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

FORM 10-Q

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

For the quarterly period ended June 30, 2013

or

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

Commission File Number: 001-35462

Vantiv, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**26-4532998**
(State of incorporation)	(I.R.S. Employer Identification No.)

8500 Governor's Hill Drive
Symmes Township, OH 45249
(Address of principal executive offices and zip code)
(513) 900-5250
(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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 x No o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of June 30, 2013, there were 140,350,448 shares of the Registrant's Class A common stock outstanding and 53,822,826 shares of the Registrant's Class B common stock outstanding.

VANTIV, INC.
FORM 10-Q

For the Quarterly Period Ended June 30, 2013

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, our objectives for future operations, and any statements of a general economic or industry specific nature, are forward-looking statements. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "continue," "could," "should," "can have," "likely," or the negative or plural of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe, based on information currently available to our management, may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations and assumptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We undertake no obligation to publicly update any forward-looking statement after the date of this report, whether as a result of new information, future developments or otherwise, or to conform these statements to actual results or revised expectations, except as may be required by law.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Vantiv, Inc.
CONSOLIDATED STATEMENTS OF INCOME
Unaudited
(In thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue:				
External customers	$ 499,146	$ 450,250	$ 978,305	$ 864,870
Related party revenues	20,263	19,372	39,070	37,541
Total revenue	519,409	469,622	1,017,375	902,411
Network fees and other costs	222,502	209,244	447,567	409,452
Sales and marketing	76,436	70,532	152,412	143,289
Other operating costs	49,268	40,417	99,828	79,426
General and administrative	29,862	29,190	60,961	57,787
Depreciation and amortization	44,528	39,667	87,824	78,562
Income from operations	96,813	80,572	168,783	133,895
Interest expense—net	(9,899)	(10,169)	(19,593)	(34,619)
Non-operating expenses	(20,000)	(836)	(20,000)	(92,672)
Income before applicable income taxes	66,914	69,567	129,190	6,604
Income tax expense	20,946	21,989	38,757	1,954
Net income	45,968	47,578	90,433	4,650
Less: Net income attributable to non-controlling interests	(17,060)	(24,622)	(35,406)	(58)
Net income attributable to Vantiv, Inc.	$ 28,908	$ 22,956	$ 55,027	$ 4,592
Net income per share attributable to Vantiv, Inc. Class A common stock:				
Basic	$ 0.21	$ 0.19	$ 0.40	$ 0.04
Diluted	$ 0.20	$ 0.18	$ 0.38	$ 0.03
Shares used in computing net income per share of Class A common stock:				
Basic	137,342,051	122,777,349	137,213,875	107,897,927
Diluted	207,901,994	130,093,491	211,244,104	160,053,473

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$ 45,968	$ 47,578	$ 90,433	$ 4,650
Other comprehensive income, net of tax:				
Reclassification adjustment for losses on hedging activity included in net income	25	—	25	23,929
Unrealized gain on hedging activities	6,273	—	6,273	—
Comprehensive income	52,266	47,578	96,731	28,579
Less: Comprehensive income attributable to non-controlling interests	(19,443)	(24,622)	(37,789)	(14,473)
Comprehensive income attributable to Vantiv, Inc.	$ 32,823	$ 22,956	$ 58,942	$ 14,106

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited
(In thousands, except share data)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 472,591	$ 67,058
Accounts receivable—net	395,643	397,664
Related party receivable	4,552	4,415
Settlement assets	107,023	429,377
Prepaid expenses	14,660	10,629
Other	12,383	11,934
Total current assets	1,006,852	921,077
Customer incentives	29,647	28,927
Property and equipment—net	196,042	174,940
Intangible assets—net	827,758	884,536
Goodwill	1,808,476	1,804,592
Deferred taxes	306,661	141,361
Other assets	36,029	24,096
Total assets	$ 4,211,465	$ 3,979,529
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 215,611	$ 215,998
Related party payable	2,693	1,625
Settlement obligations	310,503	542,564
Current portion of note payable to related party	17,621	28,800
Current portion of note payable	74,879	63,700
Current portion of tax receivable agreement obligations to related parties	31,595	—
Deferred income	11,085	9,667
Current maturities of capital lease obligations	4,648	5,505
Other	1,481	1,609
Total current liabilities	670,116	869,468
Long-term liabilities:		
Note payable to related party	334,804	292,000
Note payable	1,429,820	871,605
Tax receivable agreement obligations to related parties	694,905	484,700
Capital lease obligations	14,403	8,275
Deferred taxes	10,506	8,207
Other	2,418	1,039
Total long-term liabilities	2,486,856	1,665,826
Total liabilities	3,156,972	2,535,294
Commitments and contingencies (See Note 6 - Commitments, Contingencies and Guarantees)		
Equity:		
Class A common stock, $0.00001 par value; 890,000,000 shares authorized; 140,350,448 shares outstanding at June 30, 2013; 142,243,680 shares outstanding at December 31, 2012	1	1
Class B common stock, no par value; 100,000,000 shares authorized; 53,822,826 shares issued and outstanding at June 30, 2013; 70,219,136 shares issued and outstanding at December 31, 2012	—	—
Preferred stock, $0.00001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Paid-in capital	510,064	766,337
Retained earnings	124,521	69,494
Accumulated other comprehensive income	3,915	—
Treasury stock, at cost; 1,486,862 shares at June 30, 2013 and 978,226 shares at December 31, 2012	(29,028)	(17,906)
Total Vantiv, Inc. equity	609,473	817,926
Non-controlling interests	445,020	626,309
Total equity	1,054,493	1,444,235
Total liabilities and equity	$ 4,211,465	$ 3,979,529

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
(In thousands)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Operating Activities:		
Net income	$ 90,433	$ 4,650
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	87,824	78,562
Amortization of customer incentives	4,962	2,898
Amortization and write-off of debt issuance costs	22,156	57,406
Share-based compensation expense	13,930	17,492
Change in operating assets and liabilities:		
Decrease in accounts receivable and related party receivable	1,884	8,850
Increase (decrease) in net settlement assets and obligations	90,293	(5,051)
Increase in customer incentives	(8,712)	(4,089)
Increase in prepaid and other assets	(957)	(12,621)
Decrease in accounts payable and accrued expenses	(5,202)	(15,126)
Increase (decrease) in payable to related party	1,068	(3,054)
Increase in other liabilities	1,350	2,758
Net cash provided by operating activities	299,029	132,675
Investing Activities:		
Purchases of property and equipment	(30,597)	(24,492)
Acquisition of customer portfolios and related assets	(5,953)	(5,454)
Purchase of investments	(1,677)	—
Net cash used in investing activities	(38,227)	(29,946)
Financing Activities:		
Proceeds from initial public offering, net of offering costs of $39,091	—	460,913
Proceeds from follow-on offering, net of offering costs of $1,951	—	33,512
Proceeds from issuance of long-term debt	1,850,000	1,248,750
Repayment of debt and capital lease obligations	(1,255,078)	(1,780,400)
Payment of debt issuance costs	(26,288)	(28,949)
Purchase of Class B units in Vantiv Holding from Fifth Third Bank	—	(33,512)
Repurchase of Class A common stock	(400,000)	—
Repurchase of Class A common stock (to satisfy tax withholding obligations)	(11,122)	(14,045)
Tax benefit from employee share-based compensation	5,166	11,900
Distribution to funds managed by Advent International Corporation	—	(40,086)
Distribution to non-controlling interests	(17,947)	(22,538)
Net cash provided by (used in) financing activities	144,731	(164,455)
Net increase (decrease) in cash and cash equivalents	405,533	(61,726)
Cash and cash equivalents—Beginning of period	67,058	370,549
Cash and cash equivalents—End of period	$ 472,591	$ 308,823
Cash Payments:		
Interest	$ 16,743	$ 41,981
Taxes	29,198	4,800
Non-cash Items:		
Issuance of tax receivable agreements	$ 241,800	$ 333,000
Accrual of secondary offering costs	—	3,000

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
CONSOLIDATED STATEMENTS OF EQUITY
Unaudited
(In thousands)

		Common Stock								Accumulated	
		Class A		Class B		Treasury Stock				Other	Non-
	Total Equity	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Retained Earnings	Comprehensive Income	Controlling Interests
Beginning Balance, January 1, 2013	$ 1,444,235	142,244	$ 1	70,219	$ —	978	$ (17,906)	$ 766,337	$ 69,494	$ —	$ 626,309
Net Income	90,433	—	—	—	—	—	—	—	55,027	—	35,406
Issuance of Class A common stock upon vesting of restricted stock awards	—	1	—	—	—	—	—	—	—	—	—
Tax benefit from employee share-based compensation	5,166	—	—	—	—	—	—	5,166	—	—	—
Repurchase of Class A common stock (to satisfy tax withholding obligation)	(11,122)	(509)	—	—	—	509	(11,122)	—	—	—	—
Issuance of Class A common stock and cancellation of Class B common stock in connection with secondary offering	—	16,396	—	(16,396)	—	—	—	—	—	—	—
Repurchase of Class A common stock	(400,000)	(17,453)	—	—	—	—		(400,000)	—	—	—
Issuance of tax receivable agreements	(76,500)	—	—	—	—	—	—	(76,500)	—	—	—
Unrealized gain on hedging activities, net of tax	6,298	—	—	—	—	—	—	—	—	3,915	2,383
Distribution to non-controlling interests	(17,947)	—	—	—	—	—	—	—	—	—	(17,947)
Share-based compensation	13,930	—	—	—	—	—	—	9,515	—	—	4,415
Forfeitures of restricted stock awards	—	(329)	—	—	—	—	—	—	—	—	—
Reallocation of non-controlling interests of Vantiv Holding due to change in ownership	—	—	—	—	—	—	—	205,546	—	—	(205,546)
Ending Balance, June 30, 2013	$ 1,054,493	140,350	$ 1	53,823	$ —	1,487	$ (29,028)	$ 510,064	$ 124,521	$ 3,915	$ 445,020

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
CONSOLIDATED STATEMENTS OF EQUITY
Unaudited
(In thousands)

	Total	Common Stock				Treasury Stock		Paid-in	Retained	Accumulated Other Comprehensive	Non-Controlling
		Class A		Class B							
	Equity	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Earnings	(Loss) Income	Interests
Beginning Balance, January 1, 2012	$ 1,255,720	89,516	$ 1	—	$ —	—	$ —	$ 581,241	$ 51,970	$ (9,514)	$ 632,022
Net income	4,650	—	—	—	—	—	—	—	4,592	—	58
Issuance of Class A common stock upon initial public offering, net of offering costs	457,913	29,412	—	—	—	—	—	457,913	—	—	—
Issuance of Class A common stock in connection with follow-on offering, net of offering costs	33,512	2,086	—	—	—	—	—	33,512	—	—	—
Issuance of Class A common stock to prior unit holders under the Vantiv Holding Management Phantom Equity Plan	—	8,716	—	—	—	—	—	—	—	—	—
Tax benefit from employee share-based compensation	11,900	—	—	—	—	—	—	11,900	—	—	—
Issuance of Class A common stock to JPDN in exchange for Class A and Class B units in Vantiv Holding held by JPDN	—	240	—	—	—	—	—	4,074	—	—	(4,074)
Repurchase of Class A common stock (to satisfy tax withholding obligation)	(14,045)	(801)	—	—	—	801	(14,045)	—	—	—	—
Issuance of Class B common stock under Recapitalization Agreement	—	—	—	86,005	—	—	—	—	—	—	—
Purchase of Class B units in Vantiv Holding from Fifth Third Bank and cancellation of related Class B common stock	(33,512)	—	—	(2,086)	—	—	—	—	—	—	(33,512)
Issuance of tax receivable agreements	(325,000)	—	—	—	—	—	—	(325,000)	—	—	—
Cash flow hedge reclassification adjustment	23,929	—	—	—	—	—	—	—	—	9,514	14,415
Distribution to non-controlling interests	(22,538)	—	—	—	—	—	—	—	—	—	(22,538)
Distribution to funds managed by Advent International Corporation	(40,086)	—	—	—	—	—	—	—	(40,086)	—	—
Share-based compensation	17,492	—	—	—	—	—	—	10,482	—	—	7,010
Forfeitures of restricted stock awards	—	(46)	—	—	—	—	—	—	—	—	—
Reallocation of non-controlling interests of Vantiv Holding due to change in ownership	—	—	—	—	—	—	—	(105,114)	—	—	105,114
Ending Balance, June 30, 2012	$ 1,369,935	129,123	$ 1	83,919	$ —	801	$ (14,045)	$ 669,008	$ 16,476	$ —	$ 698,495

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Vantiv, Inc., a Delaware corporation, is a holding company that conducts its operations through its majority-owned subsidiary, Vantiv Holding, LLC (“Vantiv Holding”). Vantiv, Inc. and Vantiv Holding are referred to collectively as the “Company,” “Vantiv,” “we,” “us” or “our,” unless the context requires otherwise.

