VISA

Visa Europe 5139966
Annual Report 2007

Creating business value

Contents

Vision and values

Visa Europe is a unique entity with a distinct structure: **Unique**, because we are the only pan-European payment system (our peers are either US-based corporations or national payment card schemes). **Distinct**, because we are a membership association (we are exclusively owned by 4,603 European banks and payment service providers in 36 countries).

We believe that this status brings definite benefits - to our members, to their customers, and also to the wider European economy.

In particular, we believe we can help our members to create a successful Single Euro Payments Area (SEPA), characterised by greater levels of competition, commercialism and efficiency. At the same time we continue to be an integral part of the global Visa system.

This report looks at the way we are working with our members to improve European payments. It also provides an update on our operations and our financial performance.

Visa Europe at a glance

Visa Europe is a membership association, owned and controlled by 4,603 European member banks and payment service providers

By participating in Visa Europe, our members deliver convenient, secure payment services to consumers and retailers alike

To encourage our members and their customers to use Visa, we have to be

- **An innovator** We are passionate about payments We perfect tools and techniques that can improve our members' payment programmes We are in touch with the latest trends and we are consistently developing and testing new payment solutions

- **An expert marketing organisation** We licence our members to use the Visa brand on their debit and credit cards We also work with them to promote the benefits of Visa, so that consumers and retailers alike feel comfortable and confident about Visa payments

- **A formidable technology provider** On behalf of our members, we own and operate a dependable, highly efficient European processing system - so that transactions are immediately authorised, and payments are securely cleared and settled thereby benefiting both consumers and merchants

- **A trusted broker and arbitrator** We work with our members and stakeholders to agree and implement membership rules and regulations, which define the precise way that Visa debit and credit cards must work, and the roles and responsibilities of each participant in every transaction

Part of the global Visa system

Visa Europe is part of the global Visa payment system

During 2007, the entire Visa organisation confirmed the details of a major restructure

The rest of the Visa world (consisting of Visa Canada, Visa International and Visa USA) has consolidated into Visa Inc , a new private stock company, to facilitate an IPO

Visa Europe continues to be an independent member-owned association It has an exclusive irrevocable licence in perpetuity for the Visa products, brands and technology It also has a shareholding in Visa Inc

With this structure, Visa Europe can meet the distinct needs of the European payments market Yet it continues to be an integral part of the global Visa system This guarantees international interoperability, service quality and risk management standards It also enables international banks to benefit from a consistent, global offering

Delivering across two dimensions

Why has Visa Europe chosen to operate as a membership association?

Because it is what Europe's banks want The Visa Europe board of directors (the appointed and elected representatives of our European membership) has determined that this is the right business model for Europe The wider membership subsequently confirmed their decision in an extraordinary general meeting

It means that Visa Europe can

- Provide leadership at the collective market level - creating the conditions for market growth, brokering agreement and cooperation among stakeholders, and ensuring that Europe's payments are governed by European institutions
- Deliver business value at the individual customer level - working with individual members to understand their business circumstances, and improve the performance of their payment programmes

The membership model enables the best of both worlds Meanwhile, the relationship with the worldwide Visa organisation protects the interoperability of Visa payments and ensures that multi-national banks benefit from a consistent global service

What's so special about Visa Europe?

Highlights of the year

40

new cards issued for every minute of every day

11.6%

increase in point of sale spending levels

343

million cards in issue

23

million new cards issued

11.4%

of European consumer spending

19

billion transactions

Voted Europe's most trusted brand

What are the benefits of membership?

2007 has been an eventful and exciting year – for Visa Europe itself, and also the European payments industry in which we participate

Together we have replaced many more cash payments with secure, convenient card payments This, in turn, has brought significant benefits to individual banks, retailers and consumers - and, ultimately, to the wider European economy

Within this report we celebrate some of Visa Europe's successes We provide an update on our operations and our finances We also comment on some of the wider developments which have a profound impact on the European payments sector

Foreword

Strong growth for Visa Europe

We have seen improvements across our key performance indicators, and have delivered our best ever set of scorecard outcomes (the means by which our business targets are set and evaluated by the board of directors)

Card numbers grew by more than seven per cent to exceed 343 million This means that an additional 23 million cards were issued during the year - equating to more than 40 new cards for every minute of every day

40

new cards issued for every minute of every day

Point of sale spending levels grew even more strongly (by 11 6 per cent) to reach €838 billion, and total card volumes (including ATM transactions) grew by ten per cent to exceed €1 3 trillion

These top line figures are very impressive Based on the initiatives outlined in this report, we can expect continuing growth in the future

One big breakthrough is the commercial launch of Visa payWave, our contactless payment solution By replacing low-value cash transactions, this promises to introduce card payments to a whole new range of retail environments

Another highly significant development is the success of V PAY, our new chip-only, PIN-only debit solution, which brings a new dimension of choice and competition to the European payment market During the year we took V PAY from concept to reality, with written commitments for more than 19 million cards, and an acceptance network of four million merchants

Our progress with Visa Processing Services is another highlight Our new European authorisations system, which was fully deployed this year, is an important new asset It brings a new level of flexibility and cost-efficiency to our business, and has already helped us secure new processing business

These are just three developments Many others are included in this report

Together we have created a system which enables commerce and delivers unequalled levels of convenience, security and efficiency to all

A new global structure for Visa
In last year's report, we outlined plans for the new structure being adopted by the global Visa organisation, including

- The creation of Visa Inc a new private stock company (through the consolidation of Visa Canada, Visa International and Visa USA), in preparation for an initial public offering
- The decision by our members that Visa Europe is to remain a not-for-profit membership association (as an entirely distinct entity with an exclusive and irrevocable licence in perpetuity for the Visa products, brands and technology, and a shareholding in Visa Inc)

During 2007, the Visa Europe directors have been closely involved in negotiating and finalising the details of this restructure This process has reinforced the fact that Visa Europe is now a unique and independent European entity, clearly differentiated from all other payment systems

Benefits of European ownership
So how, specifically, does this structure benefit Visa Europe's members and their customers?

We believe that this structure enables us to succeed across two critical dimensions

- First, we can provide leadership at the collective market level By understanding and aligning the needs of our stakeholders, we can create the conditions for growth
- Second, by offering a highly responsive service, we can also serve the business needs of individual banks, working with them to deliver innovative, value-creating payment solutions

As this report demonstrates, Visa Europe is succeeding across both of these dimensions We can therefore be regarded as the European payment system which

- Is owned and governed by European institutions
- Is fully committed to the creation of a Single Euro Payments Area (SEPA)
- Is free to develop products (such as V PAY) which respond to European circumstances, and build on our European investments (in particular in chip and PIN)
- Owns and operates its own distinct European processing system
- Has the means, the expertise and the business processes to help individual banks improve the performance of their card programmes

Driving new innovations

Visa Europe's constitution is fundamentally different from any other payment system The benefits are practical, they are substantial, and they enable us to innovate on behalf of our members

Several of our recent innovations are highlighted in the report, including our progress with V PAY, Visa payWave and Visa Processing Services Success in each of these areas has been largely dependent on our European membership model

A compelling commercial offer

Whilst collective, market-level initiatives are critical to the development of European payments, they need to be accompanied by a compelling commercial offer During 2007, we have continued to improve our commercial delivery For example, we have

- Created a new Business Development group to develop and follow through on business proposals
- Improved our Visa Consulting offer so that members have access to our full range of insight and expertise
- Continued to recruit more subject-matter specialists to supplement and complement our existing talent and capability

This has enabled us to improve our service and helped us to build longer term, more strategic partnerships with our members

Acknowledging wider developments

Of course, Visa Europe and its members are susceptible to developments at the regulatory level During 2007 we have seen several positive new developments For example, the Payment Services Directive promises to bring a more uniform legal basis for European payments Similarly the SEPA Progress Report from the European Central Bank helped to clarify expectations for the creation of SEPA

The most pressing requirement, however, is for the European Commission to reach a clear and lasting position on interchange fees

We stress

- Commercially viable interchange fees are critical to the creation of a successful SEPA
- In order to encourage investment and steer innovation, the payments industry needs the freedom to set interchange rates at the most appropriate level
- Any regulatory decisions need to apply to all participants, so that competition is not distorted and no payment system is commercially disadvantaged

We continue to represent these interests, and are eager to facilitate a satisfactory resolution At the time of writing, however, we still await a positive outcome Cards must be managed as a commercial business If banks are to press ahead with the development of European payments, they must be able to expect a realistic return on their investments

Support from all participants

Finally, I should emphasise that our success this year - or any year - would not have been possible without the continued support of all participants in the Visa Europe payment system

I want to thank our employees, our board of directors, our member banks, the retailers that accept Visa - and of course, the hundreds of millions of European consumers who use Visa

Together we have created a system which enables commerce and delivers unequalled levels of convenience, security and efficiency to all

Peter Ayliffe
President and CEO
Visa Europe

2007 has been an eventful and exciting year - for Visa Europe itself, and also for the European payments industry in which we participate

- Strong growth for Visa Europe
- A new global structure for Visa
- Benefits of European ownership
- Driving new innovations
- A compelling commercial offer
- Support from all participants

Visa Europe's business is payments. We assist our members in replacing other, less efficient forms of payment.

Our marketplace

What's different about the European payments market – and how can Visa Europe meet its needs?

Visa Europe's business is payments We assist our members in replacing other, less efficient forms of payment – primarily cash and cheques By doing so, we increase the efficiency of their payment operations We also add value to a wide range of retail banking products – such as current accounts, savings accounts and consumer lending products

Across the 36 countries in which we operate, our payment solutions account for 11 4 per cent of consumer spending (defined as personal consumption expenditure or PCE) The level of development of the card market varies significantly by country, but even in the more developed payment card markets, there is considerable opportunity for sustained growth In the UK, for example, cash payments still outnumber card payments by more than three to one and, across Europe, cash accounts for an estimated 80 per cent of all payments

Across Europe, several factors are combining which should enable our members to accelerate cash replacement

SEPA and the internal market for payments

European payments originally evolved as a patchwork of very distinct national markets Now, with the success of the euro, the move towards ever-closer European integration and the emergence of more cross-border banking and retail groups, there is a clear need for change

The progressive harmonisation of the European payments market is generally referred to as the SEPA (Single Euro Payments Area) Project

Key developments during 2007 included

- Finalisation of the Payment Services Directive (PSD) – promising a common legal basis for all European payments and allowing for a new category of payment service providers, called "payment institutions"
- Publication of the SEPA Progress Report – explicitly outlining the European Central Bank's (ECB) expectations for a more open and competitive market and which underlines the political objectives of the SEPA Project
- Banks across Europe have been preparing for compliance with the SEPA Cards Framework (SCF) – which outlines the requirements for compliant card products
- Continued consolidation within the payment processing sector, with several high profile mergers and acquisitions

Visa Europe is a strong and vocal supporter of the SEPA Project It should accelerate the development of all payments, domestic as well as cross-border

As an indication of this commitment, we became fully SCF-compliant at the start of 2007 - a full year ahead of the deadline

Continued regulatory scrutiny

As a natural consequence of its increasing scale and scope, the payment card sector faces intense public and regulatory scrutiny

The most significant development is the European Commission's sector inquiry into financial services and the publication of its final report into the payment card sector in January 2007 This highlighted a number of concerns (such as perceived market fragmentation and barriers to cross-border competition) which are largely being addressed through various SEPA initiatives, the PSD and the SCF

However, there continues to be real uncertainty over the future of interchange fees

We regard interchange as absolutely fundamental to the day-to-day functioning and future development of card payments In 2002 we were granted an exemption (under Article 81(3) of the European Treaty), determining that our multi-lateral intra-regional interchange fee is entirely compatible with EU competition law However, this exemption expires at the end of 2007 and, at the time of writing, a resolution for 2008 and beyond had not been reached

Like many other interested parties (the European Central Bank included) we are arguing for a definitive, lasting, pan-European settlement which gives commercial certainty to all payment service providers

In particular, we are seeking a settlement which

- Acknowledges the crucial role of interchange
- Enables payment systems to set interchange at the most appropriate level
- Encourages the widest possible use and acceptance of card payments
- Does not put any payment cards system at a commercial disadvantage - as this would clearly distort free and open competition

Assuming such a settlement is reached, we envisage that more banks will be more willing to invest in the development of European payments

A mature chip and PIN infrastructure

Europe is leading the world in the migration to EMV chip and PIN technology

Indeed, EMV chip cards now account for more than half of all Visa cards issued in Europe Also, across Europe, more than four million point of sale terminals and 250,000 ATMs have been EMV chip-enabled

Since the migration began, Europe has benefited from a steady and progressive reduction in the fraud-to-sales ratio In particular, EMV chip and PIN has been successful in halting the vulnerabilities of the past, namely, counterfeit and lost and stolen losses (see risk management section for more detail)

With the core infrastructure now in place, the emphasis is to take fuller advantage of the innate capabilities of EMV chip For example

- V PAY, our SEPA-compliant debit card, is the first chip-only, PIN-only product - and therefore helps banks to extract maximum benefit from their EMV chip investment
- Multi-function or combination cards are an area of real interest - these can support two or more payment applications They could also support points-based loyalty programmes
- There is real enthusiasm in contactless payments - and our own solution, Visa payWave, is being implemented across several countries
- We are seeing a big increase in the deployment of unattended or self-service card payments - including self-checkout, vending and ticketing

There is also potential to extend the security benefits of chip and PIN to card not present transactions (including e-commerce and telephone payment)

Our marketplace continued

An emphasis on cost efficiency

As has been widely reported, European retail banks are experiencing a steady erosion of their net income margins Consequently, many of our members are seeking to achieve new cost efficiencies, and a definite area of emphasis is cash replacement

According to our own analysis, the cost of cash handling to European banks equates to some 23 per cent of their combined profits (for retailers we believe the figure is even higher, at around 30 per cent of profits)

Cash replacement is, therefore, a major strategic goal for many banks As just one example, Roberto Nicastro, director of retail banking at the Italy-based UniCredit Banca, addressed the subject at Insights 07 (the Visa Europe member meeting held in Rome in April 2007) He explained how, across many different dimensions, cash stands in the way of business performance He even suggested that the excessive use of cash in the economy threatens to "kill the economics of the retail banking business"

As the primary cash replacement tool, payment cards can be expected to play a central role in this drive for improved efficiency

In combination, these trends and developments should contribute to continued, sustained growth in the payment card market We can anticipate a more dynamic, more competitive European market This promises to offer greater choice, added convenience and more security to consumers and businesses alike – whilst delivering significant economic benefits to the economy as a whole

Our processing systems, services and prices are all fully compliant with the SEPA principles

Our strategy

Our response to these circumstances is a strategy that emphasises three business areas directed towards a common goal The goal is, quite simply, to work in partnership with our members to deliver innovative, value-creating payment solutions The precise way in which we do this is determined by the nature of each customer, the business strategies they are pursuing and the market environment in which they operate

This goal also implies a high degree of customer intimacy It means that, as well as offering compelling, highly competitive commercial terms, we must be attentive and responsive to individual customer circumstances We must also appreciate the business and profitability drivers of each of these customers

With this goal in mind, the three facets of our business strategy are payment, processing and stakeholder solutions

Payment solutions

We provide a range of flexible payment product platforms and give our members the freedom to configure them to bring maximum benefits to their business

We also provide specialist expertise to assist our members in developing consumer and commercial payment products which

- Are relevant and appealing to target customers
- Deliver the right level of risk and fraud control
- Provide the right level of utility
- Are backed by the right mix of services and benefits
- Bring an acceptable commercial return

The Visa brand is an important component Everywhere in Europe our research confirms that people know the Visa brand, they trust the Visa brand and, crucially, they prefer the Visa brand This helps to explain the fact that Visa-branded products routinely generate higher levels of point of sale spending than other bank-issued payment cards To build on the strength and relevance of our brand, our advertising and promotional campaigns are helping to associate Visa with routine, day-to-day spending

We also work to ensure that Visa products are widely accepted - and warmly welcomed - in more retail sectors and situations

Processing solutions

In order to compete more effectively in the emerging SEPA environment, we have made significant investments in our European processing capabilities

Across the industry it is generally believed that the processing market will continue to consolidate and, within the coming years, only a handful of processors will have achieved the necessary levels of scale and pan-European reach

Visa Europe has been anticipating these developments for several years We aim to help our members derive maximum business benefit from this new environment Most significantly, we have implemented a new authorisations platform and moved ahead with the development of a new clearing and settlement system In combination, these systems will enable us to increase the scale, capability and cost-effectiveness of our processing services

Designed, built and operated in Europe, our systems are based on the latest scalable technology, enabling us to develop new services and enhancements quickly and cost-effectively Using this capability we can work with members, inter-bank organisations and third party processors to meet new and evolving processing requirements

This means that

- Our processing systems, services and prices are all fully compliant with the SEPA principles and enable members to implement these principles within their own businesses
- We have the flexibility to meet the needs of banks and groups of banks with highly customised domestic processing solutions such as the new domestic processing contract we have finalised in Sweden
- We have the scale and connectivity to implement pan-European processing solutions
- Through our international processing capabilities, we can provide a single point of access to support cross-border and multi-country businesses, a growing requirement given the level of banking consolidation taking place across Europe
- Our systems and services are specifically designed to meet existing and emerging European requirements, including the high proportion of debit transactions, the progressive roll-out of EMV chip, and the prevalence of inter-country and inter-processor transactions

Our strategy continued

Our membership association structure also brings significant benefits, meaning that

- Our processing operations are exclusively owned and governed by Visa Europe members
- All of our members can benefit from scale efficiencies and shared development costs which bring price advantages
- We always have the freedom and flexibility to work collaboratively with local members, inter-bank organisations and third party processors

Stakeholder solutions

Our pan-European membership association structure acts as a clear point of differentiation for Visa Europe As a membership association we are able to broker agreement and cooperation between our members

We are also able to provide leadership at a collective-market level And we are free to engage in activity which helps to grow the value of the wider payment card business (yet may not bring a commercial return to Visa Europe itself)

As well as being comfortable with our ownership structure, our members have to be confident that we represent the most compelling commercial proposition For example, with a refreshed relationship management and sales function, backed up by our subject matter experts and consultancy services, we have put more people into positions that add direct value to our members

We also appreciate that our customers are not the only stakeholders in the Visa system The merchant community and, increasingly, the regulators have a huge impact on the nature, penetration and profitability of card payments

We are therefore working to demonstrate to all of our stakeholders the merits of the Visa Europe system In particular, we are in constant, constructive dialogue with a whole range of European stakeholders In this way we represent the interests of our members and emphasise the commercial characteristics of our four-party payment system

Looking ahead, one thing is clear it is in everyone's interests to migrate more everyday spending to fast, convenient and secure cashless payments

Our response to these circumstances is a strategy that emphasises three business areas directed towards a common goal

- Payment solutions
- Processing solutions
- Stakeholder solutions

Looking ahead, one thing is clear: it is in everyone's interests to migrate more everyday spending to fast, convenient and secure cashless payments

Visa Europe is now a truly unique organisation, clearly differentiated from all other payment schemes

The European payments market is going through a period of fundamental and unprecedented change

With the creation of SEPA and an internal market for European payments, the industry rule book is being re-written The decisions now being taken will dictate the nature of the market for years, if not decades to come This is a matter of real, everyday significance - not just to the providers of payment services, but also to individuals, to businesses and to society as a whole

Just like transport networks, payment networks are absolutely vital to the functioning of any economy Get it right and it's a lubricant Get it wrong and it's a barrier to economic growth

This is why we have been paying so very much attention to the governance and constitution of Visa Europe In effect, we have been agreeing on the right structure, systems and processes to manage the future of European payments Back in 2006, the rest of the Visa world decided to merge together into Visa Inc and prepare for a stock exchange listing Here in Europe the board decided that Visa Europe should continue as a collectively owned membership association During 2007 we focused on the detail Through a programme of intense deliberation and negotiation, we agreed on the terms of the restructure, the conditions of Visa Europe's exclusive licence, and the way we interact with the wider Visa organisation

For the board, this consumed an inordinate amount of time I would therefore like to thank my fellow directors for their support and their commitment We are unanimous in our belief that the new structure is right for us and right for Europe

Visa Europe is now a truly unique organisation, clearly differentiated from all other payment systems Going ahead, the challenge for the management is to really deliver and articulate the benefits

As we progress towards a more open, competitive and dynamic payments market, Visa Europe continues to benefit from an extremely strong and capable board, which is truly representative of Europe's payment service providers

During 2007 we were sorry to see Victor Bento, Paolo Cornaro, Mike Fairey, Benny Higgins, Hans Iversen, Victoria Matia, Jacek Obłękowski and Paul Pester retire from the board However, we were delighted to welcome Graham Beale, Francisco Castells Delgado, Spyros Filaretos, Peter Jackson, Sven Lystbæk, Godelieve Mostrey, Erik Pontillart and Colin Walsh

I look forward to chairing the board in the year ahead It is an honour - and also a big responsibility - to be so closely involved in maintaining a firm foundation for European payments

Jan Liden
Chairman, Visa Europe Board of Directors

2007 was yet another busy year – for Visa Europe and our member banks. We made significant progress towards our strategic objectives, with important developments across every area of our operations.

Visa Europe's strong growth continued in 2007

Business results – five year highlights

	2003	2004	2005	2006	2007
No of cards (000)	239,333	262,929	291,844	319,965	**343,071**
Gross CEV (€000)	824,518,928	927,727,000	1,056,869,069	1,201,150,597	**1,322,131,403**
POS CEV (€000)	512,924,278	579,280,089	660,761,648	750,918,868	**837,790,211**
No of transactions (000)	12,375,799	13,743,127	15,507,630	17,415,767	**19,053,020**
Transactions per average card	53 3	54 4	55 5	56 7	**57 2**
POS spend per average card (€)	2,309	2,384	2,453	2,539	**2,613**
Average transaction value (€)	66 6	67 5	68 2	69 0	**69 4**
Average transaction value at POS (€)	57 7	58 0	58 2	58 7	**59 1**
Visa POS as % of PCE	8 4%	9 0%	9 8%	10 6%	**11 4%**

Notes
1 Historic data has been re-stated to include the new EU member states of Bulgaria and Romania (which joined Visa Europe when they acceded to the EU in 2007) The data is also calculated using constant exchange rates to minimise the effect of any exchange rate movements
2 Personal Consumer Expenditure (PCE is the metric we use to quantify everyday consumer spending) historic data has been re-stated to include Bulgaria and Romania and also to reflect recent analysis

During 2007, Visa Europe and its members enjoyed another year of sustained growth.

Card numbers were up by more than seven per cent to exceed 343 million and point of sale spending was up by 11.6 per cent to €838 billion. This means that Visa cards now account for 11.4 per cent of everyday consumer spending.

Our performance is comparable to each of the previous five years In particular, we saw significant gains in our debit card business, and our commercial payment solutions enjoyed particularly strong growth However, a general weakening in consumer confidence across Europe had an impact on our overall performance

The challenge going forward is to consistently identify and pursue new growth opportunities, such as prepaid cards and low value payments Based on the cash replacement initiatives outlined in this report, the decision of some leading members to migrate to Visa Debit, and the growing level of commitment to V PAY we expect the current levels of growth to continue in 2008 and beyond

343

million cards in issue

How does Visa Europe measure its success?

Our business performance – scorecard outcomes

We use a range of performance indicators to measure our progress towards the company's strategic objectives and to help us manage the business

Our business targets are determined annually and agreed by the board of directors

Our performance is then reported to the board in the form of a corporate scorecard This scorecard is also used by the management to monitor our progress during the year and, where necessary, to refine our activity

The current scorecard was introduced at the start of 2007 (hence, this section of our Annual Report differs slightly from previous years) The big change is that, in addition to the traditional "lagging" indicators (which reveal the performance of our existing business), we have incorporated several "leading" indicators (which are an indicator of future performance and the achievement of our strategic objectives)

Our scorecard enables us to set targets and monitor performance across six areas Outlined below are some of the most important scorecard measures, with an explanation of their strategic relevance and details of our actual performance in 2007

Financial performance
We are extremely disciplined in the way we manage our finances On the one hand, our members demand value for money On the other, we need to invest for the future – in our brand, our innovations and our technical infrastructure

Revenues (€m)

2006	557 4
2007	583 3

The sum of all fees we have earned from our members

As the scale and scope of the Visa Europe business grows, we expect to see an incremental increase in our revenues

The actual performance is ahead of our business target, which is indicative of our strong business performance

Total expenses (€m)

2006	518 9
2007	540 3

This figure reflects the financial efficiency of Visa Europe It includes our own expenses and investments, and also the monies paid by us to Visa International (now Visa Inc) for the use of the Visa brand, products and global systems The figure excludes the fine imposed on 3 October 2007 (see note 6)

The actual performance is in line with our business target

Pre tax surplus (€m)

2006	42 8
2007	45 8

This is the money retained within the business It can therefore be contributed to our capital reserves

The actual performance is ahead of our business target (reflecting the strong revenue performance)

Pre tax surplus excludes share of profits of Visa International and the fine imposed on 3 October 2007 (see notes 12 and 6 respectively)

€583m
revenues

Business results continued

Business performance

We aim to continue to be Europe's leading payments system, and our business performance reveals our progress. Moving on from our traditional focus on card numbers, our current scorecard looks at the performance of these cards (in terms of point of sale volumes), the growth of our processing operations, the extent of our brand leadership, and our success in pursuing key strategic objectives (such as V PAY).

11.6% growth

Total POS

(€bn) and % growth at constant rates of exchange

2006	€751bn
2007	€838bn
Growth	11.6%

Point of sale (POS) volume only relates to the amount spent at merchants (that is, it excludes all cash withdrawals). POS performance is a key indicator of business performance and growth for any payment card system.

The rate of growth for POS spending grew much more strongly than overall CEV. This suggests that Visa payment products are successfully accelerating the replacement of cash. However, given the general weakening in consumer confidence, the performance fell slightly below our business target.

Incremental processing transactions committed

New measure	
2007	1.6bn

This figure relates to incremental growth of our processing business.

The actual figure is well ahead of our business target. This strong performance has been driven by new card portfolio wins, and also by new processing agreements (whereby members have decided to migrate transactions from an incumbent processor).

Commitments for V PAY cards and acceptance locations

2006	0m cards 1.1m locations
2007	19.4m cards 4.0m locations

This relates to written commitments (generally in the form of "statements of intent") from members to issue V PAY cards. It also relates to the level of support from the acquiring community (i.e. the number of merchant locations across Europe which are committed to V PAY acceptance).

The performance demonstrates that V PAY is now a tangible business reality for Visa Europe and our members. With such a resounding "vote of confidence" in the new product, we expect results to become progressively stronger in the months ahead.

Brand differentiation

2006	38.6%
2007	41.1%

Monitored via our Global Brand Tracker research, this figure measures the "uniqueness" of the Visa brand (that is, in terms of perceived attributes which are not shared by other payment card brands).

The actual performance was comfortably ahead of our target. In particular it was driven by strong gains in France and the UK.

Member advocacy
At Visa Europe we aim to be the easiest, most efficient and most responsive payment system to do business with We have another set of metrics in place to measure member perceptions of Visa Europe, the most important of which is our annual Member Satisfaction Survey This confirms that we continue to benefit from an exceptionally high level of member endorsement

People performance
One of the ways we deliver value to our members is through the knowledge, experience and commitment of our people We therefore need to attract and nurture a wide range of skills and talents Also, we need to be sure that our employees are fully engaged with what we, as a business, aim to achieve

80% engagement

Overall member satisfaction rating

2006	78
2007	77

Each year, we conduct a thorough Member Satisfaction Survey We use this to assess the level of satisfaction across many dimensions This figure relates to the overall satisfaction rating

Following exceptional results in 2006, we continue to benefit from extremely high levels of member endorsement Any areas of member concern are being thoroughly assessed and will be addressed in 2008

Employee engagement rating

2006	78%
2007	80%

Each year we work with an independent organisation to conduct a thorough Viewpoint Employee Engagement Survey The key measure is employee engagement (which assimilates various factors such as being proud to work for Visa Europe, feeling committed to our goals, having a strong sense of belonging, etc)

An extremely strong performance moves Visa Europe into the upper quartile (based on a sample of UK-based companies across a range of industry sectors) Also, we perform well above the average for financial services organisations

Business results continued

What, specifically, has Visa Europe achieved in 2007?

