the environment ahead, we will be much better able to opine on that.

Operator

Dave Koning, Baird.

Dave Koning - *Robert W. Baird - Analyst*

I was just wondering if the acceleration in credit growth, if that's all being driven by just consumer preferences as maybe their incomes rise, etc., or if there is some external push from the banks that are just starting to push credit over debit or just deemphasizing debit.

Byron Pollitt - *Visa Inc. - CFO*

Credit has -- go ahead.

Joe Saunders - *Visa Inc. - Chairman and CEO*

Go ahead.

Byron Pollitt - *Visa Inc. - CFO*

Credit is typically much more discretionary in its use. And therefore, we have continued to see very strong debit growth, which is more nondiscretionary. As the economy recovers, our belief is that consumers, in combination with more employment, become more willing to spend on the discretionary side.

From what we can see, this is still concentrated in the high-income segment of the market, but driven by more discretionary spend and not coming at the expense of debit at this point.

Operator

David Hochstim, Buckingham Research.

David Hochstim - *Buckingham Research - Analyst*

I wondered, could you just give us maybe a better sense of how much the conversions affected some of the revenue and payments growth metrics this quarter, if we look at the year-over-year comparisons this quarter versus the December quarter?

Byron Pollitt - *Visa Inc. - CFO*

We don't actually guide or disclose what the actual impacts are. But it is -- conversions are accretive for us through this fiscal year. And we can address that again with fiscal year '12 coming up when we talk about our guidance for that time period at the

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end of the year. We will address conversions or deconversions at that point. But it should be accretive in each quarter for the balance of this fiscal year.

Operator

Don Fandetti, Citi.

Don Fandetti - *Citigroup - Analyst*

Joe, as you look at markets such as Asia, there's clearly a very strong growth trajectory. I was curious, on the headwind side, I mean, how do you feel about the competitive landscape from a regional network perspective? We've talked to some folks over there, and it seems like they are continuing to be pretty active.

Joe Saunders - *Visa Inc. - Chairman and CEO*

Well, there's a lot of competitive activity that is different in Asia than in the United States. I mean, there's China UnionPay; there's JCP; there's national payment system considerations. And so there's a lot going on.

But we've been doing business around the world for a lengthy period of time. We've had people on the ground for decades in most of these countries. And the fact that these economies are emerging and that electronic payment mechanisms are becoming more and more prevalent, we continue to have a huge opportunity almost everywhere in the world.

I'm not being dismissive about the competition that we face. I mean, obviously there are areas of the world like China where we can't do business domestically. But I don't think that -- I think that our numbers would suggest to you that we are doing quite well and increasing our volume in Asia and other parts -- and Latin America and other regions outside the United States. And so, I am pretty bullish on where we will be in the next few years in that regard.

Operator

Julio Quinteros, Goldman Sachs.

Julio Quinteros - *Goldman Sachs - Analyst*

Byron, maybe just to sort of home in a little bit on the confidence to grow through Durbin, as we think about that longer term, is it the volume growth outside of the US, some of the mitigation strategies that you're talking about -- what gives you guys the confidence? Or is it a combination of all the above -- you guys have some visibility on obviously where the growth of the business is. So maybe any way to sort of home in on how you're thinking about the mitigation efforts themselves in terms of a post-Durbin world, etc.?

Joe Saunders - *Visa Inc. - Chairman and CEO*

Well, it would be -- this is Joe -- it would be kind of silly for me to sit here and tell you exactly what we're going to do, because it clearly has something to do with competition, in the event that the rules change. But we certainly haven't been passive as it relates to understanding what the various implications and scenarios could be coming out of Durbin, whether it is delayed or isn't delayed, what the final [links] from the Fed would be.

And so, in each of those cases, we have a different set of mitigation tactics that we would intend to use. I mean, obviously, we have some things that we would intend to do across the board regardless of how things -- about how things develop. But our suggesting to you that we are comfortable that we are going to continue to be viable and that we will be a growth company are predicated on the confidence that we have as it relates to what we do. If that's sufficiently vague, I'm sorry.

Operator

Moshe Orenbuch, Credit Suisse.

Moshe Orenbuch - *Credit Suisse - Analyst*

Maybe just to follow up on that, Joe, some of the things that would mitigate the effects on you wouldn't necessarily even be things that you would do; you might help in them. But I was wondering about the idea of, how much do you think of debit volume could be shifted either in more upscale customers up to credit or downscale customers to reloadable prepaid that would have kind of better economics for the issuer and for yourself as well? And would Visa be advantaged in that just because you tend to be partnered with the banks that have more robust credit card platforms, like JPMorgan and BofA?