The Company provides electronic payment processing services to merchants and financial institutions throughout the United States of America. The Company markets its services through diverse distribution channels, including a direct sales force, relationships with a broad range of independent sales organizations (“ISOs”), merchant banks, value-added resellers and trade associations as well as arrangements with core processors.

Secondary Offering and Share Repurchase

In May 2013, a secondary offering took place in which selling shareholders sold 40.7 million shares of Vantiv, Inc. Class A common stock. The Company did not receive any proceeds from these sales. In connection with the secondary offering, the Company repurchased approximately 17.5 million shares of its Class A common stock sold to the underwriters in the secondary offering for $400 million at a price per share equal to the price paid by the underwriters to purchase the shares from the selling shareholders in the offering. The repurchased shares were retired and accounted for as a reduction to equity in the Company's consolidated financial statements. In connection with the share repurchase, we refinanced our existing senior secured credit facilities, resulting in an increase in the amount of debt by approximately $650 million, $400 million of which was used to fund the share repurchase (see Note 4 - Long-Term Debt).

Principles of Consolidation

The accompanying consolidated financial statements include the operations and accounts of the Company and all subsidiaries thereof. All intercompany balances and transactions have been eliminated upon consolidation.

As of June 30, 2013, Vantiv, Inc. and Fifth Third Bank (“Fifth Third”) owned interests in Vantiv Holding of 72.28% and 27.72%, respectively.

The Company accounts for non-controlling interests in accordance with Accounting Standards Codification (“ASC”) 810, *Consolidation*. Non-controlling interests represent the minority shareholders’ share of net income or loss of and equity in Vantiv Holding. Net income (loss) attributable to non-controlling interests does not include expenses incurred directly by Vantiv, Inc., including income tax expense (benefit) attributable to Vantiv, Inc. All of the Company’s non-controlling interests are presented after Vantiv Holding income tax expense (benefit) in the consolidated statements of income (loss) as “Net (income) loss attributable to non-controlling interests.” Non-controlling interests are presented as a component of equity in the consolidated statements of financial position.

Basis of Presentation

The accompanying consolidated financial statements include those of Vantiv, Inc. and its majority-owned subsidiary, Vantiv Holding, LLC. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and should be read in conjunction with the Company's 2012 audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K. The accompanying consolidated financial statements are unaudited; however, in the opinion of management they include all normal recurring adjustments necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the periods presented. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

Sponsorship

In order to provide electronic payment processing services, Visa, MasterCard and other payment networks require sponsorship of non-financial institutions by a member clearing bank. In June 2009, the Company entered into a ten-year agreement with Fifth Third (the “Sponsoring Member”), to provide sponsorship services to the Company. The Company also has agreements with certain other banks that provide sponsorship into the card networks.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

The Company has contractual agreements with its clients that set forth the general terms and conditions of the relationship including line item pricing, payment terms and contract duration. Revenues are recognized as earned (i.e., for transaction based fees, when the underlying transaction is processed) in conjunction with ASC 605, *Revenue Recognition*. ASC 605, *Revenue Recognition*, establishes guidance as to when revenue is realized or realizable and earned by using the following criteria: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the seller’s price is fixed or determinable; and (4) collectibility is reasonably assured.

The Company follows guidance provided in ASC 605-45, *Principal Agent Considerations*. ASC 605-45, *Principal Agent Considerations*, states that whether a company should recognize revenue based on the gross amount billed to a customer or the net amount retained is a matter of judgment that depends on the facts and circumstances of the arrangement and that certain factors should be considered in the evaluation. The Company recognizes processing revenues net of interchange fees, which are assessed to the Company’s merchant customers on all processed transactions. Interchange rates are not controlled by the Company, which effectively acts as a clearing house collecting and remitting interchange fee settlement on behalf of issuing banks, debit networks, credit card associations and its processing customers. All other revenue is reported on a gross basis, as the Company contracts directly with the end customer, assumes the risk of loss and has pricing flexibility.

The Company generates revenue primarily by processing electronic payment transactions. Set forth below is a description of the Company’s revenue by segment.

Merchant Services

The Company’s Merchant Services segment revenue is primarily derived from processing credit and debit card transactions. Merchant Services revenue is primarily comprised of fees charged to businesses, net of interchange fees, for payment processing services, including authorization, capture, clearing, settlement and information reporting of electronic transactions. The fees charged consist of either a percentage of the dollar volume of the transaction or a fixed fee, or both, and are recognized at the time of the transaction. Merchant Services revenue also includes a number of revenue items that are incurred by the Company and are reimbursable as the costs are passed through to and paid by the Company’s clients. These items primarily consist of Visa, MasterCard and other payment network fees. In addition, for sales through ISOs and certain other referral sources in which the Company is the primary party to the contract with the merchant, the Company records the full amount of the fees collected from the merchant as revenue. Merchant Services segment revenue also includes revenue from ancillary services such as fraud management, equipment sales and terminal rent. Merchant Services revenue is recognized as services are performed.

Financial Institution Services

The Company’s Financial Institution Services segment revenues are primarily derived from debit, credit and automated teller machines (“ATM”) card transaction processing, ATM driving and support, and personal identification number (“PIN”) debit processing services. Financial Institution Services revenue associated with processing transactions includes per transaction and account related fees, card production fees and fees generated from the Company’s Jeanie network. Financial Institution Services revenue related to card transaction processing is recognized when consumers use their client-issued cards to make purchases. Financial Institution Services also generates revenue through other services, including statement production, collections and inbound/outbound call centers for credit transactions and other services such as credit card portfolio analytics, program strategy and support, fraud and security management and chargeback and dispute services. Financial Institution Services revenue is recognized as services are performed.

Financial Institution Services provides certain services to Fifth Third. Revenues related to these services are included in the accompanying statements of income as related party revenues.

Expenses

Set forth below is a brief description of the components of the Company's expenses:

- *Network fees and other costs* consists of certain expenses incurred by the Company in connection with providing processing services to its clients, including Visa and MasterCard network association fees, payment network fees, card production costs, telecommunication charges, postage and other third party processing expenses.

- *Sales and marketing* expense primarily consists of salaries and benefits paid to sales personnel, sales management and other sales and marketing personnel, advertising and promotional costs and residual payments made to ISOs, agent banks and other third party partners.

- *Other operating costs* primarily consist of salaries and benefits paid to operational and IT personnel, costs associated with operating the Company's technology platform and data centers, information technology costs for processing transactions, product development costs, software consulting fees and maintenance costs.

- *General and administrative* expenses primarily consist of salaries and benefits paid to executive management and administrative employees, including finance, human resources, product development, legal and risk management, share-based compensation costs, equipment and occupancy costs and consulting costs.

- *Non-operating expenses* consist of charges related to the refinancing of the Company's senior secured credit facilities (See Note 4 - Long-Term Debt) in May 2013 and March 2012 and the Company's early termination of interest rate swaps (See Note 5 - Derivatives and Hedging Activities) in connection with the March 2012 debt refinancing, as well as a one-time activity fee of $6.0 million assessed by MasterCard as a result of the Company's initial public offering ("IPO").

Share-Based Compensation

The Company expenses employee share-based payments under ASC 718, *Compensation—Stock Compensation*, which requires compensation cost for the grant-date fair value of share-based payments to be recognized over the requisite service period. The Company estimates the grant date fair value of the share-based awards issued in the form of options using the Black-Scholes option pricing model. The fair value of restricted stock awards and performance awards is measured based on the market price of the Company's stock on the grant date.

Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to Vantiv, Inc. by the weighted average shares outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to Vantiv, Inc., adjusted as necessary for the impact of potentially dilutive securities, by the weighted-average shares outstanding during the period and the impact of securities that would have a dilutive effect on earnings per share. See Note 10 - Net Income Per Share for further discussion.

Income Taxes

Vantiv, Inc. is taxed as a C corporation for U.S. income tax purposes and is therefore subject to both federal and state taxation at a corporate level.

Income taxes are computed in accordance with ASC 740, *Income Taxes*, and reflect the net tax effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and the corresponding income tax amounts. The Company has deferred tax assets and liabilities and maintains valuation allowances where it is more likely than not that all or a portion of deferred tax assets will not be realized. To the extent the Company determines that it will not realize the benefit of some or all of its deferred tax assets, such deferred tax assets will be adjusted through the Company's provision for income taxes in the period in which this determination is made. As of June 30, 2013 and December 31, 2012 the Company had recorded no valuation allowances against deferred tax assets.

The Company's consolidated interim effective tax rate is based upon expected annual income from operations, statutory tax rates and tax laws in the various jurisdictions in which the Company operates. Significant or unusual items, including adjustments to accruals for tax uncertainties, are recognized in the quarter in which the related event occurs.

The Company's effective tax rates were 30.0% and 29.6%, respectively, for the six months ended June 30, 2013 and 2012. The effective rate for each period reflects the impact of the Company's non-controlling interests.

Cash and Cash Equivalents

Investments with original maturities of three months or less (that are readily convertible to cash) are considered to be cash equivalents and are stated at cost, which approximates fair value. Cash equivalents consist primarily of overnight Eurodollar sweep accounts which are maintained at reputable financial institutions with high credit quality and therefore are considered to bear minimal credit risk.

Accounts Receivable—net

Accounts receivable primarily represent processing revenues earned but not collected. For a majority of its customers, the Company has the authority to debit the client's bank accounts through the Federal Reserve's Automated Clearing House; as such, collectibility is reasonably assured. The Company records a reserve for doubtful accounts when it is probable that the accounts receivable will not be collected. The Company reviews historical loss experience and the financial position of its customers when estimating the allowance. As of June 30, 2013 and December 31, 2012, the allowance for doubtful accounts was not material to the Company's statements of financial position.

Customer Incentives

Customer incentives represent signing bonuses paid to customers. Customer incentives are paid in connection with the acquisition or renewal of customer contracts, and are therefore deferred and amortized using the straight-line method based on the contractual agreement. Related amortization is recorded as contra-revenue.

Property and Equipment—net

Property and equipment consists of the Company's corporate headquarters facility, furniture and equipment, software and leasehold improvements. These assets are depreciated on a straight-line basis over their respective useful lives, which are 15 to 40 years for the Company's corporate headquarters facility and related improvements, 2 to 10 years for furniture and equipment, 3 to 5 years for software and 3 to 10 years for leasehold improvements or the lesser of the estimated useful life of the improvement or the term of lease.

The Company capitalizes certain costs related to computer software developed for internal use and amortizes such costs on a straight-line basis over an estimated useful life of 3 to 5 years. Research and development costs incurred prior to establishing technological feasibility are charged to operations as such costs are incurred. Once technological feasibility has been established, costs are capitalized until the software is placed in service.

Goodwill and Intangible Assets

In accordance with ASC 350, *Intangibles—Goodwill and Other*, the Company tests goodwill for impairment for each reporting unit on an annual basis, or when events occur or circumstances change that would indicate the fair value of a reporting unit is below its carrying value. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that fair value of the goodwill within the reporting unit is less than its carrying value. The Company performed its most recent annual goodwill impairment test for all reporting units as of July 31, 2012 in accordance with ASU 2011-08, "Intangibles - Goodwill and Other (Topic 350) Testing Goodwill for Impairment," which permits the Company to assess qualitative factors to determine whether the existence of events or circumstances leads to the determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on this analysis, it was determined that it is not more likely than not that the fair value of the reporting units is less than the carrying value.

Intangible assets consist primarily of acquired customer relationships amortized over their estimated useful lives and an indefinite lived trade name not subject to amortization. The Company reviews the acquired customer relationships for possible impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. The indefinite lived trade name is tested for impairment annually. The Company performed its most recent annual trade name impairment test as of July 31, 2012, which indicated there was no impairment.

