

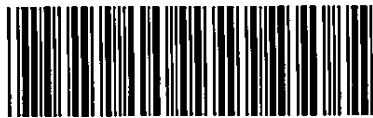
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Visa Europe
Annual Report 2008

VISA

More business value

Everyone benefits from the speed, security and simplicity of electronic payments. Our innovations and investments enable our members to extend and accelerate the value. Our people and our processing solutions ensure that they get the best service at the most competitive price.

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		COMPANIES HOUSE	
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A38	06/02/2009	78	
		COMPANIES HOUSE	

What makes us different?

Our brand

Visa is, indisputably, the world's leading consumer payment brand. Consumers like Visa, they trust Visa and they understand Visa. Our brand campaign "Life Flows Better with Visa" shows how Visa can make life simpler for consumers. Also, with Visa, retailers benefit from improved service, lower cost and higher revenues. So, with Visa, our members can attract more customers with better, more secure payment services.

Our products and services

As a European company, we have a European product development and innovation function to focus on the distinct needs of European banks, retailers and consumers. For example, V PAY is our new chip-only debit card designed specifically for Europe.

Our system of governance

We are the industry's only pan-European membership association. Visa Europe is owned and controlled by European banks. They decide on our strategic direction, our investments and our innovations.

Our low-cost business model

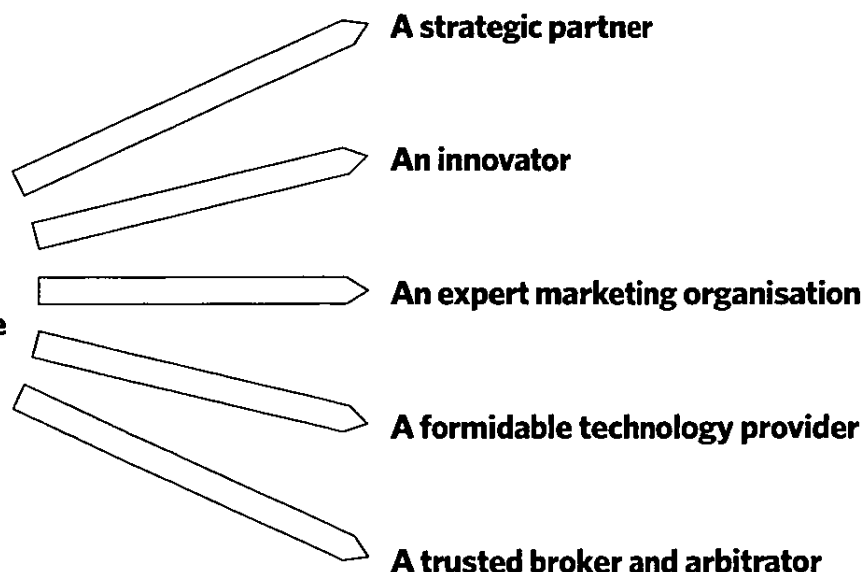
As a membership association we operate a low-cost business model. We deliver services "at cost" to our members and we are solely focused on their business priorities. We never seek to make a profit – only to ensure that we are adequately capitalised as a business.

Our processing services

We've invested heavily in our new European processing platforms. Designed in Europe for Europe, these represent a significant strategic asset which is collectively owned by our members. Our service is flexible, scalable, fast, reliable, low-cost and highly capable.

Our core skills

To enable Visa payments to take place, we must be

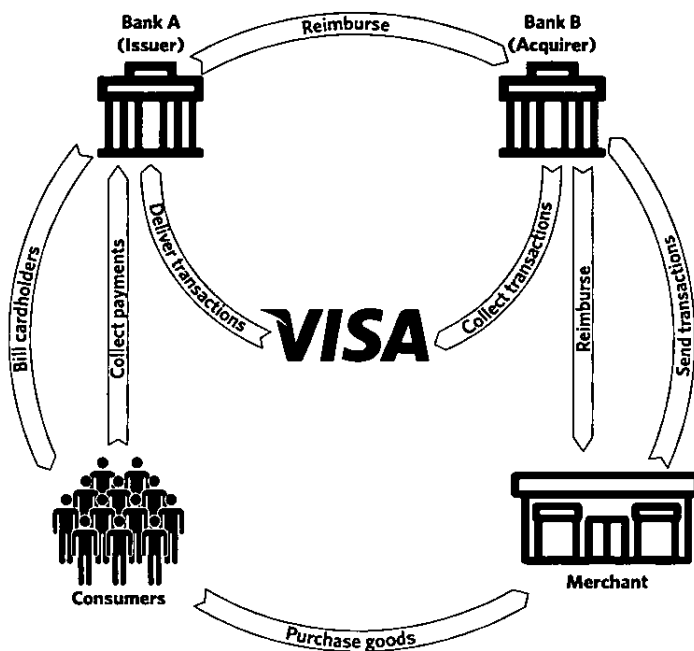


The four party model

Any cardholder can buy from any one of 29 million retailers worldwide. Any retailer can sell to any one of more than 1.9 billion cardholders worldwide.

What makes this possible is the Visa four party model.

Visa makes it possible for any cardholder, any issuer, any acquirer and any merchant to do business with each other. Visa is the "glue" that binds the whole system together.



Visa Europe – we provide

Visa brand – giving everyone the knowledge and the confidence that Visa payments are accepted, securely and reliably any time, any place, across any channel

Visa processing systems – providing the global connectivity and capability to route and switch, clear and settle transactions between any bank and, ultimately, any merchant worldwide

Visa operating regulations – defining the roles and responsibilities of each participant in every transaction, the precise way that Visa payments must work and the manner in which they should be processed

Our business

The services we sell

- Licences to use the Visa brand, products and payment services
- Consulting services
- Education and training services
- Transaction processing services

The value we deliver to our members

- Increased revenues
- Reduced costs
- Improved customer acquisition and retention
- Reduced fraud costs and losses

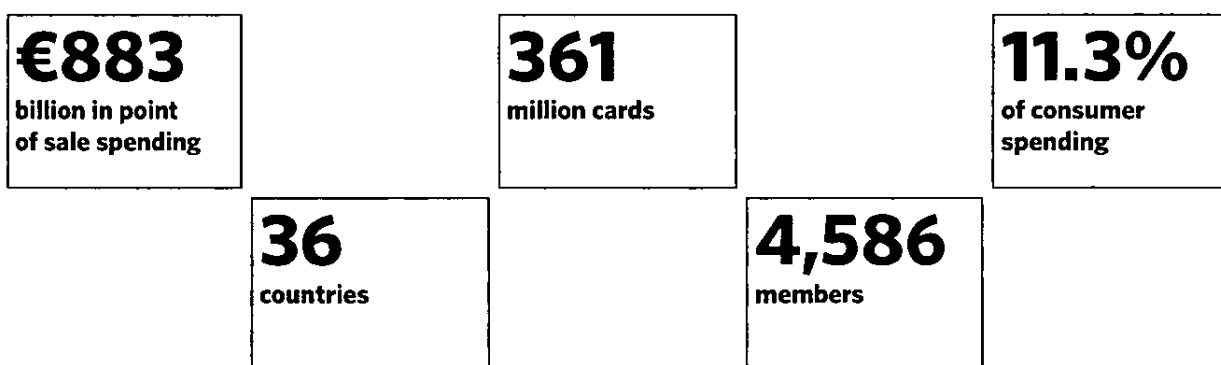
The benefits we bring to society

- Avoiding the inherent inefficiency of cash payment
- Increasing liquidity
- Removing barriers to trade
- Squeezing grey/informal economies
- Reducing financial exclusion
- Increasing investment potential
- Aiding European integration
- Increasing public sector efficiencies