Joe Saunders - *Visa Inc. - Chairman and CEO*

Well, yes. I mean, your logic is good. And also, in the prepaid space, we're (technical difficulty) significant investment. I can't tell you -- it's hard to judge what percentage of debit volume could move up or down in the way that you're suggesting. But I certainly wouldn't be saying anything out of school or giving away any secrets if I suggested that there isn't a bank in the United States that isn't (technical difficulty).

Operator

Craig Maurer, CLSA.

Craig Maurer - *CLSA - Analyst*

Yesterday on First Data's earnings call, they had mentioned making significant investment in dynamic routing. Whether that is premature or not depends on a Durbin delay or not. But I wanted to get your thoughts on the prospect of dynamic routing at the acquirer level and whether that would create a price war at the merchant level for debit. Thanks.

Joe Saunders - *Visa Inc. - Chairman and CEO*

Well, look, this gets back into what are the mitigation tactics that we are going to use. And I understand what FDR thinks, and I understand that they are probably excited about the potential from their point of view. But, frankly, I'm as excited about what we can do as they are about what they can do. And I'm really quite prepared to do what I need to do to compete with FDR. And I'm -- at the risk of sounding -- well, I'm not being flippant, I'm just -- I have a considerably high degree of confidence that we will be just fine.

Operator

Rod Bourgeois, Bernstein.

Rod Bourgeois - *Sanford Bernstein - Analyst*

It makes sense that you have your incentive outlook and your 2012 outlook essentially on hold until we get clarity on the Fed debit rules. But I'm wondering if you could give us a way to dimension the percentage of your US revenues that are attached to clients where your incentive agreement would need to be altered if the Fed chooses either Alternative A or Alternative B under the no network exclusivity provision.

In other words, how much of your US revenue mix is subject to incentive agreement modifications under the Durbin amendment in the long run, recognizing that Durbin's timing is very unknown?

Byron Pollitt - *Visa Inc. - CFO*

Rod, let me try and be helpful in putting some perspective with two observations, the first one of which -- since we are not going to specifically talk about revenue in the context that you asked -- we are already public that roughly a little over 50% of cards are issued in the US, where Interlink is exclusive on the back, number one.

Joe Saunders - *Visa Inc. - Chairman and CEO*

In the debit.

Byron Pollitt - *Visa Inc. - CFO*

In the debit, where Interlink is exclusive on the back.

Second, we have also said on a number of occasions that most of our contracts are set up with incentive arrangements that are tied to volume. And so, we will naturally, at our impetus, want to revisit a number of those contracts to make sure that the incentives are structured in a way that makes sense, given the legal environment that we will be under post-Durbin.

I can't think of very many contacts at all that require us, because of the legislation, to revisit the contract. We are going to want to in order to adjust the incentives so that it is a win-win for both us and the financial institution.

Operator

James Friedman, Susquehanna.

James Friedman - *Susquehanna Financial Group - Analyst*

So, Byron, I'm going to just improvise here in light of your response to that prior question, which was intriguing. I just want to kind of reiterate what it is that you have addressed so far with regard to volume and incentives.

So, you have said that your 16.5% for this year had contemplated already some impact from Durbin. But the comment you just made suggested that perhaps volume and incentive would be in your interest to reduce in fiscal '12, should Durbin actually proceed. Am I misinterpreting that comment?

Byron Pollitt - *Visa Inc. - CFO*

Yes, you are misinterpreting. The incentive contracts that we have in place are based on -- most of them are based on volume growth. And if the routing provisions go into place where the financial institution potentially has less influence over the actual routing, we just have to look at the incentive provisions to make sure that they are reflective of the way the operating environment will conduct itself under legislation.

Operator

Chris Mammone, Deutsche Bank.

Chris Mammone - *Deutsche Bank - Analyst*

Just wondering -- I know it's small, but just wondering if you could elaborate on the PlaySpan acquisition. We know that the digital gaming category is displaying pretty explosive growth, so just any color on early thought to strategy there as you later in that platform? And then maybe as a quick follow-up, was there anything to call out in volumes, Byron, regarding the Easter shift? Thanks.

Byron Pollitt - *Visa Inc. - CFO*

On the Easter shift, I would say there might be -- that one's hard for us. There might be a little noise in April, but we've got a pretty diversified portfolio. And so I don't think there's really a callout April and May.

Early days on PlaySpan. Joe, do you want to add anything? We just completed the acquisition, so we are fast integrating it, and that may be --

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Joe Saunders - *Visa Inc. - Chairman and CEO*

Well, and it will play a role beyond the gaming space in our strategic direction, which we will -- so it's kind of an ad for next week, which will become much more apparent next week when we make an announcement.

Operator

Moshe Katri, Cowen.

Moshe Katri - *Cowen and Company - Analyst*

Thanks for taking my call. Byron, can you comment on the expected time frames for contract renewals with some of the maybe top five or maybe top 10 banks? And how much flexibility do you have in trying to modify some of those contract terms long before some of those contracts expire? Obviously, specifically, we've been focusing on what you were saying regarding rebates, etc. Thanks.