Settlement Assets and Obligations

Settlement assets and obligations result from Financial Institution Services when funds are transferred from or received by the Company prior to receiving or paying funds to a different entity. This timing difference results in a settlement asset or obligation. The amounts are generally collected or paid the following business day.

The settlement assets and obligations recorded by Merchant Services represent intermediary balances due to differences between the amount the Sponsoring Member receives from the card associations and the amount funded to the merchants. Such differences arise from timing differences, interchange expenses, merchant reserves and exception items. In addition, certain card associations limit the Company from accessing or controlling merchant settlement funds and, instead, require that these funds be controlled by the Sponsoring Member. The Company follows a net settlement process whereby, if the settlement received from the card associations precedes the funding obligation to the merchant, the Company temporarily records a corresponding liability. Conversely, if the funding obligation to the merchant precedes the settlement from the card associations, the amount of the net receivable position is recorded by the Company, or in some cases, the Sponsoring Member may cover the position with its own funds in which case a receivable position is not recorded by the Company.

Derivatives

The Company accounts for derivatives in accordance with ASC 815, *Derivatives and Hedging*. This guidance establishes accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the statement of financial position at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item will be recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portion of the change in the fair value of the derivative will be recorded in accumulated other comprehensive income (loss) and will be recognized in the statement of income when the hedged item affects earnings. For a derivative that does not qualify as a hedge ("free-standing derivative"), changes in fair value are recognized in earnings. The Company does not enter into derivative financial instruments for speculative purposes.

2. INTANGIBLE ASSETS

As of June 30, 2013 and December 31, 2012, the Company's intangible assets consisted of the following (in thousands):

	June 30, 2013	December 31, 2012
Customer relationship intangible assets	$ 1,208,281	$ 1,212,919
Trade names	42,300	42,300
Customer portfolios and related assets	22,733	16,780
	1,273,314	1,271,999
Less accumulated amortization on:		
Customer relationship intangible assets	438,864	383,962
Trade names	700	—
Customer portfolios and related assets	5,992	3,501
	445,556	387,463
	$ 827,758	$ 884,536

Amortization expense on intangible assets for the three months ended June 30, 2013 and 2012 was $31.3 million and $29.9 million, respectively. Amortization expense on intangible assets for the six months ended June 30, 2013 and 2012 was $62.7 million and $59.6 million, respectively.

The estimated amortization expense of intangible assets for the next five years is as follows (in thousands):

Six months ending December 31, 2013	$ 62,454
Year ending December 31, 2014	119,535
Year ending December 31, 2015	115,244
Year ending December 31, 2016	111,939
Year ending December 31, 2017	108,720
Year ending December 31, 2018	106,387

3. TAX RECEIVABLE AGREEMENTS

In connection with its IPO, the Company entered into four tax receivable agreements ("TRAs") with its pre-IPO investors, which consisted of certain funds managed by Advent International Corporation ("Advent"), Fifth Third and JPDN Enterprises, LLC ("JPDN"). A description of each TRA is as follows:

- *TRA with Fifth Third*: Provides for the payment by the Company to Fifth Third equal to 85% of the amount of cash savings, if any, in U.S. federal, state, local and foreign income tax that the Company realizes as a result of the increases in tax basis that results from the purchase of Vantiv Holding units from Fifth Third or from the exchange of Vantiv Holding units by Fifth Third for cash or shares of Class A common stock, as well as the tax benefits attributable to payments made under such TRA. Any actual increase in tax basis, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of the Company's Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, and the amount and timing of the Company's income.

  Subsequent to the IPO, the underwriters exercised their option to purchase additional shares of the Company's Class A common stock. As a result, the Company purchased units of Vantiv Holding from Fifth Third. In connection with the secondary offering, which took place in December 2012, Fifth Third exchanged Class B units of Vantiv Holding for Vantiv, Inc. Class A common stock. As a result of the increase in tax basis generated by these transactions, the Company recorded a liability under the TRA of $165.1 million.

  In connection with the secondary offering in May 2013, as discussed in Note 1 - Basis of Presentation and Summary of Significant Accounting Policies, Fifth Third exchanged Class B units of Vantiv Holding for shares of Vantiv, Inc. Class A common stock. As a result of the increase in tax basis generated by the exchange, the Company recorded a liability under the TRA of $241.8 million.

- *TRA with Advent*: Provides for the payment by the Company to Advent equal to 85% of the amount of cash savings, if any, in U.S. federal, state, local and foreign income tax that the Company realizes as a result of the use of the Company's tax attributes in existence prior to the effective date of the Company's IPO.

- *TRA with all pre-IPO investors*: Provides for the payment by the Company to its pre-IPO investors of 85% of the amount of cash savings, if any, in U.S. federal, state, local and foreign income tax that NPC Group, Inc. ("NPC"), a wholly-owned subsidiary of the Company, realizes as a result of its use of its NOLs and other tax attributes, with any such payment being paid to Advent, Fifth Third and JPDN according to their respective ownership interests in Vantiv Holding immediately prior to the IPO.

- *TRA with JPDN*: Provides for the payment to JPDN of 85% of the amount of cash savings, if any, in U.S. federal, state, local and foreign income tax that the Company realizes as a result of the increase in tax basis that may result from the Vantiv Holding units exchanged for the Company's Class A common stock by JPDN, as well as the tax benefits attributable to payments made under such TRA. As part of the recapitalization of Vantiv, Inc. and Vantiv Holding immediately prior to the IPO, JPDN contributed its units of Vantiv Holding to Vantiv, Inc. in exchange for shares of Class A common stock of Vantiv, Inc., creating an obligation under the TRA.

The Company will retain the benefit of the remaining 15% of the cash savings associated with each of the TRAs discussed above.

The Company’s liability pursuant to the TRAs was as follows (in thousands):

	June 30, 2013	December 31, 2012
TRA with Fifth Third Bank	$ 406,900	$ 165,100
TRA with Advent	183,800	183,800
TRA with all pre-IPO investors	134,100	134,100
TRA with JPDN	1,700	1,700
Total	$ 726,500	$ 484,700

As a result of the increase in tax basis associated with the exchanges of units of Vantiv Holding discussed above, the Company recorded a deferred tax asset of $303.3 million. The Company recorded a corresponding reduction to paid-in capital for the difference between the TRA liability and the related deferred tax asset.

For each of the TRAs discussed above, the cash savings realized by the Company are computed by comparing the actual income tax liability of the Company to the amount of such taxes the Company would have been required to pay had there been no increase to the tax basis of the assets of Vantiv Holding as a result of the purchase or exchange of Vantiv Holding units, had there been no tax benefit from the tax basis in the intangible assets of Vantiv Holding on the date of the IPO and had there been no tax benefit as a result of the NOLs and other tax attributes at NPC. Subsequent adjustments of the tax receivable agreement obligations due to certain events (e.g. changes to the expected realization of NOLs or changes in tax rates) will be recognized in the statement of income.

The timing and/or amount of aggregate payments due under the TRAs may vary based on a number of factors, including the amount and timing of the taxable income the Company generates in the future and the tax rate then applicable, the use of loss carryovers and amortizable basis. Payments under the TRAs, if necessary, are required to be made no later than January 5th of the second year immediately following the current taxable year. Therefore, the Company does not expect to make any payments under the TRAs during the year ended December 31, 2013. The first payment under the TRA obligations is due in the first quarter of 2014. The payment, recorded as current portion of tax receivable agreement obligations to related parties on the accompanying statement of financial position, is expected to be approximately $31.6 million. The term of the TRAs will continue until all such tax benefits have been utilized or expired, unless the Company exercises its right to terminate the TRA for an amount based on the agreed payments remaining to be made under the agreement.

4. LONG-TERM DEBT

As of June 30, 2013 and December 31, 2012, the Company’s debt consisted of the following:

	June 30, 2013	December 31, 2012
	(in thousands)	
$1,850.0 million term A loan, maturing on May 15, 2018, and bearing interest at a variable base rate (LIBOR) plus a spread rate (175 basis points) (total rate of 1.94% at June 30, 2013) and amortizing on a basis of 1.25% during each of the first eight quarters, 1.875% during each of the second eight quarters and 2.5% during each of the following three quarters with a balloon payment due at maturity	$ 1,850,000	$ —
$1,000.0 million term A loan, maturing on March 27, 2017, bearing interest based on the Company's leverage ratio at a variable base rate (LIBOR) plus a spread rate (175 to 250 basis points) (total rate of 2.46% at December 31, 2012 and amortizing on a basis of 1.25% during each of the first eight quarters, 1.875% during each of the second eight quarters and 2.5% during each of the following three quarters with a balloon payment due at maturity	—	962,500
$250.0 million term B loan, maturing on March 27, 2019, bearing interest at a variable base rate (LIBOR) plus a spread rate (275 basis points) with a floor of 100 basis points (total rate of 3.75% at December 31, 2012 and amortizing on a basis of 1.0% per year with a balloon payment due at maturity	—	248,125
Borrowings under revolving credit facility (rate of 4.50% at December 31, 2012)	—	40,000
$10.1 million leasehold mortgage, expiring on August 10, 2021 and bearing interest at a fixed rate of 6.22%	10,131	10,131
Less: Current portion of note payable and current portion of note payable to related party	(92,500)	(92,500)
Less: Original issue discount	(3,007)	(4,651)
Total Long-Term Debt	$ 1,764,624	$ 1,163,605

In May 2013, the Company entered into a $1.85 billion term A loan, of which a portion of the proceeds were used to repay the existing senior secured credit facilities which consisted of term A and term B loans with an aggregate outstanding balance of approximately $1.2 billion. The existing revolving credit facility was also terminated. In addition to the new term A loan, the new debt agreement includes a $250.0 million revolving credit facility. The maturity date and debt service requirements relating to the new term A loan are listed in the table above. The revolving credit facility matures in May 2018 and includes a $75.0 million swing line facility and a $40.0 million letter of credit facility. The commitment fee rate for the unused portion of the revolving credit facility is 0.375% per year.

As of June 30, 2013 and December 31, 2012, Fifth Third held $352.4 million and $308.0 million, respectively, of the term A loan. In addition, as of December 31, 2012, Fifth Third held $12.8 million of the $40.0 million borrowed under the revolving credit facility.

Original Issue Discount and Deferred Financing Fees

As a result of the Company's May 2013 debt refinancing discussed above, the Company expensed approximately $20.0 million, which consisted primarily of the write-offs of unamortized deferred financing fees and original issue discount (“OID”) associated with the component of the refinancing accounted for as a debt extinguishment. Amounts expensed in connection with the refinancing are recorded as a component of non-operating expenses in the accompanying consolidated statements of income for the three months and six months ended June 30, 2013. At June 30, 2013, deferred financing fees of approximately $19.7 million and OID of approximately $3.0 million are recorded as a component of other non-current assets and as a reduction of note payable, respectively, in the accompanying consolidated statements of financial position.

Guarantees and Security

Our debt obligations at June 30, 2013 are unconditional and are guaranteed by Vantiv Holding and certain of Vantiv Holding’s existing and subsequently acquired or organized domestic subsidiaries. The refinanced debt and related guarantees are secured on a first-priority basis (subject to liens permitted under the Loan Agreement) in substantially all the capital stock (subject to a 65% limitation on pledges of capital stock of foreign subsidiaries and domestic holding companies of foreign subsidiaries) and personal property of Vantiv Holding and any obligors as well as any real property in excess of $5 million in the aggregate held by Vantiv Holding or any obligors (other than Vantiv Holding), subject to certain exceptions.

Covenants

There are certain financial and non-financial covenants contained in the loan agreement for the refinanced debt, which are tested quarterly based on the last four fiscal quarters beginning with the four fiscal quarters ended September 30, 2013.

5. DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company enters into derivative financial instruments to manage differences in the amount, timing and duration of its known or expected cash payments related to its variable-rate debt. As of June 30, 2013, these derivative instruments consisted of interest rate swaps, which hedged the variable rate debt by converting floating-rate payments to fixed-rate payments.

Accounting for Derivative Instruments

The Company recognizes derivatives in other non-current assets or liabilities in the accompanying consolidated statements of financial position at their fair values. Refer to Note 9 - Fair Value Measurements for a detailed discussion of the fair value of its derivatives. The Company designates its interest rate swaps as cash flow hedges of forecasted interest rate payments related to its variable-rate debt.