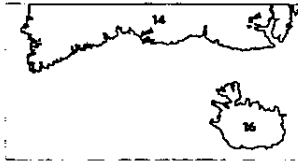
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Key facts



At a glance



Visa Europe member countries

- | | |
|------------------|--------------------|
| 1 Andorra | 22 Lithuania |
| 2 Austria | 23 Luxembourg |
| 3 Belgium | 24 Malta |
| 4 Bulgaria | 25 Netherlands |
| 5 Cyprus | 26 Norway |
| 6 Czech Republic | 27 Poland |
| 7 Denmark | 28 Portugal |
| 8 Estonia | 29 Romania |
| 9 Finland | 30 Slovak Republic |
| 10 France | 31 Slovenia |
| 11 Germany | 32 Spain |
| 12 Gibraltar | 33 Sweden |
| 13 Greece | 34 Switzerland |
| 14 Greenland | 35 Turkey |
| 15 Hungary | 36 UK |
| 16 Iceland | |
| 17 Ireland | |
| 18 Israel | |
| 19 Italy | |
| 20 Liechtenstein | |
| 21 Latvia | |



Visa Europe is wholly owned and controlled by its European members. We are the exclusive European licensee of the Visa brand, products and technology.

Our 2008 results

Cards

+5.3%

Point of sale spending

+10.3%

Across Europe €1 in every €9 is spent on a Visa card

Transactions processed by Visa Europe's systems

+10.0%

Point of sale transactions

+11.0%

More value from our brand

By any measure, Visa is Europe's leading payments brand.

Through regular tracking research, consumers tell us that they know Visa, they like Visa and they trust Visa. They say we set the standard for others to follow, they regard Visa as the best card for every type of payment and they believe correctly that Visa can be used in more places.

48.5 per cent voted Visa the best card overall.

The strength of our brand brings **tangible business value** to our members.

Visa-branded payment cards typically generate more usage than other branded payment cards. In the UK, for example, it is reported that Visa-branded debit cards generate seven times more international usage than other competitor branded debit cards.

We are determined to build on this brand advantage. We have created new brand campaigns. We have also extended our range of marketing partnerships to incorporate the O₂ arenas, FIFA and 20th Century Fox – as well as the Olympic and Paralympic Games.

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More value from our processing systems

Our transaction processing services have always been central to the Visa Europe service.

Banks, retailers and their respective customers rely on our systems every second of every day to switch and authorise payments – and move vast sums of money around the world.

The capacity and capability of our new European processing platforms brings **tangible business value** to our members.

Thanks to these custom-built European systems, members benefit from the industry's fastest, most cost-efficient inter-bank processing service. They can introduce differentiating new payment services (like cash back or PIN management). They can improve the quality of their authorisation decisions. They can also benefit from our risk management tools and expertise.

At peak season 2007 the system processed 715 transactions each second, four times faster than other payment systems.

Our programme of investment continues.

We have a continuous cycle of innovating to deliver better tools and services to our members. Right now we are planning a real-time fraud scoring service, improved information services and, further down the line, we are contemplating allowing members to monitor and adjust their processing parameters from their desktops.

Ultimately, our vision is to be the preferred processor for any type of payment – domestic or international, card or non-card, Visa or non-Visa.

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More business value from our innovations

Visa has always been an innovator.

From the creation of the credit card, to the invention of the dial-up terminal, to the move to the magnetic stripe, to the birth of e-commerce, to the shift to EMV chip, to the creation of contactless, Visa has always led the way.

Now, as the European payments world is moving faster, Visa Europe is innovating faster. As a membership organisation, we apply innovation at two levels:

Leading at the collective market level

We spearhead major strategic initiatives, which bring benefits to all participants. An obvious example is V PAY, our new European chip-only, PIN-only debit solution which has delivered commitments to 41 million cards within the first two years. Another is Visa payWave, our contactless payment solution. Another is our processing systems and solutions.

Delivering value at the individual customer level

At the individual customer level we can work with members to identify and successfully exploit new ideas.

This includes the creation of new “plug and play” initiatives, which any member can implement immediately. One example is our new mobile prepaid virtual card. Another is our new solution to allow the instant issuance of cards at retailers’ premises.

Through our Consulting services and our Centres of Excellence, we also help members to develop and deliver their own product and service innovations.

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More business value from our propositions

At Visa Europe, we are genuinely fascinated by everyday consumer behaviour.

We seek to understand exactly what motivates individual consumers to select and use a particular financial product or payment mechanism in different situations. Based on our insights, we are developing complete propositions to help our members serve specific customer segments.

As one example, we've created a complete toolkit of insight, understanding and solutions to help members attract and retain the ever-demanding youth market.

Another example is the new, refreshed Visa Infinite proposition, now being issued by several European banks – and successfully targeting the super-premium segment with a truly distinctive package of benefits.

There's also the Visa International Travel Offer to attract frequently travelling cardholders and to maximise high-value, cross-border transactions.

We apply the same approach to our commercial payment solutions with, for example, a set of propositions aimed at the small business sector – and, at the other end of the scale, a new generation of propositions for public sector payments. The Government Procurement Card Visa programme has saved more than £130 million across the UK public sector this year, with a cumulative total in excess of £600 million during the ten years of operation.

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More business value from our people

At Visa Europe, we are passionate about payments.

We know about the tools and techniques that can improve the performance of any bank's payment programmes – and we urge more of our members to take full advantage of our knowledge, expertise and enthusiasm.

For example, Visa Consulting assists members with everything from new customer acquisition to collections and credit risk. All assignments are scrupulously evaluated and feedback is overwhelmingly positive with 100 per cent of respondents stating that they would use the Visa Consulting service again.

We've established new Centres of Excellence in credit, debit, prepaid and commercial. Payment professionals with hands-on experience of managing successful card programmes are available to provide practical advice, best practice guidance and case studies from Europe and worldwide.

Also our fraud and risk management professionals can review fraud performance, analyse the processes in place and diagnose potential issues. The result is a series of realistic and actionable recommendations to improve fraud performance, enhance customer experience and/or reduce operational cost.

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More business value from Visa payments

Visa payments benefit everyone – the banks that provide them, the retailers that accept them and the consumers who use them.

Cardholders get convenience, security and global acceptance. They have immediate, any time, any place access to their funds and their credit lines. They can pay face-to-face, over the phone or on the internet, with greater ease, more speed and absolute efficiency. They also avoid the risks of carrying cash.

Retailers also benefit. They can attract more customers and, because these customers aren't limited by the cash in their wallet, they can earn higher revenues. They enjoy lower cash-handling costs, increased security and better protection. They can also do business across more channels. So, thanks to Visa, sales can be higher, customers can be happier and retail businesses can run more efficiently.

And, of course, our members benefit too.

They can offer their customers a secure, popular, universal payment mechanism. This can help them attract new customers. It can reduce the costs of cash in their business. They can also expect a realistic commercial return on their investments.

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Foreword

Through our brand, our systems, our people and our constitution, we are bringing progressively more business value to European banks – which is bringing added choice, convenience and security to their customers.

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Despite the challenging economic circumstances, Visa Europe can celebrate another successful year.