E-commerce

A strategically significant payment channel for Visa Europe and our members

Mobile payments

We are actively working with members, handset manufacturers and mobile operators to investigate the potential

Acceptance and innovation - 2007 achievements

Our aim is to create innovative, value-creating solutions This overriding purpose drives our strategy and has become a company ethos right across the business In particular, the acceptance and innovation team is charged with consistently identifying and developing ways to make Visa more secure, attractive and convenient - for our members, for retailers and, of course, for consumers

Developments in 2007 include

Visa payWave

A major breakthrough in 2007 was the commercial launch of our contactless payment solution, Visa payWave

Using wireless technology to exchange payment instructions instantaneously between an EMV chip card and an acceptance terminal, Visa payWave is a new way of making low value cash payments (which, by volume, still account for the vast majority of all consumer payments)

It is aimed at those environments which process large volumes of low value payments, such as coffee bars, convenience stores, newsagents, pubs, fast food outlets and mass transit operators

Visa payWave has already been commercially launched by members in Switzerland, Turkey and the UK, with pilot programmes underway in France and Spain

E-commerce

E-commerce is a strategically significant payment channel for Visa Europe and our members It is a large market, which continues to grow rapidly, and payment cards are firmly established as the preferred payment mechanism

However, security continues to be a concern With the implementation of chip and PIN for face-to-face payments, fraud has migrated to e-commerce payments - which now account for the largest proportion of fraud losses

To counteract this threat, we continue to support members in the deployment of Verified by Visa (our authentication solution for e-commerce payments) Some participating retailers report that over half of their Visa transaction volume is fully authenticated by Verified by Visa

For the future, we are strong advocates of dynamic passcode authentication - which can extend chip and PIN security to any card not present payments

Regular payments

Regular or recurring payments (such as utilities bills, insurance premiums and subscriptions) account for up to a third of total consumer spending To bring more choice to consumers and retailers alike, we have been working with our members to extend card payments to this sector

During 2006 we launched a new 'Account Updater and Stop' facility in the UK

By subscribing to this new service, retailers can check that they have the most up-to-date card account details It also means that cardholders have an easy way of cancelling a regular payment instruction, giving them more confidence when setting up a recurring payments instruction

In 2007 the first target merchants subscribed to the service and enjoyed an increase in the rate of successful transactions One particular merchant reports that, on more than 2 3 million enquiries, it has retained revenues of more than €700,000 and realised cost savings of some €70,000 Another merchant, British Telecom, said of the Account Updater and Stop facilities, "These new innovations make Visa a quick, easy and secure payment and collection method "

Based on this level of success, the service was also launched in Ireland, and we are developing plans to introduce it elsewhere in Europe

Mobile payments

As mobile devices become ever more sophisticated, their potential within the payments environment grows We are actively working with members, handset manufacturers and mobile operators to investigate the potential

By loading a Visa payment application onto a mobile phone

- The mobile phone can be used to conduct Visa payWave transactions (using the same contactless acceptance devices, based on EMV chip, as for the standard card-based Visa payWave payment) To develop this concept we are working with members and operators in France and have also announced details of a partnership with Nokia, T-Systems and the Rhein-Main-Verkehrsverbund (RMV) to test the system in the Greater Frankfurt area
- The Visa application can also be used to pay for goods and services over the mobile internet As mobile internet access becomes faster, and the consumer experience improves, we believe that a universal Visa payment solution will become a definite requirement

New innovations for issuers

We continue to support Visa issuers in developing new innovative solutions which add value to their card programmes Areas of focus in 2007 included

- Multi-function cards - we are assisting in the development and deployment of multi-function card propositions
- Instant issuance - we are demonstrating techniques for issuers to personalise and distribute Visa chip cards within a bank branch or a retail outlet

2007 was yet another busy year for Visa Europe and our members

A summary of our highlights

- Acceptance and innovation
- Brand management
- Consumer payment products
- Commercial payment solutions
- Processing services
- Relationship management and commercial development

Business results continued

Brand management - 2007 achievements

The Visa brand is a vital asset, for Visa Europe itself and also for our members Our tracking research confirms that the Visa brand is more familiar, more popular and more relevant than any other bank-issued payment card brand

To reflect the sheer strength of our brand, Visa was once again named as Europe's most trusted credit card brand in the Reader's Digest 2007 Trusted Brands survey Indeed, Visa was named as the most trusted credit card brand in 14 out of the 15 European countries surveyed

Developments in 2007 include

Brand strategy review

A major brand strategy review project has been undertaken In particular, the review focused on the Visa brand's role as a "value accelerator", which is complementary to the brands of our members, and helps them to improve the performance of their respective payment programmes We also wanted to ensure that the Visa brand is clearly differentiated from the brands of existing and emerging competitors

The output from this project will be a new brand model and brand essence, which can help to guide our decision making, and will become the basis of all of our brand management activity in 2008 and beyond

A record level of brand support activity

During 2007, national brand advertising campaigns were run in conjunction with our members in 18 European countries In each case, these campaigns were based on our Love Every Day theme Across TV, press, poster, in-store and online advertising, a distinctive wrapping paper creative device was used

Emphasising the ease and convenience of Visa payment, the campaigns were designed to drive card use in situations where consumers habitually pay by cash and cheque

The Love Every Day creative theme also provided the basis for a range of promotional activity, run in association with our members and their retail partners More than 43 promotions across 17 countries were implemented during the year

We also entered into an innovative partnership with the popular web portal MSN Again based on the Love Every Day theme, this reached a mass audience through 185 million advertising impressions and more than one million page views

2007 Rugby World Cup

A major focus of brand support activity for 2007 was our sponsorship of the Rugby World Cup

Across France, Ireland, Italy and the UK, a total of 27 members ran 60 different rugby-themed promotions - generally designed to increase card usage or drive the acquisition of new customers

We also implemented a range of national campaigns, media and online promotions to build awareness of our role as a global sponsor

Olympic Games

As a global sponsor of the Olympic and Paralympic Games, and a leading supporter of the Paralympic movement, preparations are well underway for Beijing 2008 and also for London 2012

For Beijing 2008, we are progressing with several initiatives including Team Visa (which provides support and mentoring to aspiring Olympic athletes) and Olympics of the Imagination (an international art competition for children)

For the UK in particular, London 2012 is set to be a focus of attention over the coming years For example, we announced our support of the British Olympic Association and our support of Team GB at the Australian Youth Olympic Festival

Visa was voted Europe's most trusted brand

Consumer payment products – 2007 achievements

Our range of consumer payment products continued to enjoy strong growth during 2007 Card numbers grew by almost seven per cent, while point of sale spending increased by 11 6 per cent

We also supplemented our capabilities and expertise in the increasingly competitive credit card sector We secured several major migrations from domestic or competing card schemes to Visa Debit We also made significant progress with commitments to the mass market launch of V PAY our new chip-only, PIN-only debit solution

Credit

In most European countries, our credit business grew very strongly

Across the Nordic countries, for example, growth in card numbers approached 40 per cent and growth in point of sale spending was 35 per cent It was a similar story in the Baltic and Central European countries where, in several cases, growth rates exceeded 100 per cent

We also saw considerable gains in countries such as Germany and Portugal In Turkey, our members put in an exceptionally strong performance – with the number of Visa cards nearing the 20 million milestone

Success was more limited in the UK (traditionally our largest national market) As has been widely reported, the country's credit card market has generally cooled, and competition for card programmes has been fierce There have, however, been some significant new wins in the UK, such as the BT Credit Card (set to be one of the country's largest co-branded card programmes), issued by MBNA Europe

- **France – preparing for co-branding**
  Another area of focus for the year has been France where, from October 2007, it becomes permissible for banks to issue co-branded credit cards Given that the country is home to some very large retail card programmes, we can expect to see significant developments in the coming months In preparation, we have been working closely with our members, and some major programmes have already been announced such as the Carte Bleue Visa Renault card launched by RCI Banque, Renault's sales financing subsidiary and the Nouvelles Frontieres card with Société Générale's consumer credit organisation, Franfinance Orange, BNP Paribas and its subsidiary Cetelem have launched the first prepaid co-branded card for 12 to 18 year olds Fiat Auto, through its European co-initiative Fiat Auto Financial Services, and Crédit Agricole, through its consumer credit subsidiary Sofinco, launched their co-branded credit card

Debit

2007 was another year of exceptional growth for our debit business

Card numbers were up by eight per cent, taking us well beyond the 200 million card landmark Point of sale spending grew even more quickly, rising by over 12 per cent This means that debit now accounts for more than 60 per cent of card numbers and three quarters of total sales

During the year, our business priorities were to increase spending volume and to encourage more banks to migrate their debit programmes to Visa Debit – and we have been successful in meeting our related targets

- **Increases in point of sale spending**
  In terms of point of sale spending, double digit growth was achieved across more than twenty different countries We saw particularly strong gains in the Central European countries, the Baltic countries and also the Nordics Even in the UK, our largest debit market, the growth in point of sale spending approached 15 per cent

  These spending increases were supported by our various Love Every Day brand campaigns, which (as the name implies) associate Visa with everyday spending We also continued with the deployment of several new payment services, including the introduction of cash back at the point of sale in Greece and Ireland

- **More banks issuing more cards**
  Given the strength of our brand, the flexibility of the products, and the increased levels of spending they generate, several banks (most notably HSBC in the UK) have been choosing to migrate their debit portfolios to Visa

  Banks have chosen to launch Visa Debit in Ireland and Finland Also, in Spain, ViaCajas S A (one of the country's three inter-bank payments organisations) selected Visa as its preferred debit partner This means that its member banks, accounting for more than five million debit cards, are being encouraged to migrate to Visa Debit

- **Visa Product Extensions**
  During 2006 we began to communicate to our members the benefits of the Visa Product Extensions (VPE) – a range of hybrid products, which benefit from the full strength of the Visa brand mark, yet manage risk through a range of additional security features

  During 2007, several banks have been taking advantage of this added flexibility In Greece, for example, several members have been migrating their Visa Electron programmes to VPE Similarly, in the UK, Barclays Bank has been proceeding with a large scale migration process

250,000
ATMs accept V PAY

Prepaid
Prepaid cards continued to be our fastest growing product category

By the end of the 2007 fiscal year, we had more than 200 programmes across 22 European countries, with new programmes being launched at the rate of five a week In total, more than seven million Visa Prepaid cards have been issued across Europe

To help more banks and their customers benefit from prepaid, Visa Europe has significantly enhanced its resources, creating a Centre of Excellence With a specialist team in place we are helping members to fully exploit the enormous opportunities offered by prepaid cards Work has also commenced on several new payment services which will enable the products to work even better at the point of sale

This year, we have seen a step change in the level of interest in prepaid

With some of our largest members getting involved, they have the scale and the credibility to really address opportunities like government programmes and basic bank account packages At Visa Europe, therefore, we do not see prepaid as a discreet business Instead we see it within the wider context of the retail banking offer

V PAY
An important focus of activity for the entire organisation in 2007 was V PAY - our new chip-only, PIN-only debit solution for Europe

This is bringing a new level of choice and competition to those countries where banks have traditionally participated in a single domestic debit card scheme It is also helping these banks to comply with the SEPA requirements and take a big step forward with their debit card business

During the course of the year we announced a whole range of developments

- **Issuance commitments**
  From December 2006, we began to announce a series of major issuance commitments

  The first of these came in December 2006 with a landmark agreement between Visa Europe, the German association of cooperative banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken) DZ Bank and WGZ Bank (the two organisations that provide central banking functions to the sector) This meant that V PAY became a recommended option for more than 1,200 cooperative banks

  In April 2007, a group of five leading Italian banks announced their commitment to V PAY Soon afterwards, Banca Carige was the first Italian bank to start issuing V PAY

  By the end of September 2007, we had received written commitments from banks in seven different countries (Austria, Belgium, France, Germany, Italy, the Netherlands and Switzerland) for the issuance of more than 19 million V PAY cards - representing well over ten per cent penetration of the target market

- **A mature acceptance infrastructure**
  We continued to support the acquiring community in the roll-out of V PAY, and a complete pan-European acceptance network is now in place

  Some four million point of sale terminals, plus 250,000 ATMs are now capable of accepting V PAY An extensive decaling programme is also underway, with a target for V PAY decals to be displayed on three million terminals by the end of 2007

- **Consumer marketing and communications activity**
  With so much progress on issuing and acquiring, our emphasis has shifted to include consumer marketing and communications for V PAY

Business results continued

Commercial payment solutions - 2007 achievements

Reflecting the value they deliver to our members and their business customers, our commercial payment solutions enjoyed particularly strong growth during 2007

Overall, card numbers increased by more than 23 per cent, with point of sale spending up by more than 20 per cent While there was strong growth across the region, particular highlights include

- The UK, where card numbers increased by more than 44 per cent, with point of sale spending up by more than 25 per cent This growth was driven partly by the success of Visa Business debit cards (which provide a convenient new payment mechanism for small and micro-businesses), and partly by the continued popularity of Visa Corporate (which provides travel and entertainment expense management services to larger corporations)
- Turkey, where card numbers increased by more than 220 per cent, with point of sale spending up by nearly 50 per cent Several Turkish banks have introduced innovative new solutions using the full range of Visa Commercial product platforms A particular example is the Üretici Kart from DenizBank, which is aimed at the agricultural sector Through this programme, special credit terms are available to farmers, which mature when their crops are actually harvested
- Central Europe and the Baltic States where, in several countries, growth rates exceeded 50 per cent A particular success in these markets has been the Visa Electron Business debit card which provides higher levels of security for issuers and their corporate customers (cards can only be used in electronic terminals, and payment authorisation is always sought from the issuer)

Other important developments in 2007 include

Launch of the Visa Central Travel Account

In May 2007, we supplemented our existing range of commercial payment solutions with the launch of the Visa Central Travel Account (VCTA)

The VCTA is a single, centrally billed travel account which companies use to monitor, control and pay for air and rail travel It can also be referred to as a "lodge account' because it is "lodged" with a company's selected travel agent

Because so much travel spending is channelled through a single payment account, the VCTA is very easy to manage Detailed spending reports are generated so the VCTA also helps companies to monitor travel policies and negotiate preferred terms with regular suppliers

The VCTA is designed to complement a conventional Visa Corporate card programme, leading to even greater levels of clarity and control It therefore supplements and complements our existing range

Continued success with public sector purchasing solutions

The UK Government Procurement Card (GPC Visa) continues to be regarded as one of the world's leading public sector payment initiatives

GPC Visa is operated exclusively by Visa Europe and six member banks During 2007, we secured an extension of the existing contract through to 2010 With more than 900 separate card programmes and annual spending of more than €1 billion, it is estimated that GPC Visa brings efficiency savings of more than €150 million a year (based on a saving of €40 per transaction, as calculated by the UK National Audit Office)

GPC Visa continues to grow strongly and, by working in close partnership with OGCbuying solutions (the trading arm of the UK Office of Government Commerce) we continue to enhance the programme During 2007 for example, we contributed to the launch of GPC eSolutions - an online management information service, helping card users to make better use of detailed spending data

Marketing and business development

During 2007, our emphasis was to provide direct and highly practical support to our members Our team of subject matter experts worked through our network of local offices to implement more than 40 activities in 14 countries, such as workshops and issuance and usage initiatives

In Turkey, for example, we worked with members to implement a national incentive programme for bank employees By hitting targets, they had the opportunity to win items such as digital cameras and laptop computers

Processing services - 2007 achievements

Our inter-bank processing services are an important component of the service we provide to our members - and one of our three central strategic objectives is to interact with as many transactions as we can

By doing so, we can bring added value to our members' Visa payment programmes - by reducing cost, guaranteeing international interoperability, monitoring service quality and enabling the introduction of new payment services

In this respect, our new European processing platforms can be regarded as a significant strategic asset - for Visa Europe and our members

A prime example is the new domestic processing services we are providing in Sweden for Nordea and Swedbank To meet the distinct needs of the local payment market, we updated our new authorisation platform to accommodate Swedish-specific requirements, including

- Dual authorisation for transactions from automated fuel dispensers
- The transmission of "electronic watermarks" for ATM transactions
- Recognition of Swedish characters

Also, Visa Europe's clearing and settlement services (used by all Swedish banks since 1995) are fully customised to meet Swedish needs For example, merchant names and locations are transmitted in the local character set, and a vast array of bilateral interchange rates is supported

Developments during 2007 included

Full SEPA compliance

As of 1 January 2007, all of our processing services and price structures were SEPA-compliant - a full year ahead of the deadline set out by the European Payments Council

In particular

- We removed all distinctions between domestic and intra-European cross-border transactions, with a single tariff for all Visa Europe transactions
- We ensured that our payment solutions and our inter-bank processing solutions are fully unbundled Our members have complete freedom to choose when and how they use the respective services
- Because we operate a distinct European processing platform (which is separate from, yet integrated with, the global Visa systems), we have been able to conform to European data protection requirements

Full implementation of our new authorisations platform

A highlight of 2007 was the full implementation of Visa Authorisation, our new, state-of-the-art transaction switching and authorisations platform This new system integrates with the global Visa systems and, through our existing access network, it has direct interfaces with every other major processor and all of the regions' members

The system also has the capability to process all payment transactions - domestic and intra-European, Visa and non-Visa

After a successful live pilot phase in 2006, the systems were fully deployed in 2007 The phased implementation process progressed according to schedule, and all members were switched over to the new system by August 2007

The average latency of transaction messages passing through the systems is just 40 milliseconds (which is three times faster than competitive systems)

With the implementation now behind us, we are beginning to see the benefits of this significant new asset 100 per cent availability levels have been maintained, with a service performance of 99 954 per cent We believe it to be the region's fastest and most capable switching system, and feel that it will serve Visa Europe and our members very well for many years to come

We believe Visa Authorisation to be the region's fastest and most capable switching system, and feel that it will serve Visa Europe and our members very well for many years to come

Business results continued

New clearing and settlement platform
Based on the success of Visa Authorisation, we have continued to move ahead with the development of our new clearing and settlement platform

The sophistication of our clearing and settlement services has always been a point of differentiation for Visa, and a new European system will enable us to supplement these capabilities

Increases in processing volumes
To reflect the quality of the service, we have seen significant gains in processing volumes, and an increased level of longer-term commitments Indeed, during 2007, we received commitments for the processing of an additional 1 6 billion transactions annually (that is, over and above our organic growth)

A commitment to service quality
A multi-lingual customer services team delivers customer support, systems testing and systems certification services to all members and their technology partners

During 2007, the team handled more than 3,000 customer contacts every month At any one time during the year, it dealt with more than 500 separate projects such as the introduction of new card programmes, the implementation of new services or the changing of a member's processing parameters

Customer satisfaction levels continued to improve and, based on an independent evaluation, the service delivered was consistent with the top quartile of service and technology organisations Also, with the agreed service levels being achieved across more than 90 per cent of customer contacts, we exceeded our internal targets for the year

Additional premises and new business continuity facilities
To supplement the rapidly expanding number of processing and operations employees, we acquired 50,000 sq ft of additional UK-based office space

As well as relocating several of our IT development teams to the new premises, we have also used it to house a new business continuity facility From September 2007, all of the facilities previously provided by a third party supplier have been replicated and upgraded at our own facility In the event of a serious incident which prevents access to our HQ offices, this enables us to recover and continue all of our key business functions

Relationship management and commercial development – 2007 achievements

On his appointment in 2006, our president and CEO Peter Ayliffe committed to put more people into positions that directly add value to our members' business To this end we began to strengthen our relationship management and commercial development teams – and the process has continued during 2007

We have recruited many more subject-matter specialists, both in headquarter functions and throughout our network of local offices which, in turn, gives members easier access to our insight and expertise

Developments in 2007 include

Visa Consulting
We significantly strengthened our consulting services, with several senior appointments, backed up by new processes and service offers This enables us to create stronger strategic partnerships with our members, helping us to deliver innovative, value-creating payment solutions

We have since been engaged in a wider range of consulting assignments Each of these is scrupulously evaluated Members have benefited from improvements in the performance of their Visa payment programmes, and the feedback has been very positive Service satisfaction levels have reached 4 3 out of 5 0 (equivalent to an 86 per cent approval level)

SEPA Healthcheck service
One of the consulting services we have developed is a SEPA Healthcheck service, which helps our member banks with the strategic and tactical choices brought about by SEPA

The SEPA Healthcheck is not just about compliance We provide members with objective advice to make them fit for SEPA and ensure they are adequately positioned to capture the opportunities in a more open, more competitive payments world

Accession of new EU Member States

An important area of activity during 2007 was the continuing EU accession process, through which 43 banks from the New EU Member States of Bulgaria and Romania (previously represented by the Visa CEMEA region) joined Visa Europe

Collectively, these banks have issued more than 6 5 million Visa cards, and their payments business is growing very quickly (spending at point of sale was up by 125 per cent in Bulgaria and more than 80 per cent in Romania)

As part of the accession process, the banks were connected to our new processing systems They also became bound by the Visa Europe Regional Operating Regulations, and are able to benefit from our SEPA migration initiatives

Insights 07

In April 2007 we organised a member meeting in Rome Called Insights 07, it was positioned as the European payments forum As well as showcasing Visa products, services and expertise, it provided an opportunity to discuss and debate emerging industry trends and challenges - and to build stronger business relationships with our members

More than 400 members attended the event All scorecard targets were exceeded, feedback from delegates was exceptionally good, and anecdotal evidence suggests that the event was successful in generating firm sales leads

How we treat our people

Visa Europe's success depends on our ability to attract, enthuse and retain talented employees During 2007 we took substantial steps within our Human Resources Management (HRM) division and across the wider business to create a working environment which will help to secure a mutually beneficial future

As Visa Europe has become an increasingly commercial and focused business, we have reviewed, restructured and revitalised the way Visa Europe people work - and the support HRM provides

A complete programme of best practice HR initiatives

By aligning employee and business goals, we aim to deliver our ambition of creating an environment in which people are engaged and passionate about improving business and personal performance Making this happen in practice has entailed a whole range of interconnected initiatives For example

- **Competencies**
  We have established and embedded a set of competencies which define the skill sets and behaviours expected within the business

- **Performance management processes**
  A rigorous performance management programme is in place Regular performance reviews provide a clear line of sight between employee's input and business strategy For employees, this enables greater clarity in terms of performance expectations and how this relates to Visa Europe's wider objectives

- **Departmental and divisional scorecards**
  With scorecards detailing departmental and divisional goals, each individual's role can be seen in the context of team, group and business objectives

Customer satisfaction

levels continued to improve

3,000

customer contacts every month

- **Reward and recognition**
  Based on the scorecards, we have a transparent approach to reward and recognition, which links pay directly to performance We have also revised our grading structure, which simplifies and reduces the number of bands This encourages lateral movement alongside vertical promotions, and helps to deliver our aim of developing broader experience within Visa Europe

- **Talent management**
  Our talent management programme is designed to evaluate and build talent and release potential at (and across) every level of the business This programme helps us to identify leaders for the future It also facilitates succession planning and helps to ensure that our recruitment and selection processes put the right people in the right places within the organisation

- **Career management and organisational development**
  Our HRM team also provides ongoing career management to guide and identify development opportunities, with dedicated organisational development representatives to provide hands-on guidance to each division

Establishing a Peak Performing Organisation

As a result of all these initiatives, we have actively identified and conformed to best practice To bring these initiatives - and the working experience - to life, we always aim to tap and release personal passion within the business

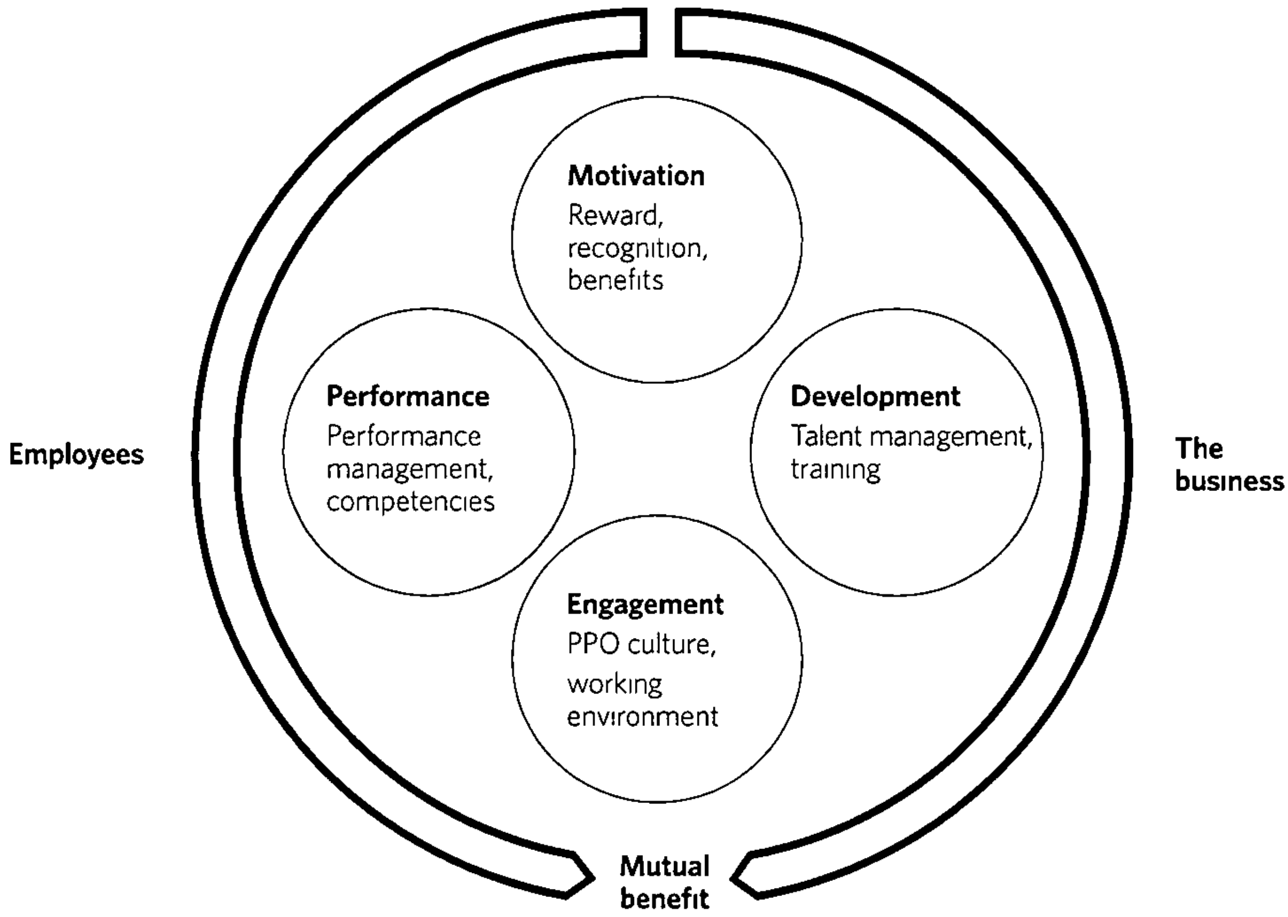
We recognise that each of our people are driven and motivated by different factors Therefore, we have rolled out highly innovative and empowering Peak Performing Organisation (PPO) thinking across Visa Europe More than 700 employees have now attended PPO workshops and coaching sessions

PPO is a way of thinking and working which recognises that personal goals and corporate aims have to be balanced and in harmony PPO links clarified individual ambitions to the values which shape and direct the business It sets out to capture personal vibrancy and passion

As just one example Carol Walsh, executive vice president, general counsel and head of regulatory affairs won the Finance Award at the 2007 First Women Awards Backed by the Confederation of British Industry (CBI), this prestigious award programme aims to identify role models for young women by honouring those who have broken new ground in business life

We feel that Carol's success underlines Visa Europe's commitment to diversity and talent development We also feel that, by aligning corporate and personal needs, we can progressively transform the organisation and make Visa Europe an even better place to work

Aligning corporate and personal needs



Business results continued

Exceptionally high levels of employee engagement

Progress is reflected by two headline figures in our annual Viewpoint Employee Engagement survey A very high proportion (93 per cent) of employees participated in the survey, with 80 per cent demonstrating active engagement with the business' strategy

The diverse make up of our employees

As an international organisation we encourage and expect diversity in our workforce The ratio of female to male employees stands at 40-to-60 and, at any one time, we employ people from more than 34 nations, thus creating a multi-cultural family Also, to reflect our commitment as an equal opportunities employer, we are a member of the Employers' Forum on Disability

Market leading benefits package

We expect a lot from our people and in return, we provide a range of benefits that extend well beyond pay and status These include

- Non-contributory defined benefit pension scheme (for joiners up to 30 September 2003)
- Non-contributory defined contribution pension scheme (for joiners from 1 October 2003)
- Medical and dental cover (family)
- Travel insurance (family)
- Free annual health screening
- Child care allowance and baby bonus
- Gym membership subsidy

Plans for the future

We expect our HR practices and policies to continue to develop in the coming year The focus of the past 12 months has been the alignment of corporate and personal needs and the introduction of best practice programmes The next challenge is to make Visa Europe an Investor in People (IIP) employer We will also focus on introducing more flexible working patterns, as we continue to support the transformation of Visa Europe into a more commercially focused organisation

Whistle blowing

Visa Europe ensures there is a reliable conduit to management for employees who are concerned about possible misconduct We provide employees with a channel to report, anonymously if desired, any questionable accounting or audit matters they observe These may include possible illegal activities or unethical conduct that employees believe could have a negative financial or brand impact on the company Any concerns can be raised with either the head of HR or the chief risk and compliance officer in the first instance

Health and safety

During 2007 Visa Europe progressed with a complete programme of health and safety initiatives

Most significantly we rolled out our new Health and Safety Management System (HSMS) This defines precise roles and responsibilities for every tier of management across the organisation (with ultimate responsibility residing with the president and CEO)

The HSMS applies throughout all UK sites and the network of regional offices A team of health and safety employees has been appointed and the principles of the HSMS have been communicated through a programme of employee workshops

An enhanced programme of training has also been implemented This includes training for all newly appointed safety coordinators, increased first aid training for designated employees, and an extensive programme of computer based training to improve awareness of health and safety issues relating to employees' workstations

It should also be noted that the level of accidents or incidents within the company is significantly below the industry average (as an indication, during 2006, 380 Reportable Accidents* occurred within the UK Finance/ Business sector with zero attributed to Visa Europe)

*Source The UK Health and Safety Executive

How we conduct our business

At Visa Europe, we believe that the management of our reputation is integral to the sound management of our entire business

Our overall vision is for Visa to be the world's most trusted currency It follows that we need to make informed, reasoned and ethical decisions about how we conduct our business

Reputation governance

The governance of our reputation programme is the remit of the reputation council

Chaired by Dr Steve Perry, the reputation council comprises 15 senior executives from across the business, each of whom has a direct influence on Visa Europe's ongoing business strategy and activity

More specifically, the role and remit of the reputation council includes

- Overseeing all aspects of Visa Europe's reputation management programme
- Providing a forum for management of issues across the business
- Anticipating possible areas of contention and defining suitable responses
- Raising awareness of reputational issues across the business, and fostering a spirit in which reputation is a consideration in all business decisions

The reputation council meets six times a year It reports to the executive management committee (EMC), and policy recommendations are referred to the EMC as appropriate

Openness and transparency

We recognise that the payments industry is under intense public scrutiny This is to be expected After all, payment systems play a pivotal role in any modern economy, as most economic activity relies on them

As the payment card industry increases in scale and scope, this level of scrutiny is set to increase

Consequently, we are committed to openness and transparency across every aspect of our finances and operations This means that all stakeholders (including members, the retail community, the regulatory community and the public at large) have easy access to detailed information about how Visa Europe functions, our constitution, decision-making bodies and consultative processes

For example, an 'About Visa' section on www visaeurope com provides a detailed explanation of our constitution, our structure, our operations and our intra-regional interchange fees A complete copy of our Articles of Association and By-Laws can be freely downloaded from www visaeurope com Also, we ensure that this document – our Annual Report – is given a wide circulation across many different stakeholder groups

Proactive stakeholder engagement

Our legal, corporate communications and relationship management teams actively engage with a wide range of politicians, regulators, industry and consumer groups and journalists from around Europe

Using regular tracking research, we assess attitudes to Visa Europe and possible areas of misunderstanding about who we are and what we do

Then, through a proactive programme of briefings we aim to ensure that all stakeholders have a clear understanding of Visa Europe and our vision, focus and priorities for the future

Just as importantly this is a means of hearing about issues or concerns from stakeholders In this way a real dialogue can begin

In particular, we aim to demonstrate the unique nature of our constitution (an association of European payment service providers), and the benefits it can bring to the European economy

How does Visa Europe view its responsibilities – and how seriously are they taken?