The Company formally documents all relationships between hedging instruments and underlying hedged transactions, as well as its risk management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to forecasted transactions. A formal assessment of hedge effectiveness is performed both at inception of the hedge and on an ongoing basis to determine whether the hedge is highly effective in offsetting changes in cash flows of the underlying hedged item. Hedge effectiveness is assessed using a regression analysis. If it is determined that a derivative ceases to be highly effective during the term of the hedge, the Company will discontinue hedge accounting prospectively for such derivative.

The Company’s interest rate swaps qualify for hedge accounting under ASC 815, *Derivatives and Hedging*. Therefore, the effective portion of changes in fair value were recorded in accumulated other comprehensive income (loss) and reclassified into earnings in the same period during which the hedged transaction affected earnings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. As of June 30, 2013, the Company had sixteen outstanding interest rate swaps with a combined notional balance of $1.35 billion (amortizing to $1.1 billion) covering an exposure period from June 2013 through June 2017 that were designated as cash flow hedges of interest rate risk. Fifth Third is the counterparty to five of the sixteen outstanding interest rate swaps with notional balances ranging from $318.8 million to $262.5 million.

The Company does not offset derivative positions in the consolidated statements of financial position. The table below presents the gross fair values of the Company’s derivative financial instruments designated as cash flow hedges included within the accompanying consolidated statements of financial position (in thousands):

	Consolidated Statements of Financial Position Location	June 30, 2013	December 31, 2012
Interest rate swaps	Other long-term asset	$ 8,785	$ —
Interest rate swaps	Other long-term liabilities	188	—

Any ineffectiveness associated with such derivative instruments will be recorded immediately as interest expense in the accompanying consolidated statements of income. As of June 30, 2013, the Company estimates that an additional $0.2 million will be reclassified to interest expense during the next twelve months.

The table below presents the effect of the Company’s interest rate swaps on the consolidated statements of income for the three months and six months ended June 30, 2013 and 2012 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Derivatives in cash flow hedging relationships:				
Amount of gain (loss) recognized in OCI (effective portion)(1)	$ 8,563	$ —	$ 8,563	$ (4,256)
Amount of loss reclassified from accumulated OCI into earnings (effective portion)	(34)	—	(34)	(2,600)
Amount of loss recognized in earnings (ineffective portion)(2)	—	—	—	(31,079)

(1) “OCI” represents other comprehensive income.
(2) For the six months ended June 30, 2012, as a result of the Company's debt refinance in March 2012, amount represents loss due to missed forecasted transaction and is recorded as a component of non-operating expenses in the accompanying consolidated statements of income.

6. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Legal Reserve

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, management believes none of these matters, either individually or in the aggregate, would have a material effect upon the Company’s consolidated financial statements.

7. CONTROLLING AND NON-CONTROLLING INTERESTS IN VANTIV HOLDING

As discussed in Note 1 - Basis of Presentation and Summary of Significant Accounting Policies, Vantiv, Inc. owns a controlling interest in Vantiv Holding, and therefore consolidates the financial results of Vantiv Holding and records non-controlling interest for the economic interests in Vantiv Holding held by Fifth Third.

As of June 30, 2013, Vantiv, Inc.’s interest in Vantiv Holding was 72.28%. Changes in units and related ownership interest in Vantiv Holding are summarized as follows:

	Vantiv, Inc.	Fifth Third	Total
As of December 31, 2012	142,243,680	70,219,136	212,462,816
% of ownership	*66.95%*	*33.05%*	
Fifth Third exchange of Vantiv Holding units for shares of Class A common stock in connection with May 2013 secondary offering	16,396,310	(16,396,310)	—
Share repurchase	(17,452,958)	—	(17,452,958)
Equity plan activity (a)	(836,584)	—	(836,584)
As of June 30, 2013	140,350,448	53,822,826	194,173,274
% of ownership	*72.28%*	*27.72%*	

(a) Includes repurchase of Class A common stock to satisfy employee tax withholding obligation, issuance of Class A common stock upon vesting of restricted stock awards and forfeitures of Restricted Class A common stock awards.

As a result of the changes in ownership interests in Vantiv Holding, an adjustment of $205.5 million has been recognized during the six months ended June 30, 2013 in order to reflect the portion of net assets of Vantiv Holding attributable to non-controlling unit holders based on ownership interests in Vantiv Holding at the time of the secondary offering in May 2013.

The table below provides a reconciliation of net income attributable to non-controlling interests based on relative ownership interests in Vantiv Holding as discussed above (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$ 45,968	$ 47,578	$ 90,433	$ 4,650
Items not allocable to non-controlling interests:				
Vantiv, Inc. income tax expense (benefit) (a)	13,223	15,177	24,065	(10,558)
Vantiv Holding net income (loss)	59,191	62,755	114,498	(5,908)
Net income attributable to non-controlling interests (b)	$ 17,060	$ 24,622	$ 35,406	$ 58

(a) Represents income tax expense (benefit) related to Vantiv, Inc.

(b) Net income attributable to non-controlling interests reflects the allocation of Vantiv Holding's net income (loss) based on the proportionate ownership interests in Vantiv Holding held by the non-controlling unitholders. The net income attributable to non-controlling unitholders reflects the changes in ownership interests summarized in the table above.

8. SHARE-BASED COMPENSATION PLANS

2012 Equity Incentive Plan

The 2012 Vantiv, Inc. Equity Incentive Plan ("2012 Equity Plan") was adopted by the Company's board of directors in March 2012. The 2012 Equity Plan provides for grants of stock options, restricted stock and restricted stock units, performance awards and other stock-based awards. The maximum number of shares of Class A common stock available for issuance pursuant to the 2012 Equity Plan is 35.5 million shares.

Total share-based compensation expense during the six months ended June 30, 2013 and 2012 was $13.9 million and $17.5 million, respectively.

Restricted Class A Common Stock

Prior to the IPO in March 2012, certain employees and directors of Vantiv Holding participated in the Vantiv Holding Management Phantom Equity Plan ("Phantom Equity Plan") which provided for awards to be converted to unrestricted and restricted shares of Vantiv, Inc. Class A common stock upon completion of the IPO, issued under the 2012 Equity Plan. Upon conversion, the Company issued 1,381,135 shares of unrestricted Class A Common Stock and 6,633,341 shares of restricted Class A Common Stock. During the six months ending June 30, 2013, 1,558,240 shares of restricted stock vested and 329,181 restricted shares were forfeited. No restricted shares were granted during the six months ended June 30, 2013. At June 30, 2013, there were 3,450,339 restricted shares outstanding.

Stock Options

During the six months ended June 30, 2013, the Company granted 673,176 stock options to certain key employees. The stock options vest in 25% annual increments beginning on the first anniversary of the date of grant, subject to the participant's continued service through each such vesting date. All stock options are nonqualified stock options and expire on the tenth anniversary of the grant date. There were no options outstanding at the beginning of the period, and no options exercised or expired during the period. During the six months ending June 30, 2013, there were 15,677 options forfeited. The weighted-average grant date fair value of $7.10 was estimated by the Company using the Black-Scholes option pricing model with the assumptions below:

	2013
Expected option life at grant (in years)	6.25
Expected volatility	30.60%
Expected dividend yield	—%
Risk-free interest rate	1.15%

The expected option life represents the period of time the stock options are expected to be outstanding and is based on the “simplified method” allowed under SEC guidance. The Company used the “simplified method” due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. Since the Company's publicly traded stock history is relatively short, expected volatility is based on the Company's historical volatility and the historical volatility of a group of peer companies. The Company does not intend to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant.

Performance Share Units

During the six months ended June 30, 2013, the Company issued to certain key employees a total of 217,730 performance share units, which vest on the third anniversary of the grant date, subject to the achievement of certain performance goals. Participants have the right to earn 0% to 200% of a target number of shares of the Company's Class A Common Stock determined by the level of achievement of the performance measures during the performance period commencing on January 1, 2013 and ending on December 31, 2015. The weighted-average grant date fair value of the performance share units was $21.95, which was based on the quoted fair market value of our common stock on the grant date. There were no performance share units outstanding at the beginning of the period, and no performance share units exercised during the period. During the six months ended June 30, 2013, there were 5,070 performance share units forfeited.

Restricted Stock Units

The Company issues to certain employees restricted stock units, which typically vest in 25% annual increments beginning on the first anniversary of the date of grant. The grant date fair value of the restricted stock units is based on the quoted fair market value of our common stock at the award date.

The following table summarizes the number and weighted-average grant date fair value of restricted stock units during the six months ending June 30, 2013:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2012	299,826	$ 17.87
Granted	394,679	21.87
Vested	(1,233)	20.37
Forfeited	(65,444)	19.95
Non-vested at June 30, 2013	627,828	$ 20.16

9. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses the hierarchy prescribed in ASC 820, *Fair Value Measurement*, based upon the available inputs to the valuation and the degree to which they are observable or not observable in the market. The three levels in the hierarchy are as follows:

- *Level 1 Inputs*—Quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible as of the measurement date.
- *Level 2 Inputs*—Inputs other than quoted prices within Level 1 that are observable either directly or indirectly, including but not limited to quoted prices in markets that are not active, quoted prices in active markets for similar assets or liabilities and observable inputs other than quoted prices such as interest rates or yield curves.
- *Level 3 Inputs*—Unobservable inputs reflecting the Company’s own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 and December 31, 2012 (in thousands):

	June 30, 2013			December 31, 2012		
	Fair Value Measurements Using					
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Interest rate swaps	$ —	$ 8,785	$ —	$ —	$ —	$ —
Liabilities:						
Interest rate swaps	$ —	$ 188	$ —	$ —	$ —	$ —

Interest Rate Swaps

The Company uses interest rate swaps to manage interest rate risk. The fair value of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on the expectation of future interest rates (forward curves) derived from observed market interest rate curves. In addition, to comply with the provisions of ASC 820, *Fair Value Measurements*, credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk. In adjusting the fair value of its interest rate swaps for the effect of nonperformance risk, the Company has considered any applicable credit enhancements such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company determined that the majority of the inputs used to value its interest rate swaps fell within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its interest rate swaps utilized Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2013, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its interest rate swaps and determined that the credit valuation adjustment was not significant to the overall valuation of its interest rate swaps. As a result, the Company classified its interest rate swap valuations in Level 2 of the fair value hierarchy. See Note 5 - Derivatives and Hedging Activities for further discussion of the Company’s interest rate swaps.

The following table summarizes carrying amounts and estimated fair values for financial assets and liabilities, excluding assets and liabilities measured at fair value on a recurring basis, as of June 30, 2013 and December 31, 2012 (in thousands):

	June 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$ 472,591	$ 472,591	$ 67,058	$ 67,058
Liabilities:				
Note payable	$ 1,857,124	$ 1,863,831	$ 1,256,105	$ 1,262,945

Due to the short-term nature of cash and cash equivalents, the carrying values approximate fair value. Cash and cash equivalents are classified in Level 1 of the fair value hierarchy. The fair value of the Company’s note payable was estimated based on rates currently available to the Company for bank loans with similar terms and maturities and is classified in Level 2 of the fair value hierarchy.

10. NET INCOME PER SHARE

Basic net income per share is calculated by dividing net income attributable to Vantiv, Inc. by the weighted-average shares of Class A common stock outstanding during the period.

Diluted net income per share is calculated assuming that Vantiv Holding is a wholly-owned subsidiary of Vantiv, Inc., therefore eliminating the impact of non-controlling interests. As such, due to the Company's structure as a C corporation and Vantiv Holding's structure as a pass-through entity for tax purposes, the numerator in the calculation of diluted net income per share is adjusted to reflect the Company's income tax expense assuming the conversion of the non-controlling interest into

Class A common stock. The denominator is adjusted to include the weighted-average shares of Class A common stock outstanding assuming conversion of the Class B units of Vantiv Holding held by the non-controlling interest on an “if-converted” basis. During the three months ended June 30, 2012, the 83,919,136 Class B units of Vantiv Holding were excluded in computing diluted net income per share because including them would have had an antidilutive effect. As the Class B units of Vantiv Holding were not included, the numerator used in the calculation of diluted net income per share was equal to the numerator used in the calculation of basic net income per share.