Growth in card payments continues to be strong, we have made solid progress against our business strategy and we have met or exceeded virtually all of our scorecard measures. We can also celebrate some very significant new business wins.

In the face of the current financial crisis, the rationale for more effective, more efficient payment solutions becomes all the more compelling.

We are, of course, acutely conscious of the challenges facing Europe's banks. Our priority, therefore, is to ensure that Visa Europe continues to work in partnership with our members to deliver innovative, value-creating payment solutions – which encourage and enable European consumers to use their cards instead of cash and cheques more frequently and more widely than ever before.

In particular, the growth across our core business means that we can continue to invest on behalf of our membership in new initiatives which extend and progressively normalise the use of cashless payment solutions.

At the same time, our disciplined financial management means that we can continue to operate a low-cost business model – and deliver real value for money to all of our members.

In this year's report I would like to focus, not just on the things that Visa Europe has been doing, but on the business value we have been delivering to our members.

It is also worth stressing that the progress we make does have a wider social and economic impact. The simplicity, security and convenience of cashless payments bring benefits not just to banks, but also to consumers, to retailers – and, ultimately, the economy at large.

Value from cashless payment

In the payments business, the issuance of new cards represents a cost to our members, whereas the use of these cards represents the return.

So, clearly, point of sale spending is our most important indicator.

Once again, we can report strong gains. In the past year, point of sale spending grew by an impressive ten per cent to reach €882.9 billion, while the number of point of sale transactions is up by 11 per cent to reach 15.7 billion.

Despite the economic circumstances, many members also chose to invest in the issuance of more Visa cards. With a net gain of 18 million new cards, growth exceeded five per cent – representing more than 2,000 new Visa cards issued every hour of every day.

Our challenge for the future is twofold:

- On the one hand, we need to expand the market, giving our members more reasons to invest in the issuance of new Visa cards – by quantifying the bottom-line benefits they can realistically deliver.
- On the other, we need to help them to maximise the rate of return from their existing Visa programmes – by benchmarking their existing performance and identifying opportunities for improvement.

The nature and structure of today's Visa Europe reflects these twin challenges. We have many more people on the frontline of our business – payment specialists, business consultants and marketing practitioners – to form deeper more strategic partnerships with individual members. We back this up with a vibrant programme of brand support, and we front it with a real enthusiasm for innovation.

So, in the face of today's tough economic times, we have been able to deliver significant value to our members.

Achieving similar levels of growth into the future will be a considerable challenge. But, given that 70 per cent of our activity is debit card related, our business is more resilient in a severe down turn. I believe that we can once again target aggressive growth, even in this difficult climate. In particular, I am confident we have the right model, the right people, the right brand and the right innovations to succeed.

Value from Visa Europe

Particularly positive news for all of our principal members was the value we were able to distribute to them as a direct consequence of the restructure of the global Visa organisation and the subsequent IPO of Visa Inc.

This IPO, which took place in March 2008, was one of the largest and most successful in the history of the US Stock Exchange.

Foreword continued

The Visa Europe ownership structure offers distinct competitive advantages

Visa Europe itself was not part of this flotation. We continue as a collective not-for-profit membership association, with an exclusive, irrevocable and perpetual licence for the use of the Visa brand, products and technology in Europe.

However, in the related negotiations we secured significant value for Visa Europe members. Based on the strength of the IPO, we were able to distribute US\$2.164 billion in cash and 26.9 million Visa Inc. shares to the membership. This distribution of funds and shares reflects the scale of our involvement and the weight of our influence in the global Visa system.

Going forward, the Visa Europe ownership structure offers distinct competitive advantages. It gives us the freedom to focus on the specific needs of European banks and enables us to invest in the future of the region's payment infrastructure. It means that our members and all stakeholders benefit from our significantly lower cost operating model. It also means that they can determine the future direction of their own organisation and choose how they wish to realise its inherent value.

Although we do benefit from an independent Visa Europe, it is in no way an isolated Visa Europe. The strong working relationship with Visa Inc. protects the interoperability of Visa payments and ensures that multi-national banks benefit from a consistent global service.

I should also stress that, as the economic situation has become more challenging, the Visa Europe organisation has thoroughly reviewed and, where appropriate, revised its risk management processes and disciplines.

We have paid particular attention to the changing risk characteristics of individual member banks. To guard against settlement risks, each member is assessed on the risk-based exposure generated by the number of Visa cards it issues, and the related sales volumes generated. Where necessary, additional financial safeguards have been secured in order to protect Visa Europe from potential losses.

Against this background, our auditors have been paying close attention to our risk management functions – and have recognised our strong risk controls.

We have also been successful in managing fraud losses (as a proportion of total sales) to a historic low. Nevertheless, absolute losses continue to creep upwards, and we have revised our scorecard measures to ensure that this remains a priority for all of us.

It should also be emphasised that our membership association status helps us to operate a low-cost business model – enabling our members to receive optimum value from the fees they pay to us.

Value from member engagement

Our member engagement model helped us secure some impressive business wins.

Highlights include decisions from Royal Bank of Scotland Group and Citibank to migrate their respective debit card portfolios to Visa. This demonstrates the sheer strength of our debit proposition. It also shows how we work with Visa Inc. to provide a seamless service to banks that operate globally.

Also, the success of V PAY, our chip-only, PIN-only debit solution, continues. Forty banks in nine European countries have now committed to issue more than 41 million cards, and almost a million people are already using V PAY to manage their everyday spending.

As regards credit cards, a definite focus of activity is France where, for the first time, co-branded credit cards are being issued. Many different organisations have been keen to take advantage of this exciting new opportunity, and I am delighted that Visa Europe has worked with members to secure a significant share of the new co-branded programmes.

We have always benefited from a very strong working relationship with our members in France. Now, with the proposed merger between our French operations and SAS Carte Bleue (the exclusive Visa licensee in France), this partnership can become even closer and more productive. It enables us to extend Visa Europe's association model by establishing more direct relationships with French banks in order to meet their needs more closely.

Value from processing systems and services

The provision of payment processing services – and the development of European-specific processing solutions – continues to lie at the heart of our proposition.

Our processing platforms are a real differentiator, a state-of-the-art payments engine built right here in Europe. They meet the needs of European banks and will ultimately support the requirement for all data to remain in Europe.

Added to this, we are building a range of real-time services, including fraud monitoring services. We are also creating a new user interface that would potentially allow members to make real-time changes to their processing parameters. At the same time we will handle a broader range of file and message formats.

Our members derive real benefit from our robust & flexible new systems

In terms of actual processing performance, we exceeded all of our scorecard measures. The systems performed exceedingly well, with 100 per cent availability and 99.999 per cent of transactions processed according to our high benchmark standards. Users recognised this with processing services registering the single biggest improvement (to 8.3 on a one to ten scale) in our most recent member satisfaction survey. In terms of new business won, we signed deals equating to 1,107 million incremental transactions (against a target of 600 million).

We want our members to gain maximum value from these robust and flexible new systems, so we are creating a greater range of forums and user groups – and feeding member requirements directly into our development process.

Our processing operations represent a collective industry investment. Our members have already paid for the system. They have direct ownership of it, they have direct control over it, and they choose how it is developed and how it is deployed.

We therefore urge more banks to take fuller advantage of our capability and cost-effectiveness. We are eager to deploy new domestic processing services directly with individual banks, with groups of banks, or in partnership with their incumbent processing partners.