We act as an authoritative facilitator, broker and arbitrator

Setting industry standards
An important part of our role at Visa Europe is to work with members to establish industry standards (such as our continuing contribution to the EMV chip specifications and our input into the European Payment Council's various standardisation initiatives)

We also work with our members to agree our product and acceptance rules and regulations These define the precise ways that Visa cards must work, the manner in which payments should be processed, and the roles and responsibilities of each participant in every transaction They also define the chain of liabilities, and ensure that participants (particularly consumers) are protected from risk

As well as formulating these rules, we take an increasingly active role in enforcing them For example, our compliance department is charged with ensuring that members abide by security standards and procedures, and that they deliver a consistently high standard of service for all Visa payments

To this end, we operate a series of compliance programmes Members are actively informed of their responsibilities, and monitoring programmes ensure that they adhere to them

In cases where members are non-compliant, advice and consultancy is available to them If members do not achieve compliance, we can and do apply financial penalties Also, for consistent non-compliance, we have the right to withdraw membership of Visa Europe

To extend our traditional role, our 'In-Market Evaluation' team conducts an ongoing programme of test transactions across a wide variety of retail locations As well as thoroughly testing new payment technologies, we can ensure that our business rules are respected by retailers, their acquirers and our issuers

Consumer protection
An important function of our operating rules and regulations is to maintain consumer trust in the Visa brand They therefore guarantee a level of consumer protection (such as protection from fraud and the right of repudiation) which often goes well beyond prevailing national regulatory requirements

Visa Europe also has strict rules in place which prevent Visa-branded products from being used to buy illegal or distasteful items (such as images of child abuse) In 2007, the board agreed to a further tightening of our rules (to cover a range of additional items such as pictures depicting rape or non-consensual mutilation)

To underline our commitment in this area, we continue to support the Child Exploitation and Online Protection Centre (or CEOP), a London-based law enforcement agency with an international remit Beyond financial assistance, CEOP has access to our investigative skills and knowledge

Our impact on society

Addressing financial capability
At Visa Europe we do not issue cards, we lend no money to anyone, and we leave it to our members to decide how best to price and promote their products

We have worked with our members to create a series of consumer education initiatives For example, we maintain 'Card Safety and Budgeting' and 'Getting Financial Help' sections on www visaeurope com, supplemented by public relations programmes in several European countries We have also created customised local language websites in countries such as Greece, Poland and Turkey

In addition, we have been keen to facilitate the wider European debate on financial capability, and to catalyse additional solutions Our core capability is to act as an authoritative facilitator, broker and arbitrator By extending this role into the field of financial capability, we have been able to

- Raise awareness of the issue among our membership
- Bring interested parties together and encourage the sharing of best practice
- Promote discussion and debate
- Facilitate appropriate responses
- Identify and advise upon best practice

In particular we have hosted a series of practical workshops, involving representatives from the public policy and academic communities, and the industry itself During 2007 we hosted such workshops in Italy and Turkey We also produced a white paper on the subject for distribution to the wider membership

A commitment to inclusion
We believe that Visa Europe and its products can contribute to a truly inclusive European society For example, we work with our members to ensure that financial products and services can be extended to all citizens – regardless of their age, their cultural values, their economic status or any disabilities they may have

Our commitment to inclusion is also demonstrated through our unparalleled support for the global Paralympic movement We were, for example, the first global sponsor of the Paralympic Games Through our title sponsorship of the Paralympic World Cup (held annually in the UK) we helped to establish the event And, in 2007 we announced that the Paralympic athlete, Dame Tanni Grey Thompson, would play a leading role in our support of and preparations for the London 2012 Olympic and Paralympic Games

Charitable giving initiatives

Many of our members use their Visa payment programmes as the basis for charitable initiatives Indeed, it is common for card issuers to donate a proportion of total sales on certain Visa card programmes to charity

Visa Europe itself has always had a strong culture of charitable giving and campaigning among employees - something which we strongly encourage

During 2007, several hundred employees were involved in more than 30 different initiatives which altogether raised more than €80,000 Each of these initiatives was supported and publicised by the company Our employees voted Cancer Research as their preferred charity and the company sponsored a range of initiatives such as charity auctions, duvet days and donations

A particularly high profile initiative was the Visa Swap, run in association with TRAID (Textile Recycling for Aid and International Development) Over a three week period, consumers were invited to take designer and high quality clothes to a central London retail location They were then awarded a certain number of points on a Visa Fashion Swap Card to "swap" for other items of clothing Any clothes left over were then donated to TRAID

Community-related initiatives

A new development in 2007 was our involvement in the Colourful Horizons programme, a new social investment in Turkey

Here, we partnered with all of our Turkish members, and joined forces with two non-governmental organisations (NGOs) Together we created a multifaceted campaign which aims to provide life and learning skills to Turkish children

The programme, which extends to 34 cities across Turkey, aims to improve the cognitive and critical thinking of the country's underprivileged children, and help them appreciate their duties of citizenship within the rapidly developing country

We believe that Colourful Horizons works on two inter-dependent levels it enables us to make an extraordinary contribution to Turkish society, it is also good business practice in that it helps us to address the reputation of the payment cards industry in Turkey

Environmental impact

Given that Visa itself does not manufacture or distribute any physical products, the environmental impact of our own business tends to be relatively modest Nonetheless, we have been keen to operate to the highest standards

During 2007 we established the Green Team, comprising representatives from across the business Led by our facilities department, and meeting on a bi-monthly basis, its role is to identify opportunities for improvement and to implement new initiatives

Developments during the year include

- Carbon emissions
  Each year, the Carbon Trust (an independent company funded by the UK government) assesses each of our UK sites, and helps us to prioritise improvements We currently exceed the UK benchmarks and our commitment is to reduce our carbon footprint in each of our sites, year after year

- Waste management
  We have improved our waste management facilities, using a specialist contractor to handle the recycling of paper, cardboard, cans and plastics (and the combined total exceeds 5,000 kilos a month) Any waste which is not recyclable is burned in an energy-generating incinerator

- Catering
  Several new initiatives have been introduced in our catering operations For example, we no longer purchase bottled water (instead bottles are cleaned and refilled onsite), we have replaced vegetable oil with rape seed oil (waste oil is then used in farm machinery), and we have increased local sourcing

- Transport
  Instead of using multiple couriers we now have a single vehicle to run mail, archiving and storage between our UK sites

- Travel
  We recognise that, with a regional network of offices and regular meetings with our members, our business travel has an impact on the environment We are therefore working with our suppliers to quantify the related carbon footprint, and advise us on how it can be minimised

  We have also named Eurostar as our preferred means of travel between the UK, Belgium and France

Looking more broadly, we are always keen to emphasise that card payments tend to be far less resource-intensive than alternative payment mechanisms

For example, an analysis of our Visa Commercial payment and financial management solutions suggests that users can typically save up to ten pieces of paper per transaction Over a five year period, this equates to a total saving of more than four billion pieces of paper across Europe (or some 350,000 trees)

We routinely enable and encourage our members to implement environmental policies for their respective payment card programmes Since 1997, it has been possible for member banks to issue biodegradable cards, which virtually eliminate the need for chlorine and chemicals contained in standard PVC cards

A number of banks also run CO_2 off-set programmes (which compensate for the CO_2 emissions involved in the manufacture and use of any products and services bought with a Visa card) We have developed our own knowledge and expertise in this area and can advise members on establishing such programmes

Our wider economic impact

In any assessment of our CSR credentials, it is important to recognise the broader social and economic impact of Visa payment products

Visa-branded payment programmes currently account for 11 4 per cent of European consumer spending Visa therefore makes a significant positive contribution to the financial health and efficiency of the European economy

As well as helping trade to take place, Visa debit and credit cards provide more convenience and greater security than other forms of payment

The European Commission has calculated that the total cost to society of all payment systems (including cash, cheques and payment cards) equates to two-to-three per cent of GDP – and that the costs related to cash alone account for two-thirds of this figure

Similarly, a pan-European study by McKinsey & Company estimates that society spends around £140 (€210) per person per year to cover the costs of cash

What is more, by breaking down barriers to trade, Visa credit, debit and commercial payment products bring greater efficiency to business and more liquidity to more consumers

Based on independent econometric assessments, we estimate that a ten per cent increase in the volume of card payments can directly liberate a half a per cent increase in total consumer spending

By bringing more transparency and accountability to payments, we can also reduce the viability of grey economies

Risk management

How does Visa Europe monitor and manage risk?

Clearly, robust risk management disciplines are fundamental to the success of the Visa system Within Visa Europe, a wide range of related programmes, policies and processes is in place

Fraud related risks
This is about the threat from fraud – and ensuring that members, retailers and consumers maintain their trust in the Visa system By continually anticipating, analysing and addressing the threat from fraud, Visa protects the integrity and profitability of the card payment system and the interests of Visa Europe and its members With the growing sophistication of criminals, this involves the continual enhancement of the industry infrastructure, and the adoption of new risk management disciplines

An important factor across Europe is, of course, the implementation of the EMV chip infrastructure This has been extremely successful in addressing the big vulnerabilities of the past (namely the threat from counterfeit fraud and also from lost and stolen cards)

These forms of fraud were traditionally responsible for the vast majority of fraud losses and, prior to the EMV chip migration programme, the related losses were escalating at more than ten per cent each year

Counterfeit and lost and stolen fraud losses are now seeing a steady and significant decline in all environments where EMV chip has been deployed In terms of fraud which is now being avoided, it is estimated that the migration to EMV chip has resulted in savings of more than €180 million over the past two years

It must be acknowledged, however, that the criminal fraternity has shifted its attention to those environments which are not secured by EMV chip – namely card not present (CNP) transactions, such as e-commerce (now the largest source of fraud losses), and also cross-border fraud (involving merchant locations and ATMs that are yet to deploy EMV chip technology)

Over the past five years, fraud-to-sales ratio has followed a downward trend from 0 080 per cent to reach 0 055 per cent in 2007 Beneath this apparent stability however, is a definite shift in fraud patterns For example, CNP fraud losses have increased from 37 per cent to 45 per cent of the total There has also been an increase in cross-border ATM fraud losses (whereby counterfeit cards are used in countries which have yet to upgrade their ATM estates to EMV chip), which has increased from four per cent to 13 per cent of the total

The fact is that, even without the universal deployment of EMV chip, most types of cross-border and CNP fraud can be effectively addressed Tools do exist Standards have been set More countermeasures are continually being developed and, when best practice is followed, losses can be minimised

Visa Europe operates a wide range of programmes and services which can help members to identify and address their vulnerabilities, including

Investigations support	Provide intelligence to members, assistance with investigations and support with relationship between law enforcement, particularly for major incidents and cross-border fraud
Visa Intelligent Scoring of Risk (VISOR)	A neural network fraud detection solution for issuers
Issuer review services	A full review of issuer fraud control processes which highlights problems and proposes enhancements
Visa Europe Merchant Alert Service (VMAS)	An online database, intended as a warning system for acquirers approached by merchants whose contracts have previously been terminated by another acquirer
Acquirer review services	A full review of acquirer fraud control processes which highlights problems and proposes enhancements
Fraud reporting services	Monthly and quarterly reporting of fraud performance across Visa Europe to assess trends and develop risk control strategies
Merchant Fraud Performance (MFP)	A fraud control programme that operates on both a regional and cross-regional basis The programme assesses fraud performance at merchant level and requires acquirers to take action
Acquirer Monitoring Programme (AMP)	A fraud control programme that monitors acquirers' cross-border fraud levels on a monthly basis and (if losses exceed an acceptable threshold) instigates action
Issuer Monitoring Programme (IMP)	A fraud control programme that monitors issuers' cross-border fraud levels on a monthly basis and (if losses exceed an acceptable threshold) instigates action
Global Zero Floor Limit Programme	A monthly report that identifies merchant categories with excessive levels of fraud If fraud rates persist, the "floor limits" are reduced to zero
Risk training courses	Education and training courses provided to members to support their risk management approach and introduce new fraud management techniques Training is also provided to law enforcement agencies
Global Fraud Information Service (GFIS)	A series of web pages, available to risk management departments of all members, which provide details of all known fraud incidents, statistics and related information
Other consultancy	Consultancy services available to all members based upon individual requirements

Risk management continued

By driving communication, collaboration and co-operation across the industry in relation to fraud management, account data protection, law enforcement agencies and regulatory bodies, Visa Europe encourages the implementation of best practice

Visa Europe has also maintained a close and productive partnership with the European Commission for many years We have contributed to the harmonisation of European legislation on card payment fraud

More recently, we have been contributing to the Commission's Fraud Action Plan 2004-2007 for non-cash payments, including the Fraud Prevention Expert Group

Similarly, Visa Europe works in close partnership with national, regional and international law enforcement agencies

Given the abiding public and media interest in card security and fraud, Visa Europe ensures that the extent and efficacy of its activity is acknowledged - through a range of stakeholder and media briefings

Member and country risks

With average daily settlement volumes of more than €700 million, Visa Europe operates a highly capable risk management function

A specialist risk management team is responsible for monitoring and responding to the risk and credit rating of each member which participates in the Visa system

We do this by assessing each member's financial health, undertaking regular reviews and assessment of risks that members create and evaluating their ability to respond if such a risk crystallises - while also taking account of the economic, supervisory and regulatory environment of each of the countries represented by Visa Europe

To guard against settlement risks, each member is also assessed based on the risk-based exposure generated by the number of Visa cards it issues, and the related sales volumes generated

Also the decisions of the compliance council (see below) are reported quarterly to the member and credit risk function in order to provide a holistic view of the potential risk which individual members and third parties may pose to the Visa system, based on their business practices and financial health

Where necessary, financial safeguards are maintained in order to protect Visa Europe and its wider membership from potential losses

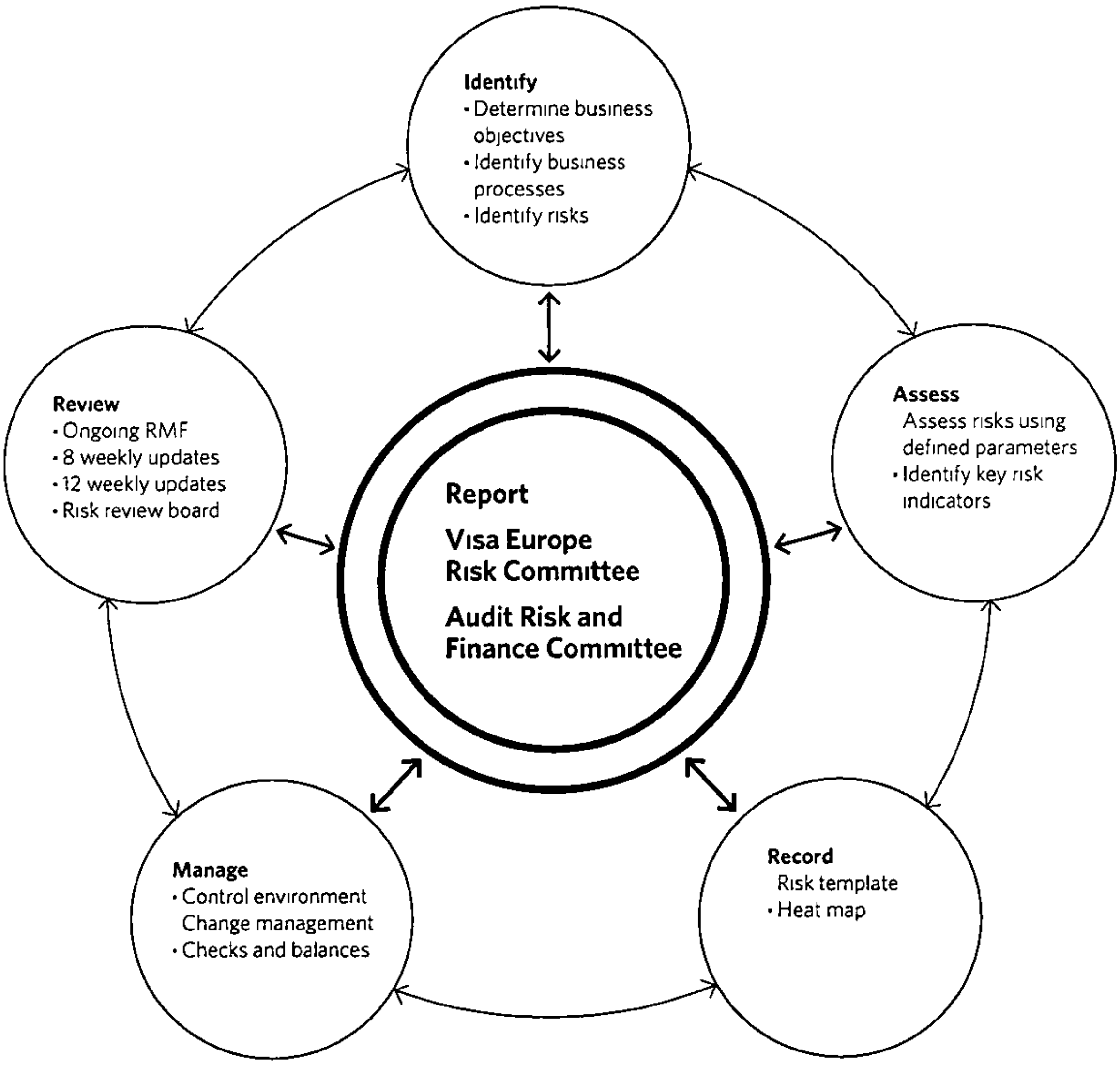
Business and operational risks

As part of its day-to-day responsibilities the executive management committee (EMC) is charged with identifying and monitoring a wide range of routine business risks - and ensuring that they are effectively mitigated

Under delegated authority from the EMC, the risk committee, chaired by Valerie Dias, meets once every 8-10 weeks to oversee the business, operational and membership risks

These risks are prioritised within a risk management framework (RMF) that is a central item on the agenda of every meeting of the audit, risk and finance committee As well as reviewing progress, the committee makes policy decisions about future controls

Business and operational risks



Risk management

Deloitte was appointed Visa Europe's internal auditors at the start of the 2007 fiscal year As an additional control measure, the RMF and our related policies are reviewed by these internal auditors who, in turn, regularly update the audit, risk and finance committee as well as the executive management on the state of the organisation's risk and controls

During 2007, several business and operational risks and control reviews were undertaken This included information and network security, physical security, business continuity, the implementation of the new Visa Authorisation system and the development of the new clearing and settlement system

Policy compliance

Visa Europe benefits from a dedicated member and third party compliance function - ensuring that members and third parties (such as technology vendors, payment processors and card manufacturers) adhere to Visa Europe's operational, business and security rules, including all risk management policies and procedures

This function provides expert advice to members and their business partners on compliance requirements on a wide range of issues such as payment system integrity, business rules policies and operational controls

Visa Europe also operates a number of member and third party compliance programmes These guarantee integrity while also giving all participants peace of mind that their products and services work in accordance with the rules Examples of such programmes include

- Account Information Security Programme - providing assurance that cardholder and account data is processed and stored in a secure way
- The Global Chargeback Merchant Monitoring Programme - ensuring that rogue merchants are identified and that acquirers and their business partners implement adequate risk controls
- Chip Interoperability Programme - ensuring that the collective investment in EMV chip technology provides return for all members
- Third Party Compliance and Registration Programme - providing assurance that third parties offering card and payment services are correctly certified and that a minimum level of due diligence takes place to control risks
- PIN and PED (PIN Entry Device) Audit Programme - ensuring that all entities processing PIN-verified transactions meet Visa's security and policy requirements in order to protect transaction authentication data from being compromised

As well as carrying out reviews and audits to assess levels of compliance, the compliance function has the authority to enforce Visa's requirements, as set out in the Visa Europe and Visa International Operating Regulations This is necessary in order to safeguard the interests and collective investments made by all members that participate in the Visa system

In order to provide a transparent and predictable compliance framework, Visa Europe also operates a cross-divisional compliance council, with delegated authority from the EMC, that continually monitors the business performance and compliance issues of individual members and third parties

The council meets every month It is chaired by Valerie Dias and also comprises senior executives from the company's legal, acceptance and relationship management departments It is responsible for developing compliance policies to protect the payment system and individual members from financial and reputational risks Whilst the council may, from time to time, resolve to levy penalties for breaches of Visa's rules and requirements, the aim is to identify any potential issues and pro-actively work with the member organisations in question to resolve any concerns

A particular focus during 2007 was the continuing and increasing threat from compromises of cardholder and account data 2007 saw an increase in the number of compromises at retailer and/or their service providers who were targeted by criminals and sensitive card account data stolen from their systems

In response, Visa Europe has stepped up its efforts to assist acquirers, retailers and service providers to implement the industry-aligned Payment Card Industry Data Security Standards (PCI DSS) These standards apply to all participants that handle cardholder and account data in the payment process Our compliance team has also worked with national inter-bank organisations to ensure that domestic payment requirements are aligned to the global PCI DSS requirements A range of tools and resources have been developed, backed up by training programmes, to help all such entities to achieve compliance

Separately, Visa Europe has an internally focused information security policy setting and compliance function This function is responsible for all aspects of internal data security, systems and network security, and security architecture It ensures that information assets are appropriately protected, that access is appropriately controlled and that any change management occurs in a secure environment

Priorities for the future

Given the complexities of a rapidly changing market, risk management will continue to be a significant focus for Visa Europe management as well as its board of directors

In terms of infrastructure, the operation of the Visa Authorisation system, and the development of the new clearing and settlement platform will continue to be a priority

As regards the wider membership, the focus will continue to be the effective monitoring and the reduction of fraud A particular consideration will, of course, be the way that fraud will evolve in the face of a more mature EMV chip and PIN acceptance infrastructure

Consequently we will continue to address the escalating risks presented by CNP transactions This will include tactical activity, which identifies and addresses those merchants which are responsible for a disproportionate level of fraud (typically cross-border merchants that are yet to implement Verified by Visa)

On a more strategic level we will continue to support the deployment of our online authentication service, Verified by Visa (see the "business review" section of this report) We will also support our members in the development and deployment of new techniques such as dynamic passcode authentication

We are also pursuing several initiatives which will help our members to identify (and prevent) suspicious ATM usage patterns

Data security and wider scale compliance of PCI DSS will continue to be an area of priority We will aim to work constructively with individual acquirers to establish realistic implementation plans for their retail customers However, in the face of unsatisfactory progress, lack of risk mitigation or cooperation, penalties will be applied

The advent of the Single Euro Payment Area (SEPA) is bringing both additional business opportunities and related risks to Visa Europe Existing risk assessment techniques and models have been re-assessed to ensure preparedness to effectively assess the new and different types of risk that will follow from the introduction of SEPA rules, starting in 2008

How has Visa Europe helped its members to develop their payments business?

Membership and its rewards

In this section of the report we look at ten examples of how Visa Europe has been working with banks - individually and collectively - to help develop their payments business

These ten examples provide a snapshot of our activity and are indicative of our approach In combination, they demonstrate our determination to

- Provide leadership at the collective market-level
- Create business value at the individual customer level

By succeeding across both these dimensions, we are able to deliver innovative payment solutions to banks, consumers and retailers alike

"The transport and payment industries are coming together in a way that wasn't possible before. This represents a massive opportunity for Visa member banks, and a convenient new proposition for their customers."
Will Judge

UK

United Kingdom

Wave goodbye to cash

It's happening!

One of the most exciting developments in the history of payment cards has arrived in the UK. And several other big deployments are being rolled out across the region.

Visa payWave is our contactless payment solution.

It's ideal for any situation where lots of customers are making plenty of low-value payments and speed of operation is a key requirement – such as fast food outlets, convenience stores, pubs and bars, newsagents, buses and trains.

For consumers it's fast, convenient and secure.

For retailers it's a great new way to speed up service, reduce queues and cut down on the costs of handling cash.

And, for banks, it's another way of benefiting from their EMV chip investment – enabling more people to use Visa cards for more payments in more locations more often.

The entire payments industry is excited about the prospects for contactless payments.

For the first time we have a viable way to replace low value cash payments. It is perceptibly faster, more convenient and more secure than notes and coins. And all indications suggest that it is set to take off in a big way.

It has already met with real success in Asia Pacific and the USA, with more than 20 million cards and 150,000 acceptance terminals deployed in less than a year and a half.