During the three months and six months ended June 30, 2013 and 2012, the weighted-average diluted shares also included the restricted stock and restricted stock units as discussed in Note 8 - Share-Based Compensation Plans, and the warrant held by Fifth Third which allows for the purchase of Class C units of Vantiv Holding. Excluded from the diluted shares for the three months and six months ended June 30, 2013 are approximately 657,000 stock options as they were anti-dilutive during the period. Approximately 213,000 performance share units are excluded as the applicable performance metrics had not been met as of the reporting date.

The shares of Class B common stock do not share in the earnings or losses of the Company and are therefore not participating securities. Accordingly, basic and diluted net income per share of Class B common stock has not been presented.

The weighted-average Class A common shares used in computing basic and diluted net income per share during the three months and six months ended June 30, 2012 reflect the retrospective application of the stock split which occurred in connection with the IPO.

The following table sets forth the computation of basic and diluted net income per share (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Basic:				
Net income attributable to Vantiv, Inc.	$ 28,908	$ 22,956	$ 55,027	$ 4,592
Shares used in computing basic net income per share:				
Weighted-average Class A common shares	137,342,051	122,777,349	137,213,875	107,897,927
Basic net income per share	$ 0.21	$ 0.19	$ 0.40	$ 0.04
Diluted:				
Consolidated income before applicable income taxes	$ 66,914	$ —	$ 129,190	$ 6,604
Income tax benefit excluding impact of non-controlling interest	25,762	—	49,738	2,543
Net income	$ 41,152	$ 22,956	$ 79,452	$ 4,061
Shares used in computing diluted net income per share:				
Weighted-average Class A common shares	137,342,051	122,777,349	137,213,875	107,897,927
Weighted-average Class B units of Vantiv Holding	61,750,712	—	65,984,924	46,639,281
Restricted stock awards	1,578,534	1,950,537	1,779,101	277,841
Warrant	7,230,697	5,365,605	6,266,204	5,238,424
Diluted weighted-average shares outstanding	207,901,994	130,093,491	211,244,104	160,053,473
Diluted net income per share	$ 0.20	$ 0.18	$ 0.38	$ 0.03

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

The activity of the components of accumulated other comprehensive income ("AOCI") related to cash flow hedging activities was as follows for the three months and six months ended June 30, 2013 and 2012 (in thousands):

	AOCI Beginning Balance	Total Other Comprehensive Income: Pretax Activity	Total Other Comprehensive Income: Tax Effect	Total Other Comprehensive Income: Net Activity	Total Other Comprehensive Income: Attributable to non-controlling interests	Total Other Comprehensive Income: Attributable to Vantiv, Inc.	AOCI Ending Balance
Three months and six months ended June 30, 2013							
Net change in fair value recorded in accumulated OCI	$ —	$ 8,563	$ (2,290)	$ 6,273	$ (2,373)	$ 3,900	$ 3,900
Net realized loss reclassified into earnings (a)	—	34	(9)	25	(10)	15	15
Net change	$ —	$ 8,597	$ (2,299)	$ 6,298	$ (2,383)	$ 3,915	$ 3,915
Six months ended June 30, 2012 (b)							
Net realized loss reclassified into earnings (a)	$ (9,514)	$ 29,424	$ (5,495)	$ 23,929	$ (14,415)	$ 9,514	$ —
Net change	$ (9,514)	$ 29,424	$ (5,495)	$ 23,929	$ (14,415)	$ 9,514	$ —

(a) The reclassification adjustment on cash flow hedge derivatives affected the following lines in the Company's consolidated statements of income:

OCI Component	Affected line in the consolidated statements of income
Pretax activity(1)	Interest expense-net/non-operating expenses
Tax effect	Income tax expense
OCI Attributable to non-controlling interests	Net income attributable to non-controlling interests

(1) During the three months and six months ended June 30, 2013, amount reflects losses reclassified from AOCI into earnings, representing the effective portion of the hedging relationships, and is recorded in interest expense-net. During the six months ended June 30, 3012, amount reflects net loss due to missed forecasted transaction and was recorded as a component of non-operating expenses.

(b) Due to the termination of interest rate swaps in connection with the Company's IPO in March 2012, there was no activity recorded in OCI during the three months ended June 30, 2012.

12. SEGMENT INFORMATION

The Company's segments consist of the Merchant Services segment and the Financial Institution Services segment. The Company's Chief Executive Officer, who is the chief operating decision maker (“CODM”), evaluates the performance and allocates resources based on the operating results of each segment. Segment operating results are presented below (in thousands). The results reflect revenues and expenses directly related to each segment. The Company does not evaluate performance or allocate resources based on segment asset data, and therefore such information is not presented.

Segment profit reflects total revenue less network fees and other costs and sales and marketing costs of the segment. The Company’s CODM evaluates this metric in analyzing the results of operations for each segment.

	Three Months Ended June 30, 2013: Merchant Services	Financial Institution Services	General Corporate/Other	Total
Total revenue	$ 398,553	$ 120,856	$ —	$ 519,409
Network fees and other costs	187,726	34,776	—	222,502
Sales and marketing	70,350	6,086	—	76,436
Segment profit	$ 140,477	$ 79,994	$ —	$ 220,471

	Three Months Ended June 30, 2012			
	Merchant Services	Financial Institution Services	General Corporate/Other	Total
Total revenue	$ 351,828	$ 117,794	$ —	$ 469,622
Network fees and other costs	174,889	34,355	—	209,244
Sales and marketing	63,649	6,883	—	70,532
Segment profit	$ 113,290	$ 76,556	$ —	$ 189,846

	Six Months Ended June 30, 2013			
	Merchant Services	Financial Institution Services	General Corporate/Other	Total
Total revenue	$ 784,137	$ 233,238	$ —	$ 1,017,375
Network fees and other costs	381,722	65,845	—	447,567
Sales and marketing	140,500	11,912	—	152,412
Segment profit	$ 261,915	$ 155,481	$ —	$ 417,396

	Six Months Ended June 30, 2012			
	Merchant Services	Financial Institution Services	General Corporate/Other	Total
Total revenue	$ 674,806	$ 227,605	$ —	$ 902,411
Network fees and other costs	340,415	69,037	—	409,452
Sales and marketing	130,348	12,941	—	143,289
Segment profit	$ 204,043	$ 145,627	$ —	$ 349,670

A reconciliation of total segment profit to the Company’s income before applicable income taxes is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Total segment profit	$ 220,471	$ 189,846	$ 417,396	$ 349,670
Less: Other operating costs	(49,268)	(40,417)	(99,828)	(79,426)
Less: General and administrative	(29,862)	(29,190)	(60,961)	(57,787)
Less: Depreciation and amortization	(44,528)	(39,667)	(87,824)	(78,562)
Less: Interest expense—net	(9,899)	(10,169)	(19,593)	(34,619)
Less: Non-operating expenses	(20,000)	(836)	(20,000)	(92,672)
Income before applicable income taxes	$ 66,914	$ 69,567	$ 129,190	$ 6,604

13. SUBSEQUENT EVENT

On July 22, 2013, the Company entered into a definitive agreement to acquire Element Payment Services, Inc. (“Element”) pending customary closing conditions. Element is an independent payments technology company focused on solutions for independent software vendors.

This acquisition is expected to close in the third quarter of 2013 and will be recorded as a business combination under ASC 805, *Business Combinations*. This acquisition is not expected to have a significant effect on the Company's operating results. The Company will fund this acquisition with cash on hand.

* * * * *

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

For an understanding of the significant factors that influenced our results, the following discussion should be read in conjunction with our unaudited consolidated financial statements and related notes appearing elsewhere in this report. This management’s discussion and analysis should also be read in conjunction with the management’s discussion and analysis and consolidated financial statements for the year ended December 31, 2012 included in our 10-K filed with the SEC on February 20, 2013.

General

We are the third largest merchant acquirer and the largest personal identification number (“PIN”) debit acquirer by transaction volume, according to the Nilson Report, and a leading, integrated payment processor in the United States differentiated by a single, proprietary technology platform. This enables us to efficiently provide a suite of comprehensive services to both merchants and financial institutions of all sizes in the United States. Our technology platform offers our clients a single point of access and service that is easy to connect to and use in order to access a broad range of payment services and solutions. Our integrated business and single platform also enable us to innovate, develop and deploy new services and provide us with significant economies of scale. Our varied and broad distribution provides us with a diverse client base and channel partner relationships.

We believe our single, proprietary technology platform is differentiated from our competitors' multiple platform architectures. Because of our single point of service and ability to collect, manage and analyze data across the payment processing value chain, we can identify and develop new services more efficiently. Once developed, we can more cost-effectively deploy new solutions to our clients through our single platform. Our single scalable platform also enables us to efficiently manage, update and maintain our technology, increase capacity and speed and realize significant operating leverage.

We enable merchants of all sizes to accept and process credit, debit and prepaid payments and provide them supporting services, such as information solutions, interchange management and fraud management, as well as vertical-specific solutions in sectors such as grocery, pharmacy, retail, petroleum and restaurants/quick service restaurants. We also provide mission critical payment services to financial institutions, such as card issuer processing, payment network processing, fraud protection, card production, prepaid program management, automated teller machine (“ATM”) driving and network gateway and switching services that utilize our proprietary Jeanie PIN debit payment network.

We provide small and mid-sized clients with the comprehensive solutions that we have developed to address the extensive requirements of our large clients. We then tailor these solutions to the unique needs of our small and mid-sized clients. In addition, we take a consultative approach to providing these services that helps our clients enhance their payments-related services.

We distribute our services through direct and indirect distribution channels using a unified sales approach that enables us to efficiently and effectively target merchants and financial institutions of all sizes. Our direct channel includes a national sales force that targets financial institutions and national merchants, regional and mid-market sales teams that sell solutions to merchants and third-party reseller clients and a telesales operation that targets small and mid-sized merchants. Our indirect channel to merchants includes relationships with a broad range of independent sales organizations, or ISOs, merchant banks, value-added resellers and trade associations that target merchants, including difficult to reach small and mid-sized merchants. Our indirect channel to financial institutions includes relationships with third-party resellers and core processors.

Executive Overview

In May 2013, a secondary offering took place in which selling shareholders sold 40.7 million shares of Vantiv Class A common stock. We did not receive any proceeds from these sales. In connection with the secondary offering, we repurchased approximately 17.5 million shares of our Class A common stock sold to the underwriters in the secondary offering for $400 million at a price per share equal to the price paid by the underwriters to purchase the shares from the selling shareholders in the offering. In connection with the stock repurchase, we refinanced our existing senior secured credit facilities, resulting in an increase in the amount of debt by approximately $650 million, $400 million of which was used to fund the share repurchase.

Revenue for the three months ended June 30, 2013, increased 11% to $519.4 million from $469.6 million in 2012. Revenue for the six months ended June 30, 2013, increased 13% to $1,017.4 million from $902.4 million in 2012. The revenue growth for the three months and six months ended June 30, 2013 was due primarily to transaction growth of 8% and 12%, including the impact of the acquisition of Litle & Co., LLC ("Litle") in November 2012.

Income from operations for the three months ended June 30, 2013, increased $16.2 million to $96.8 million from $80.6 million in 2012. Income from operations for the six months ended June 30, 2013, increased $34.9 million to $168.8 million from $133.9 million in 2012.

Net income for the three months ended June 30, 2013, decreased $1.6 million to $46.0 million from $47.6 million in 2012. Net income for the six months ended June 30, 2013, increased $85.8 million to $90.4 million from $4.7 million in 2012. Net income attributable to Vantiv, Inc. for the three months ended June 30, 2013, increased $6.0 million to $28.9 million from $23.0 million in 2012. Net income attributable to Vantiv, Inc. for the six months ended June 30, 2013, increased $50.4 million to $55.0 million from $4.6 million in 2012.

Our Segments, Revenue and Expenses

Segments

We operate as a single integrated business and report our results of operations in two segments, Merchant Services and Financial Institution Services. We evaluate segment performance based upon segment profit, which is defined as net revenue, which represents total revenue less network fees and other costs, less sales and marketing expense attributable to that segment.