Byron Pollitt - *Visa Inc. - CFO*

Yes, there are no top five contracts scheduled for renewal, I want to say for a good 18 months or more. We do from time to time, when the opportunity is attractive, we will look at early renewals. But in terms of major contract renewals, at the end of last year, we pretty much cleared the decks and don't expect -- and we have no scheduled major renewals for at least another 18 months.

Joe Saunders - *Visa Inc. - Chairman and CEO*

And we just announced Regions today.

Operator

Bob Napoli, Piper Jaffray.

Bob Napoli - *Piper Jaffray - Analyst*

Joe, I know you're not going to give -- there's a lot more data coming next week. But I was hoping you might be able to give a little more color on, like, with your -- with the Visa announcement that you are leading us to tonight for next week, is it going to be something that is comprehensive with other joint ventures combined that is, like, live business? Is it something that is incremental? I mean, maybe a little bit more color to help prepare us for next week.

Joe Saunders - *Visa Inc. - Chairman and CEO*

Well, I think that what I said earlier was that we recognize that as time moves on, that mobile and e-commerce technology are going to consume a greater and greater role in the electronic payments arena. And if we are going to remain as viable a player as we are today, then we are going to have to be out in front as it relates to interoperability, simplicity, security and factors of that nature.

So we have been paying attention to that. The acquisitions that we have made with that in the back of our mind, and we have a strategy, both in the United States and other mature economies, and a different strategy in different parts of the world, where there are emerging economies that depend more on old technology.

So, it is kind of bringing that together, the way that we think about that, what we've done, what we have ready to introduce and what we will be contemplating doing as time moves on. So, from our point of view, it's significant. And from our point of view, it is -- we are at a better point than any of the competition that we think we have to deal with [has been that], because our solution is a more complete solution than what we've seen in the market heretofore.

And so we've been reluctant to talk about it until we have it put together, and put together in an appropriate way, where we can tell you something positive and significant, and we can talk about how it all comes together. So, that's where we are.

Operator

Bill Carcache, Macquarie.

Bill Carcache - *Macquarie - Analyst*

There have been some recent announcements that suggest that EMV is gaining traction in the US. Can you talk about whether you're seeing that and share your thoughts on what that would mean for Visa?

Joe Saunders - *Visa Inc. - Chairman and CEO*

Yes. It is gaining traction, and we've supported it. We've made an announcement several months ago as it related to our support globally. We didn't encourage it in the US. There have been a lot of things going on, as you are probably aware, like the Card Act and the Durbin Act and distracting to issuers in the United States.

But for cards to be global, the chips are going to play a role. And we encourage moving to chip technology. We don't necessarily encourage moving to PINs and chips. We encourage moving to chips and other forms of identification or authentication than what exists, have existed heretofore.

We don't believe that contactless chips will become something that is ubiquitous in the point-of-sale marketplace in the United States in the near future. We think that there will be specific things to which it is applicable and for which it will be used, but it won't necessarily be widespread tomorrow or the next day, or in 2012 or 2013.

Jack Carsky - *Visa Inc. - Head of Global IR*

Jose, at this point we have time for one more question.

Operator

Jim Kissane, Bank of America-Merrill Lynch.

Jim Kissane - *BofA Merrill Lynch - Analyst*

Joe, do you think the economics with mobile will be better, worse or the same compared with plastic today, given that there's many carriers involved, handset manufacturers involved, potentially technology companies? Thank you.

Joe Saunders - *Visa Inc. - Chairman and CEO*

I think we have a terrific opportunity in mobile technology. And I did mention in answering one of the other questions, I believe, that we believe that not only will we do well as it relates to the technology and just payments in general, but we do believe that there are other sources of revenue that will be made available to us that are not now. And that takes our CyberSource acquisition, our PlaySpan acquisition and other things that we've done, and when we put it all together, we are pretty excited about the amount of revenue that can come out of this in the future.

Now, let me caution you -- I'm not talking about a spike in revenue in 2012. I mean, this isn't something that happens overnight. It's something that evolves. But as I sit here and look at Visa and I look at our sources of revenue and our growth, I have to anticipate what is going to be fueling that growth three years from now and four years from now, not just what's going to happen next week.

And so, I think that what we're going to talk about next week is the way we're putting things together, and mobile technology in particular will be something that we will be happy, excited to be developing as time goes on.

Jack Carsky - *Visa Inc. - Head of Global IR*

Well, that ends it. Thank you all very much for joining us today. And if anybody has any follow-up questions, feel free to give myself or Victoria a call.

Operator

Thank you for your participation in today's conference call. The call has concluded. You may go ahead and disconnect at this time.