Here in Europe, it got a big kick start with an innovative partnership involving Barclaycard, Visa Europe, Transport for London (the organisation which manages the city's busy transport infrastructure), and Transys (the consortium which runs Oyster – London's hugely successful contactless ticketing system, used more than ten million times a day).

A standard Visa credit card (the Barclaycard OnePulse card) is equipped with Visa payWave and also with Oyster. So, for the big transactions it's chip and PIN, for the little transactions it's Visa payWave and, for buses, trams and tubes, it's Oyster.

This groundbreaking initiative acted as a catalyst for a large scale UK deployment of Visa payWave. Other members such as the HBOS, HSBC, Lloyds TSB and Royal Bank of Scotland announced their commitment to Visa payWave, and geared up for a full commercial launch commencing in September 2007. From the initial focus in East London, Visa payWave will be progressively deployed on a city-wide and, ultimately, a nation-wide basis.

In particular, the UK acquiring community has worked hard to support Visa payWave, and acceptance has been secured in high profile retail chains such as Coffee Republic, EAT, Krispy Kreme and McDonald's.

In developing Visa payWave we took EMV chip as our starting point. We worked with its innate capabilities and we created Visa payWave as a small increment to existing EMV chip investments.

In other words, we created a European solution for Europe.

To bring it to market, we partnered closely with our UK members in an 18-month development project. Together, we began with a laboratory concept, progressed to pilot technology, and moved on to an industrial strength product, ready for mass market deployment. Through this process, we were able to resolve technical issues, refine the business case, and work with technology vendors to create a whole range of interoperable card and terminal solutions.

With the groundwork complete, it is now possible for any other Visa Europe member to buy an "off the shelf" Visa payWave solution from a whole range of vendors.

The level of interest around Europe should not be underestimated.

For example, at Insights 07 we asked delegates about their plans and expectations for Visa payWave. Forty two per cent said that they expected their own organisation to launch a contactless payment solution within the next year. A further 20 per cent expected to go to market within two years. And 26 per cent said they would deploy contactless in three-to-five years.

Having worked collaboratively with our members to develop a pure EMV chip solution, we are eager to work with individual organisations on the mass commercialisation of this exciting new opportunity.

"Visa Europe has made an important contribution to the launch of Barclaycard OnePulse, the only contactless credit card in the UK to offer Oyster functionality. Visa also provided critical support for our market-leading efforts to build retailer acceptance in London. Throughout, they had a clear vision for contactless and provided leadership – particularly around the technology – while encouraging collaboration at an industry level."

Elizabeth Chambers
Chief Marketing Officer
Barclaycard

Excitement around Europe

Building on the progress in the UK, we have been working with many other members on the mass commercialisation of Visa payWave.

- In France, we are working with Société Générale, GIE Cartes Bancaires and Gemalto. The first Visa payWave transaction was conducted in June 2007. Now, more than 50 retailers and 1,000 cardholders are using Visa payWave in the business district of Paris La Défense.
- In Spain, we are working with la Caixa to bring Visa payWave to Madrid. In the first phase, contactless terminals have been installed at Kinepolis cinemas and Visa payWave cards issued to la Caixa cardholders who live nearby.
- In Turkey we are working with DenizBank. Visa payWave is being added to the existing Sea&Miles card. And Istanbul's famously busy network of ferries and catamarans is upgrading its payment facilities.

Over the coming months, we are preparing for further launches across the region.

Generierung von Unternehmenswerten

DE

"V PAY is a great example of Visa Europe working as a true membership association. V PAY has been designed by members, for members. It is not under the control of a remote, overseas corporation. Instead it is a truly European product, exclusively controlled by Europe."

V PAY – taking off across Europe

All of Visa Europe's products and processes are fully SEPA-compliant

V PAY is a new EMV chip and PIN-based debit product which is specifically designed for banks in those countries which have traditionally relied on a single domestic debit system (often referred to as the "eurocheque countries") Alongside the developments in Germany, V PAY is progressing particularly well in Italy In April five major banking groups announced that they would be issuing V PAY Then, in July, Banca Carige began issuing its first cards

Visa Europe is also in advanced negotiations in several other countries, including Austria, Belgium, France, the Netherlands and Switzerland By the end of September, written commitments had been received for more than 19 million cards, representing a market penetration of more than ten per cent

Also, tremendous progress has been made in establishing a pan-European acceptance infrastructure Some four million retailers are already capable of accepting V PAY, and decals have been displayed at nearly two million outlets

Germany

Making V PAY a reality

V PAY is the new European debit solution

Based entirely on EMV chip technology, V PAY helps banks to conform to the SEPA vision for a more efficient and competitive payments market - and to take a big step forward with the performance of their debit card business

V PAY is cost-effective for banks to issue and easy for retailers to accept

Consumers are also highly receptive They like the idea, have confidence in the product, and say that the V PAY logo will encourage them to use their debit card in more locations more often

Consequently more and more banks are signing up to V PAY - and a pan-European acceptance network of four million retailers has already been established As Europe's largest economy and its most populous country, Germany was always going to be a pivotal market for V PAY Now, with many important agreements in place, and changes to Germany's technical infrastructure, V PAY is a reality

Visa Europe first revealed its plans for V PAY in 2005

- A chip-only, PIN-only debit product, specifically designed for point of sale spending in 21st century Europe
- A product managed in Europe, by Europe, for Europe, supplemented by domestic governance
- A product that can co-exist with any domestic scheme, and eases the migration to the new SEPA environment
- A product that builds on European investments in chip and PIN, and takes full advantage of the innate capabilities of EMV chip technology
- A means of bringing more choice and competition to those countries which traditionally relied on a single debit solution

The reaction from the marketplace was overwhelmingly positive And, in partnership with individual banks and inter-bank organisations, Visa Europe embarked on an extensive programme of work to make the concept a reality A range of technical pilots demonstrated the concept was sound Acquirers were quick to support V PAY and began establishing the acceptance network Regional and domestic governance bodies were created and, in partnership with its members, the product principles and operating regulations were refined

2007 has seen a definite shift in gear The first big issuance commitments were secured Banks and inter-bank organisations began to upgrade their technical infrastructures to accommodate V PAY And Visa Europe moved its focus to the way individual banks can use V PAY to benefit their business

- Extensive consumer research has assessed the reaction to V PAY and helped to refine its positioning
- A full range of consumer advertising and cardholder communications have been developed and tested
- Acquirer support has prioritised those countries and retail locations where V PAY transactions will be concentrated

Throughout the development process Germany has been a centre of attention

The first step was to create the V PAY Deutschland Board, a national governance body representing German issuers and acquirers This met for the first time in June 2006, and subsequently reached a series of important agreements such as national interchange rates, and the creation of a national advisers group

The next big breakthrough came in December 2006 when an issuance agreement was reached between the German association of cooperative banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken) DZ Bank and WGZ Bank (the two organisations that provide central banking functions to the sector) This meant that V PAY became a recommended option for more than 1,200 cooperative banks

In June 2007 a further agreement was reached with the ZKA (the body which represents the associations of the German credit industry), enabling German banks to co-brand electronic cash (the existing debit system) with V PAY In an official statement, the ZKA said that this solution would be "recommended and supported explicitly by the German banking industry"

This announcement enabled Visa Europe to accelerate pre-issuance negotiations with many German banks By September 2007, Landesbank Baden Wurttemberg and Landesbank Berlin had committed to issue V PAY cards to their customers

The Deutsche Sparkassen und Giroverband (DSGV) has decided to upgrade their infrastructure to support the issuing of V PAY co-badged cards As a result of this V PAY has access to almost 70 million customers

More recently, Visa Europe has been working with the German banking community to prepare for the mass-issuance of V PAY In particular, the aim is to use V PAY issuance as a way of kick starting the German debit card sector - encouraging card use on a much wider scale Research has assessed consumer reaction to the V PAY proposition, and a range of locally tailored marketing and cardholder communication materials have been tested and developed

With similar developments in other European markets, including the first mass issuance programmes in Italy, V PAY can be regarded as a tangible reality - delivering a new dimension of choice, competition and security to banks, retailers and consumers

Sweden

Flexible, scalable processing solutions

As a distinct European payment system, Visa Europe operates its own SEPA-ready processing platforms

Having invested heavily in new systems, we aim to be recognised as the best in the inter-bank processing business - with more scale, more capability, more connectivity, more reliability and less cost

The big development is Visa Authorisation, our new European switching platform The next major innovation is a new regional clearing and settlement platform

These systems are fast and flexible They can be used by individual banks, groups of banks or national banking communities And they can help our members to derive more benefit from their payment card programmes

Skapar affärsnytta

SE

"The agreement works on many levels It is cost effective compared with other options. Furthermore it simplifies our processing architecture and thereby our maintenance costs It also allows us to focus on customer issues and business development and leave inter-bank switching to professionals."

As the SEPA project puts added pressure on incumbent inter-bank processors, we believe that more members will make use of Visa Europe's collectively held processing assets

An early indication comes from Sweden, where two of the country's largest banks have chosen to use Visa Europe to handle the switching and routing of all their domestic Visa transactions

As in many other European countries banks in Sweden had traditionally relied on a jointly-owned processing organisation to handle the routing and switching of their domestic card transactions

But, with the arrival of SEPA and the changes within the processing sector, the future of this arrangement was open to question

Two of the country's largest banks, Nordea and Swedbank (both of which have operations across the Nordic and Baltic regions and the countries of Central and Eastern Europe), turned to Visa Europe for a solution And, in 2007, an agreement was reached for Visa Europe to handle the processing of their domestic ATM and point of sale Visa transactions

As part of the agreement we updated our new authorisation platform, Visa Authorisation, to accommodate Swedish-specific requirements, including

- Dual authorisation for transactions from automated fuel dispensers
- The transmission of "electronic watermarks" for ATM transactions
- Recognition of Swedish characters

Also, Visa Europe's clearing and settlement services (used by all Swedish banks since 1995) are fully customised to meet Swedish needs For example, merchant names and locations are transmitted in the local character set, and a vast array of bilateral interchange rates is supported

The agreement brings a number of advantages to the participants By routing all of the banks' Visa transactions (domestic and cross-border) through the Visa Europe systems, they have less interfaces to support and can rationalise their IT operations In addition, they benefit from Visa Europe's pricing, and have immediate access to a wider range of value added processing services

The first phase of the implementation went live in May 2007, bringing an immediate 800 per cent increase in the Swedish transaction volumes being routed through the Visa Europe systems When the final phase is completed (in February 2008) we will be processing an additional 170 million transactions annually

As the deal becomes established, it is anticipated that more local banks will take advantage of our scale economies, with the potential for Visa Europe to act as a major pan-Nordic authorisations hub

It is also anticipated that the agreement will become a case study example for banks in other European countries - which face similar challenges and wish to benefit from a highly flexible, cost-effective solution

A strategic asset for Visa Europe

The agreement in Sweden helps to demonstrate the value of Visa Europe's new European processing platforms

In previous years (when European banks were connected to the global VisaNet systems), any European enhancements needed to be factored into the global development plans

Visa Europe now has control over its own new systems Domestic and regional changes can therefore be made more quickly and cost-effectively than ever before Yet our European platforms are fully interoperable with the global VisaNet systems

Using this unique capability we can partner with banks, inter-bank organisations and other processors to develop and scale new services to meet new and emerging processing requirements

CH

Créateur de valeur

Generierung von Unternehmenswerten

Valore aggiunto al Vostro business

"This is the proof that our investments in Verified by Visa and in the chip card start giving visible benefits to our cardholders, who can now migrate from a static password to a dynamic password or a one-time-password, with all associated benefits."

Switzerland

Extending chip security

With the implementation of EMV chip technology, Visa Europe members have been very successful in fighting fraud

In particular, rates of counterfeit fraud (which traditionally accounted for the vast majority of losses) have seen a steady decline

To compensate, the criminals have been turning their attention to those environments which are not secured by chip and PIN – primarily card not present transactions such as e-commerce, mail order and telephone order payments

There are several ways in which this threat can be addressed, including Verified by Visa, our online authentication service And, for the future, a technique known as dynamic passcode authentication promises to extend EMV chip security to card not present transactions – and also online banking services

During 2006 we piloted the first such solution with Bank Koper in Slovenia And, in 2007, we worked with members in Switzerland to introduce dynamic passcode authentication to the mass market Together we have demonstrated that it can bring definite benefits to banks, retailers and, of course, their mutual customers

PostFinance, is one of Switzerland's leading providers of financial and payment services Cornèr Bank is the country's longest established issuer of Visa credit and prepaid cards Together, they worked with Visa Europe on the public launch of dynamic passcode authentication technology

Based on common international standards, dynamic passcode authentication is another way in which banks can benefit from their EMV chip investment It is simple to use, increases consumer confidence, and brings additional security to card not present and e-banking transactions

The cardholder simply inserts their card into a small, pocket-sized card reader (which features a key pad and a screen) They then enter their PIN number And, assuming the PIN is correct, a one-time-only code is generated

This code can then be used to verify the cardholder's identity, and ensures they have a valid card in their possession

- For online banking, dynamic passcode authentication can secure the current account environment from phishing attacks (whereby fraudsters use hoax emails and websites to trick account holders into revealing their logon details) and related fraud
- For e-commerce, it can further strengthen Verified by Visa, which is capable of using dynamic passcodes in place of static passwords
- For telephone order, it provides a robust long-term security solution, which can enhance existing techniques (such as address verification and CVV2)

In 2006 PostFinance conducted a highly successful pilot involving 250 customers These customers said they liked the service, they regarded it as highly secure, and they used it frequently So, during 2007, the service was commercially launched – and extended to more than 200,000 customers

Corner Bank was also keen to join in the programme Since 2002, the bank had used Verified by Visa as a way of authenticating e-commerce transactions This has proved a great success, and is used to secure more than 50 per cent of online Visa transactions Dynamic passcode authentication provides another layer of security

Visa Europe assisted in several ways As well as providing the technical specification, we supported both banks with the development of their business cases We also helped with the implementation of the technology We kept them up to date with developments elsewhere in the world And we brought people together to share their ideas and experiences

We are also working with other banks around Europe to assess the benefits of dynamic passcode authentication This activity demonstrates our commitment to innovation It also shows how we help banks to work together for the good of the wider payments market

"The service is popular with customers It has been positively received by the media We also expect to achieve a positive return on our investment within the first two years"

Thomas Dinkel
Project Manager
PostFinance

Membership and its rewards

Serious about security

Security – and security policy – is a core part of the experience for any Visa cardholder

At Visa Europe, we regard security as part of the value proposition delivered by our members We also think that, in the coming years, security will become a source of competitive differentiation for savvy banks – helping them to attract higher-spending segments, drive additional growth and improve profitability

The area where this scenario is most likely to be played out is in card not present transactions, and particularly e-commerce

It is a large and rapidly growing channel But it has become the largest single source of fraud losses (accounting for almost a half of all losses) It has also become a focus of media attention and consumer and regulatory concern

We are therefore determined to help our members to minimise the risks and benefit from the opportunities

Several tools are available (such as Verified by Visa and CVV2) When they are used they work well And they can be further enhanced by dynamic passcode authentication

There is a groundswell of interest in the technology, and many banks will start piloting in the months ahead

"We have been actively using combination cards as a part of our consumer credit strategy, and all of our Pankkikortti-Visa combination cards have incorporated a revolving credit line. As a result, the number of cards has nearly doubled in the past two years and the related revenues have grown significantly.

The new Visa credit-debit combination card makes it possible to extend this highly successful strategy into the SEPA environment."

Jarkko Anttiroiko

FI

Arvoa liiketoimintaan

Finland

When the chips are down

When Visa Europe first proposed a complete migration to EMV chip technology, added security was a big part of the rationale

But security was not the only motivation We knew that chip technology would also make card transactions quicker and more cost effective It would give banks far more choice and flexibility in how they managed their payment programmes It would even give them the ability to include multiple applications on a single card

For several years, the potential for multi-function chip cards has been widely discussed Now they are a reality

Visa Europe is working with members in Finland on the issuance of several million new cards that combine a Visa credit and Visa debit application on a single chip They are also bringing added security and choice to their customers In doing so, they are moving on from the existing domestic debit scheme and achieving SEPA-compliance

Multi-function cards are not a new concept for Finnish consumers For many years the domestic debit scheme (called Pankkikortti) has been available as an additional function on a dual-purpose debit-credit card When using these cards, Finnish consumers choose whether to use their debit or credit account at the point of sale

The system has been hugely successful More than 80 per cent of all Visa credit cards have incorporated the Pankkikortti debit function And, with an average of 150 card payments per adult, Finns are among the most active payment card users in Europe

However, with the progressive European deployment of EMV chip, and the requirement to migrate to SEPA compliant solutions, Finland had to move on

Visa Europe therefore embarked on a programme of product development, market research and technical testing to develop a complete EMV chip and PIN solution In doing so, we worked closely with two of Finland's leading banks, Nordea and OKO Bank

When the EMV chip card and terminal standards were first developed, the potential for multiple functions was accommodated So, theoretically, a debit-credit combination was feasible But, practically speaking, there were few precedents

Visa Europe therefore revisited the EMV chip specifications, together with the related operating regulations and processing requirements, and created a set of in-depth implementation guidelines for our Finnish members

This means that the credit and debit applications are both encoded onto the chip If a terminal is capable of supporting more than one application (which most are), consumers choose which one to use If the terminal is not capable (or, in the case of a traditional magnetic stripe terminal) the default application is used

The solution provides real advantages to consumers

- With the migration from magnetic stripe technology to chip and PIN, the new solution brings added security
- With the international migration to EMV chip, the choice of using debit or credit becomes available, not just in Finland, but also at EMV chip terminals worldwide

Visa Europe also commissioned a research programme among customers of Nordea (the country's largest bank) to assess reactions This confirmed that

- Consumers see the new solution as a natural, positive extension of the existing combination card system
- The Visa brand conveys the impression of security, reliability and international acceptance to both credit and debit

The new cards were first piloted by some banks in 2006, with roll outs scheduled for 2008 During the development phase, Visa Europe offered specialised transaction testing through its In-Market Evaluation team (ensuring that, throughout Europe, the multi-function cards always work in the way that was intended)

Throughout the process, Visa has been providing leadership at the collective market-level It has also been helping individual Finnish banks to develop their payments business and migrate to the new SEPA environment

"We have benefited from a very close, productive relationship with Visa Europe – from the technical requirements right through to the consumer communications

Multi-function Visa chip cards will soon be part of everyday life for our customers"

Markku Siitonen
Head of Cards
Nordea

Multi-function comes of age

Through its innovation team, Visa Europe has been working with several banks across many countries to explore the potential for multi-function chip cards

For example, consumer research into the multi-function concept has also been conducted in France, Germany, Italy, Spain, Sweden and the UK Development work has also commenced with individual card issuers in France and the UK And a workshop on the potential for multi-function products was held at Insights 07, the Visa Europe member meeting held in Rome in April 2007

As well as supporting multiple payment applications, EMV chip cards can incorporate many other functions

- In the UK, for example, Barclays Bank is issuing contactless cards which also support the Visa payWave application and the Oyster contactless ticketing system used on London's trains, trams and buses
- In Finland, IKANO has issued the Ideapark Visa, a multi-function chip card that provides a whole range of loyalty, discount and ticketing functions at Ideapark, the country's largest shopping and entertainment centre

With EMV chip now in place across Europe, Visa Europe is helping members to really leverage the technology, and get a better return on their investment – and multi-function is one such opportunity

France

Compelling brand support programmes

A real asset for any member is the strength of the Visa brand – one of the world's leading, most trusted brands

There are many ways in which Visa Europe helps members to get more value from the Visa brand

For example, we continually invest in high profile partnerships, such as our long-running support of the Olympic and Paralympic Games, our innovative partnership with the Walt Disney Company and our sponsorship of the Rugby World Cup – now in its eleventh year

Visa Europe has more than 20 years' experience of high profile sporting sponsorships and partnership agreements

We have therefore had the opportunity to perfect every aspect of our involvement To help our members gain maximum business benefit, we create a whole range of promotional tools, properties and mechanics – which individual banks can adopt and adapt to create powerful promotions

As the host country of the Rugby World Cup 2007, France was the focus of this year's activity We were keen to work with our French members to maximise the visibility – and the benefits – of our investment

At the collective, market-level we worked with Groupement Carte Bleue, our group member for France, to implement a rugby-themed TV advertising campaign, a PR campaign and a range of national promotions

The overall aim was to support market growth We wanted to incentivise the use of all Carte Bleue Visa cards and demonstrate the advantages over other means of payment – primarily cheques

The TV advertising campaign was aired in May and June 2007 Tracking research confirmed that it led to increased levels of brand awareness, and consumers spontaneously cited the practical advantages of Carte Bleue Visa over cash and cheques

The national promotions were based around a specially created website, www rugbyalacarte fr By visiting the site, consumers could register to win Rugby World Cup tickets and merchandise They could also participate in the official Fantasy Rugby game, watch exclusive online videos, and find out more about the tournament and its participants

At the individual bank level, we worked with a whole range of members to help them plan and implement their own promotional activity

Twelve different banks chose to adopt and adapt our rugby-themed tools, materials and mechanics to run promotions In total, they implemented 14 separate promotions aimed at employees, cardholders or retailers

A particular example was Société Générale, the official bank for Rugby World Cup 2007, which launched its Carte Bleue Visa Rugby affinity card This new debit card, for both consumer and commercial audiences introduced in February 2007, was supported by advertising and leaflets, plus in-branch and online activity During the first six months, more than 100,000 new cards were issued

As the tournament approached, attention shifted to the retail community

With up to half a million people visiting the stadiums and surrounding areas, it was vital for Visa to be highly visible, widely accepted and warmly welcomed We therefore worked with French acquirers on a range of merchant promotions and merchandising campaigns

Experience in previous events demonstrates that these promotions can have lasting benefits When Visa signage is prominently displayed, and retailers show that Visa is welcomed, more Visa cardholders feel comfortable to use their Visa cards more

Like many previous events the Rugby World Cup 2007 has helped members from across Europe to promote and develop their payments business Across the region 27 members ran 60 different rugby-themed promotions – helping them increase card usage and drive the acquisition of new customers

Support for sport – from the grass roots to the global

Visa Europe and its members have been supporting sports for more than 20 years – and our activity works on many different levels

Although the investment clearly has big marketing benefits, it also has an important social and community-related dimension We are, for example, the most active international supporter of the Paralympic movement

As an Olympic and Paralympic sponsor, our next big focus is London 2012 With less than five years to go, we are working with many different partners to enable the UK to host a cashless, ticketless Games

Our intention is that, by 2012, no visitor to the Games should ever need to pay for anything with cash Instead, in any situation and for every type of purchase, they should always be able to choose the convenience and security of their Visa debit or credit cards

By 2012

no visitor to the Games should ever need to pay for anything with cash

20 years

of support for sport

FR

"Our Rugby World Cup programme is just one of the ways we are working with Visa Europe to develop our cards business. By really understanding our needs, Visa Europe is continually helping us to improve our payments performance."

"With Visa, we have been able to create a whole new product category – and we intend to extend our success beyond Italy. Visa cards are easy, convenient and secure. With the prepaid concept, we have been able to democratise these benefits – bringing them to millions more people."

IT

Valore aggiunto al Vostro business

Italy

Profiting from prepaid

With annual growth rates approaching 300 per cent, prepaid is Visa Europe's fastest growing product category

Three years ago, in 2004, Europe was home to just 21 Visa Prepaid card programmes By 2007 there were more than 200 programmes with 60 programmes in the pipeline And new programmes were being introduced at the rate of five a week

The variety is immense - with general purpose cards, gift cards, youth cards, remittance cards, payroll cards, online-only cards and travel money cards

Many issuers have carved out a successful niche in the prepaid cards market But one stands out above the rest With more than 3 2 million Visa Prepaid cards, Italy's Poste Italiane is the world's largest issuer of general purpose prepaid cards And many other Italian banks are following its lead

Building on this success, Poste Italiane aims to use Visa Prepaid cards to establish itself as a global player in the payment systems market

Visa Prepaid cards are complementary to Visa's more traditional debit and credit cards But, because they are pre-funded, the risk characteristics are entirely different

Consequently banks have been able to create a whole new range of payment solutions They are successfully targeting segments which were never served (or were only poorly served) by traditional credit and debit products So, with Visa Prepaid, banks are able to extend their business into new areas, and deliver added choice, security and convenience to more consumers

Across Europe, more than seven million Visa Prepaid cards have been issued in 22 countries

Italy has been particularly suitable for these new prepaid concepts Traditionally, it had been a relatively onerous process to apply for a credit card in Italy, with detailed credit checks and income guarantees But the pre-funded nature of prepaid cards enables banks' customers to sidestep much of this complexity

BancoPosta, the financial services business unit of Poste Italiane, was one of the first to appreciate the potential

In November 2003 it launched its first Visa Prepaid card, the Postepay card, with big ambitions The initial aim was to issue one million cards within the first three years

In fact, all expectations were exceeded In the first week, 60,000 cards were issued Within the first few months, the figure was up to 300,000 Two and a half years later it was up to two million And, by 2007, more than three million cards were in the market

Along with its commitment to the prepaid concept and innovative marketing techniques, part of the success has been attributable to the sheer scale of Poste Italiane's retail network The cards are available from 14,000 post offices, so it's possible to get one in a remote rural village By comparison, the country's largest retail bank has about 5,000 branches

Poste Italiane has also introduced several other products, such as Postepay Junior for younger cardholders, and Postepay Enterprise for companies

The usage figures are as impressive as the card numbers Postepay cards are used to conduct some 20 million transactions a day and e-commerce spending has been a particular success More than 20 per cent of cards are used on the internet and Postepay has emerged as the most popular payment method on the Italian eBay site

Well established as Europe's leading Visa Prepaid issuer Poste Italiane is now evolving its business model The aim is to create new markets for its products and also establish itself as an "issuer service provider" - offering its systems, its expertise and scale economies to other organisations in Italy and abroad

Poste Italiane acknowledges the role that Visa has played in its success

- The extent of the Visa acceptance network means that cardholders are able to use the card at tens of millions of locations worldwide
- The strength of the Visa brand (named yet again as Europe's most trusted credit card brand in the annual Reader's Digest survey of trusted brands) gives consumers added confidence to use their card
- The ability to use the cards widely over the internet (as compared to some other prepaid card options) extends the appeal of the programme

Also, the Visa Europe cross-border issuance programme means that Poste Italiane can extend its prepaid activity to other countries

Several other Italian banks have been sharing in the prepaid success story Between them, they have issued some 1 2 million Visa Prepaid cards, with a whole range of product propositions Programmes aimed at internet use have proved particularly popular, as have remittance programmes aimed at Italy's growing population of migrant workers

Prepaid - incredible variety

The European prepaid market is highly diverse, with a bewildering array of products and propositions Innovative new concepts include

- In Slovenia, the Chamber of Commerce and Industry replaced 50,000 membership cards with Visa Prepaid cards, which provide discounts to cardholders on a wide range of business supplies and services
- In the UK, the Norwich Union insurance company has introduced two types of Visa Prepaid card One acts as a simple, secure way to settle insurance claims The other is an incentive card which is used to reward regular household insurance customers
- In Switzerland, Cornèr Bank has found an innovative way to benefit from Visa Prepaid cards If a credit card applicant is not successful in passing the bank's credit rating checks, they are offered a Visa Prepaid card instead
- In the UK, Lloyds TSB has introduced a prepaid card as part of its new package of banking services for migrant workers from Poland Customers can use the card as a simple, secure and cost effective way to send money back to their families

To help more banks and their customers benefit from prepaid, Visa Europe has a specialist team in place Work has also commenced on several new payment services which will enable the products to work even better at the point of sale

Poland

Collaborative decisions, collective success

The Visa Europe board of directors, comprising our members' democratically elected and appointed representatives, makes all the big decisions on our strategy and operations And, in several countries, governance on domestic issues is devolved to a group member or a national decision-making body

These organisations decide on non-competitive matters such as risk management, marketing initiatives and collective investments in the national payments infrastructure They are, therefore, a vital mechanism for reaching collaborative, market-based agreements

One such organisation is Visa Polska Its board of directors comprises senior executives from nine Polish banks, plus two representatives from the Visa Europe management team

Over several years, Visa Polska has played a pivotal role in establishing the Polish payment card market, creating the national payments infrastructure, introducing new payment services and migrating to EMV chip Now, the emphasis is on developing and growing the market, by encouraging more people to use more Visa cards for more of their everyday spending instead of cash and cheques

A significant collaborative initiative is the introduction of cash back, which enables consumers to withdraw cash when shopping with their Visa cards Originally launched in 2006, the service is now enjoying considerable success Over 70 per cent of all Visa debit cardholders in Poland are now able to use the service at a nationwide network of some 4,000 retailers

The service has been positively received, so much so that at the start of 2007 it won a prestigious award - named as a good value, consumer friendly financial service in the annual Alicja Awards run by Twoj Styl magazine

Visa Europe is also working with members to promote the new cash back service As an example, a search engine of participating retailers has been added to the www visa pl website

During 2007, Visa Polska also worked closely with Visa Europe to gain new insights into consumer needs and expectations Through its joint marketing fund, for example, Visa Polska commissioned in-depth research into several areas including

- The lifestyles of consumers and their everyday payment behaviour
- Consumer understanding of and attitudes to revolving credit cards
- The requirements and payment patterns of small and medium size businesses

By providing a clearer understanding of consumer needs and motivations, this is helping individual banks to develop new products and propositions It is also helping Visa Polska to develop joint initiatives which will benefit all members

For example, work is underway to bring more specialist knowledge and expertise to the banking community itself

- For managers and decision makers, the Visa Business School is running a quarterly series of seminars and workshops, investigating core payment card disciplines such as marketing, risk and fraud management, and strategic planning
- Also, for branch and call centre employees, generic education materials and e-learning programmes are being created, which cover the basics of credit cards and the importance of responsible lending

As a membership association, Visa Europe has the mechanisms and skills to provide leadership at the collective market level By understanding and aligning the needs of our stakeholders, we continue to create the conditions for the growth of electronic payments

Maintaining the mechanisms for market growth

Everything we do at Visa Europe is the result of consultation and collaboration with our member banks For example

- A series of advisory groups meet on a regular basis to discuss developments and innovations in areas such as product development, marketing, risk management and technology
- We host national decision making bodies and forums in countries such as Germany, Greece, Ireland, Italy, Poland, Turkey and the UK In other countries, such as France and Spain, control over national policy is devolved to group members The aim is to give local markets local control over the development of their payments business
- When we created V PAY, our new EMV chip-based European debit solution, we ensured that ownership and control would remain in Europe The V PAY Steering Committee is entrusted with the product development and roll out Also, national governance bodies such as V PAY Deutschland and V PAY Italia make local decisions on local policy

These forums provide the mechanisms for our members to make the collective, market-based decisions on non-competitive matters - helping to grow the entire payments market and deliver benefits to all stakeholders

PL

Wspólnie tworzymy nową wartość

"Poland has a very exciting payment card market. We have many highly innovative banks which compete aggressively to deliver the best service to their customers. But we also know the value of collaboration. By working together on non-competitive matters, such as new payment services, risk management and joint marketing, everyone benefits – banks, retailers and consumers. Visa Europe helps us to collaborate. It also helps us to compete."