Merchant Services

We provide a comprehensive suite of payment processing services, including acquiring and processing transactions, value-added services and merchant services for banks and credit unions. We authorize, clear, settle and provide reporting for electronic payment transactions for our merchant services clients. Our client base includes approximately 400,000 merchant locations, with an emphasis on non-discretionary everyday spend categories where spending has been more resilient during economic downturns.

We provide our merchant services to merchants of varying sizes, which provides us with a number of key benefits. Given their size, large merchants generally receive customized payment processing solutions and lower per transaction pricing. These merchants provide us with significant operating scale efficiencies and recurring revenues, due to the large transaction volume that they generate. Small and mid-sized merchants are more difficult to reach on an individual basis, but generally generate higher per transaction fees.

Financial Institution Services

We provide integrated card issuer processing, payment network processing and value-added services to financial institutions. Our services include a comprehensive suite of transaction processing capabilities, including fraud protection, card production, prepaid cards and ATM driving and allow financial institutions to offer electronic payments solutions to their customers on a secure and reliable technology platform at a competitive cost. We provide these services using a consultative approach that helps our financial institution clients enhance their payments-related business.

We serve a diverse set of financial institutions, including regional banks, community banks, credit unions and regional PIN debit networks. We focus on small to mid-sized institutions with less than $15 billion in assets. Smaller financial institutions, including many of our clients, generally do not have the scale or infrastructure typical of large banks and are more likely to outsource payment processing needs. We provide a turnkey solution to such institutions to enable them to offer payment processing solutions.

Revenue

We generate revenue primarily by processing electronic payment transactions. Set forth below is a description of our revenues by segment and factors impacting segment revenues.

Our Merchant Services segment revenues are primarily derived from processing credit and debit card transactions. Merchant Services revenue is primarily comprised of fees charged to businesses, net of interchange fees, for payment processing services, including authorization, capture, clearing, settlement and information reporting of electronic transactions. The fees charged consist of either a percentage of the dollar volume of the transaction or a fixed fee, or both, and are recognized at the time of the transaction. Merchant Services revenue also includes a number of revenue items that are incurred by us and are reimbursable as the costs are passed through to and paid by our clients. These items primarily consist of Visa, MasterCard and other payment network fees. In addition, for sales through ISOs and certain other referral sources in which we are the primary party to the contract with the merchant, we record the full amount of the fees collected from the merchant as revenue. Associated residual payments made to ISOs are included in sales and marketing expenses. Merchant Services revenue also includes revenue from ancillary services such as fraud management, equipment sales and terminal rent. Revenue in our Merchant Services segment is impacted primarily by transaction volume, average transaction size, the mix of merchant types in our client portfolio, the performance of our merchant clients and the effectiveness of our distribution channels.

Our Financial Institution Services revenues are primarily derived from debit, credit and ATM card transaction processing, ATM driving and support, and PIN debit processing services. Financial Institution Services revenue associated with processing transactions includes per transaction and account related fees, card production fees and fees generated from our Jeanie network. Financial Institution Services revenue is impacted by the number of financial institutions using our services as well as their transaction volume. The number of financial institutions in the United States has declined as a result of prevailing economic conditions, consolidation as well as other market and regulatory pressures. These factors have contributed to industry-wide pricing compression of the fees that financial institutions are willing to pay for payment processing.

Network Fees and Other Costs

Network fees and other costs consist primarily of charges incurred by us which we pass through to our clients, including Visa, MasterCard and other payment network fees, card production costs, telecommunication charges, postage and other third party processing expenses.

Net Revenue

Net revenue is revenue, less network fees and other costs and reflects revenue generated from the services we provide to our clients. Management uses net revenue to assess our operating performance. We believe that net revenue, when reviewed together with revenue, is meaningful to our investors in order to understand our performance.

Expenses

Set forth below is a brief description of the components of our expenses, aside from the network fees and other costs discussed above:

- *Sales and marketing* expense primarily consists of salaries and benefits paid to sales personnel, sales management and other sales and marketing personnel, advertising and promotional costs and residual payments made to ISOs, agent banks and other third party partners.

- *Other operating costs* primarily consist of salaries and benefits paid to operational and IT personnel, costs associated with operating our technology platform and data centers, information technology costs for processing transactions, product development costs, software consulting fees and maintenance costs.

- *General and administrative* expenses primarily consist of salaries and benefits paid to executive management and administrative employees, including finance, human resources, product development, legal and risk management, share-based compensation costs, equipment and occupancy costs and consulting costs.

- *Depreciation and amortization* expense consists of our depreciation expense related to investments in property, equipment and software as well as our amortization of intangible assets, principally customer relationships acquired in connection with the acquisition of a majority interest in Vantiv Holding in June 2009 and our subsequent acquisitions.

- *Interest expense—net* consists primarily of interest on borrowings under our senior secured credit facilities less interest income earned on our cash and cash equivalents.

- *Income tax expense* represents federal, state and local taxes based on income in multiple jurisdictions.

- *Non-operating expenses* consist of charges related to the refinancing of our senior secured credit facilities in May 2013 and March 2012 and our early termination of interest rate swaps in connection with the March 2012 debt refinancing, as well as a one-time activity fee of $6.0 million assessed by MasterCard as a result of our initial public offering (“IPO”).

Non-Controlling Interest

As a result of the non-controlling ownership interests in Vantiv Holding held by Fifth Third Bank ("Fifth Third"), our results of operations include net income attributable to non-controlling interests. Net income attributable to non-controlling interests for the three months ended June 30, 2013 and 2012 was $17.1 million and $24.6 million, respectively. Net income attributable to non-controlling interests for the six months ended June 30, 2013 and 2012 was $35.4 million and $0.1 million, respectively. Net income attributable to non-controlling interests for the three months and six months ended June 30, 2013 reflects the changes in ownership of Vantiv Holding as a result of the May 2013 secondary offering and share repurchase. Future sales or redemptions of ownership interests in Vantiv Holding by Fifth Third will continue to reduce the amount recorded as non-controlling interest and increase net income attributable to Vantiv, Inc.

Factors and Trends Impacting Our Business and Results of Operations

We expect a number of factors will impact our business, results of operations and financial condition. In general, our revenue is impacted by the number and dollar volume of card based transactions which in turn are impacted by general economic conditions, consumer spending and the emergence of new technologies and payment types, such as ecommerce, mobile payments, and prepaid cards. In our Merchant Services segment, our net revenues are impacted by the mix of the size of merchants that we provide services to as well as the mix of transaction volume by merchant category. In our Financial Institution Services segment, our net revenues are also impacted by the mix of the size of financial institutions to which we provide services as well as consolidation and market and industry pressures, which have contributed and are expected to continue to contribute to pricing compression of payment processing fees in this segment. We also expect our results of operations to be impacted by the factors discussed below.

Pro Forma Adjusted Net Income

We use pro forma adjusted net income for financial and operational decision making as a means to evaluate period-to-period comparisons of our performance and results of operations. Pro forma adjusted net income is also incorporated into performance metrics underlying certain share-based payments issued under the 2012 Vantiv, Inc. Equity Incentive Plan and our variable compensation plan. We believe pro forma adjusted net income provides useful information about our performance and operating results, enhances the overall understanding of past financial performance and future prospects and allows for greater transparency with respect to key metrics used by management in its financial and operational decision making.

In calculating pro forma adjusted net income, we make certain non-GAAP adjustments, as well as pro forma adjustments, to adjust our GAAP operating results for the items discussed below. This measure should be considered together with GAAP operating results.

Non-GAAP Adjustments

Transition, Acquisition and Integration Costs

In connection with our acquisitions, we incurred costs associated with the acquisitions and related integration activities, consisting primarily of consulting fees for advisory and integration services and personnel related costs. Additionally, our expenses include costs associated with a one-time signing bonus issued to certain employees that transferred to us from Fifth Third in connection with our separation from Fifth Third in June 2009. This signing bonus contained a five-year vesting period beginning on the date of the separation. These transition, acquisition and integration costs are included in other operating costs and general and administrative expenses. For the three months ended June 30, 2013 and 2012, transition, acquisition and integration costs were $2.8 million and $2.0 million, respectively. For the six months ended June 30, 2013 and 2012, transition, acquisition, and integration costs were $6.0 million and $4.0 million, respectively.

Share-Based Compensation

Prior to our IPO, certain employees and directors of Vantiv Holding participated in the Vantiv Holding Management Phantom Equity Plan. In connection with the IPO, outstanding awards under the Vantiv Holding Management Phantom Equity Plan were converted into unrestricted and restricted stock, issued under the 2012 Vantiv, Inc. Equity Incentive Plan. Subsequent to the IPO, we have granted share-based awards to certain employees and members of our board of directors and intend to continue to grant additional share-based awards in the future. During the three months ended June 30, 2013 and 2012, we incurred share-based compensation expense of $7.2 million and $8.8 million, respectively. During the six months ended June 30, 2013 and 2012, we incurred share-based compensation expense of

$13.9 million and $17.5 million respectively. Share-based compensation is included in general and administrative expense.

Intangible Amortization Expense

These expenses represent amortization of intangible assets acquired through business combinations and customer portfolio and related asset acquisitions.

Non-operating Expenses

For the three and six months ended June 30, 2013, we recorded $20.0 million within non-operating expenses related to the refinancing of our senior secured credit facilities in May 2013. For the three and six months ended June 30, 2012, we recorded $0.8 million and $92.7 million, respectively, within non-operating expenses and consisted of $86.7 million related to the refinancing of our senior secured credit facilities and the early termination of our interest rate swaps in March 2012 and a $6.0 million one-time activity fee assessed by MasterCard as a result of our IPO.

Pro Forma Adjustments

Income Tax Expense Adjustments

Our effective tax rate reported in our results of operations reflects the impact of our non-controlling interest not being taxed at the statutory corporate tax rate. For purposes of calculating pro forma adjusted net income, income tax expense is adjusted to reflect an effective tax rate of 38.5%, including the income tax effect of the non-GAAP adjustments described above.

Tax Adjustments

In addition to the adjustment described above, income tax expense is also adjusted for the cash tax benefits resulting from the amortization of intangible assets and other tax attributes resulting from or acquired with our acquisitions, the tax basis step up associated with our separation from Fifth Third and the purchase or exchange of Class B units of Vantiv Holding, net of payment obligations under tax receivable agreements ("TRAs") established at the time of our IPO. The estimate of the cash tax benefits is based on the consistent and highly predictable realization of the underlying tax attributes.

The table below provides a reconciliation of GAAP income before applicable income taxes to pro forma adjusted net income for the three months and six months ended June 30, 2013 and 2012:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)		(in thousands)	
Income before applicable taxes	$ 66,914	$ 69,567	$ 129,190	$ 6,604
Non-GAAP Adjustments:				
Transition, acquisition and integration costs	2,799	1,980	6,020	4,039
Share-based compensation	7,190	8,829	13,930	17,492
Intangible amortization	30,446	29,286	60,906	58,575
Non-operating expenses	20,000	836	20,000	92,672
Non-GAAP Adjusted Income Before Applicable Taxes	127,349	110,498	230,046	179,382
Pro Forma Adjustments:				
Income tax expense adjustment	(49,029)	(42,542)	(88,567)	(69,062)
Tax adjustments	4,394	—	8,636	—
Pro Forma Adjusted Net Income	$ 82,714	$ 67,956	$ 150,115	$ 110,320

Pro forma adjusted net income was previously referred to as cash net income.

Results of Operations

The following tables set forth our statements of income in dollars and as a percentage of net revenue for the periods presented.