Value from the Visa brand

Everyone knows, intuitively, that the Visa brand adds definite value to bank-issued payment cards. Over the past year we have been working hard to quantify this value – and accelerate its growth.

For example, our brand research proves that consumers know Visa, they like Visa, they trust us and they understand us. Consequently, brand equity is one of our most important scorecard measures. Each year, we track the uniqueness, the preference, the understanding and the relevance of the Visa brand. This year, the gap between Visa and our closest competitor was even wider – with a brand equity differential of some 30 per cent.

This level of brand preference translates directly to tangible business value. Analysis of industry data shows that people tend to use Visa-branded cards more widely and frequently than any alternative payment card brands.

Value from a viable economic model

I have been writing the foreword to the Visa Europe annual report for the past three years. Each time I make a plea for the regulatory community to arrive at a clear and lasting position on interchange fees. This year is no exception.

Back in 2002, the European Commission determined that our interchange fees were compatible with EU competition law and granted us an exemption. This exemption expired at the end of 2007 and, as a standard procedural step, a formal investigation was opened by the Commission in March 2008.

In order to reach a new agreement, we continue to pursue a policy of positive and constructive engagement with the European Commission, and we believe that all parties should have a strong desire to reach a mutually agreeable resolution. More specifically, our aim is to reach a definitive, lasting, pan-European settlement which:

- Acknowledges the crucial role of interchange.
- Encourages the widest possible use and acceptance of card payments.
- Does not distort free and open competition.

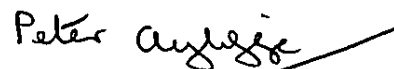
I do stress once again that this is not a trivial matter. In order to encourage investment and steer innovation, the payments industry needs the freedom to continue to set interchange rates at the most appropriate level. If no agreement is possible we will robustly and proactively defend our views throughout Europe.

Value from Visa payments

Finally, I should emphasise that our achievements 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 trusted, low-cost system which enables commerce and delivers unequalled levels of convenience, security and efficiency to all.



Peter Ayliffe
President & CEO, Visa Europe

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Marketplace and strategy

The European payments market has its own distinct characteristics, and our business strategy is framed in direct response to them. We aim to bring increased choice, improved efficiency and better value to all participants.

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Marketplace

The
80%
opportunity to
displace cash

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.

We also bring value to retailers that accept cards (and the acquiring banks that serve them) – through the delivery of fast, secure payments which, in most instances benefit from a valuable guarantee.

Across the 36 countries in which we operate, our consumer payment solutions account for 11.3 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, APACS (the UK's Association for Clearing and Payment Services) calculates that the number of cash payments exceeds the number of card payments by more than three to one and, across Europe, cash accounts for an estimated 80 per cent of all payments.

So what can we do to accelerate the growth of cashless payments? What factors in the marketplace promise to help us – or threaten to hinder us – in achieving this ambition?

The credit crisis and its impact on card payments

Clearly, many of our members have been affected by the global credit crisis and its repercussions. But, so far, there has been limited impact on the European payment card market.

In broad terms we expect debit card spending (which accounts for some 70 per cent of Visa Europe's business) to continue to grow. While the economic circumstances will clearly have an impact on consumer payment patterns, we believe that our debit business activity is relatively resilient to a recession. By contrast, the credit market will inevitably become more challenging.

Into the future, we expect the true impact to be determined by cultural as well as purely economic factors (with different people responding to the economic situation in different ways). Our market forecasts point to significant variation in the sensitivity of consumers to the economic environment, and hence to the projected impact this is likely to have on Visa Europe's point of sale volumes.

During 2008, the overall rate of card issuance slowed, but the growth in card spending continued to be very strong. This reflects the increasing consumer and retail preference for card payments – with more people turning to payment cards in place of cash and cheque payments, and a consequent increase in the use of debit cards for everyday purchases.

It should be anticipated, however, that the credit crisis will have an impact on the way that banks view their payment operations, and the level of investment they put behind them. Also, the slowing down of the UK credit card market (which has been a factor since 2005-2006) is set to continue as banks become more stringent in their lending criteria and consumers become more risk-averse. Elsewhere in the region (for example, in the Nordics, the Baltics, Central Europe and Turkey), the credit card market continues to see strong growth, which can be expected to continue.

Even before the credit crisis, many of our members were 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 traditionally equated 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 a primary cash replacement tool, payment cards can be expected to play a central role in this drive for improved efficiency. For example, several of our recent debit card wins (involving some of the biggest banks in the world) have been based on the premise that, with Visa Europe, banks can really accelerate cash replacement through the strength of our brand coupled with new activation and usage initiatives.

Similarly, cheque replacement is a means of increasing efficiencies, improving convenience and increasing security for banks, retailers and consumers alike. In the UK, for example, the continued adoption of card payments has meant that the use of cheques has now been eliminated in a wide range of retailers – such as petrol stations, supermarkets and convenience stores.

In the short-to-medium term, therefore, we believe that the growth in new card issuance will inevitably slow down, but our members will actively seek new ways to increase the activation and usage of their existing card programmes.

Creating a single market for payments in Europe (SEPA)

The progressive harmonisation of the European payments market, generally referred to as SEPA (Single Euro Payments Area), promises to bring greater openness and dynamism to our sector.

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 very clear rationale to move towards a more open, more dynamic payments market.

But, because European payments originally evolved as a patchwork of very distinct national markets, the reality of achieving this goal continues to be challenging.

As a strong and vocal supporter of SEPA, we are actively helping our members to migrate their payment card operations to the new SEPA environment.

- Our decision to remain as a member-owned European association was influenced by the SEPA vision – and the belief that the future of European payments should be determined by European payment providers.
- All of our products, processes and pricing have been fully SEPA-compliant since the start of 2007.
- V PAY, our chip-only, PIN-only debit product was specifically created to help members meet the SEPA vision.
- We have offered a series of events, workshops, training programmes and consulting services to help members prepare for SEPA.

In parallel, the Payment Service Directive was agreed by the European Council and Parliament in March 2007. This promises to provide a common legal basis for all European payments, and allows for a new category of “payment service providers”. The European Union member states are due to transpose the Payment Service Directive into national law by November 2009. A priority, therefore, is to ensure that the Payment Service Directive is applied consistently across all member states. To this end we have participated in a working group with the European Payment Council in order to minimise differences in interpretations of the text.

While we acknowledge the challenges that some banks face in achieving SEPA goals, we do believe that SEPA has the potential to accelerate the development of all payments – domestic as well as cross-border.

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 developments relate to the European Commission and its investigations into multi-lateral interchange fees.

These fees (which are paid from one bank to another when a payment card transaction takes place) are a fundamental component of the four party payment system. 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 expired at the end of 2007 and, as a standard procedural step, the European Commission opened a formal investigation in March 2008.

Our aim is to reach a definitive, lasting agreement. To do so, we continue to pursue a policy of positive and constructive engagement with the European Commission, and we believe that all parties should have a strong desire to reach a mutually agreeable resolution.

Along with other interested parties (the European Central Bank included) we are eager for a pan-European settlement which gives commercial certainty to all payment service providers.

In particular, we aim to reach a settlement that:

- 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 distort free and open competition.

We believe that this would be the best basis to encourage the industry as a whole to invest in the development of European payments over the long term.