UK

"We are very happy to work with Visa Europe on this important programme. They were quick to see our needs and provide tailored support that is helping us make the most of this opportunity. Visa Europe's skill set meshed well with our own strengths in co-branding, and I look forward to a long and mutually successful partnership."

United Kingdom

Consulting on credit

A few years ago, organisations such as Visa were generally regarded as back-office payment providers

We provided the product platforms, we operated the technical infrastructure and we managed the brand But we tended not to get heavily involved in members' day-to-day business Today it's very different Members are keen to form long term strategic partnerships They want direct access to our product and marketing expertise And they look to us to deliver innovative, value-creating payment solutions

In response, we have strengthened our relationship management teams and recruited many more subject matter specialists We have also developed our Visa Consulting service to help individual members improve the performance of their payment programmes

This is particularly relevant in today's credit card market Issuers are looking for a complete package of support which will help them apply best practice across their payment card operations and pursue very specific business objectives

As one example, we recently partnered with MBNA Europe (one of our largest UK members), and BT (the leading communications solutions provider), on the development and launch of the BT Credit Card

In the UK's hyper-competitive credit card market, one of the big events of the year was the launch of the new BT Credit Card in June 2007

In developing the new card programme, BT had some very specific objectives in mind

- First, BT wanted to make a strong impression, entering into this new product area for the first time
- Second, it was an opportunity for BT to strengthen the relationship with its core customers, with the card offering them a valuable new benefit and helping to engender greater customer loyalty
- Third, of course, to open up new and profitable revenue streams

In launching the new card programme BT also had some very challenging targets in mind Within five years the aim is to recruit a million cardholders And at least half of them should be active or frequent users of the BT Credit Card

To contribute to these aims, the card programme has been closely integrated with BT's range of telephone and broadband services

The proposition is simple and direct "Spend on your credit card and get money off your BT phone bill - automatically" There are no points to redeem Instead, card accounts are linked directly to customers' telephone and broadband account, so they get automatic discounts Also, the rates are highly competitive

But this is just the start As the programme evolves, there are plans to provide special offers and previews on selected products and services, exclusively available to cardholders It can therefore become a window into the best that BT can offer

With such a prestigious and promising programme, there was stiff competition to decide on who would act as the payment system partner

Visa Europe partnered with MBNA Europe (the card issuer) and responded with a complete offer, encompassing consulting support, marketing support and access to a unique range of promotional properties - including the London 2012 Olympic Games

The programme was successfully launched in June 2007, and is on track to meet its ambitious targets Along with BT itself and also MBNA Europe, Visa Europe is regarded as an active and important partner in the ongoing management and development of the card programme

"In selecting our payment system partner, we started with a completely open mind However, the proposal from Visa Europe was that bit stronger than the alternatives

They listened closely to our needs They worked hard to understand the complexities of our business And they responded with a complete programme of consulting and promotional support

Vitally, they are now following through on all of their promises, and we are convinced that we picked the right partner"

Chris Hillman
General Manager, Retail Financial Services
BT

United Kingdom

Developing debit

At Visa Europe, we are seeing more emphasis placed on the debit card than ever before Right across Europe, members are exploring how debit cards can be used to improve the performance and profitability of their current accounts At the same time, more sophisticated consumers, who spend more money across a wider range of channels, are regarding the debit card as a preferred payment means

At Visa Europe, we are working with many members to assess the opportunities which debit presents

For example, we are enabling them to introduce more targeted debit products We are also helping to drive card activation and usage rates with new portfolio management disciplines And we are ensuring that debit cards add tangible value to new current account propositions

A good example comes from the United Kingdom where HSBC has decided to migrate its entire debit card portfolio, comprising almost ten million cards, to Visa Debit

With a network of more than 1,500 branches, HSBC is one of the largest banks operating in the UK In September 2007, the bank decided to migrate its entire debit card portfolio to Visa Debit The first cards are due to be issued in November 2008 and, over the following 16 months, all debit cards across the various HSBC brands will be upgraded

With nearly ten million debit cards in circulation, this is a significant undertaking However, Visa Europe convinced the bank that the move will bring substantial business and customer benefits Thanks to the strength of our brand, the extent of our acceptance network, the flexibility of our product range and the quality of our consulting support, we believe we can help HSBC in the UK to achieve its current account objectives

The widest acceptance
Visa Debit products enjoy the best acceptance of any debit card which, in turn, can contribute to far higher use It has unsurpassed acceptance in merchants worldwide, and it is universally accepted on the internet By comparison other products have limited international acceptance and e-commerce acceptance is sporadic

The preferred payments brand
Our research suggests that the Visa brand is more familiar, more popular and more relevant which, again, can translate to higher levels of everyday spending

Also, with Visa Debit, the brand applies equally to all customer segments and meets the full range of customer needs So customers understand the product and have the confidence to use it

The most flexible product range
Giving the right card to the right customer within an actively managed account portfolio can generate significant extra usage With its emphasis on segmentation, HSBC can make use of a whole range of product platforms - from a fully authorised version of Visa Classic for higher risk segments, right through to premium cards for its most affluent customers

Expert consulting support
The quality of our consulting support can ensure that Visa Debit programmes achieve the highest levels of performance For example, expertise in customer segmentation can help to devise and deliver the right account propositions Also, innovative activation and usage programmes can contribute to higher levels of spending

In developing our offer to HSBC we benchmarked the level of spending generated by the bank's existing debit products We then compared this to the level of spending which a Visa Debit programme could reasonably be expected to generate - and a clear differential was revealed

Other factors include our vision for the future of payments, our range of sponsorship properties (including access to the 2012 Olympic Games), and our transaction processing solutions

Debit - central to the current account

Almost two thirds of European Visa cards are debit cards, which account for around three quarters of point of sale spending During 2007 more than 15 million new Visa Debit cards were issued - equating to 30 new cards every minute of every day

What is even more significant is the level of point of sale spending they generate which, during 2007, was up by more than 12 per cent

Along with the HSBC decision, other important developments include the first launch of Visa Debit in Ireland by Halifax, the migration to Visa Debit by banks such as Nordea and OKO Bank in Finland - and of course the commercial launch of V PAY

For the European retail banking sector (and also the wider economy), the strategic significance of debit cards should not be underestimated According to our own estimates, the cost of cash handling to European banks equates to 23 per cent of their combined profits For retailers it is even higher, at around 30 per cent of profits

Because of the transactional nature of cash payments, there are few scale economies Remove the cash payment, and cost is eliminated accordingly Add in more cash payment, and the cost rises in step

By comparison, many of the costs relating to electronic payments are fixed So any shift in volumes brings big scale economies

With wider acceptance, a stronger more consistent brand, and higher levels of everyday spending, Visa Debit products can play a central role in cash replacement

Right across Europe, member banks are exploring how debit cards can be used to improve the performance and profitability of their current accounts

UK

How does Visa Europe make its business decisions?

The board, its committees and advisers

Visa Europe board of directors

Eighteen directors, one Visa executive director and an independent deputy chairman constitutes the Visa Europe board The board members are from 12 countries

Visa Europe executive team

Board of directors

1 Gilbert Arira
2 Peter Ayliffe
3 Richard L Banks
4 Graham J Beale
5 Francisco Castells Delgado
6 Johannes Evers
7 Spyros N Filaretos
8 Jose M Gabeiras
9 Gary Hoffman
10 Peter Jackson
11 Friedrich Kadrnoska
12 Ennio La Monica
13 Jan Liden (Chairman)
14 Sven Lystbæk
15 Godelieve Mostrey
16 Gerard Nebouy
17 Erik Pointillart
18 Nazan Somer
19 Johannes (Hans) van der Velde (Deputy Chairman)
20 Colin Walsh

Executive team

21 Derrick Ahlfeldt
22 Rachel Belsham
23 Steve Chambers
24 Valerie Dias
25 Mariano Dima
26 Philippe Menier
27 Dr Stephen Perry
28 Philip Symes
29 Carol Walsh
30 Fiona Wilkinson

Peter Ayliffe leads the executive team

The board, its committees and advisers continued

One of the unique attributes of Visa Europe is the way that our members influence and oversee the management of the company, its systems and its operations

Through an open, democratic process, representatives of our members are elected or appointed as directors of the Visa Europe board

Members are also invited to collaborate in Visa Europe's development activity through a range of advisory forums, consultative groups and domestic organisations

The day-to-day management and operation of the company is delegated to our executive management committee (EMC)

The Visa Europe board of directors

All of the big decisions on our strategy and operations are taken by the Visa Europe board of directors

The board comprises 18 directors who are elected or appointed by Visa Europe's member banks They are all senior management employees of their respective organisations It also includes one Visa Europe executive director who represents the Visa management and an independent deputy chairman

The Visa Europe board of directors and executive team

Gilbert Arira
President of Groupement Carte Bleue Board of Directors, Senior Vice President, Cards and Merchant Services, BNP Paribas, **France**

Peter Ayliffe
President and Chief Executive, Visa Europe

Richard L Banks
Managing Director, Commercial Banking, Alliance & Leicester plc, **United Kingdom**

Graham J Beale
Chief Executive Officer, Nationwide Building Society, **United Kingdom**

Francisco Castells Delgado
Member of the Board of Directors of ServiRed, Business Partner Consumer Finance Europe Director, Banco Bilbao Vizcaya Argentaria, **Spain**

Johannes Evers
Mitglied des Vorstands, Landesbank Berlin AG, **Germany**

Spyros N Filaretos
General Manager, Alpha Bank A E, **Greece**

José M Gabeiras
Chairman of the Board of Directors of ServiRed, ServiRed S A, **Spain**

Gary Hoffman
Group Vice Chairman, Barclays Bank PLC, **United Kingdom**

Peter Jackson
Head of Retail Products, HBOS, **United Kingdom**

Friedrich Kadrnoska
Chairman of the Board of Directors, Visa-Austria, **Austria**

Ennio La Monica
Director of CartaSi S p A Board, Deputy Manager, Banca Carige, **Italy**

Jan Lidén
President and Chief Executive Officer, Swedbank AB, **Sweden**

Sven Lystbæk
Member of the Board of Directors of PBS International A/S, Member of the Executive Board, Danske Bank A/S, **Denmark**

Godelieve Mostrey
Member of the Visa Belgium Board, President Country Management Team Belgium, General Manager Operations Worldwide, Fortis Bank, **Belgium**

Gerard Nébouy
Chief Executive Officer, Groupement Carte Bleue, **France**

Erik Pointillart
Vice President of Groupement Carte Bleue, Board of Directors, Caisse Nationale des Caisses d'Epargne, **France**

Nazan Somer
Executive Vice President, Credit Cards and Consumer Lending, Yapı ve Kredi Bankası A Ş, **Turkey**

Johannes (Hans) van der Velde
Deputy Chairman, Visa Europe Board, **United Kingdom**

Colin Walsh
Director Cards and Payments, Lloyds TSB Group plc, **United Kingdom**

Committees of the board

Audit, Risk and Finance Committee
Peter Ayliffe (Ex-Officio)
Richard L Banks
Johannes Evers (Chairman)
José M Gabeiras
Gary Hoffman
Jan Lidén
Gerard Nebouy
Nazan Somer

Compensation Committee
Gilbert Arira
Johannes Evers
Gary Hoffman (Chairman)
Jan Lidén (Deputy Chairman)
Johannes (Hans) van der Velde

Executive Committee
Peter Ayliffe
Johannes Evers
Gary Hoffman
Jan Liden (Chairman)
Gérard Nébouy
Johannes (Hans) van der Velde

Significant decisions

During 2006-2007, some of the more significant decisions reached by the Visa Europe board of directors included

Agreeing the detail of a new global structure
A central focus was the new structure for the global Visa organisation During the previous year it had been agreed that the rest of the Visa world (comprising Visa International, Visa USA and Visa Canada) would consolidate to create Visa Inc , a new private stock company to facilitate an IPO It was also agreed that Visa Europe would remain as an independent membership association, with a minority shareholding in Visa Inc

During 2007 the detail of this new arrangement was finalised The board agreed on the terms of the restructure, the conditions of Visa Europe's exclusive licence, and the way we interact with the wider Visa organisation

Changes to our articles of association
In view of the restructure of the global Visa organisation, it has been necessary to update our own articles of association The proposed changes were agreed by the directors (and subsequently ratified by the wider membership at an extraordinary general meeting on 21 September 2007)

Brand strategy review
The board reviewed the results of a major brand strategy project This focused on the Visa brand's role as a "value accelerator", which is complementary to the brands of our members, and helps them to improve the performance of their respective payment programmes The board agreed to the implementation of a new brand model and brand essence, which can help to guide decision making, and will become the basis of all of our brand management activity in 2008 and beyond

SEPA compliance
The board had previously agreed that, from the start of 2007 (a full year ahead of the official deadline), every aspect of Visa Europe's products and operations should be fully SEPA-compliant To this end the board finalised the details of the SEPA-compliance, including new pricing structures for several products and services - removing any distinction between domestic and cross-border operations within Europe

Consumer protection
Visa Europe has strict rules in place which prevent Visa-branded products from being used to buy illegal or repellent items (such as images of child abuse) In 2007 the board agreed to a further tightening of these rules (to cover a range of additional items such as pictures depicting rape or non-consensual mutilation)

Additional security measures
The board agreed on the implementation of a new programme to monitor and manage the fraud-related performance of merchants Additional systems have been put into place to identify merchants with disproportionately high fraud levels

Product enhancements
The board agreed on a range of enhancements to existing Visa products and services - in order to improve their performance and to guarantee their global interoperability

More Visa Europe members
The board approved a wide range of new membership applications With more members - representing a diverse range of organisations - joining Visa Europe, competition is progressively enhanced

The Visa Europe executive team

The executive management committee (EMC) is the most senior internal decision-making body Meeting weekly and reporting to the board of directors, it makes all decisions that relate to the day-to-day operation of the company

Team members.

Derrick Ahlfeldt
Senior Vice President, Human Resource Management
Derrick joined Visa Europe in 1990 He is responsible for all people-related issues and for developing employee engagement An HR professional by background, Derrick previously worked in his native South Africa for the Barlow Rand Group He holds B Com (Hons) and MBA degrees Derrick is also a director of European Resources Management Limited and a trustee of the Visa Europe Pension Plan

Peter Ayliffe
President and CEO
Peter Joined Visa Europe in 2006 He previously spent more than 20 years with Lloyds TSB, a leading UK bank Here, he held a number of executive posts in the bank's retail business, culminating in his appointment as a main board director Peter also spent five years as a non-executive director on the Visa Europe board He has a degree in economics from Manchester University Peter is also a non-executive director for Investors in People

Rachel Belsham
Executive Vice President, Strategic Development
Rachel joined Visa Europe in 2005 and advises on the business strategy for all of the company's operations She previously worked as an independent consultant, and held a series of senior strategic change management roles at Barclays Bank Rachel holds a degree in history from Oxford University

Steve Chambers
Executive Vice President, Chief Information Officer
Steve joined Visa Europe in 2004, and is responsible for the development and delivery of the organisation's IT systems (including the transaction processing operations) He has spent most of his professional career in the payments business Previous roles include vice president of Applied Communications Inc (ACI) and head of information technology with First Data Resources He has a degree in physics and astrophysics from the University of Leicester and a masters degree in optoelectronics from the University of Newcastle

Valerie Dias
Executive Vice President, Chief Risk and Compliance Officer
Valerie joined Visa Europe in 1993 Valerie holds a M Com (Hons) degree and is a chartered certified accountant (FCCA) by background She previously worked in the finance and marketing departments and served as chief financial officer for six years Her current remit covers corporate and enterprise risk, compliance, facilities and procurement Prior to Visa Europe, she worked in the publishing industry, first with William Collins & Sons (now HarperCollins), then Marshall Cavendish Valerie is a non-executive director for World Vision She is also a director of European Resources Management Limited and a trustee of the Visa Europe Pension Plan

Mariano Dima
Executive Vice President, Marketing and Products
Mariano joined Visa Europe in 2007, having previously held several executive consumer marketing positions Most recently, he was vice president of European marketing for Levi Strauss & Co Mariano has also worked for Vodafone Group plc and Pentland Group plc He has a degree in industrial engineering from Universidad de Buenos Aires

Philippe Menier
Deputy Chief Executive
Philippe joined Visa Europe in 1998 Specific responsibilities include the development of the company's transaction processing capabilities and the roll out of the new V PAY debit solution He has worked in the payment card business for most of his professional career Previous roles include ten years with Citibank and eight years with Diners Club Benelux He has a degree in commercial engineering from the Ecole de Commerce Solvay, Brussels University

Dr Stephen Perry
Executive Vice President, Relationship Management, Sales and Commercial Development
Steve joined Visa Europe in 1990 He is responsible for the company's ten local offices, and his team builds and nurtures the business relationship with members Steve is an economist by background and was previously chief financial officer of Visa Europe Before joining Visa he was group economist for TSB (now Lloyds TSB) He has a masters degree from the University of London, a doctorate in economics from the University of Keele and was awarded the title of Cavaliere by the president of Italy in July 2005

Philip Symes
Executive Vice President, Chief Financial Officer
Phil joined Visa Europe in 2006, and is responsible for all of the company's financial affairs A chartered accountant, Phil began his career with Coopers & Lybrand (now PricewaterhouseCoopers) and then spent nine years with global insurance brokers the Willis Group Limited Phil has a degree in mathematics from Bristol University and an MBA from the London Business School

Significant decisions continued

Carol Walsh
Executive Vice President, General Counsel and Head of Legal Affairs
Carol joined Visa Europe in 1985 She is responsible for the management of all legal issues within the company and its relations with the regulatory community Carol is also the company secretary Prior to Visa Europe, Carol worked with the law firm Clifford Chance She also spent a period at the European Commission as an anti trust stagiaire In 2007 she won the Finance Award at the prestigious First Women Awards which aims to identify role models who have broken new ground in business life Carol is a trustee of the Visa Europe Pension Plan

In addition,

Fiona Wilkinson
Senior Vice President, Corporate Communications
Fiona reports directly to Peter Ayliffe and is called upon to advise the EMC on the communications and reputational implications of their decisions Fiona is responsible for stakeholder engagement, protecting and enhancing the reputation of the organisation She has broad expertise in payment systems having previously held roles in marketing, sales, finance and HR Fiona holds a degree in economics and law and is a trustee of Eaves for Women

Advisory groups

To advise on Visa Europe's development activity and help to formulate proposals to be taken to the board of directors, a series of advisory groups meet on a regular basis

They include

Product and marketing advisers
This group advises on the development and ongoing management of Visa Europe's product platforms, including the development of new operating regulations It also advises on Visa marketing, promotional and brand support initiatives Participants include

Yves Blavet, Société Générale, France
Jan-Olof Brunilla, Swedbank, Sweden
Carmen Canero, ServiRed S A , Spain
Maria Cires, Caja Madrid, Spain
Pascaline Dacheville, BNP Paribas, France
Grzegorz Dlugosz, PKO BP SA, Poland
Giorgio Ferrero, Intesa Sanpaolo, Italy
Gianluigi Giberti, DBI, Italy
Arie Heilweil, Leumi Bank, Israel
Heikki Kapanen, Luottokunta, Finland
Hakan Kaplan, Yapı Kredi Bankası AŞ, Turkey
Leonor Machado, CDG, Portugal
Gerald McLarnon, HBOS, United Kingdom
Juan Antonio Merina, BBVA, Spain
Joan Moria, la Caixa, Spain
Philip Robinson, Lloyds TSB, United Kingdom
Ian Rutland, RBSG, United Kingdom
Alessandro Seralvo, Corner Bank, Switzerland
H Arthur Smolders, ICS BV, Netherlands
Nevra Toktas, Turkey Is Bankası AŞ, Turkey
Hans-Jürgen Torkler, Landesbank Berlin AG, Germany
Frederic Toumelin, Groupement Carte Bleue, France
Claudio Venturi, CartaSi SpA, Italy
Stephen Whitehouse, Barclays Bank, United Kingdom

Risk control advisers
This group advises on the development and management of Visa Europe's policies and its range of services Participants include

Baruch Alfia, Israel Credit Cards Ltd, Israel
Pinar Ayaroglu, T Is Bankası AŞ, Turkey
Marco Cortellari, CartaSi SpA, Italy
Selcuk Ergen, Yapı Kredi Bankası AŞ, Turkey
Peggy Hemmelder, Citibank Privatkunden AG & CO KGaA, Germany
Carlos Ibanez de Motta, ServiRed S A , Spain
Agnes Lazar, MKB Bank NyRt, Hungary
Antonio Mondejar ViaCajas S A , Spain
Ursula Nowakowska, ING Bank Slaski SA, Poland
Brian Pope, RBS Cards, United Kingdom
Marco Rizzoli, Deutsche Bank, Italy
Nuno Sampio, Banco Espirito Santo, Portugal
Antoine Sautereau, Groupement Carte Bleue, France
Marcel Drescher, UBS, Switzerland
Freddy Syversen, EnterCard Norge AS, Norway
Patrick Thibaudet, Credit Lyonnais, France
Wim Van Doorn, International Card Services BV, Netherlands
Zohra Temal, Barclaycard, United Kingdom

VisaNet advisers
This group advises on the development and ongoing management of Visa Europe's inter-bank processing systems and services, to ensure that they meet the needs and requirements of European banks They ensure that Visa Europe delivers a 'best in class' inter-bank processing service, at the lowest possible cost With the deployment of the company's new European processing platforms, the role of this advisory group becomes progressively more important Participants include

Maree Annesley, AIB Card Issuing, Ireland
Emanuele Balistreri, CartaSi SpA, Italy

Giovanni Bettoni, Corner Bank, Switzerland
Maciej Biniek, Bank Zachodni, WBK SA, Poland
Enrique Bonachera, ServiRed S A , Spain
Osman Bosna, Yapı Kredi Bankası AŞ, Turkey
Rolf Erik Gundersen, Den Norske Bank, Norway
Joel Jeuris, KBC Bank, Belgium
Richard Koch, HBOS plc, United Kingdom
Sevilay Ozsoz, Akbank Operasyon Merkezi, Turkey
Javier Querejeta, Sistema 4B, Spain
Graham Robinson, Barclaycard, United Kingdom
Jean-François Roche, Groupement Carte Bleue, France
Jacques Schuhmacher, Caisse Nationale des Caisses d'Epargen et de Prevoyance, France
Tilo Schurer, Landesbank Berlin AG, Germany
Petr Skok, Komer ni banka AS, Czech Republic
Peter Šmid, Slovak Savings Bank, Slovakia
George Vintzileos, Bank of Cyprus Ltd, Greece
Birgitta Were, Nordea Bank Sweden AB, Sweden
Gerry Granger, Royal Bank of Scotland, United Kingdom

Visa Europe has also established a Processors' Forum, which enables it to work more closely with its members' technology partners, an Acquirer Forum and a number of User Groups

V PAY European governance

In developing V PAY, our new, chip and PIN-only debit solution, its governance was a prime consideration We wanted to ensure that members could retain full control over their local debit card business

So, in 2006 we created a regional governance body, the V PAY Steering Committee We also said that we would facilitate the creation of national governance bodies and, during 2007, we created V PAY Deutschland and V PAY Italia

V PAY Steering Committee participants include
Isabella Artioli, Unicredit Banca, Italy
Peter Ayliffe, President and Chief Executive Officer, Visa Europe
Ugo Bechis, Banche Popolari Unite, Italy
Andree Bertrand, CNCE, France
Jean-Marc Bornet, Société Génerale, France
Constantin Bregulla, UBS, Switzerland
Johannes Evers, Landesbank Berlin AG, Germany
Georgio Ferrero, Intesa San Paolo, Italy
José Gabeiras, ServiRed S A , Spain
Guenther Gall, Raiffeisenbank, Austria
Jack Groot, ING Bank, Netherlands
Bart Guns, KBC, Belgium
Ibrahim Karasu, BdB, Germany
Ruud Kolijn, Rabobank, Netherlands
Ennio La Monica, Banca Carige, Italy
Andreas, Martin, DG Verlag, Germany
Philippe Menier, Deputy Chief Executive Officer, Visa Europe
Gérard Nebouy, Groupement Carte Bleue, France
Werner Netzel, DSGV, Germany
Pierre Orban, Fortis, Belgium
Nazan Somer, Yapı Kredi Bankası AŞ, Turkey
Hans van der Velde, Deputy Chairman, Visa Europe Board of Directors
Jorg Wittenberg, Postbank, Germany

V PAY Deutschland participants include
Ralf-Christoph Arnoldt, Bundesverband de Deutschen Volksbanken und Raiffeisenbanken BVR
Niklas Bartelt, DZ Bank AG
Hans-Bernhard Beykirch, Vice President, Relationship Management and Sales, Visa Europe
Ottmar Bloching, General Manager, Relationship Management and Sales, Visa Europe
Johannes Evers, Landesbank Berlin AG
Jens Hegeler, Bayern Card-Services GmbH
Ibrahim Karasu, Bundesverband Deutscher Banken e V
Olaf Kilimann, Volksbank Marl-Recklinghausen eG
Walter Kleine, Sparkasse Hannover
Hans Kraus, Deutsche Bank Privat-und Geschaftskunden AG
Philippe Menier, Deputy Chief Executive Officer, Visa Europe
Gerd Mergenthaler, Baden-Wurttembergische Bank AG
Manfred Muller, Senior Manager, Relationship Management and Sales, Visa Europe
Werner Netzel, Duetscher Sparkassen-und Giroverband
Helmut Schmid, B+S Card Service GmbH
Rainer Sureth, ConCardis GmbH
Siegbert Steinmetz, Dresdner Bank AG
Jorg Wittenberg, Deutsche Postbank AG

V PAY Italia participants include
Giorgio Avanzi, CartaSi SpA
Natale Capone, Key Client Cards & Solutions SpA
Antonio Di Lorenzo, ICCREA Banca
Giorgio Ferrero, Intesa Sanpaolo
Andrea Gnetti, Capitalia
Ennio La Monica, Banca Carige SpA
Philippe, Menier, Deputy Chief Executive Officer, Visa Europe
Orazio Palazzolo, Setefi SpA
Ignazio Pichedda, Gruppo BPER
Alberto Scaduto, Poste Italiane
Francesco Signoretti, Unicredit Banca
Davide Steffanini, Senior Vice President, Relationship Management and Sales, Visa Europe
Donato Val Gen, Banca Sella

Significant decisions continued

National membership models

Visa Europe has always encouraged member banks in each national market to decide on the most appropriate membership model for their own country

Group members

In several countries the local banks are represented by group members In Spain, for example, ServiRed S A , Sistema 4B and ViaCajas S A are distinct organisations operated by the Spanish banks, which represent their interests within Visa, adapt Visa products to the Spanish market and manage the gateways to the Visa Europe processing systems In total there are 12 of these group members operating across the Visa Europe region

National decision-making bodies

In several other markets, banks have chosen to establish national decision-making bodies, known as national organisations, to agree on national Visa-related policy and activity Examples include Visa Deutschland, Visa Hellas, Visa Italia, Visa Polska and Visa UK Limited These organisations, which are administered by Visa Europe, have a board of directors comprising senior representatives from the local banks and at least one member of Visa Europe's EMC Their remit covers matters such as domestic member fees, generic Visa brand support, risk management, the setting of domestic interchange rates and infrastructure development

National forums

National forums such as the Visa Bulgaria Executive Committee, the Visa Ireland Forum and the Turkish Executive Committee are administered by Visa Europe, comprise senior representatives from the local banks and a member of Visa Europe's EMC Their remit covers matters such as generic Visa brand support, risk management and infrastructure development

In addition, Visa Portugal, an association that all Portuguese members may join, sets domestic interchange as well as directing generic Visa brand support, risk management and infrastructure

The global context

We must also emphasise that Visa Europe is an active participant and a key component of the international Visa system

As a shareholder of Visa Inc (and an exclusive, irrevocable licensee of its brand, products and technology), Visa Europe relies on the global Visa organisation to deliver the global brand, global risk management and global interoperability which are so fundamental to the Visa proposition

The most appropriate membership model for each country

We have a unique system of corporate governance which has been developed and refined over many years

How does the Visa Europe governance system measure up to best practice?