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	$ Change	% Change
	(dollars in thousands)			
Revenue	$ 519,409	$ 469,622	$ 49,787	11%
Network fees and other costs	222,502	209,244	13,258	6
Net revenue	296,907	260,378	36,529	14
Sales and marketing	76,436	70,532	5,904	8
Other operating costs	49,268	40,417	8,851	22
General and administrative	29,862	29,190	672	2
Depreciation and amortization	44,528	39,667	4,861	12
Income from operations	$ 96,813	$ 80,572	$ 16,241	20%
Non-financial data:				
Transactions (in millions)	4,195	3,895		8%

As a Percentage of Net Revenue	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012
Net revenue	100.0%	100.0%
Sales and marketing	25.7	27.1
Other operating costs	16.6	15.5
General and administrative	10.1	11.2
Depreciation and amortization	15.0	15.2
Income from operations	32.6%	30.9%

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	$ Change	% Change
	(dollars in thousands)			
Revenue	$ 1,017,375	$ 902,411	$ 114,964	13%
Network fees and other costs	447,567	409,452	38,115	9
Net revenue	569,808	492,959	76,849	16
Sales and marketing	152,412	143,289	9,123	6
Other operating costs	99,828	79,426	20,402	26
General and administrative	60,961	57,787	3,174	5
Depreciation and amortization	87,824	78,562	9,262	12
Income from operations	$ 168,783	$ 133,895	$ 34,888	26%
Non-financial data:				
Transactions (in millions)	8,169	7,263		12%

As a Percentage of Net Revenue	Six Months Ended June 30,	
	2013	2012
Net revenue	100.0%	100.0%
Sales and marketing	26.8	29.1
Other operating costs	17.5	16.1
General and administrative	10.7	11.7
Depreciation and amortization	15.4	15.9
Income from operations	29.6%	27.2%

Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012 and Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Revenue

Revenue increased 11% to $519.4 million for the three months ended June 30, 2013 from $469.6 million for the three months ended June 30, 2012. The increase was due primarily to transaction growth of 8%, including the impact of the acquisition of Litle in November 2012.

Revenue increased 13% to $1,017.4 million for the six months ended June 30, 2013 from $902.4 million for the six months ended June 30, 2012. The increase was due primarily to transaction growth of 12%, including the impact of the Litle acquisition in November 2012.

Network Fees and Other Costs

Network fees and other costs increased 6% to $222.5 million for the three months ended June 30, 2013 from $209.2 million for the three months ended June 30, 2012. The increase was due primarily to transaction growth of 8%, partially offset by debit routing benefits and a reduction of third party processing fees as we transitioned clients to our single processing platform.

Network fees and other costs increased 9% to $447.6 million for the six months ended June 30, 2013 from $409.5 million for the six months ended June 30, 2012. The increase was due primarily to transaction growth of 12%, partially offset by debit routing benefits and a reduction of third party processing fees as we transitioned clients to our single processing platform.

Net Revenue

Net revenue, which is revenue less network fees and other costs, as discussed above, increased 14% to $296.9 million for the three months ended June 30, 2013 from $260.4 million for the three months ended June 30, 2012, and 16% to $569.8 million for the six months ended June 30, 2013 from $493.0 million for the six months ended June 30, 2012.

Sales and Marketing

Sales and marketing expense increased 8% to $76.4 million for the three months ended June 30, 2013 from $70.5 million for the three months ended June 30, 2012. The increase was attributable to higher sales and marketing personnel and related costs and the acquisition of Litle.

Sales and marketing expense increased 6% to $152.4 million for the six months ended June 30, 2013 from $143.3 million for the six months ended June 30, 2012. The increase was attributable to higher sales and marketing personnel and related costs and the acquisition of Litle.

Other Operating Costs

Other operating costs increased 22% to $49.3 million for the three months ended June 30, 2013 from $40.4 million for the three months ended June 30, 2012. The increase was primarily attributable to an increase in information technology infrastructure and personnel costs in support of growth initiatives. The acquisition of Litle also contributed to the increase.

Other operating costs increased 26% to $99.8 million for the six months ended June 30, 2013 from $79.4 million for the six months ended June 30, 2012. The increase was primarily attributable to an increase in information technology infrastructure and personnel costs in support of growth initiatives. The acquisition of Litle also contributed to the increase, as well as an increase in acquisition and integration costs of $2.2 million.

General and Administrative

General and administrative expenses increased 2% to $29.9 million for the three months ended June 30, 2013 from $29.2 million for the three months ended June 30, 2012. The increase was primarily attributable to the acquisition of Litle and an increase in other administrative expenses, partially offset by a decrease in share-based compensation of $1.6 million.

General and administrative expenses increased 5% to $61.0 million for the six months ended June 30, 2013 from $57.8 million for the six months ended June 30, 2012. The increase was primarily attributable to the acquisition of Litle and and an increase in other administrative expenses, partially offset by a decrease in share-based compensation of $3.6 million.

Depreciation and Amortization

Depreciation and amortization expense increased 12% to $44.5 million for the three months ended June 30, 2013 from $39.7 million for the three months ended June 30, 2012. The increase was due primarily to an increase in capital expenditures largely related to our information technology infrastructure as well as depreciation and amortization expense related to assets acquired in connection with the acquisition of Litle.

Depreciation and amortization expense increased 12% to $87.8 million for the six months ended June 30, 2013 from $78.6 million for the six months ended June 30, 2012. The increase was due primarily to an increase in capital expenditures largely related to our information technology infrastructure as well as depreciation and amortization expense related to assets acquired in connection with the acquisition of Litle.

Income from Operations

Income from operations increased 20% to $96.8 million for the three months ended June 30, 2013 from $80.6 million for the three months ended June 30, 2012.

Income from operations increased 26% to $168.8 million for the six months ended June 30, 2013 from $133.9 million for the six months ended June 30, 2012.

Interest Expense—Net

Interest expense—net of $9.9 million for the three months ended June 30, 2013 was relatively flat compared to $10.2 million for the three months ended June 30, 2012. Interest expense-net decreased 43% to $19.6 million for the six months ended June 30, 2013 from $34.6 million for the six months ended June 30, 2012. The decrease was due primarily to the debt repayment and related debt refinancing at the time of our IPO in March 2012. Interest expense—net for the three and six months ended June 30, 2013 reflects our May 2013 debt refinancing, which resulted in an increase in the amount of debt by approximately $650 million, the impact of which was substantially offset by the reduction in applicable interest rates.

Non-Operating Expenses

Non-operating expenses were $20.0 million for the three months and six months ended June 30, 2013, which consisted of charges related to the refinancing of our senior secured credit facilities in May 2013.

Non-operating expenses were $0.8 million for the three months ended June 30, 2012 and $92.7 million for the six months ended June 30, 2012, respectively, and consisted of $86.7 million in charges related to the refinancing of our senior secured credit facilities and the early termination of our interest rate swaps in connection with our March 2012 debt refinancing as well as a $6.0 million one-time activity fee assessed by MasterCard as a result of our IPO.

Income Tax Expense

Income tax expense for the three months ended June 30, 2013 was $20.9 million compared to $22.0 million for the three months ended June 30, 2012, reflecting effective rates of 31.3% and 31.6%. Income tax expense for the six months ended June 30, 2013 was $38.8 million compared to $2.0 million for the six months ended June 30, 2012, reflecting effective tax rates of 30.0% and 29.6%, respectively. Our effective tax rate reflects the impact of our non-controlling interest not being taxed at the statutory corporate tax rate. Further, as our non-controlling interest declines to the point Vantiv Holding is a wholly-owned subsidiary, we expect our effective rate to increase to approximately 38.5%.

As a result of the acquisition of Litle, we generated tax benefits to be recognized over a period of 15 years from the date of the acquisition. During the six months ended June 30, 2013, these benefits were approximately $5.1 million. This benefit does not have an impact on our effective tax rate; however, savings retained by us are reflected in pro forma adjusted net income discussed above.

In connection with our IPO, we entered into four TRAs with our pre-IPO investors. The TRAs obligate us to make payments to such investors equal to 85% of the amount of cash savings, if any, in income taxes that we realize as a result of certain tax basis increases and net operating losses. We will retain the remaining 15% of cash savings. During the six months ended June 30, 2013, the cash savings retained by us were approximately $3.5 million. The TRAs do not have an impact on our effective tax rate; however, savings retained by us are reflected in pro forma adjusted net income discussed above. As we purchase units of Vantiv Holding from Fifth Third or as Fifth Third exchanges units of Vantiv Holding for cash or shares of Vantiv, Inc. Class A common stock in the future, we expect the associated cash savings to increase as a result of additional tax basis increases.

Segment Results

The following tables provide a summary of the components of segment profit for our two segments, Merchant Services and Financial Institution Services, for the three months and six months ended June 30, 2013 and 2012.

	Three Months Ended June 30,			
	2013	2012	$ Change	% Change
	(dollars in thousands)			
Merchant Services				
Revenue	$ 398,553	$ 351,828	$ 46,725	13%
Network fees and other costs	187,726	174,889	12,837	7
Net revenue	210,827	176,939	33,888	19
Sales and marketing	70,350	63,649	6,701	11
Segment profit	$ 140,477	$ 113,290	$ 27,187	24%
Non-financial data:				
Transactions (in millions)	3,273	3,021		8%

	Six Months Ended June 30,			
	2013	2012	$ Change	% Change
	(dollars in thousands)			
Merchant Services				
Revenue	$ 784,137	$ 674,806	$ 109,331	16%
Network fees and other costs	381,722	340,415	41,307	12
Net revenue	402,415	334,391	68,024	20
Sales and marketing	140,500	130,348	10,152	8
Segment profit	$ 261,915	$ 204,043	$ 57,872	28%
Non-financial data:				
Transactions (in millions)	6,396	5,566		15%

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	$ Change	% Change
	(dollars in thousands)			
Financial Institution Services				
Revenue	$ 120,856	$ 117,794	$ 3,062	3 %
Network fees and other costs	34,776	34,355	421	1
Net revenue	86,080	83,439	2,641	3
Sales and marketing	6,086	6,883	(797)	(12)
Segment profit	$ 79,994	$ 76,556	$ 3,438	4 %
Non-financial data:				
Transactions (in millions)	922	874		5 %

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	$ Change	% Change
	(dollars in thousands)			
Financial Institution Services				
Revenue	$ 233,238	$ 227,605	$ 5,633	2 %
Network fees and other costs	65,845	69,037	(3,192)	(5)
Net revenue	167,393	158,568	8,825	6
Sales and marketing	11,912	12,941	(1,029)	(8)
Segment profit	$ 155,481	$ 145,627	$ 9,854	7 %
Non-financial data:				
Transactions (in millions)	1,773	1,697		4 %

Net Revenue

Merchant Services

Net revenue in this segment increased 19% to $210.8 million for the three months ended June 30, 2013 from $176.9 million for the three months ended June 30, 2012. The increase was due primarily to transaction growth of 8% and expansion in net revenue per transaction, including the impact of the acquisition of Litle, and debit routing benefits. The increase in net revenue per transaction was due primarily to beneficial changes in our customer mix, including increased ecommerce net revenue.

Net Revenue in this segment increased 20% to $402.4 million six months ended June 30, 2013 from $334.4 million for the six months ended June 30, 2012. The increase was due primarily to transaction growth of 15%, including the impact of the acquisition of Litle, and debit routing benefits.

Financial Institution Services

Net revenue in this segment increased 3% to $86.1 million for the three months ended June 30, 2013 from $83.4 million for the three months ended June 30, 2012 as transactions grew 5% over the prior year period. The increase in transactions was partially offset by a decrease in net revenue per transaction, which was driven by a shift in the mix of our client portfolio, resulting in a lower rate per transaction.

Net revenue in this segment increased 6% to $167.4 million for the six months ended June 30, 2013 from $158.6 million for the six months ended June 30, 2012. The increase was due primarily to higher value added services revenue and an increase in transactions. In addition, network fees and other costs were reduced due to network incentives and a reduction of third party processing fees as we transitioned clients to our single processing platform.

Sales and Marketing

Merchant Services

Sales and marketing expense increased 11% to $70.4 million for the three months ended June 30, 2013 from $63.6 million for the three months ended June 30, 2012 and increased 8% to $140.5 million for the six months ended June 30, 2013 from $130.3 million for the six months ended June 30, 2012. The increase was primarily attributable to higher sales and marketing personnel and related costs and the acquisition of Litle.

Financial Institution Services

Sales and marketing expense decreased slightly to $6.1 million for the three months ended June 30, 2013 from $6.9 million for the three months ended June 30, 2012 and to $11.9 million for the six months ended June 30, 2013 from $12.9 million for the six months ended June 30, 2012.

Liquidity and Capital Resources

Our liquidity is funded primarily through cash provided by operations, debt and a line of credit, which is generally sufficient to fund our operations, planned capital expenditures, tax distributions made to our non-controlling interest holders, required payments under TRAs, debt service and acquisitions. However, because payments under the TRAs are determined based on the realized cash savings resulting from the underlying tax attributes, a period of declining profitability would result in a corresponding reduction in our TRA payments, thus having a minimal effect on our liquidity and capital resources. As of June 30, 2013, our principal sources of liquidity consisted of $472.6 million of cash and cash equivalents and $250.0 million of availability under the revolving portion of our senior secured credit facilities. Our total indebtedness, including capital leases, was $1.9 billion as of June 30, 2013.