Marketplace continued

Co-branding growth at

40%

per year

90%

EMV chip-enabled ATMs

Retail-related developments

A definite trend, which continued in 2008, is a closer level of partnership between the payment card industry and the retail community.

This is reflected through developments such as:

- Increased levels of card acceptance – in several European countries, supermarket chains, particularly those in the discount sector, have traditionally been reluctant to accept credit cards. This situation is now changing. In Germany, for example, REWE became the country's first supermarket chain to accept credit cards. It reports that customers paying by credit card spend around three times as much as those paying by cash.
- Increased levels of co-branding – across Europe, around one-in-eight of all Visa credit card programmes is co-branded. With annual growth rates exceeding 40 per cent, we expect it to get much bigger. Much of this growth is fuelled by the conversion of private label retail cards to fully-fledged credit cards. Also, we are about to see a real explosion of activity in France (one of Europe's biggest markets and home to many of its most iconic retail brands), where the country's very first co-branded programme was launched with Total.
- Greater take-up of value-added services – retailers are increasingly taking advantage of the payment services offered by payment cards. For example, following successful launches in Italy and Poland, cash back at point of sale is being introduced throughout several Central and Eastern European countries. Retailers are also benefiting from new acceptance techniques such as self-checkout, unattended payments and, of course, contactless payments.

As an industry we are paying more attention to the needs and requirements, not just of retailers per se, but of particular retail segments. In return, many retailers are beginning to demonstrate an explicit preference for card payments.

This shift has many positive consequences. In particular, it is helping retailers and banks alike to develop propositions and deliver services which are more relevant and rewarding to our mutual customers.

A mature chip infrastructure

Europe continues to lead the world in the migration to EMV chip technology.

Indeed, EMV chip cards now account for more than 52 per cent of all Visa cards issued in Europe. Also, across Europe, more than 60 per cent of point of sale terminals and 90 per cent of ATMs have been EMV chip-enabled.

Since the migration began, Europe has benefited from a steady and progressive reduction in fraud losses from domestic counterfeit and lost and stolen cards (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 which helps banks to extract maximum benefit from their EMV chip investment.
- Multi-function or combination cards have become an area of real interest. These cards, which can support two or more payment applications, bring benefits to banks and consumers alike. A particular area of opportunity is the combination of Visa debit and Visa credit on the same card. The first programmes have already been established, and several launches are anticipated in the coming months.
- There is continued interest in contactless payments – and our solution, Visa payWave, has been 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 applications.
- There is also potential to extend the security benefits of EMV chip and PIN to card-not-present transactions (including e-commerce and telephone payments).

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 – while delivering significant economic benefits to the economy as a whole.

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 member, the business strategies they are pursuing and the market environment in which they operate. This goal also implies a high degree of member intimacy. It means that, as well as offering compelling, highly competitive commercial terms, we must be attentive and responsive to individual member circumstances. We must also appreciate the business and profitability drivers of each of these members.

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 payment product platforms and solutions and give our members the freedom to configure them to bring maximum benefits to their respective businesses.

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. According to our own analysis, it appears that Visa-branded products routinely generate higher levels of point of sale spending than other branded payment cards, and this is a definite consequence of our brand equity. 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 invested in our European processing platforms. Our authorisations platform has been operational for almost two years, and we are about to implement a new clearing and settlement system. Designed, built and operated in Europe, the 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.

Marketplace
and strategy

Chairman's
statement

Business review

Risk management

Corporate
responsibility

Decision-making

Corporate
governance

Financial
statements

Glossary

Strategy continued

Our processing
operations are
exclusively owned
and governed by
Visa Europe
members

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.
- 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 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.
- We can provide an increasing range of added value services to any members that use our processing solutions.

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 co-operation between our members. We are able to provide leadership at a collective market level. We are also 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 retail community and, increasingly, government have a huge impact on the nature, penetration and profitability of card payments.

We are therefore working to demonstrate the merits of the Visa Europe system to all of our stakeholders. 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 and benefits 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.

Glossary	Financial statements	Corporate governance	Decision-making	Corporate responsibility	Risk management	Business review	Chairman's statement	Markets, place and strategy
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Chairman's statement

On behalf of the board of directors, our Chairman provides his own perspective on the performance of Visa Europe and the value delivered to its members.

Glossary	Financial statements	Corporate governance	Decision-making	Corporate responsibility	Risk management	Business review	Chairman's statement
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Chairman's statement

**The membership model is
delivering definite benefits**

Over the past year, as the nature of the global credit crisis has unfolded, the attitude and the priorities of the Visa Europe membership have evolved considerably.

We have placed new demands and higher expectations on Visa Europe – with an emphasis on faster delivery, quicker wins and fewer risks.

The company has responded with a very strong business performance. This year all of the major scorecard targets were surpassed. In the year ahead, you can rely on the board to continually challenge the management to deliver more business value to the membership at large.

A highlight of the year was, of course, the IPO of Visa Inc. and the distribution of US\$2.164 billion in cash together with 26.9 million Visa Inc. shares to the Visa Europe membership.

The Visa Inc. IPO also highlights the fact that, here in Europe, the banking community has chosen a very different path. Collectively, we believe the membership model is more appropriate. We can also see that this approach is delivering definite benefits.

For example:

- The success with V PAY has been largely dependent on its European governance model – which gives banks a clear voice in V PAY's development and future direction and enables European banks to build on their investments in EMV chip card technology.
- The new Visa Europe processing systems are a direct consequence of an independent European payments association. The robustness, speed, capability, flexibility and cost-effectiveness of these systems brings immediate benefits. A new collectively owned processing platform can also be regarded as an important strategic asset for the region's banks.
- The proposed merger between SAS Carte Bleue and Visa Europe's French operations extends the success of the association model – establishing more direct relationships with French banks in order to meet their needs more closely.

My challenge for the Visa Europe management is to deliver even more benefits – and my message to the regulators is to acknowledge that Visa Europe already meets their demands for a truly European payment system.

As we face the challenges of the next year, and also move towards a more open and competitive payments market, Visa Europe continues to benefit from an extremely strong and capable board of directors, which is truly representative of Europe's payment service providers.

We were sorry to see Gary Hoffman retire from the board on 30 September 2008. However we were delighted to welcome Antony Jenkins on 1 October 2008.

As chairman, it is an honour and also a big responsibility to be so closely involved in the continuing development of Europe's payments infrastructure.