As we have stressed throughout this report, Visa Europe is unlike any other company

We therefore have a unique system of corporate governance which has been developed and refined over many years

This enables us to guide the development of European payments, invest in the progressive enhancement of the industry infrastructure and, ultimately, bring the optimum mix of benefits to each party in every Visa transaction

We are also aware that, given our stature and the sheer volume of payments processed by our members, our governance systems are under close scrutiny from a wide range of stakeholders and interested parties We positively welcome this scrutiny and are always keen to demonstrate the reasons why our organisation functions in the way that it does

In this section of the report we explain more about the way decisions are made within Visa Europe As a reference point, the chapter is structured around the main principles of the UK Combined Code on Corporate Governance

Since we are not a publicly listed company, the Combined Code does not actually apply to Visa Europe Also, due to the nature of our organisation, some of its principles are inappropriate to our business Nonetheless, it has become a standard and easily understood way of reporting on corporate governance issues for companies incorporated in the UK

A commitment to 'excellent' governance

Within these pages we are therefore using the principles of the Combined Code as a way of demonstrating that

- We take the matter of corporate governance extremely seriously
- We take real pride in the level of stakeholder consultation and collaboration which is 'in built' into our constitution
- There are some respects in which it is necessary for our own governance principles to differ from those of a more conventional company

It should also be noted that more detailed information relating to our constitution and decision-making processes is available in our articles of association, which are freely available from www visaeurope com

1 The board

Composition of the board

The Visa Europe board of directors comprises 18 non-executive directors (including the chairman), an independent deputy chairman and one representative of the Visa Europe executive management team (20 people in all)

Calibre, knowledge, skills and experience

The chairman and non-executive directors are all senior management employees of Visa Europe members Consequently their calibre, industry knowledge, skills and experience ensures that they are eminently well qualified to help review proposals on strategy, scrutinise performance and controls, insist on the maintenance of robust governance standards and challenge the executive team as necessary

What is more, these non-executive directors represent the interests of members throughout all of the 36 countries which make up Visa Europe The board therefore has an in-depth understanding of the prevailing circumstances in the distinct national payment markets across the region

It should also be emphasised that, as representatives of our members, these directors have a keen interest in protecting and improving the viability, probity and operational effectiveness of Visa Europe

Board responsibilities

The board is accountable to our members for the performance of Visa Europe

It meets its responsibilities for ensuring the successful development of the Visa Europe payments system by

- Setting the strategic direction of the business
- Accepting modifications to the membership status of Visa Europe members
- Establishing and amending the Visa Europe Regional Operating Regulations
- Setting and making modifications to the service fees applicable to the business within Visa Europe
- Approving the Visa Europe budget, including the expenditure of corporate funds to enable the further development of the European payment sector

Board process
Whilst maintaining close dialogue between board meetings, the board meets four times a year to discuss operational matters and an additional two times a year to review strategy

Reflecting the pan-European nature of the business, board locations are rotated throughout various European cities

In addition to the board itself, there are three committees of the board, namely

- The audit, risk and finance committee, which meets three times a year
- The compensation committee, which meets three-to-four times a year
- The executive committee, which meets three times a year, or more if necessary

The minutes of all board and committee meetings are taken by the company secretary In addition to constituting a record of decisions taken, minutes reflect questions raised by the directors and the nature of related discussions

After every meeting of the audit, risk and finance committee, the chairman meets non-executive directors without the executive directors present

2 Role of the chairman and the president and chief executive officer (CEO)
There is a clear division of responsibilities between the chairman and the president and CEO The chairman is primarily responsible for the effective running and leadership of the board, while the president and CEO is tasked with the running of the company's business

This clear split of responsibility, supported by the wider constitution of the board, ensures that no individual can have unfettered powers of decision

3. Board balance and independence
The nature and balance of the board reflects the special nature of the Visa Europe organisation

In effect, the non-executive directors represent the interests of the company's owners (that is, 4,603 European members, all of whom have a proprietary interest in the strength and integrity of the Visa Europe system)

Indeed, the structure and constitution ensures that at least 12 different countries are directly represented on the board, and the remaining 24 countries are indirectly represented

These directors are entirely independent of the Visa Europe management Also, given their level of seniority within their respective organisations, they offer unique capability and contribute directly in a number of areas

- **Strategic direction**
  The non-executive directors generally have a wider perspective on external factors affecting the company and its business environment than the executive management team They therefore make an informed contribution and act as constructive critics in setting objectives and agreeing plans

- **Monitoring and control**
  The non-executive directors are expected (by the membership at large and Visa Europe itself) to hold the company to account They are responsible for monitoring the performance of the executive management team, especially the progress made towards achieving agreed company strategy and objectives

- **A diversity of opinion**
  The make-up of the board ensures that no one member or group of members (such as members located in a particular country) can have an unfettered or inappropriate level of influence in the board's decisions Instead, the range of non-executive directors ensures that different national perspectives are factored into all decisions Given the sheer diversity of payments markets in Europe, this is a critical requirement

4 Appointments to the board
There is a formal, rigorous and transparent procedure in place for all appointments to the board

Any principal member that accounts for more than five per cent of Visa Europe's total annual fee income is automatically allocated a seat on the board

The remaining board directors are elected democratically by European members Those members that are already represented by a director cannot participate in any of the other nominations

Each member is allocated a certain proportion of voting rights, determined by the level of 'voting fees' they pay to Visa Europe These voting fees are the aggregate of 50 per cent of total service fees and 50 per cent of the retail sales volume generated by their Visa card programmes during a set period

Once elected or appointed, each director is responsible for representing all of the banks in the Visa Europe 'sub region' in which they are based

The board also includes one Visa executive director who represents Visa Europe In addition, where necessary or desirable, the board is able to appoint up to two strategic directors and up to two independent directors Hans van der Velde (the former president and CEO of Visa Europe) was appointed as independent director in 2006 and reappointed by the board in 2007

5 Information and professional development
Visa Europe ensures that the board is always provided with accurate, timely and clear information to enable it to discharge its duties

More specifically, all board directors are provided with background papers on all agenda items before each board meeting These board papers typically follow a consistent format, provide detailed background information on the topic to be discussed and include the recommendations of the Visa management At the meeting itself, discussions will often be supplemented with a formal presentation from Visa Europe's subject matter experts

All directors have access to the company secretary, who is responsible for ensuring that board procedures are clearly understood and that applicable rules and regulations are fully complied with

Duties and responsibilities
On their appointment, all new directors are made fully aware of their duties and responsibilities, and become bound by a strict code of conduct New directors meet formally with the company secretary before their first board meeting, when they are briefed on their role and responsibilities

The executive directors are also bound by Visa's employee code of conduct

Procedures are in place enabling directors to take independent professional advice, if necessary at Visa Europe's expense, in the furtherance of their duties

6 Performance evaluation
All of the non-executive directors are representatives of Visa Europe members (that is the shareholders of the company), and are directly appointed or elected by them

Given these circumstances, there has been no requirement for any formal processes or measures to assess the performance of the board or its committees However, a full and detailed description of the directors' duties and responsibilities is included in our articles of association (which is available to download from www visaeurope com)

7. Re-election
Elections of directors are held every two years (and one such election was held during 2007) At such times

- Principal members that are automatically allotted a seat on the board are asked to confirm the name of the director who will represent them
- The remaining directors are elected under the direction of the president and CEO of Visa Europe in accordance with the company's articles of association

If any vacancies arise amongst the elected directors, the board will, within 60 days of the vacancy arising, arrange a special election

This process ensures that Visa Europe benefits from planned and progressive refreshing of the board

8. Directors' remuneration
Details of the directors' remuneration are set out in the remuneration section of this report

As regards the executive directors, a significant proportion of remuneration is structured so as to link rewards to corporate and individual performance

9. Accountability and audit
The board acknowledges that it has overall responsibility for Visa Europe's system of internal control and for reviewing its effectiveness

Through the audit, risk and finance committee, the board commits to a formal review, at least annually, of Visa Europe's internal controls This review examines all material controls, including financial, operational, compliance and risk management systems

In addition, the audit, risk and finance committee has responsibility for the oversight and development of the Visa Europe risk management framework (RMF) – a formal means of identifying, monitoring and prioritising the business risks facing the company

The audit, risk and finance committee is updated on the RMF at each of its meetings, and makes policy decisions relating to future controls

10. Relations with shareholders

One of the ways in which Visa Europe differs from a more conventional company is in its relations with its shareholders - that is the members of Visa Europe who are also our customers

We provide a programme of communications with members who receive regular updates on all aspects of our operations For example we distribute an update on the outcome of every board meeting This consists of a personal message from the president and CEO, together with a summary of discussions and decisions reached by the directors

During 2007 we also held Insights 07 Payments Forum Europe, a meeting for all Visa Europe members which was attended by more than 400 member delegates Another such meeting is planned for 2009

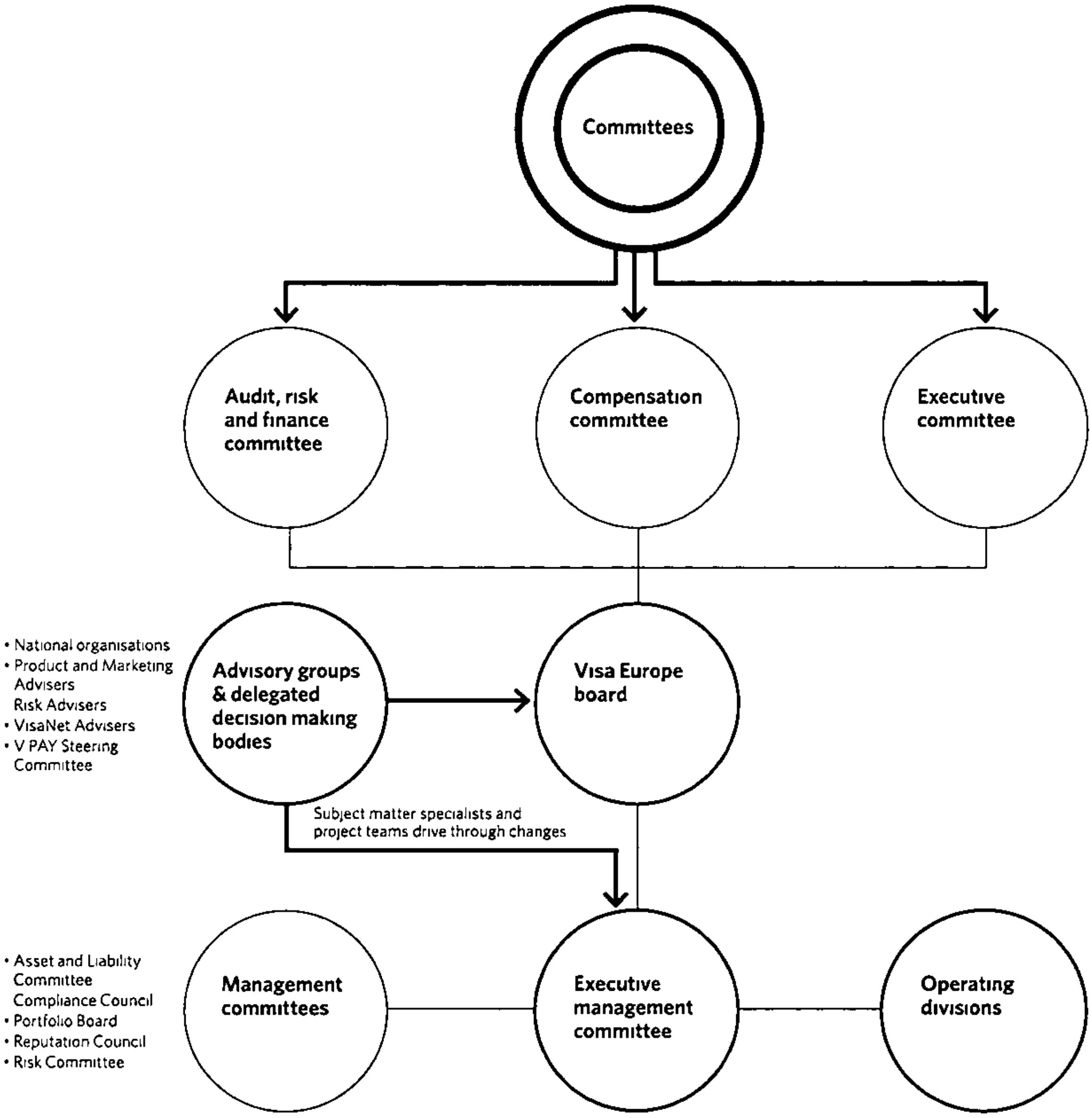
To advise on Visa Europe's development activity and help formulate proposals to be taken to the board of directors, Visa Europe also manages a series of advisory groups comprising member representatives (more details of these groups and their responsibilities appear in the 'board of directors' section of this report)

As Visa Europe is a UK limited company, all principal members (including group members) are entitled to attend general meetings and to vote at these meetings

Visa Europe has always encouraged members in each national market to decide on the most appropriate membership model for their own country More details on the different arrangements appear in the 'board of directors' section of this report

To gain a thorough understanding of member bank attitudes and opinions, Visa Europe commissions an annual Member Satisfaction Survey Providing detailed findings across many different dimensions of the business, the results are routinely reported to the board and inform the company's management and development

Our governance system at a glance



Visa Europe Financial Statements 2007

Directors' report

The directors present their annual report and audited consolidated financial statements for Visa Europe Limited and its subsidiaries (the Group) for the year ended 30 September 2007

Principal activities
Visa Europe, a payments system organisation, represents some 4,603 members from 36 European countries

We manage a range of payment products under the Visa-brand name, which we licence to our members Using the tools that Visa provides, these members compete vigorously with one another to provide payment services to consumers and retailers

Business objectives and activities
Developments in the Group's business during the year and an indication of likely future developments are analysed in the business review on pages 18 to 43 The directors use a number of key performance indicators to assess the performance of the business against its objectives The results of the Group's Key Performance Indicators are detailed on pages 22 to 25

Principal risks and uncertainties
The key risks and uncertainties faced by the Group are set out below

Credit risk
Credit risk is the risk that a member or a counterparty is unable to honour its obligations to Visa Europe as they fall due Visa Europe faces this risk in respect of members who may fail to meet their settlement obligations and financial institutions with which we place investments or have contracted financial derivatives Visa Europe's member risk policy requires a credit evaluation of every new applicant, existing member, and country where a member is domiciled A member that fails to meet any of the credit standards outlined in the Policy will be required to provide collateral Visa Europe places cash deposits with high credit quality financial institutions Derivative instruments are unsecured but the credit risk is limited to the fair value gain, if any, on the instrument

Liquidity risk
Liquidity risk is the risk that Visa Europe is unable to meet its current and future cash flow obligations as they fall due, or can only do so at excessive cost This risk includes the risk that we are unable to meet settlement obligations to acquiring banks due to failure of an issuing bank to pay us Liquidity facilities are in place with a syndicate of high credit quality financial institutions to mitigate this risk

Operational risk
There are a wide range of programmes, policies and processes in place to manage operational risk These are detailed on pages 44 to 49

Foreign currency risk
A substantial proportion of Visa Europe's expenditure is denominated in foreign currencies, mainly Sterling and the US Dollar Visa Europe manages the risk of changes in the value of these currencies on its net income through the use of forward contracts and currency options Assets and liabilities may also be denominated in foreign currencies and the revaluation of these may be hedged

Results and dividend
The consolidated income statement for the year is set out on page 99 and shows a profit after tax for the year and attributable to the ordinary shareholders of €48,375,000 (2006 €33,256,000) The consolidated balance sheet is on page 101 and shows a net asset balance of €227,994,000 (2006 €177,265,000) The directors do not recommend the payment of a dividend (2006 €nil)

Employees
It is the Group's policy to ensure that no job applicant or employee is disadvantaged or receives unfavourable treatment, that all employees have the opportunity for advancement and development, regardless of race, colour, nationality or ethnic origins, sex, marital status, disability, religion or sexual orientation Visa Europe is an equal opportunity employer Equal opportunity is about good employment practices and treating our most valuable asset, our employees, fairly and equally

The Group is also committed to ensuring that all prospective applicants for employment are treated fairly and equitably throughout the recruitment process The Group provides reasonable workplace adjustments for new entrants into the Group and for existing employees who become disabled during their employment

The Group has established clear standards of communication for all of our employees, to provide information and to consult with our employees about important developments in the business and future changes to the organisation, and to generate an understanding of our purpose, strategy, values and business performance on an ongoing basis Employees are provided with an anonymous channel to communicate views and opinions about working for Visa Europe through an annual Viewpoint survey

Use of financial instruments

The Group manages its foreign exchange, liquidity and interest rate risks in accordance with policies set by the board The objectives of these policies are to ensure sufficient liquidity exists to meet the operational needs of the business, to maintain the integrity and liquidity of the investment portfolio and to manage the impact of foreign exchange and interest rate volatility on the Group's net income

The Group's financial instruments comprise cash, borrowings and derivatives, namely forward foreign exchange contracts and options The Group does not trade in financial instruments

Any gains or losses on derivatives designated and effective as hedging instruments are recognised in equity and transferred to the income statement when the underlying transaction is settled Gains or losses arising on hedging instruments that become ineffective for hedge accounting purposes are taken to the income statement immediately

Introduction of International Financial Reporting Standards

The Group has this year adopted International Financial Reporting Standards (IFRS) Many of the changes under IFRS are applied retrospectively from the start of financial year 2005/6 and are fully reflected in the restated financial statements for that year A full reconciliation of the results and net assets from UK GAAP to IFRS is included in note 32

Political and charitable donations

The Group made no political contributions during the year Donations to charities amounted to €31,000 (2006 €36,000)

Creation of Visa Inc

In October 2006, Visa International and its separately incorporated regional group members (other than Visa Europe) (together, 'Visa') announced the intention to reorganise Visa in preparation for an initial public offering of shares in the United States with the intention that the reorganised Visa, Visa Inc , will become majority owned by the public The Visa International board together with the regional Visa boards formally approved the restructure in June 2007, and as a result Visa Europe, which is remaining outside Visa Inc has entered into agreements with Visa Inc under which they will provide to each other authorisation, clearing, settlement and payment processing services and other services ancillary thereto The agreements also include an irrevocable, perpetual and exclusive licence granted by Visa Inc to Visa Europe to use and sub-license the Visa technology, trademark and logos in the Territory (which comprises the countries that currently make up the Visa Europe region) in performing those services Visa Europe will be entitled to ten per cent of the issued share capital of Visa Inc

Disclosure of information to auditors

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Reappointment of auditors

Pursuant to a shareholder's resolution the Company is not obliged to re-appoint its auditors annually KPMG LLP will continue as auditors to the Company

By order of the board

Carol Walsh
Company Secretary
7 December 2007

Directors' report

Board membership
The following directors held office during the year ended 30 September 2007

Gilbert Arira
Peter Ayliffe
Richard L Banks
Graham J Beale
appointed 1 May 2007
Francisco Castells Delgado
appointed 1 May 2007
Johannes Evers
Spyros N Filaretos
appointed 1 May 2007
José M Gabeiras
Gary Hoffman
Peter Jackson
appointed 17 September 2007
Friedrich Kadrnoska
Ennio La Monica
Jan Lidén
Sven Lystbæk
appointed 1 May 2007
Godelieve Mostrey
appointed 1 May 2007
Gerard Nebouy
Erik Pointillart
appointed 7 July 2007
Nazan Somer
Johannes (Hans) van der Velde
Colin Walsh
appointed 5 September 2007

Vitor A B Bento
resigned 17 November 2006
Paolo Cornaro
resigned 30 April 2007
Mike Fairey
resigned 31 December 2006
Benny Higgins
resigned 13 August 2007
Hans A Iversen
resigned 30 April 2007
Jean-Claude Marelli
resigned 7 July 2007
Victoria Matia
resigned 30 April 2007
Jacek Obłękowski
resigned 30 April 2007
Dr Paul Pester
appointed 1 January 2007 and
resigned 1 August 2007
Christopher J Rodrigues
resigned 15 November 2006
Philip Williamson
resigned 30 April 2007

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare Group and parent company financial statements for each financial year Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable laws and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and the performance of the Group, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company

In preparing each of the Group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

KPMG LLP
1 Canada Square
Canary Wharf
London
E14 5AG
United Kingdom

Independent auditors' report to the members of Visa Europe Limited

We have audited the Group and parent company financial statements (the "financial statements") of Visa Europe Limited for the year ended 30 September 2007, which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Income and Expense and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 97

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the business review and risk management sections of the Annual Report that are cross referred from the Directors' Report

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's and the parent company's affairs as at 30 September 2007 and of the Group's profit for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountant
Registered Auditor
7 December 2007

Consolidated income statement
Year ended 30 September 2007

	Note	2007 € 000	2006 € 000
Continuing operations			
Revenue	4	**583,331**	557,381
Other operating income	5	**2,560**	3,909
Administrative expenses	6	**(543,737)**	(514,008)
Other operating expenses	7	**(6,737)**	(4,872)
Share of profit of jointly controlled entity	12	**29,321**	7,433
Operating profit		**64,738**	49,843
Finance income	10	**460**	743
Finance costs	10	**(322)**	(403)
Profit before tax		**64,876**	50,183
Tax	11	**(16,501)**	(16,927)
Profit for the year attributable to the equity holders of the parent		**48,375**	33,256

The notes on pages 104 to 130 form part of these financial statements

Financial statements

Consolidated statement of recognised income and expense

Year ended 30 September 2007

	Note	2007 €'000	2006 €'000
Available-for-sale investments			
Gains on revaluation taken to equity		314	129
Foreign exchange losses taken to equity on revaluation of jointly controlled entity		(10,518)	(4,760)
Foreign exchange gains taken to equity on defined benefit pension scheme		559	573
Cash flow hedges			
Gains taken to equity		-	194
Losses taken to equity		(5,360)	(67)
Losses transferred from equity to income statement		90	-
Actuarial gains/(losses) on defined benefit pension schemes	29	23,899	(3,566)
Tax on items recognised directly in equity		(6,630)	1,158
Net income/(expense) recognised directly in equity		2,354	(6,339)
Profit for the year		48,375	33,256
Total recognised income and expense for the year attributable to the equity holders of the parent		50,729	26,917

The notes on pages 104 to 130 form part of these financial statements

Consolidated balance sheet

30 September 2007

	Note	2007 €'000	2006 €'000
Non-current assets			
Goodwill and intangibles	13	**24,614**	18,826
Property, plant and equipment	14	**185,078**	155,800
Available for sale investments	16	**1,258**	1,258
Investments in jointly controlled entities	12	**114,866**	96,062
Retirement benefit surplus	29	**4,025**	-
Deferred tax asset	20	**10,678**	16,467
Derivative financial instruments	19	**44**	162
		340,563	288,575
Current assets			
Trade and other receivables	17	**45,869**	43,350
Cash and cash equivalents	18	**62,081**	28,170
Available for sale investments	16	**7,603**	7,194
Derivative financial instruments	19	**54**	4,199
		115,607	82,913
Current liabilities			
Trade and other payables	22	**205,926**	153,859
Current tax liabilities		**6,941**	8,350
Obligations under finance leases	21	**496**	817
Redeemable share capital	24	**45**	44
Bank overdrafts	18	**2,109**	1,994
Derivative financial instruments	19	**6,317**	1,721
		221,834	166,785
Net current liabilities		**106,227**	83,872
Non-current liabilities			
Other liabilities		**216**	222
Provisions	23	**4,387**	4,100
Obligations under finance leases	21	**749**	174
Retirement benefit obligation	29	**-**	22,894
Derivative financial instruments	19	**990**	48
		6,342	27,438
Net assets		**227,994**	177,265
Equity			
Share capital	24, 25	**1**	1
Other reserves	25	**(1,046)**	2,175
Retained earnings	25	**229,039**	175,089
Equity attributable to equity holders of the parent		**227,994**	177,265
Memorandum note			
Non-redeemable share capital		**-**	-
Redeemable share capital		**1**	1
Reserves		**227,993**	177,264
Total members' interests		**227,994**	177,265

The financial statements were approved by the board of directors and authorised for issue on 7 December 2007
They were signed on its behalf by

P. G. Ayliffe

P Aylıffe
President and Chief Executive Officer, Visa Europe

The notes on pages 104 to 130 form part of these financial statements

Company balance sheet (prepared under UK GAAP)

30 September 2007

	Note	2007 € 000	2006 € 000
Non-current assets			
Investment in subsidiaries	15	**45**	45
Current assets			
Trade and other receivables	17	**83,965**	67,213
Total assets		**84,010**	67,258
Current liabilities			
Trade and other payables	22	**83,964**	67,212
Bank overdrafts	18	**-**	1
Redeemable share capital	24	**45**	44
		84,009	67,257
Net assets		**1**	1
Equity			
Share capital	24, 25	**1**	1
Retained earnings	25	**-**	-
Equity attributable to equity holders of the parent		**1**	1
Memorandum note			
Redeemable share capital		**-**	-
Non-redeemable share capital		**1**	1
Reserves		**-**	-
Total members' interests		**1**	1

The financial statements were approved by the board of directors and authorised for issue on 7 December 2007
They were signed on its behalf by

P. G. Ayliffe

P Ayliffe
President and Chief Executive Officer, Visa Europe

The notes on pages 104 to 130 form part of these financial statements

Consolidated cash flow statement

Year ended 30 September 2007

	Note	2007 €'000	2006 €'000
Operating profit from continuing operations		64,738	49,843
Adjustments for			
Depreciation of property, plant and equipment		31,002	20,372
Loss on disposal of property, plant and equipment	7	2,205	326
Increase/(decrease) in provisions		2,131	(1,366)
Share of profit of jointly controlled entity		(29,321)	(7,433)
Operating cash flows before movements in working capital		70,755	61,742
(Increase) in receivables		(1,288)	(13,136)
Increase in payables		53,314	41,268
Cash generated by operations		122,781	89,874
Income taxes paid		(19,956)	(29,336)
Interest paid	10	(322)	(403)
Net cash from operating activities		102,503	60,135
Investing activities			
Interest received	10	460	743
Purchases of property, plant and equipment	14	(62,476)	(59,530)
Purchase of unincorporated entity		(5,789)	-
Purchase of available for sale investment		(2,528)	(4,702)
Proceeds of sale of investment		2,329	-
Net cash used in investing activities		(68,004)	(63,489)
Financing activities			
Repayments of obligations under finance leases		(703)	(1,297)
Net cash (used in) financing activities		(703)	(1,297)
Net increase/(decrease) in cash and cash equivalents		33,796	(4,651)
Cash and cash equivalents at beginning of year		26,176	30,827
Cash and cash equivalents at end of year	18	59,972	26,176