In connection with our IPO, we entered into the Exchange Agreement with Fifth Third, under which Fifth Third has the right, from time to time, to exchange its Class B units in Vantiv Holding for shares of our Class A common stock or, at our option, cash. If we choose to satisfy the exchange in cash, we anticipate required funding to be provided through cash from operations, availability under the revolving portion of our senior secured credit facilities, or equity financings or a combination thereof.

Our principal needs for liquidity have been, and for the foreseeable future will continue to be, debt service, capital expenditures, working capital and acquisitions. Additionally, our strategy includes expansion into high growth segments and verticals, entry into new geographic markets and development of additional payment processing services. We anticipate that the execution of these components of our strategy will not require a significant amount of resources and will be funded primarily through cash provided by operations.

We anticipate that to the extent that we require additional liquidity, it will be funded through the incurrence of other indebtedness, equity financings or a combination. We cannot assure you that we would be able to obtain this additional liquidity on reasonable terms, or at all. Additionally, our liquidity and our ability to meet our obligations and fund our capital requirements are also dependent on our future financial performance, which is subject to general economic, financial and other factors that are beyond our control. Accordingly, we cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities or otherwise to meet our liquidity needs. If we decide to pursue one or more significant acquisitions, we may incur additional debt or sell additional equity to finance such acquisitions.

Cash Flows

The following table presents a summary of cash flows from operating, investing and financing activities for the six months ended June 30, 2013 and 2012 (in thousands):

	Six Months Ended June 30,	
	2013	2012
Net cash provided by operating activities	$ 299,029	$ 132,675
Net cash used in investing activities	(38,227)	(29,946)
Net cash provided by (used in) financing activities	144,731	(164,455)

Cash Flow from Operating Activities

Net cash provided by operating activities was $299.0 million for the six months ended June 30, 2013 as compared to $132.7 million for the six months ended June 30, 2012. The increase is due primarily to an increase in net income and changes in net settlement assets and obligations. Net settlement assets and obligations represent settlement funds received by us and not yet remitted to our clients for the settlement of transactions we processed. Net settlement assets and obligations can fluctuate due to seasonality as well as the day of the month end.

Cash Flow from Investing Activities

Net cash used in investing activities was $38.2 million for the six months ended June 30, 2013 as compared to $29.9 million for the six months ended June 30, 2012. The increase was primarily due to an increase in capital expenditures during the six months ended June 30, 2013.

Cash Flow from Financing Activities

During the six months ended June 30, 2013, net cash provided by financing activities consisted primarily of proceeds from the May 2013 debt refinancing, partially offset by the repayment of existing debt, related debt issuance cost, and the repurchase of Class A common stock, the net impact of which was an inflow of $168.6 million. We also made tax distributions of $17.9 million to our non-controlling interest holders.

During the six months ended June 30, 2012, net cash used in financing activities consisted primarily of the repayment of debt obligations in connection with the March 2012 debt refinancing, cash distributions related to our IPO, and tax distributions to non-controlling interests. These items were partially offset by the proceeds received from the debt refinancing and our IPO.

Credit Facilities

As of June 30, 2013, our debt consisted of the following:

	June 30, 2013 (in thousands)
$1,850.0 million term A loan, maturing on May 15, 2018, and bearing interest at a variable base rate (LIBOR) plus a spread rate (175 basis points) (total rate of 1.94% at June 30, 2013) and amortizing on a basis of 1.25% during each of the first eight quarters, 1.875% during each of the second eight quarters and 2.5% during each of the following three quarters with a balloon payment due at maturity	$ 1,850,000
$10.1 million leasehold mortgage, expiring on August 10, 2021 and bearing interest at a fixed rate of 6.22%	10,131
Less: Current portion of note payable and current portion of note payable to related party	(92,500)
Less: Original issue discount	(3,007)
Total Long-Term Debt	$ 1,764,624

As of June 30, 2013, Fifth Third held $352.4 million of the term A loan.

In May 2013, we entered into a $1.85 billion term A loan, of which a portion of the proceeds were used to repay the existing senior secured credit facilities which consisted of term A and term B loans with an aggregate outstanding balance of approximately $1.2 billion. The existing revolving credit facility was also terminated. In addition to the new term A loan, the new debt agreement includes a $250.0 million revolving credit facility. The maturity date and debt service requirements relating to the new term A loan are listed in the table above. The revolving credit facility matures in May 2018 and includes a $75.0 million swing line facility and a $40.0 million letter of credit facility. The commitment fee rate for the unused portion of the revolving credit facility is 0.375% per year.

The debt requires us to maintain a maximum leverage ratio (based upon the ratio of total funded debt to consolidated EBITDA, as defined in the loan agreement) and a minimum interest coverage ratio (based upon the ratio of consolidated EBITDA to interest expense), which are tested quarterly based on the last four fiscal quarters beginning with the four fiscal quarters ended September 30, 2013. The required financial ratios become more restrictive over time, with the specific ratios required by period set forth in the below table.

Period	Leverage Ratio (must not exceed)	Interest Coverage Ratio (must exceed)
September 30, 2013 to September 30, 2014	4.75 to 1.00	3.50 to 1.00
December 31, 2014 to September 30, 2015	4.25 to 1.00	4.00 to 1.00
December 31, 2015 to September 30, 2016	4.00 to 1.00	4.00 to 1.00
December 31, 2016 and thereafter	3.75 to 1.00	4.00 to 1.00

Interest Rate Swaps

As of June 30, 2013, we had sixteen outstanding interest rate swaps with a combined notional balance of $1.35 billion (amortizing to $1.1 billion) covering an exposure period from June 2013 through June 2017 that were designated as cash flow hedges of interest rate risk.

Building Loan

On July 12, 2011, we entered into a term loan agreement for approximately $10.1 million for the purchase of our corporate headquarters facility. The interest rate is fixed at 6.22%, with interest only payments required for the first 84 months. Thereafter, and until maturity, we will pay interest and principal based upon a 30 year amortization schedule, with the remaining principal amount due at maturity, August 2021.

Contractual Obligations

The following describes significant additional contractual obligations and commitments that have arisen subsequent to those disclosed in our Annual Report on Form 10-K as of December 31, 2012.

Tax Receivable Agreements

In connection with the secondary offering in May 2013, Fifth Third exchanged Class B units of Vantiv Holding for shares of Vantiv, Inc. Class A common stock. As a result of the increase in tax basis generated by the exchange, the Company recorded a liability under the TRA of $241.8 million. Including this liability, there are no payment obligations due during the remainder of 2013. Payment obligations subsequent to 2013 are $75.4 million during 2014 and 2015, $97.0 million during 2016 and 2017 and $554.1 million thereafter.

Borrowings

As a result of our debt refinancing in May 2013 as discussed above, total principal and variable interest payments due under our senior secured credit facilities and our loan agreement for our corporate headquarters facility are as follows: $64.8 million during the remainder of 2013, $277.2 million during 2014 and 2015, $360.0 million during 2016 and 2017 and $1,317.8 million thereafter. Variable interest payments were calculated using interest rates as of June 30, 2013.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our unaudited consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates including those related to revenue recognition, goodwill and intangible assets, derivative financial instruments, income taxes and share-based compensation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

During the six months ended June 30, 2013, we have not adopted any new critical accounting policies, have not changed any critical accounting policies and have not changed the application of any critical accounting policies from the year ended December 31, 2012. Our critical accounting estimates are described fully within Management's Discussion and Analysis of Financial Condition and Results of Operations included within our Annual Report on Form 10-K filed with the SEC on February 20, 2013.

Off-Balance Sheet Arrangements

We have no off-balance sheet financing arrangements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to interest rate risk in connection with our senior secured credit facilities, which are subject to variable interest rates.

As of June 30, 2013, we had sixteen outstanding interest rate swaps with a combined notional balance of $1.35 billion (amortizing to $1.1 billion) covering an exposure period from June 2013 through June 2017. As of June 30, 2013, we had $500 million of variable rate debt not subject to a fixed rate swap.

Based on the amount outstanding under our senior secured credit facilities at June 30, 2013, a change in one percentage point in variable interest rates, after the effect of our interest rate swaps, would cause an increase or decrease in interest expense of $5.0 million on an annual basis.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2013. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Based on the evaluation of our disclosure controls and procedures as of June 30, 2013, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various litigation matters arising in the ordinary course of our business. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, management believes none of these matters, either individually or in the aggregate, would have a material adverse effect on us.

Item 1A. Risk Factors

You should carefully consider the risks described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2012. These risks could materially affect our business, results of operations or financial condition, cause the trading price of our common stock to decline materially or cause our actual results to differ materially from those expected or those expressed in any forward looking statements made by or on behalf of Vantiv. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the risks of our businesses described elsewhere in this Quarterly Report on Form 10-Q. There have been no material changes from the risk factors disclosed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2012, except as described below.

Our use of derivative financial instruments may not be successful in managing our interest rate risks and could result in material financial losses by us.

From time to time, we have sought to reduce our exposure to fluctuations in interest rates through the use of interest rate hedging arrangements. To the extent that we hedge our interest rate exposures, we forgo the benefits we would otherwise experience if interest rates were to change in our favor. Developing an effective strategy for dealing with movements in interest rates is complex, and no strategy can completely insulate us from risks associated with such fluctuations. In addition, a counterparty to the arrangement could default on its obligation, thereby exposing us to credit risk. Further, we may have to repay certain costs, such as transaction fees or breakage costs, if we terminate these arrangements. Finally, our interest rate risk management activities could expose us to substantial losses if interest rates move materially differently from management's expectations. As a result, we cannot assure that our interest rate hedging arrangements will effectively manage our interest rate sensitivity or have the desired beneficial impact on our results of operations or financial condition.

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

Issuer Purchases of Equity Securities

The following table sets forth information regarding shares of Class A common stock repurchased by us during the three months ended June 30, 2013:

Period	Total Number of Shares Purchased		Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
April 1, 2013 to April 30, 2013	24,411	(1)	$	22.68	—		—
May 1, 2013 to May 31, 2013	17,457,231	(1)(2)	$	22.92	17,452,958	(2)	—
June 1, 2013 to June 30, 2013	42,722	(1)	$	27.13	—		—

(1) Includes delivery of shares of Class A common stock to us on vesting of restricted shares to satisfy employee tax withholding obligation.
(2) Reflects 17,452,958 shares that were repurchased and retired by the Company in connection with the secondary offering that took place in May 2013.

Item 6. Exhibits

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VANTIV, INC.

Dated: July 25, 2013	By:	/s/ Mark L. Heimbouch
		Mark. L. Heimbouch
		Chief Financial Officer
		(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description
10.1	Loan Agreement, dated as of May 15, 2013, among Vantiv, LLC, the Lenders party thereto from time to time, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, and the other agents party thereto (incorporated by reference to Exhibit 10.1 to the Form 8-K of the Company filed May 20, 2013)
10.2	Stock Repurchase Agreement, dated as of May 6, 2013 (incorporated by reference to Exhibit 10.1 to the Form 8-K of the Company filed May 9, 2013)
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles D. Drucker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vantiv, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [omitted];

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 25, 2013

/s/ CHARLES D. DRUCKER
Charles D. Drucker
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark L. Heimbouch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vantiv, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [omitted];

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 25, 2013

/s/ MARK L. HEIMBOUCH
Mark L. Heimbouch
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vantiv, Inc., a Delaware corporation (the “Company”), on Form 10-Q for the period ending June 30, 2013 as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company does hereby certify, pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002), that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

The foregoing certification (i) is given to such officers’ knowledge, based upon such officers’ investigation as such officers reasonably deem appropriate; and (ii) is being furnished solely pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002) and is not being filed as part of the Report or as a separate disclosure document.

July 25, 2013	/s/ CHARLES D. DRUCKER
	Charles D. Drucker
	President and Chief Executive Officer

July 25, 2013	/s/ MARK L. HEIMBOUCH
	Mark L. Heimbouch
	Chief Financial Officer

[A signed original of this written statement required by Section 906 has been provided to Vantiv, Inc. and will be retained by Vantiv, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]