Jan Lidén

Chairman, Visa Europe Board of Directors

Chairman's
statement

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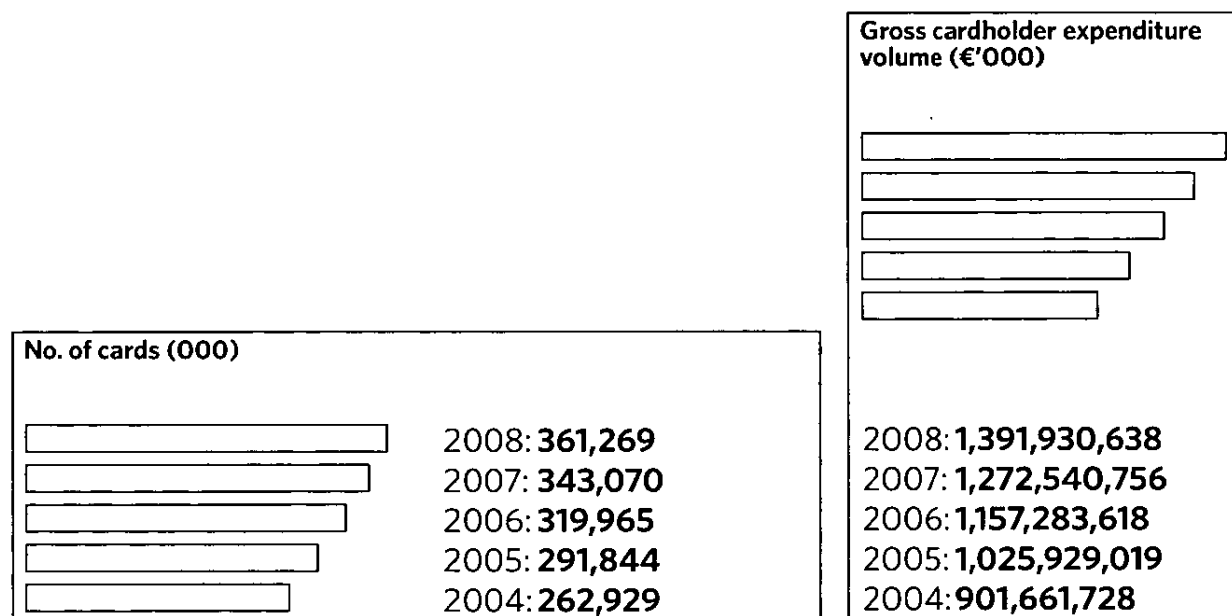
Business review

Our strategic aim is to deliver innovative, value-creating payment solutions. We provide an update on our key performance indicators along with a division-by-division explanation of our developments, achievements and business initiatives.

Glossary	Financial statements	Corporate governance	Decision-making	Corporate responsibility	Risk management	Business review
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Business review

During 2008, despite the challenging economic climate, Visa Europe and its members continued to deliver strong growth.



Our business performance – five year highlights

	2004	2005	2006	2007	2008
No. of cards (m)	262	291	319	343	361
Gross cardholder expenditure volume (€m)	901,661	1,025,929	1,157,283	1,272,540	1,391,930
No. of transactions (m)	13,743	15,507	17,414	18,971	20,678
Gross cardholder expenditure volume average transaction value (€)	65.6	66.2	66.5	67.1	67.3
Gross cardholder expenditure volume (€'000) per avg. no. of cards (000)	3,566	3,669	3,766	3,822	3,959
Gross cardholder expenditure volume transactions (000) per avg. no. of cards (000)	54.4	55.5	56.7	57.0	58.8
No. of point of sale transactions (m)	9,983	11,346	12,785	14,150	15,706
Point of sale average transaction value (€)	56.2	56.4	56.2	56.5	56.2
Point of sale cardholder expenditure volume (€'000) per avg. no. of cards (000)	2,309	2,374	2,428	2,494	2,604
Point of sale transactions (000) per avg. no. of cards (000)	41.1	42.1	43.2	44.1	46.3

Note

1. Historic data has been restated 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.

Card numbers were up by more than five per cent to exceed 361 million and point of sale spending was up by more than ten per cent to reach €883 billion.

This means that, across Europe, Visa-branded cards now account for 11.3 per cent of everyday consumer spending – equivalent to €1 in every €9 spent by all of Europe's consumers.

Although the growth in card numbers continues to decelerate, the growth in point of sale spending is comparable to each of the previous five years. In particular we saw considerable gains in our debit business, where point of sale spending grew by almost 11 per cent. Also our commercial payment solutions put in a very strong performance with spending growth increasing by 21 per cent.

Our credit card business was, of course, more exposed to the general weakening in consumer confidence. Even so we saw strong gains in more than 20 countries, such as Belgium, Denmark, Germany, Portugal and Turkey, as well as the Baltic States and the Central European countries.

A particular highlight for the year was the success of V PAY our new chip-only, PIN-only debit solution designed specifically for Europe. By the end of the year, 40 banks from nine countries had committed to the issuance of 41 million cards – with almost a million cards already in circulation.

Another definite highlight was the decision by RBS Group globally to migrate its entire debit portfolio to Visa – a testament to the strength of our debit offer and the consistency of our global service.

As indicated by many of the initiatives outlined in this report, our clear focus is the pursuit of cash and cheque replacement, which should contribute to continued gains in point of sale spending. Also, by becoming more creative and innovative in the development of new product propositions, we aim to improve the member business case for more card issuance.

Focus:

cash and cheque replacement

No. of transactions (000)

	2008: 20,678,277
	2007: 18,971,229
	2006: 17,414,162
	2005: 15,507,630
	2004: 13,743,127

Business review continued

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, with some modifications at the start of 2008 (hence, the minor differences in this section of our Annual Report).

In addition to a range of "lagging" indicators (which reveal the performance of our existing business), the scorecard incorporates 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 2008.

Financial performance

We are extremely disciplined in the way we manage our finances. On the one hand, our members demand value for money and expect a low-cost operating model. On the other, we need to invest for the future – in our brand, our innovations and our technical infrastructure.

Total revenues (€m)		The sum of all fees we have earned from our members.	The actual performance is ahead of our business target, which is indicative of our strong business performance.
2007	646	As the scale and scope of the Visa Europe business grows, we expect to see an incremental increase in our revenues.	
2008	758		
Total expenses (€m)		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 Inc. for the use of the Visa brand, products and global systems. The increase on the previous year reflects the investments in our processing systems, our people and our programme of brand support.	The actual expenditure is below our business target – representing a saving against this target.
2007	504		
2008	622		
Pre-tax surplus (€m)		This is the money retained within the business to support our capital and reserves.	The actual performance is ahead of our business target.
2007	36		
2008	113		

Note: we recognised a profit of €2,359 million in the year on our investment in Visa Inc. This is excluded from the pre-tax surplus above. On 17 October 2008 a dividend equivalent to €2,296 million was declared, and this dividend was paid out over the course of the following week. We retained an amount agreed with the board from the IPO proceeds to enable us to bring our capital adequacy in line with the Basel II principles.

Business performance

We aim to continue to be Europe's leading payment system, and our business performance reveals our progress. Our scorecard looks at our performance 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).

Total point of sale (€billion) and % growth at constant rates of exchange

2007	800
2008	883
Growth	10.3%

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

The rate of growth for point of sale spending grew much more strongly than overall cardholder expenditure volume. This suggests that Visa payment products are successfully accelerating the replacement of cash and cheques. Despite the challenging economic circumstances, the performance exceeded our business target.

Incremental processing transactions committed (billion)

2007	1,600
2008	1,107

This figure relates to processing agreements put in place during the year (which will bring incremental growth to our processing business).

The actual figure is ahead of our business target. The 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).

Processing performance

2007	99.954%
2008	99.999%

This figure relates to the proportion of transactions that have been processed according to our high benchmark standards.

Our processing systems put in a near-flawless performance during 2008 – ahead of our business target.

Our business target assumes that, in any one year, systems availability will be 100%.

We also aim to meet our benchmark quality and service processing standards for 99.974% of all transactions (which means there should never be more than one hour a year when we fail to meet these standards).

Commitments for V PAY cards (million)

2007	19.4
2008	41.0

This relates to written commitments (generally in the form of "statements of intent") from members to issue V PAY cards.

The performance (which met our business target) demonstrates that V PAY is now a tangible business reality for Visa Europe. As the new product continues to gain real traction, our attention will shift from commitments to actual cards issued.