The notes on pages 104 to 130 form part of these financial statements

Financial statements

Notes to the financial statements
For the year ended 30 September 2007

1 General information
Visa Europe Limited is a company incorporated in the United Kingdom under the Companies Act 1985 The address of the registered office is given on page 133

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('IFRSs') The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on page 102

These financial statements are presented in Euros, rounded to the nearest thousand, because that is the currency of the primary economic environment in which the Group operates

2 Significant accounting policies
IFRS

Statement of compliance

The financial statements have been prepared in accordance with IFRSs for the first time The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 32

Basis of preparation

The directors have not adopted International Accounting Standard 1 (amended) 'Presentation of Financial Statements (capital disclosures) (IAS1) and IFRS 7 'Financial Instruments Disclosures', which, although endorsed by the EU, are currently not mandatory

IAS 1 will introduce the requirement for the Group to provide more detailed disclosure in relation to its capital for the financial year ending 30 September 2008

IFRS 7 revises and combines the disclosure requirements of IAS 30 'Disclosures in the financial statements of banks and similar financial institutions' and IAS 32 'Financial Instruments Disclosures and presentation', into one standard The standard will apply to the Group for the financial year ending 30 September 2008

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an on-going basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3

The principal accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening balance sheet at 1 October 2005 for the purposes of transitioning to IFRSs

Transition to adopted IFRSs

The Group is preparing its financial statements in accordance with IFRSs for the first time and consequently has applied IFRS 1 An explanation of how the transition to IFRSs has affected the reported financial position and financial performance of the Group is provided in Note 32

IFRS 1 grants certain exemptions from the full requirements of IFRSs in the transition period The following exemptions have been taken in these financial statements

Business combinations - Business combinations that took place prior to 1 October 2005 have not been restated

Employee benefits - Employee benefits in respect of defined benefit plans for periods prior to 1 October 2005 have not been disclosed

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

All intra-group transactions, balances, income and expenses are eliminated on consolidation

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own income statement The profit for the year is included in note 25

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency) For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in Euros, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments)

Goodwill and intangible assets

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses Negative goodwill arising on an acquisition is recognised directly in profit or loss

Goodwill which is recognised as an asset is reviewed for impairment at least annually Any impairment is recognised immediately in profit or loss and is not subsequently reversed

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date

Intangible assets are recorded at cost and are recognised on the basis that future economic benefits will flow to the Group Intangible assets are reviewed for impairment at least annually See below for additional details of impairment reviews

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses

The cost of self-constructed assets includes the costs of materials and direct labour Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use

Land is not depreciated Depreciation on other assets is charged to the income statement using the straight line method so as to write off the cost to their residual values over their estimated useful lives on the following bases

Buildings	40 years
Leasehold improvements	40 years (or lease term if shorter)
Furniture and fittings	3 to 10 years
Computer equipment and software	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are charged directly against income

2 Significant accounting policies (continued)

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired

Recoverable amount is the higher of fair value less costs to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase

Financial instruments

Financial assets and financial liabilities are recognised/derecognised on the Group's balance sheet when the Group becomes/stops being a party to the contractual provisions of the instrument

Trade receivables

Trade receivables are measured at fair value plus directly attributable transaction costs on initial recognition, and are subsequently measured at amortised cost using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

Investments

The Group maintains short-term money market investments and other marketable securities related to certain executive compensation plans These investments are recorded in current assets at fair value with a corresponding accrual relating to the amounts to be paid out to executives recorded in current liabilities

Jointly controlled entities are recorded using the equity method of accounting

Investments are classified as available-for-sale, and are initially measured at fair value plus directly attributable acquisition costs and are subsequently measured at fair value, with gains and losses arising from changes in fair value recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss

Where the investment held is in a private company with no readily available market, the fair value reflects the illiquid nature of the investment

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

Share capital
Share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option

Share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary Dividends thereon are recognised in the income statement as interest expense

Trade payables and share capital classified as financial liabilities
Trade payables and share capital classified as financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

Derivative financial instruments and hedge accounting
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates The Group uses foreign exchange forward contracts to hedge these exposures The Group does not use derivative financial instruments for speculative purposes

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents service and transaction fees, net of volume-based discounts and support incentives, VAT and other sales-related taxes Volume-based discounts and support incentives are offset against revenue when it is probable that the criteria for the discount or incentive will be met and the amount can be reliably estimated Service fees predominantly represent payments by members with respect to their card programmes carrying the Visa brand marks Transaction fees represent user fees for authorisation, clearing, settlement and other activities that facilitate transaction and information flow among Visa Europe's members Revenue is recognised when services are performed

2 Significant accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date Actuarial gains and losses are recognised in full in the period in which they occur These gains and losses are not recognised within the income statement and are presented in the statement of recognised income and expense

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested

The value of the retirement benefits recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value using a commercial rate where the effect is material Discounts are unwound through the income statement from the date the provision is made up to the date that the expenditure covered by the provision is incurred

UK GAAP

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements (see page 102) except as noted below

Basis of preparation

The Company's financial statements have been prepared under the historical cost convention in accordance with the Companies Act 1985 and comply with applicable accounting principles generally accepted in the United Kingdom (UK GAAP)

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities

Share capital
Share capital is classified as an equity instrument within equity shareholders' funds if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option

Share capital is classified as a financial liability within creditors if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary Dividends thereon are recognised in the profit and loss account as interest expense

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies
In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below)

Acquisitions
Judgements have been made in respect of the identification of intangible assets based upon pre-acquisition forecasts, analysis and negotiations The initial valuations of acquired intangible assets will be reviewed for impairment on an annual basis, or more frequently if necessary

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

Impairment of goodwill and other intangibles
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value The carrying amount of goodwill and other intangibles at the balance sheet date was €24,614,000 (2006 €18,826,000) against which no impairment has been made

Retirement benefits
Actuarial assumptions adopted and external factors can vary significantly the surplus or deficit of funded defined benefit pension schemes Advice is obtained from independent actuaries in selecting suitable assumptions

Interest in jointly controlled entity
In order to equity account an interest in a jointly controlled entity in the absence of an equity stake, reference has been made to the Visa International By-Laws in order to calculate the percentage stake The nature of the calculation is such that the percentage stake fluctuates over time

Derivative financial instruments
Assumptions adopted to value foreign currency forward contracts and options can vary their fair market value Advice is obtained from independent third party sources in order to validate the assumptions used

4 Revenue

An analysis of the Group's revenue is as follows

	Year ended 2007 € 000	Year ended 2006 € 000
Continuing operations		
Service and transaction fees	**583,331**	557,381

5 Other operating income

	2007 € 000	2006 € 000
Rental income from operating leases	2,560	3,909

6 Administrative expenses

Administrative expenses include

	2007 €'000	2006 € 000
Foreign exchange (gains)/losses	(5,353)	1,608
Net losses on forward contracts transferred from equity	90	-
Depreciation of property, plant and equipment		
- owned	29,991	17,687
- leased	1,011	1,423
Staff costs (see note 8)	123,181	103,189
Auditors' remuneration (see below)	954	812
Exceptional costs (see below)	26,980	7,679

The remuneration of the auditors, KPMG LLP, is set out below

	Group		Company	
	2007 € 000	2006 € 000	2007 €'000	2006 € 000
Fees payable to the Company's auditors for the audit of the Group's financial statements	364	312	-	-
Other services relating to taxation	117	247	-	-
Fees relating to the Visa Europe Pension Plan	8	7	-	-
All other services	465	246	-	-
	954	812	-	-

Included within administrative expenses are the following exceptional costs

a) Fine from Commission of the European Communities €10,200,000
On 3 October 2007 the European Commission adopted a decision that imposed a fine of €10 2 million on Visa International and Visa Europe The decision was based on a finding that Visa Europe and Visa International had infringed Article 81(1) of the EU Treaty by refusing to admit Morgan Stanley Dean Witter as a Visa member, further to a Visa rule that permits certain competitor companies to be deemed ineligible for Visa membership Under the terms of the agreements entered into with Visa Inc, Visa Europe is liable to pay the full amount as the decision has been brought by a competition authority in Europe Visa Europe is appealing to the European Court of First Instance against the decision and the fine

b) Restructuring costs incurred as a result of the creation of Visa Inc €16,780,000 (2006 €7,679,000)
A summary of the details of the 'Creation of Visa Inc' is disclosed within the directors' report The restructuring costs largely relate to the negotiation of the agreements referred to and the initial implementation costs of the separation of Visa Europe from Visa Inc

7 Other operating expenses

	2007 € 000	2006 € 000
Net losses on derivatives not in a designated hedge accounting relationship	4,532	4,546
Net losses on disposal and write off of property, plant and equipment	2,205	326
	6,737	4,872

	2007 €'000	2006 € 000
Ineffectiveness arising from cash flow hedges included in net losses on derivatives not in a designated hedge accounting relationship	7	-

8 Staff costs

The average monthly number of employees (including executive directors) was

	Group		Company	
	2007 Number	2006 Number	2007 Number	2006 Number
Marketing	105	97	-	-
Relationship management and member services	146	132	-	-
Technology and processing services	392	335	-	-
Other	255	247	-	-
	898	811	-	-

Their aggregate remuneration comprised

	2007 €'000	2006 € 000	2007 € 000	2006 €'000
Wages and salaries	99,919	80,034	-	-
Social security costs	9,637	9,158	-	-
Other pension costs	13,625	13,997	-	-
	123,181	103,189	-	-

9 Remuneration of directors

The remuneration of the directors for the year was as follows

	2007 € 000	2006 € 000
Directors' emoluments	2,742	3,998
Amounts receivable under long term incentive schemes	-	920
	2,742	4,918
Company contributions to money purchase pension schemes	-	2,289
Amounts paid to third parties in respect of directors' services	15	110
	2,757	7,317

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was €1,529,000 (2006 €5,111,000), comprising

	2007 €'000	2006 € 000
Base remuneration	554	491
Performance related bonuses	805	137
Other benefits	170	2,166
Long-term incentive payments	-	108
Pension contributions	-	2,209
	1,529	5,111

Amounts disclosed above for 2006 represent aggregate emoluments for the outgoing president and CEO, including retirement benefits Amounts disclosed above for 2007 represent aggregate emoluments for the current president and CEO

Retirement benefits are accruing to the following number of directors

	2007 Number	2006 Number
Money purchase pension schemes	-	1

10 Net financing costs

	2007 €'000	2006 €'000
Finance income		
Interest on bank deposits	460	743
Finance costs		
On bank loans and overdrafts	(8)	(81)
Interest on obligations under finance leases	(48)	(75)
Discounted provisions - unwind of discount	(266)	(247)
	(322)	(403)

11 Tax

	2007 €'000	2006 €'000
Current tax		
- UK corporation tax	13,022	11,376
- Foreign tax	4,534	11,701
Total current tax	17,556	23,077
Deferred tax (note 20)	(1,055)	(6,150)
Total tax charge	16,501	16,927

The Group's profits are taxable in the UK and USA, subject to foreign tax relief in the USA

The current tax charge for the year is higher than the standard rate of Federal income tax in the USA of 35 per cent (2006 35 per cent) The differences are explained below

	2007 €'000	2006 €'000
Profit before tax	64,876	50,183
Taxation at the standard US Federal income tax rate of 35% (2006 35%)	22,707	17,564
Effects of		
Jointly controlled equity income included net of tax	(10,262)	(2,602)
Permanent differences	7,224	2,532
Prior year adjustment	(3,887)	(2,383)
Other	719	1,816
Total tax charge (see above)	16,501	16,927

12 Investment in Visa International (VI)

For the year ended 30 September 2007 the Group's investment in VI has been treated as an interest in a jointly controlled entity under IAS 31

The Group has adopted the equity method of accounting for its interest in VI

In order to establish the Group's share of VI, in the absence of an equity stake, the Group has referred to section 11 03 of the VI By-Laws, Distribution of Assets Upon Dissolution, whereby in the event of the dissolution of VI, dividend and dissolution rights are based upon cumulative volume-based service fees paid by members to VI since inception, as a percentage of total volume-based service fees Therefore, the percentage share of the Group's interest in VI fluctuates over time

The consolidated balance sheet at 1 October 2005 has been restated to reflect the Group's share in VI This has had the effect of increasing net assets by €93,390,000

A summary of the financial impact of adopting the equity method of accounting is detailed below

	€ 000
Cumulative share of net assets at 1 October 2005	93,390
Cumulative share of net assets at 30 September 2006	96,062
Cumulative share of net assets at 30 September 2007	114,866

Summarised consolidated financial information for Visa International was as follows

	2007 €'000	2006 € 000
Non-current assets	**222,110**	241,882
Current assets	**1,526,314**	1,344,561
Total assets	**1,748,424**	1,586,443
Non-current liabilities	**69,551**	71,534
Current liabilities	**1,067,883**	1,036,991
Total liabilities	**1,137,434**	1,108,525
Net assets	**610,990**	477,918

For the year ended 30 September

	2007 € 000	2006 € 000
Total revenue	**1,498,905**	1,053,842
Total expenditure	**1,297,198**	998,056
Profit after tax	**201,707**	55,786

13 Goodwill and intangible assets

	Goodwill €000	Other Intangibles €000	Total €000
Cost			
At 1 October 2005 and 30 September 2006	18,826	-	18,826
At 1 October 2006	18,826	-	18,826
Additions	-	5,788	5,788
At 30 September 2007	18,826	5,788	24,614
Accumulated impairment losses			
At 1 October 2005 and 30 September 2006	-	-	-
At 1 October 2006	-	-	-
Impairment losses for the year	-	-	-
At 30 September 2007	-	-	-
Carrying amount			
At 30 September 2007	18 826	5,788	24,614
At 1 October 2005 and 30 September 2006	18,826	-	18,826

The addition above relates to consideration for the transfer of the operating rights of Bulgaria and Romania from Visa International to Visa Europe Both Bulgaria and Romania acceded to the European Union on 1 January 2007 and transferred to Visa Europe from 1 April 2007

The operating rights are assessed as having an indefinite life because Visa Europe has signed an exclusive, irrevocable licensing arrangement in perpetuity with Visa Inc to use the Visa marks and technology, and Bulgaria and Romania are expected to generate net cash inflows indefinitely

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows

	2007 €000	2006 €000
Provision of payment products under Visa brand name	**18,826**	18,826

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired

The recoverable amounts of the CGUs are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs The growth rates are based on industry growth forecasts Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following seven years based on an estimated growth rate of nine per cent This rate does not exceed the average long-term growth rate for the relevant markets

14 Property, plant and equipment

	Land and buildings € 000	Assets in course of construction € 000	Fixtures and equipment € 000	Computer equipment and software € 000	Total € 000
Cost					
At 1 October 2005	30,150	66,372	8,236	34,558	139,316
Additions	2,035	54,081	1,405	2,009	59,530
Transfers between items	(188)	(77,825)	320	77,693	-
Disposals	(16)	(912)	(488)	(489)	(1,905)
At 1 October 2006	31,981	41,716	9,473	113,771	196,941
Additions	1,097	43,228	2,923	15,228	62,476
Transfers between items	7,738	(7,930)	-	192	-
Disposals	-	-	-	(38)	(38)
Write off	-	(2,196)	-	-	(2,196)
At 30 September 2007	40,816	74,818	12,396	129,153	257,183
Accumulated depreciation and impairment					
At 1 October 2005	(3,900)	-	(2,558)	(16,218)	(22,676)
Charge for the year	(3,005)	-	(2,187)	(13,918)	(19,110)
Eliminated on transfers	24	-	(130)	106	-
Eliminated on disposals	4	-	183	458	645
At 1 October 2006	(6,877)	-	(4,692)	(29,572)	(41,141)
Charge for the year	(3,012)	-	(1,891)	(26,099)	(31,002)
Eliminated on disposals	-	-	-	38	38
At 30 September 2007	(9,889)	-	(6,583)	(55,633)	(72,105)
Carrying amount					
At 30 September 2007	30,927	74,818	5,813	73,520	185,078
At 30 September 2006	25,104	41,716	4,781	84,199	155,800

The Group leased computer equipment under a number of finance lease arrangements At 30 September 2007, the net carrying amount of leased assets was €1,132,000 (2006 €942,000)

Capital commitments at the end of the financial period, for which no provision has been made are as follows

	Group		Company	
	2007 €'000	2006 € 000	**2007 € 000**	2006 € 000
Contracted purchase of software and computer equipment	**9,967**	4,393	-	-
Contracted expenditure on building improvements	**268**	2,823	-	-
	10,235	7,216	-	-

Financial statements

15 Investment in subsidiaries

	2007 € 000	2006 € 000
Cost and carrying value		
At 1 October and 30 September	45	45

Details of the Company's subsidiaries at 30 September 2007 are as follows

Name	Place of incorporation ownership (or registration)	Place of operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment
Visa Europe Services Inc	USA	UK	100%	100%	Cost
Visa Management Limited	UK	UK	100%*	100%*	Cost
European Resource Management Limited	Jersey	Jersey	100%*	100%*	Cost
Visa EU Limited	UK	UK	100%*	100%*	Cost

* Ownership interest and voting power held indirectly by the Company through its interest in Visa Europe Services Inc

16 Available for sale investments

	2007 €'000	2006 €'000
Non-current assets		
Interests in an unlisted related party	1,258	1,258

The Group has not designated any financial assets at fair value through profit or loss

The interests in the unlisted related party have no fixed maturity or coupon rate As these interests are held in a private company with no readily available market the fair value reflects the illiquid nature of the interests

	2007 €'000	2006 € 000
Current assets		
Listed investments	7,603	7,194

17 Trade and other receivables

	Group		Company	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
Trade receivables	19,656	18,608	19,495	17,843
Amounts owed by related parties	197	2,244	64,470	49,370
Other receivables	3,514	3,052	-	-
Prepayments	22,502	19,446	-	-
	45,869	43,350	83,965	67,213

The average credit period taken on sales of goods is 25 days No interest is charged on the receivables for the first 30 days from the date of the invoice

The directors consider that the carrying amount of trade and other receivables approximates their fair value

18 Cash and cash equivalents

	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Bank balances	**62,081**	28,170	**-**	-
Bank overdrafts	**(2,109)**	(1,994)	**-**	(1)
Cash and cash equivalents in the statement of cash flows	**59,972**	26,176	**-**	(1)

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less

The carrying amount of bank balances and bank overdrafts approximates to their fair value The bank overdrafts are repayable on demand The average effective interest rate on bank overdrafts approximates 5 54 per cent (2006 4 56 per cent) per annum and are determined based on 0 75 per cent plus prime rate The average effective interest rate on short-term bank deposits approximates 4 02 per cent (2006 2 88 per cent)

19 Derivative financial instruments

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures The instruments purchased are primarily denominated in the currencies of the Group's principal markets

Derivative financial instruments assets and liabilities are comprised of dollar and sterling forward and option contracts held by the Group outstanding as at the balance sheet date The derivatives are presented at their fair market value

	2007 €'000	2006 €'000
Non-current derivatives		
Asset	**44**	162
Liability	**(990)**	(48)
Current derivatives		
Asset	**54**	4,199
Liability	**(6,317)**	(1,721)
	(7,209)	2,592

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts that the Group has committed to are

	2007 €'000	2006 €'000
Forward foreign currency contracts falling due within one year	**192,853**	195,468
Forward foreign currency contracts falling due after more than one year	**53,033**	16,699
	245,886	212,167

20 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period

	Accelerated tax depreciation €'000	Retirement benefit obligations €'000	Other temporary differences € 000	Total € 000
At 1 October 2005	-	7,926	1,194	9,120
Charge/(credit) to income	1,117	(216)	3,270	4,171
Charge/(credit) to equity	-	1,248	(90)	1,158
Prior year adjustment	-	-	1,979	1,979
Exchange differences	-	39	-	39
At 1 October 2006	1,117	8,997	6,353	16,467
Charge/(credit) to income	24	(622)	1,711	1,113
Charge/(credit) to equity	-	(8,365)	1,734	(6,631)
Prior year adjustment	(726)	3,600	(2,932)	(58)
Exchange differences	-	(213)	-	(213)
At 30 September 2007	415	3,397	6,866	10,678

Certain deferred tax assets and liabilities have been offset The following is the analysis of the deferred tax balances (before offset) for financial reporting purposes

	2007 €'000	2006 € 000
Deferred tax liabilities	**(704)**	(1,663)
Deferred tax assets	**11,382**	18,130
	10,678	16,467

As the Group settles its ultimate tax liability in one jurisdiction and by net payments, it is entitled to offset deferred tax assets and liabilities, if the periods over which they reverse match The liabilities shown above relate to short-term temporary differences in respect of prepaid expenses These liabilities are netted against assets relating to short-term temporary differences in respect of accrued expenses

21 Obligations under finance leases

	2007 €'000	2006 €'000
Lease obligation		
Less than one year	**496**	817
Greater than one year	**749**	174
	1,245	991

The mimimum lease payments under the terms of the leases are as follows

	Minimum lease payments 2007 €'000	Minimum lease payments 2006 €'000	Present value of lease payments 2007 €'000	Present value of lease payments 2006 € 000
Amounts payable under finance leases				
Within one year	528	845	496	817
In the second to fifth years	789	178	749	174
	1,317	1,023	1,245	991
Less Future finance charges	(72)	(32)	n/a	n/a
Present value of lease obligations	1,245	991		
Less Amount due for settlement within 12 months (shown under current liabilities)			(496)	(817)
Amount due for settlement after 12 months			749	174

It is the Group's policy to lease certain of its fixtures and equipment under finance leases The average lease term is four years For the year ended 30 September 2007, the average effective borrowing rate was seven per cent (2006 nine per cent) Interest rates are fixed at the contract date All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments

All lease obligations are denominated in sterling

The fair value of the Group's lease obligations approximates their carrying amount

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets

22 Other financial liabilities

Trade and other payables

	Group 2007 € 000	Group 2006 € 000	Company 2007 €'000	Company 2006 €'000
Trade payables	**21,206**	20,283	**-**	80
Amounts owed to related parties	**12,285**	9,803	**-**	9,694
Social security and other taxes	**17,259**	15,943	**12,628**	9,825
Accruals and deferred income	**155,176**	107,830	**71,336**	47,613
	205,926	153,859	**83,964**	67,212

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 25 days

The directors consider that the carrying amount of trade payables approximates to their fair value

23 Provisions

	Asset retirement obligation 2007 €'000	Asset retirement obligation 2006 €'000
At 1 October	4,100	3,823
Additional provision in the year	144	-
Unwinding of discount	266	247
Exchange difference	(123)	30
At 30 September	4,387	4,100

The asset retirement obligation represents a liability to restore the Group's leased buildings to their original condition The provision is made on a discounted basis over the remainder of the lease A corresponding asset has been capitalised within land and buildings in property, plant and equipment and is being amortised to the income statement over the term of the lease

24 Share capital

	2007 Number	2007 €	2006 Number	2006 €
Authorised				
Subscriber share of €10	1	10	1	10
Ordinary shares of €10 each	14,999	149,990	14,999	149,990
Issued and fully paid				
Subscriber share of €10	1	10	1	10
Ordinary shares of €10 each				
At 1 October	4,533	1,133	4,554	1,343
Issue of shares	87	22	27	270
Redemption of shares	(17)	(4)	(48)	(480)
At 30 September	4,604	1,161	4,534	1,143

The subscriber share is non-redeemable and does not have the right to participate in any dividend or other distribution which the Company may determine to distribute On winding up, the holder of the subscriber share is entitled to receive out of the assets of the Company available for distribution to its Shareholders, pari passu with the holders of the ordinary shares, the amount paid up on the share but not any further participation in those assets

The ordinary shares are redeemable at the option of the member at any time, subject to 180 days' notice, or at the option of the Company through the resolution of the board approved by a majority of at least three-quarters In addition, a member's share is redeemable if the member has not performed in accordance with the membership operating regulations Under IAS 32 the ordinary shares are classified as a compound instrument split between current liabilities and equity in the balance sheet The debt element of the ordinary shares in current liabilities is held at amortised cost and valued at €45,000 (2006 €44,000)

Any difference between the fair value of the Company's redemption obligations on issue and the subscription price paid has been included as a capital contribution within equity, see note 25

25 Capital and reserves

Group

	Share Capital € 000	Capital Redemption Reserve € 000	Capital Contribution Reserve € 000	Merger Reserve € 000	Available for sale Reserve € 000	Cash flow hedging Reserve € 000	Retained earnings €'000
	Attributable to the equity holders of the parent						
At 1 October 2005	-	-	1	2,000	7	-	148,340
Total recognised income and expense	-	-	-	-	85	83	26,749
At 30 September 2006	-	-	1	2,000	92	83	175,089
At 1 October 2006	-	-	1	2,000	92	83	175,089
Total recognised income and expense	-	-	-	-	204	(3,425)	53,950
At 30 September 2007	-	-	1	2,000	296	(3,342)	229,039

Company

	Share Capital € 000	Capital Redemption Reserve €'000	Capital Contribution Reserve € 000	Merger Reserve € 000	Available for sale Reserve € 000	Cash flow hedging Reserve € 000	Retained earnings € 000
	Attributable to the equity holders of the parent						
At 1 October 2005	-	-	1	-	-	-	-
Total recognised income and expense	-	-	-	-	-	-	-
At 30 September 2006	-	-	1	-	-	-	-
At 1 October 2006	-	-	1	-	-	-	-
Total recognised income and expense	-	-	-	-	-	-	-
At 30 September 2007	-	-	1	-	-	-	-

The Company's profit on ordinary activities before taxation was €nil (2006 €nil)

Financial statements

26 Notes to the cash flow statement

Additions to fixtures and equipment during the year amounting to €1,265,000 were financed by new finance leases

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less

27 Contingent liabilities

The Company and its subsidiaries are, from time to time, parties to or affected by legal proceedings and claims and they enter into guarantees, financing arrangements and commitments which are in the ordinary course of business The directors do not anticipate that the outcome of these proceedings, claims, guarantees, financing arrangements and commitments, either individually or in aggregate, will have a material adverse effect upon the Group's financial position

Member losses and collateral

To reduce any potential member losses that may arise from a member's failure to settle, the Group requires certain members to post collateral to ensure performance of settlement obligations arising from card and other product clearings The type of collateral is based on board approved guidelines and generally includes cash equivalents, letters of credit, guarantees and securities The Group held collateral as follows

	2007 € 000	2006 € 000
Cash equivalents	71,666	59,788
Letters of credit	67,960	41,846
Guarantees	166,300	100,377
	305,926	202,011

As the collateral does not meet the definition of an asset of the Group, no amounts are included on the balance sheet

28 Operating lease arrangements

The Group as lessee

	2007 € 000	2006 € 000
Minimum lease payments under operating leases recognised in income for the year	12,758	12,004

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2007 €'000	2006 € 000
Within one year	13,160	12,119
In the second to fifth years inclusive	52,037	48,477
After five years	163,769	180,502
	228,966	241,098

Operating lease payments represent rentals payable by the Group for certain of its office properties Leases are negotiated for an average term of 11 years and rentals are fixed for an average of five years

The Group as lessor

Property rental income earned during the year was €2,560,000 (2006 €3,909,000) At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments

	2007 € 000	2006 € 000
Within one year	2,418	2,488
In the second to fifth years inclusive	8,264	8,881
After five years	1,244	3,623
	11,926	14,992

29 Retirement benefit schemes

Defined contribution pension schemes

The pension charge for the period represents contributions payable by the Group to the schemes and amounted to €3,020,000 (2006 €2,436,000) The assets of the defined contribution schemes are held separately in independently administered funds The charge in respect of these schemes is calculated on the basis of contributions payable by the Group in the financial period

There were no outstanding or prepaid contributions at either the beginning or end of the year