Brand equity

2007	47.8%
2008	48.5%

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

The actual performance, while showing some improvement, fell marginally short of our aggressive targets. The investments in brand support (with our new advertising campaigns) and our programme of sponsorships contributed to the year-on-year improvement.

Business review

continued

Member advocacy

At Visa Europe we aim to be the most efficient and most responsive payment organisation to do business with. We have a set of metrics in place to measure member perceptions of Visa Europe, the most important of which is our annual Member Satisfaction Survey.

Overall member satisfaction rating (1-10)

2007	7.7
2008	8.1

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 on from the strong results in 2007, the level of satisfaction grew significantly in 2008 to exceed our target and reach an all time high. Any areas where members have raised concerns are being addressed.

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 engaged fully with our business aims.

Employee engagement rating

2007	80%
2008	83%

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

Our extremely strong performance moves Visa Europe further into the upper quartile (based on a sample of UK-based companies across a range of industry sectors). We also perform well above the average for financial services organisations.

Member
satisfaction rating

8.1

Regulation, risk and reputation

Risk management is a critical discipline for Visa Europe. Like any other company, we deal with day-to-day business risks. Then, on behalf of the membership we need to manage the fraud performance of the wider Visa Europe system. Also (in view of the integrity of our system) our reputation is of real business importance.

Cross-border point of sale fraud as a % of point of sale

2007	0.388%
2008	0.394%

As EMV chip is progressively implemented in national markets, fraud inevitably migrates from domestic to cross-border transactions. This figure therefore monitors the rate of fraud losses for cross-border point of sale transactions.

Although the rate of losses increased slightly, we performed ahead of our target. Following clear direction from the board, fraud management is to remain an area of priority and, next year our scorecard measure will relate to the value of total fraud rates (rather than point of sale fraud rates).

Issued card-not-present fraud as a % of point of sale

2007	0.038%
2008	0.037%

As EMV chip is progressively implemented, another area which comes under added pressure is card-not-present transactions (which now account for the largest proportion of fraud losses). This figure monitors card-not-present fraud losses as a proportion of total point of sale sales.

For the first time in several years, the rate of card-not-present losses was reduced – thanks in part to initiatives such as Verified by Visa. Again, future scorecard measures will relate to total fraud rates (rather than point of sale fraud rates).

Visa reputation index (and comparative position)

2007	67% (+14%)
2008	64% (+19%)

This figure tracks the perception of Visa among key stakeholder groups (such as politicians, industry and consumer groups). We also monitor any difference between our own reputation and the reputation of our competitors.

Perception of Visa Europe has tracked down slightly, in line with the wider financial services industry. However, our position in relation to our competitors' saw a significant improvement.

Business review continued

Our business performance – acceptance initiatives

The acquiring and retailer communities are key stakeholders in the Visa system.

To achieve our strategic objectives, it is not enough to secure wide acceptance of Visa cards. Instead, we need to convince retailers of the benefits of Visa card acceptance versus other payment options. In other words, we need to effectively demonstrate that Visa can bring business benefits – helping to attract more customers, complete more sales and realise new efficiencies.

To make our system more relevant and attractive to more retail sectors, we have developed a whole range of specialised payment solutions. Throughout 2008, we put greater emphasis behind our acceptance initiatives.

Establishing a new Centre of Excellence

We recruited more acquiring specialists and are establishing a dedicated Centre of Excellence for acquiring, acceptance and payment services. This new group is responsible for developing and implementing our acquiring and acceptance strategy, and will provide enhanced value propositions for the European acquiring community. It will also work to forge closer and more productive relationships with key retailers and target retail sectors by developing enhanced value propositions.

Extending the European acceptance footprint

During the past 12 months Visa Europe acquirers have reported a 7.5 per cent increase in the number of merchants accepting Visa cards across the region to 8.6 million. However there remain some significant acceptance gaps in specific countries and within certain merchant sectors.

One area of focus during 2008 has been the supermarket sector. In many European countries, such as France and the UK, it is the norm for supermarkets to accept Visa cards. As these supermarkets account for so much everyday spending, they also generate a high proportion of total card sales volumes. However, it is not the case in some countries where supermarkets have not traditionally accepted payment cards.

At the end of 2007, the discount retailer REWE became the first major supermarket chain in Germany to accept Visa credit cards. Similarly, Miniprecio, a discount supermarket chain in Portugal and the Coop supermarket group in Denmark have also opened up their retail chains to Visa.

This year REWE's parent company, ProMarkt became the first major electronics store chain in Germany to accept Visa cards. Based on a successful pilot programme, ProMarkt believe that Visa card acceptance across their 52 stores will allow them to differentiate themselves from their major competitors – positioning them as competitively priced with superior customer service.

Improving the cardholder experience

We have made significant improvements to the acceptance requirements for car rental merchants and the way in which they process damage claims on rented cars by introducing the Car Rental Reservation Service. As a result, cardholders now have greater rights when dealing with car rental merchants and the entire process of renting a car with a Visa card has been enhanced.

Sharing acquiring best practice

During the course of the year, we helped acquirers improve their business performance by sharing best practice. We conducted a series of acquiring workshops by member and market, disseminated best practice guides for specific sectors (such as hotels and vehicle rental) and delivered a quarterly acquirer newsletter, case studies and off-the-shelf merchant education materials.

Poland:
147,000
 cash back
 transactions in first
 six months of 2008

Cash back at point of sale

Offering cash back at point of sale has been a highly successful strategy in several countries. In UK supermarkets, for example, it is used in around one in seven of all Visa debit transactions.

Cash back has now become established in other countries such as the Czech Republic, Ireland, Italy and Poland (where it generated 147,000 transactions in the first two quarters of 2008 alone). In these countries, cash back is seen as modern and innovative. Retailers like it because it encourages Visa card spending, plus they get surplus cash out of their tills. Banks like it because it really drives point of sale volumes. Consumers like it because it is so convenient.

During the year, we further enhanced the service in Poland with the launch of an online search tool on www.visa.pl. This includes a searchable listing of the 10,000 Polish merchants that now support the service. More than eight million Polish debit cardholders can use this tool to pinpoint the exact location of merchants on Google Maps.

Based on this success, we are working on implementation in two further countries before the end of 2008.

Thought leadership

To help give acquirers and their retailer partners new insights into consumer preferences and expectations, Visa Europe launched two major research reports.

- A Consumer Insights Report was compiled from extensive consumer research by Visa Europe carried out in Germany, Greece, Italy, Poland and the UK in 2006 and 2007. This provides insights into shopping habits, money management and the decline of cash across Europe.
- A Store of the Future Report, developed in partnership with the UK's Centre for Retail Research, investigated several trends around payment technology and customer behaviour, and their implications for the retail community across some 300 large and medium-sized retailers in seven European markets.

Our business performance – innovation and new product development

Our aim is to create innovative, value-creating payment solutions. This drives our strategy and has become a deeply engrained company ethos.

In particular, the innovation and new product development 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 2008 include:

Continued roll out of Visa payWave

One of our most significant initiatives is the continued roll out of our contactless payment solution, Visa payWave. To date this has been launched in France, Italy, Poland, Spain, Switzerland, Turkey and the UK.

Of these, the biggest implementations are in the UK and Turkey.