Defined benefit schemes

The Group provides benefits through two defined benefit pension plans, the Visa Europe Pension Plan (VPP), which provides benefits based on final pensionable pay for the majority of its employees, and an unfunded plan (EVP), which provides benefits to certain of the Group's senior employees The main defined benefit pension scheme is funded The latest full actuarial valuations were carried out at 1 October 2006 and were updated for the purposes of International Accounting Standard 19, Employee Benefits, to 30 September 2007 by a qualified independent actuary As the main defined benefit pension scheme is closed to new members, it is expected that the cost of the scheme as a percentage of pensionable salaries will increase as the members age The benefit obligation in respect of the unfunded scheme at 30 September 2007 was €5,376,000 (2006 €5,822,000), excluding the impact of deferred tax The cumulative amount recognised in the Statement of Recognised Income and Expense at 30 September 2007 was €20,333,000 (2006 €(3,566,000))

	Valuation at 2007 %	Valuation at 2006 %
Key assumptions used		
Discount rate applied to scheme liabilities	6 00	5 00
Expected return on scheme assets	7 00	6 51
Expected rate of salary increases	4 50	4 25
Future pension increases	3 10	3 00
Inflation	3 25	3 00

	Years	Years
Life expectancy for a male aged 65	21 9	19 8
Life expectancy for a male aged 45 from the age of 65	23 0	19 8
Life expectancy for a female aged 65	24 8	22 8
Life expectancy for a female aged 45 from the age of 65	25 8	22 8

Amounts recognised in income in respect of these defined benefit schemes are as follows

	2007 €'000 Total	2007 € 000 EVP	2007 € 000 VPP	2006 € 000 Total	2006 € 000 EVP	2006 € 000 VPP
Current service cost	9,434	686	8,748	8,879	562	8,317
Interest cost	7,918	328	7,590	6,714	247	6,467
Expected return on scheme assets	(8,563)	-	(8,563)	(6,972)	-	(6,972)
Past service cost	10	-	10	717	717	-
	8,799	1,014	7,785	9,338	1,526	7,812

29 Retirement benefit schemes (continued)

Of the charge for the year, €9,444,000 (2006 €9,596,000) made up of current service cost and past service cost has been included in administrative expenses, with the remainder being included in finance income Actuarial gains and losses have been reported in the statement of recognised income and expense

The actual return on scheme assets was €8,596,000 (2006 €12,394,000)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows

	2007 € 000 Total	2007 € 000 EVP	2007 € 000 VPP	2006 € 000 Total	2006 € 000 EVP	2006 € 000 VPP
Present value of defined benefit obligations	(135,983)	(5,376)	(130,607)	(149,828)	(5,822)	(144,006)
Fair value of scheme assets	140,008	-	140,008	126,934	-	126,934
Surplus/(deficit) in scheme	4,025	(5,376)	9,401	(22,894)	(5,822)	(17,072)
Past service cost not yet recognised in balance sheet	-	-	-	-	-	-
Surplus/(liability) recognised in the balance sheet	4,025	(5,376)	9,401	(22,894)	(5,822)	(17,072)

Movements in the present value of defined benefit obligations were as follows

	2007 €'000 Total	2007 €'000 EVP	2007 €'000 VPP	2006 € 000 Total	2006 € 000 EVP	2006 € 000 VPP
At 1 October	(149,828)	(5,822)	(144,006)	(125,241)	(4,150)	(121,091)
Current service cost	(9,434)	(686)	(8,748)	(8,879)	(562)	(8,317)
Interest cost	(7,918)	(328)	(7,590)	(6,714)	(247)	(6,467)
Contributions from scheme members	-	-	-	-	-	-
Actuarial gains and losses	23,866	1,187	22,679	(8,988)	(191)	(8,797)
Exchange difference	4,777	192	4,585	(133)	(32)	(101)
Benefits paid	2,564	81	2,483	844	77	767
Past service cost	(10)	-	(10)	(717)	(717)	-
At 30 September	(135,983)	(5,376)	(130,607)	(149,828)	(5,822)	(144,006)

Movements in the fair value of scheme assets were as follows

	2007 € 000 Total	2007 € 000 EVP	2007 €'000 VPP	2006 €'000 Total	2006 € 000 EVP	2006 € 000 VPP
At 1 October	126,934	-	126,934	102,839	-	102,839
Expected return on scheme assets	8,563	-	8,563	6,972	-	6,972
Actuarial gains and losses	33	-	33	5,422	-	5,422
Exchange difference	(4,218)	-	(4,218)	706	-	706
Contributions from the sponsoring company	11,260	81	11,179	11,839	77	11,762
Contributions from scheme members	-	-	-	-	-	-
Benefits paid	(2,564)	(81)	(2,483)	(844)	(77)	(767)
At 30 September	140,008	-	140,008	126,934	-	126,934

Experience items on liabilities and assets were as follows

	2007 €'000 Total	2007 € 000 EVP	2007 € 000 VPP	2006 € 000 Total	2006 € 000 EVP	2006 € 000 VPP
Experience gains on assets	33	-	33	5,422	-	5,422
Experience gains/(losses) on liabilities	23,866	1,187	22,679	(8,988)	(191)	(8,797)

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows

	Expected return 2007 %	Expected return 2006 %	Fair value of assets 2007 € 000	Fair value of assets 2006 € 000
Equity instruments	7 83	7 74	84,488	68,233
Index-linked gilts	4 96	4 44	24,963	20,343
Debt instruments	6 00	5 00	23,070	20,104
Property	7 83	7 74	6,768	6,796
Other assets	5 75	4 75	719	11,458
			140,008	126,934

The assumptions used in order to calculate expected return are as follows

Equity instruments The dividend yield on the FTSE All Share Index at 30 September together with an inflation assumption of 1 5 per cent per annum long-term real dividend growth

Cash The bank base rate at 30 September

Index-Linked and Fixed Interest Gilts The return equal to the yield published for the FTSE Actuaries Government Securities 15 year index For corporate bonds the Merrill Lynch sterling corporate AA rated bonds over 15-year term index

Property As equity instruments (see above)

30 Events after the balance sheet date

On 3 October 2007 (the merger date), Visa Inc was formed from the reorganisation of Visa International (VI) in preparation for an initial public offering In exchange for its membership interest in VI and its interest in Inovant, Visa Europe received a ten per cent shareholding, comprising Class EU shares, including redeemable Class EU Series II shares, in Visa Inc

The Class EU shares (excluding the Class EU Series II shares) have been valued at $2 1 billion, but this is subject to the following caveats

- first the valuation is specific to the minority holding of Visa Europe and does not indicate the value that might be realised by any other person holding shares in Visa Inc ,
- secondly, Visa Europe (and the other shareholders of Visa Inc) are not currently permitted to transfer the shares in Visa Inc (other than in very restricted circumstances) and there is no market in the shares, so no value could currently be realised, and
- thirdly, there can be no certainty that the IPO will occur in the timetable envisaged or at all and if the IPO does not proceed, the limitations on transfer of the shares apply indefinitely, subject to the resolution of the board of Visa Inc , so that no value may ever be realised

In order to calculate the valuation above the approach taken was as follows

a) Estimate the value of the entire equity of Visa Inc This was established primarily based upon a comparison of Visa Inc with comparable publicly traded companies This was supported with a Discounted Cash Flow analysis
b) Estimate the value of the minority interest holding This was established by taking the appropriate proportion of the value of 100 per cent of Visa Inc and adjusting for Visa Europe's uninfluential minority share, as well as for the illiquidity of the holding

Approximately, fifty-one per cent of this shareholding will be sold when Visa Inc is floated on the New York Stock Exchange (the IPO) or if later, 369 days after completion of the reorganisation The cash amount will be fixed on the day of sale

The Class EU Series II shares have been valued at $1 146billion These shares are expected to be redeemed when Visa Inc makes its public offering or, if later, 369 days after completion of the reorganisation

31 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note Transactions between the Group and its associates are disclosed below

Trading transactions

During the year, group companies entered into the following arm's length transactions with related parties who are not members of the Group

	Sale of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2007 €'000	2006 € 000	**2007 €'000**	2006 €'000	**2007 €'000**	2006 € 000	**2007 €'000**	2006 €'000
Visa International	**64**	560	**84,330**	89,578	**-**	-	**(8,402)**	(5,217)
Visa CEMEA	**4,387**	8,443	**1,345**	628	**-**	1,507	**(46)**	-
Inovant LLC	**-**	-	**45,461**	52,777	**-**	-	**(3,837)**	(4,586)
Visa USA and Canada	**-**	-	**520**	132	**197**	737	**-**	-

Visa USA and Visa Canada were separately incorporated group members of Visa International Inovant LLC was a subsidiary of Visa USA and Visa CEMEA was a region of Visa International

The amounts outstanding are unsecured and will be settled in cash No guarantees have been given or received No provisions have been made for doubtful debts in respect of the amounts owed by related parties

Other than the information disclosed in the above note, there were no other related party transactions that require disclosure

32 Explanation of transition to IFRS

This is the first year that the Company has presented its financial statements under IFRS The following disclosures are required in the year of transition The last financial statements under UK GAAP were for the year ended 30 September 2006 and the date of transition to IFRS was therefore 1 October 2005

Impact of transition to IFRS

The following is a summary of the effects of the differences between IFRS and UK GAAP on the Group's equity shareholders' funds and profit for the financial year for the years previously reported under UK GAAP following the date of transition to IFRS

Equity shareholders' funds

	30 September 2006 € 000	1 October 2005 € 000
Equity shareholders' funds under UK GAAP	79,883	53,460
Measurement and recognition differences		
Goodwill	1,004	-
Rent free debtor and creditor	(2,155)	(1,572)
Share capital	-	(45)
Derivatives	2,592	7,011
Retirement benefit obligations	(91)	-
Investments	96,202	93,401
Deferred tax	(170)	(1,907)
Equity shareholders' funds under IFRS	177,265	150,348

Profit for the year ended 30 September 2006

	30 September 2006 €'000
Profit for the year under UK GAAP	28,726
Measurement and recognition differences	
Goodwill	1,004
Rent free debtor and creditor	(583)
Derivatives	(4,546)
Investments	7,433
Deferred tax	1,795
Defined benefit pension scheme	(573)
Profit for the year under IFRS	33,256

There were no significant differences between IFRS and UK GAAP on the Group's cash flow statement for the year ended 30 September 2006

Notes on the impact of transition to IFRS

1 Recognises a proportionate interest in Visa International's equity
2 Reflects the recognition of rent debtors over the term of a lease Under UK GAAP they were recognised until the date of the first rent review
3 Marks listed investments to market value
4 Net deferred tax impact of the Group's IFRS adjustments excluding pension revaluations
5 Recognises the fair value of foreign currency forwards and options
6 Reflects the recognition of rent creditors over the term of a lease Under UK GAAP they were recognised until the date of the first rent review
7 Under IFRS the Group's redeemable share capital is classed as a liability Note that in 2006 the accounting treatment under UK GAAP was identical to IFRS
8 Recognises the fair value of foreign currency forwards and options
9 Grosses up the deficit on the Pension Plan for deferred tax
10 Reverses the amortisation of goodwill
11 Deferred tax adjustment on revaluation of Pension Plan assets
12 Revaluation of Pension Plan assets

32 Explanation of transition to IFRS (continued)

Reconciliation of the UK GAAP consolidated balance sheet to the IFRS consolidated balance sheet
1 October 2005

Note	UK GAAP format	UK GAAP € 000	Presentation differences € 000	Measurement and recognition differences € 000	IFRS € 000	IFRS format
	Fixed assets					**Non-current assets**
	Goodwill	18,826	-	-	18,826	Goodwill
	Tangible assets	116,640	-	-	116,640	Property, plant and equipment
1	Investments	1,258	-	93,390	94,648	Available for sale investments
	Deferred tax asset	-	11,025	(1,907)	9,118	Deferred tax asset
		136,724	11,025	91,483	239,232	
	Current assets					**Current assets**
2 4	Debtors	38,387	(3,101)	499	35,785	Trade and other receivables
3	Investments	2,352	-	11	2,363	Investments
	Cash at bank and in hand	34,141	-	-	34,141	Cash and cash equivalents
5	Derivative financial instruments	-	-	7,333	7,333	Derivative financial instruments
		74,880	(3,101)	7,843	79,622	
	Creditors - amounts falling due within one year					**Current liabilities**
6	Trade and other payables	110,891	(2,894)	2,071	110,068	Trade and other payables
	Current tax liabilities	24,090	-	-	24,090	Current tax liabilities
	Obligations under finance leases	1,508	-	-	1,508	Obligations under finance leases
7	Redeemable share capital	-	45	-	45	Redeemable share capital
	Bank overdrafts	821	-	-	821	Bank overdrafts
8	Derivative financial instruments	-	-	322	322	Derivative financial instruments
	Net current liabilities	(62,430)	(252)	5,450	(57,232)	**Net current liabilities**
	Creditors - amounts falling due after more than one year					**Non-current liabilities**
9	Retirement benefit obligations	14,478	7,924	-	22,402	Retirement benefit obligations
	Obligations under finance leases	985	-	-	985	Obligations under finance leases
	Provisions for liabilities and charges	3,823	-	-	3,823	Provisions
	Other creditors	1,548	2,894	-	4,442	Other creditors
	Total liabilities	158,144	7,969	2,393	168,506	**Total liabilities**
	Net assets	53,460	(45)	96,933	150,348	**Net assets**
	Capital and reserves					**Equity**
	Share capital	46	(45)	-	1	Share capital
		-	-	-	-	Capital redemption reserve
		-	-	-	-	Capital contribution reserve
	Other reserve	2,000	-	-	2,000	Merger reserve
		-	-	7	7	Available for sale reserve
		-	-	-	-	Cash flow hedging reserve
	Profit and loss account	51,414	-	96,926	148,340	Retained earnings
	Equity shareholders' funds	53,460	(45)	96,933	150,348	**Equity attributable to equity holders of the parent**

Reconciliation of the UK GAAP consolidated balance sheet to the IFRS consolidated balance sheet 30 September 2006

Note	UK GAAP format	UK GAAP €'000	Presentation differences €'000	Measurement and recognition differences €'000	IFRS €'000	IFRS format
	Fixed assets					**Non-current assets**
10	Goodwill	17,822	-	1,004	18,826	Goodwill
	Tangible assets	155,800	-	-	155,800	Property, plant and equipment
1	Investments	1,258	-	96,062	97,320	Available for sale investments
11	Deferred tax asset	-	16,637	(170)	16,467	Deferred tax asset
5	Derivative financial instruments	-	-	162	162	Derivative financial instruments
		174,880	16,637	97,058	288,575	
	Current assets					**Current assets**
2 4	Debtors	51,224	(8,672)	798	43,350	Trade and other receivables
3	Investments	7,054	-	140	7,194	Investments
	Cash at bank and in hand	28,170	-	-	28,170	Cash and cash equivalents
5	Derivative financial instruments	-	-	4,199	4,199	Derivative financial instruments
		86,448	(8,672)	5,137	82,913	
	Creditors - amounts falling due within one year					**Current liabilities**
6	Trade and other payables	159,256	-	2,953	162,209	Trade and other payables
	Obligations under finance leases	817	-	-	817	Obligations under finance leases
	Redeemable share capital	44	-	-	44	Redeemable share capital
	Bank overdrafts	1,994	-	-	1,994	Bank overdrafts
8	Derivative financial instruments	-	-	1,721	1,721	Derivative financial instruments
	Net current liabilities	(75,663)	(8,672)	463	(83,872)	**Net current liabilities**
	Creditors - amounts falling due after more than one year					**Non-current liabilities**
9 12	Retirement benefit obligations	14,838	7,965	91	22,894	Retirement benefit obligations
	Other creditors	222	-	-	222	Other creditors
	Provisions for liabilities and charges	4,100	-	-	4,100	Provisions
	Obligations under finance leases	174	-	-	174	Obligations under finance leases
8	Derivative financial instruments	-	-	48	48	Derivative financial instruments
	Total liabilities	181,445	7,965	4,813	194,223	**Total liabilities**
	Net assets	79,883	-	97,382	177,265	**Net assets**
	Capital and reserves					**Equity**
	Share capital	1	(1)	-	-	Share capital
		-	-	-	-	Capital redemption reserve
		-	1	-	1	Capital contribution reserve
	Other reserve	2,001	-	(1)	2,000	Merger reserve
		-	-	92	92	Available for sale reserve
		-	-	83	83	Cash flow hedging reserve
	Profit and loss account	77,881	-	97,208	175,089	Retained earnings
	Equity shareholders' funds	79,883	-	97,382	177,265	**Equity attributable to equity holders of the parent**

32 Explanation of transition to IFRS (continued)

Reconciliation of the UK GAAP consolidated profit and loss account to the IFRS consolidated income statement for the year ended 30 September 2006

UK GAAP format	UK GAAP € 000	Presentation differences €'000	Measurement and recognition differences € 000	IFRS € 000	IFRS format
Turnover	560,991	(3,610)	-	557,381	Revenue
	-	3,610	299	3,909	Other operating income
Administrative expenses	(513,815)	258	(451)	(514,008)	Administrative expenses
	-	(326)	(4,546)	(4,872)	Other operating expenses
	-	-	7,433	7,433	Share of profit of jointly controlled entity
Operating profit	47,176	(68)	2,735	49,843	**Operating profit**
Loss on sale of fixed assets	(326)	326	-	-	
Other interest receivable and similar income	743	-	-	743	Finance income
Interest payable and similar charges	(156)	(247)	-	(403)	Finance costs
Other finance costs	11	(11)	-	-	
Profit on ordinary activities before taxation	47,448	-	2,735	50,183	**Profit before tax**
Tax on profit on ordinary activities	(18,722)	-	1,795	(16,927)	Tax
Retained profit on ordinary activities after taxation	28,726	-	4,530	33,256	**Profit for the year attributable to the equity holders of the parent**

Glossary of terms

At Visa Europe we work in a complex industry with its own particular terminology and acronyms Here are definitions for some of the terms and acronyms used in this annual report

Acceptance location We use this term to refer to any establishment or any device where Visa cards can be used to buy goods or services or withdraw cash - such as retailers, bank branches, ATM machines and unattended or cardholder-activated terminals

Acquirer Also referred to as an acquiring bank, this is a Visa member that signs up merchants to accept Visa cards - and, along with the issuer, the cardholder and the merchant, constitutes one of the parties in a four party payment system

Acquiring Bank Also referred to as an acquirer, this is a Visa member that signs up merchants to accept Visa cards - and, along with the issuer, the cardholder and the merchant, constitutes one of the parties in a four party payment system

Adviser To develop its products and procedures Visa Europe operates a thorough consultative process, involving several advisory groups An adviser is a representative of a Visa member who serves on one of these advisory groups

ARF The audit, risk and finance committee is one of the committees of the Visa Europe board of directors

ATM An automated teller machine, more commonly known as a cash machine, which enables cardholders to withdraw cash from their bank or card account

Cardholder We use this term to refer to any one of the customers of our members who has been issued with a Visa card - and, along with the acquirer, the issuer and the merchant, constitutes one of the parties in a four party payment system

Card sales volume We use this term to refer to the total value of transactions conducted using Visa cards

CEV Cardholder expenditure volume is an amount of money which has been spent or withdrawn using a Visa card

Chip and PIN This term refers to any Visa transaction (at either the point of sale or an ATM) which is protected by a combination of a chip card and a personal identification number The term can also be used as a description of the underlying technology involved in these transactions

CVV2 Card Verification Value 2 is used to provide evidence that the card being used is actually in the presence of the cardholder and is valid Such verification is used primarily in card not present (CNP) transactions occurring over the internet, by mail, or over the phone

DCC Dynamic currency conversion is a service which some merchants offer to foreign cardholders, whereby a currency conversion to the cardholder's currency of domicile is conducted at the point of sale or at an ATM

EMC The executive management committee is the most senior internal day-to-day decision-making body within Visa Europe and reports to the board of directors

EMV The Europay MasterCard Visa chip specifications are regarded as the industry standard for payment cards in Europe

EPC The European Payments Council is a decision-making body that was established by the European banking industry to support and promote the creation of the Single Euro Payments Area (SEPA)

EC The European Commission is the executive body of the European Union Its primary roles are to propose and implement legislation, and to act as 'guardian of the treaties' which provide the legal basis for the EU

ECB The European Central Bank is the central bank of the euro zone, in charge of monetary policy of the 25 countries that use the euro currency

EU The European Union is an intergovernmental and supranational union of 27 European countries, known as Member States

Four party system We use this term to describe payment systems, such as Visa, which involve four separate participants - that is, the issuer, the acquirer, the cardholder and the merchant

Group Member A group member is an independent organisation which represents several individual banks within Visa Europe An example is Groupement Carte Bleue, which represents the interests of all French banks, adapts Visa products to the French market and manages the gateway to the VisaNet processing systems

Inter-bank Routing And Switching A term used in connection with the processing of card transactions Using the information within a card account number, processing systems such as VisaNet will automatically send authorisation requests and clearing and settlement messages to the cardholder's issuing bank

Interchange A fee paid between two banks each time a card is used Its purpose is to ensure that Visa cards are as widely accepted and as widely used as possible

Internal Market A term used by the European Commission referring to policies facilitating the free movement of goods, services, persons and capital, thereby opening up markets and removing obstacles to free trade

Interoperability This term generally refers to the ability of hardware and software from different vendors to understand each other and exchange data, either within the same network or across dissimilar networks Within our own industry it means that different payment products from different payment schemes should work in the same way, in the same terminals, and across the same networks

Inter-regional We use this term to refer to a Visa transaction or any other process that takes place between Visa Inc and Visa Europe

Issuer Also referred to as an issuing bank, this is a Visa member that issues Visa cards to its customers and, along with the acquirer, the cardholder and the merchant, constitutes one of the parties in a four party payment system

Issuing Bank Also referred to as an issuer, this is a Visa member that issues Visa cards to its customers and, along with the acquirer, the cardholder and the merchant, constitutes one of the parties in a four party payment system

Member We use this term to refer to any financial institution which has been admitted as a member of Visa

Merchant We use this term to refer to any retailer or service provider that accepts Visa payments and, along with the acquirer, the issuer and the cardholder, constitutes one of the parties in a four party payment system

MSC The Merchant Service Commission refers to the fee which an acquirer charges to a retailer each time a card transaction is processed on their behalf Visa itself has no role in setting these fees, which are negotiated directly between the acquirer and the retailer

New EU Member States The two European countries which acceded to the European Union in January 2007 Bulgaria and Romania were represented by Visa CEMEA, and joined Visa Europe in April 2007

Payment Services Directive Developed by the European Commission, the Payment Services Directive (previously known as the New Legal Framework) seeks to provide a common legal basis for all European payments

Operating Regulations A set of rules which define the precise way in which Visa cards must work, the manner in which payments should be processed, and the roles and responsibilities of each participant in every transaction

PCE Personal Consumption Expenditure, the total market value of all goods and services purchased by households and non-profit institutions, excluding house purchases

POS Point of Sale is the term used to classify a Visa transaction where goods or services are purchased (as opposed to a Visa transaction where cash is withdrawn) We also use it to describe a physical location where goods or services are sold to cardholders

Processor We use authorisation management services and clearing and settlement services

Retailer We use this term to refer to merchants or service providers that accepts Visa payments and, along with the acquirer, the issuer and the cardholder, constitutes one of the parties in a four party payment system

RMF The Risk Management Framework is the methodology we use to prioritise the various business risks faced by Visa Europe and set out all of the related responsibilities and accountabilities across the organisation

SEPA The Single Euro Payments Area is a term used by the EU and the European Central Bank to refer to their policy and goal establishing a pan-European payments infrastructure The aim is that, by 2010 any differences between national and pan-European payments should be eliminated

3-D Secure A technology developed by Visa which enables a cardholder to be authenticated during an e-commerce transaction This technology is deployed in a service offered by member banks called Verified by Visa

Transaction This is the process that takes place each time a Visa card is used to make a purchase or to conduct a cash withdrawal

Vendors We use this term to refer to companies (often technology companies) which supply payment-related goods and services to Visa and its member banks Examples may include card manufacturers, terminal manufacturers and software providers

Verified by Visa A service offered by member banks to cardholders and merchants which provides additional security for e-commerce transactions - enabling a cardholder to authenticate themselves

Visa We use the term Visa in many different ways Depending on the context, it may refer to Visa Europe, Visa International, the Visa brand, or one of the Visa products

Visa Commercial We use this term to refer, collectively, to all of the business-to-business payment products and solutions which have been developed by Visa and are offered by our members The products include Visa Business, Visa Corporate, Visa Company and Visa Purchasing

VisaNet We use this term to refer, collectively, to all of the data centres, computer systems and access networks which deliver transaction processing and related services to Visa members

Visa Inc Visa Inc is a new private stock corporation, incorporated in the United States, formed through the merger of Visa Canada, Visa USA and Visa Inc (including the Visa businesses in Asia Pacific, Latin America and Caribbean, Central and Eastern Europe, Middle East and Africa) It is the intention to issue and sell shares in Visa Inc to the public, as part of the IPO Visa Europe will remain a member-owned, not-for-profit association in Europe

VISOR Visa Intelligent Scoring of Risk (VISOR) is a fraud detection system developed by Visa Europe and provided to member banks Transactions passing through VisaNet are automatically scrutinised and 'scored' to determine the likelihood of fraud

Volumes We use this term to refer to the total value of transactions conducted using Visa cards This could be either cardholder expenditure volumes (representing the total value of all point of sale transactions and cash withdrawals) or point of sale volumes (representing the total value of point of sale transactions alone)

Visa Europe offices and business information

Head Office
PO Box 39662
London W2 6WH
United Kingdom
Tel +44-(0)20-7937-8111
Fax +44-(0)20-7937-0877

Belgium
Rue du Luxembourg 3
1000 Brussels
Belgium
Tel +32-(0)-2-501-0844
Fax +32-(0)-2-501-0850

France
21 Boulevard de La Madeleine
75001 Paris
France
Tel +33-(0)-1-53-05-3939
Fax +33-(0)-1-53-05-3938

Germany
Visa Europe
Schillerstrasse 19
60313 Frankfurt
Germany
Tel +49-(0) -69-9-20-11-210
Fax +49-(0) -69-9-20-11-222

Greece & Cyprus
13 Posidonos Avenue
GR-17455 Alimos
Athens
Greece
Tel +30-210-984-8850
Fax +30-210-984-5580

Italy
Largo Augusto 7
20122, Milano
Italy
Tel +39-02-76-2901
Fax +39-02-76-29020

Nordics
Hamngatan 13
SE-111 47 Stockholm
Sweden
Tel +46-(0)-8-440-3570
Fax +46-(0)-8-611-9018

Poland
LIM Centre
Al Jerozolimskie 65/79
00-697 Warsaw
Poland
Tel + 48-22-630-6801
Fax +48-22-630-6806

Portugal
Avenida da Liberdade
180 E - 2 Direito
Tivoli Forum
1250-146 Lisbon
Portugal
Tel +351-21-358-4500
Fax +351-21-358-4550

Romania
15 Calea Victoriei
Bucharest Financial Plaza Building
Entrance E, level 4
Bucharest 030023
Tel +40-312-250-500
Fax +40-312-250-501

Spain
Torre Picasso - Planta 17
Plaza Pablo Ruiz Picasso, s/n
28020 Madrid
Spain
Tel +34-91-418-9200
Fax +34-91-597-3326

Turkey
Beybi Giz Plaza
Meydan Sk No 28
Kat 30
34398 Maslak
Istanbul
Turkey
Tel +90-(0)-212-290-2230
Fax +90-(0)-212-290-2246

Websites
www visaeurope com
www visaeurope com/es
www visaeurope com/slovenia
www visa com tr
www visaeurope at
www visaeurope ch
www visa de
www visa nl
www visa pl
www visaitalia com
www visa no
www visase com
www visa gr

Company secretary
Carol Walsh
PO Box 39662
London
W2 6WH

Registered office
1 Sheldon Square
London
W2 6TT

Registered number
5139966

Auditors
KPMG LLP
1 Canada Square
London
E14 5AG

Solicitors
Linklaters
1 Silk Street
London
EC2Y 8HQ

Bankers
Barclays Bank
1 Churchill Place
London
E14 5HP

Other information

VE11-6027-E-1207-CD-GC

This report is printed on paper from sustainable forests using an elemental chlorine free process Printed using vegetable based inks following the ISO 14001 environmental printing process