- In London, we partnered with five issuers and four acquirers who collectively recruited more than 5,000 merchants, including big names such as Costa Coffee, EAT, Krispy Kreme, McDonalds, Pret a Manger and Subway (a full list of participating retailers is available at www.visapaywave.co.uk). With the first cards in the market and the infrastructure in place, our emphasis has moved to usage.
- It's a similar story in Turkey where the acceptance infrastructure has grown strongly and international retailers such as Starbucks and Burger King are now on board. We are also supporting the first issuer, DenizBank, with its activation and usage initiatives. With DenizBank and IDO (the Istanbul ferry transport company) we have demonstrated the potential for Visa payWave to unlock non-traditional Visa acceptance environments such as mass transport. Visa payWave is accepted directly at the transport turnstile without the need for a ticket.

We have also looked at how the benefits of Visa payWave can be extended to more retail environments. This includes vending and parking situations and acceptance using mobile phones. This makes it easier for smaller merchants like taxi drivers and newspaper vendors to accept Visa payWave. We are also looking more closely at how Visa payWave could benefit stadiums and events.

Business review continued

€70
billion spent online

Continued growth and security of e-commerce payments

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.

The total volume of e-commerce payment for 2008 reached €70 billion, compared with €59 billion in the previous fiscal year.

E-commerce security continues to be a key area of focus. With the implementation of chip and PIN for face-to-face payments, fraud has continued to migrate to e-commerce payments which 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).

Across Europe Verified by Visa is supported by 75,000 merchants, and 35 million cardholders are enrolled in the service. During the year, the proportion of transactions covered by Verified by Visa increased to almost 31 per cent (compared to 22 per cent in the previous year). More than 14 per cent of e-commerce volumes were fully authenticated by Verified by Visa.

Much of this growth has been generated by the large and influential UK market, where there has been a distinct surge in the use of Verified by Visa and all major issuers are enrolling cardholders in the service.

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

Peace Online

To support our e-commerce payment activity, and help allay unnecessary consumer concerns about shopping online, we invested in a high profile online brand campaign in the busy pre-Christmas period. Conveying the message that "there is no safer way to shop online", this consisted of banner advertisements on visaeurope.com along with a range of popular websites such as AOL, eBay, MSN and Yahoo.

When it comes to e-commerce payments, security is the biggest concern among our key stakeholders (government, merchants, third parties and members). The Peace Online campaign was successful in breaking market norms in a distinctive and involving way, delivering the clear message that Visa offers secure payment online.

The launch of the Visa card with one-time code

The Visa card with one-time code (Visa PIN card) is a new way to secure e-commerce transactions.

It is a standard EMV chip and PIN card which incorporates an eight-digit display and a miniature keypad. This means that it can authenticate e-commerce transactions (and also remote banking sessions) with highly secure one-time only codes.

The Visa PIN card offers issuers several benefits:

- It is fully compliant with Verified by Visa – but, instead of relying on static passcodes, a dynamic passcode is automatically generated for every transaction.
- It is (and is seen by cardholders as) an innovative new solution that helps protect against the threat of online fraud.
- By offering added security, it provides a way for issuers to demonstrate their commitment to security and differentiate themselves from competitors.
- It has the potential to accelerate the adoption of Verified by Visa. Because a dynamic passcode is generated using the cardholder's existing PIN, there is no need to register for, or to remember, a dedicated Verified by Visa passcode.

We have put the card through a rigorous programme of stress tests to ensure the card itself is entirely robust and a three-year lifecycle can be reasonably anticipated. Four banks will start to pilot the solution over the next few months: MBNA, a Bank of America company in the UK, Cornèr Bank in Switzerland, Cal in Israel and IW Bank in Italy.

Mobilising Visa

At Visa Europe we firmly believe the world of payments and the world of mobile phones are set to converge – and the mobile handset is destined to become a true mass market payment device.

We are working hard to ensure that Visa Europe plays a pivotal role in the process. One area of focus is to extend Visa payWave to mobile phones. To this end, we are engaged in a whole range of pilot programmes.

- One of the most high profile activities is our partnership with Barclaycard, O₂, Nokia and Transport for London.

In the first phase, launched in November 2007, a Visa payWave application was loaded onto a Nokia handset – and consumers were able to use Visa payWave for payments of less than £10 (€13.50).

With phase one successfully concluded, we have six months of valuable insight which will allow us to test more sophisticated functionality including high value PIN-verified payments. We are also building a new gateway in our processing systems providing, for the first time, a direct technical interface between our members and mobile phones through Visa Europe.

- We are also engaged in a major public trial in France. Known as “payez mobile”, this involves six leading banks, four mobile operators, 200 merchants, 1,000 consumers and a choice of three different handsets.
- In Frankfurt, we are working on a similar pilot with Citibank, Nokia and RMVGo (the local mass transit operator).
- In Switzerland Credit Suisse, PostFinance, Swisscard, Swisscom and Telekurs Multipay, with Visa Europe, launched an employee pilot in Switzerland using Visa payWave contactless payments by card and mobile phone.
- We are working with Monetise plc on the launch of a mobile prepaid shopping voucher. This means that consumers can create a Visa prepaid account on their mobile phone and load it with funds from their debit or credit card. The account can then be used for online purchases. It can also be sent, over the air, to someone else’s mobile phone (typically a friend or relative), for them to use.

We are looking at better ways for mobile phones to perform Visa payWave, person to person and m-commerce payments. We have also been working with Vodafone on a highly innovative SMS-based pan-European marketing partnership – supporting our existing promotional activity.

Prominent presence at CARTES & IDentification

The CARTES and IDentification exhibition and conference, held each November in Paris, is one of the key events for the global payment card sector. It therefore represents an important opportunity to highlight our innovations and the value they deliver to members.

We had a particularly prominent presence and hosted a series of tours of our exhibition stand. To bring the story to life, we created a town square of the near future and showed that it should feel perfectly natural to pay (and to be paid) by card in any situation, for any transaction value. To demonstrate the potential, we included some futuristic new concepts. But the emphasis was very much on new “here and now” solutions, which individual banks can immediately deploy in their own business.

The Visa stand was visited by an estimated 5,000 people – and, in our onsite research, more than 90 per cent said they were impressed with what they saw.

Creation of Visa SimplyOne

For several years multi-function chip cards have been talked about as a theoretical opportunity. Now, with the EMV chip infrastructure in place, the first propositions are beginning to emerge. At Visa Europe, we see a particular opportunity to combine debit and credit on a single card.

Visa SimplyOne is the name of our debit-and-credit multi-function proposition and, based on thorough research, we see a real appetite. Adding credit functionality to a debit product ensures that, with a single card and a single PIN, consumers always have access to increased spending power. Issuers, meanwhile, have the opportunity to differentiate their debit products, they can strengthen customer relationships to cross-sell credit, and more easily increase customer retention and reduce churn. They also benefit from lower card production costs.

Following the mass launch of combined Visa credit and debit cards in Finland, we have established the operating principles and developed the business case.

Business review continued

Reader's Digest Trusted brands award for most trusted credit card brand

Our business performance – extracting more value from the Visa brand

The Visa brand is a vital asset, for Visa Europe itself and also for our members.

Reflecting the sheer strength of our brand, Visa was, for the sixth successive year, named as Europe's most trusted credit card brand in the Reader's Digest 2008 Trusted Brands survey. Indeed, Visa was named as the most trusted credit card brand in 14 out of the 16 European countries surveyed.

Developments include:

A runaway success

A definite highlight for the year was the launch of our "Life flows better with Visa" TV advertising. This features a young man who is stranded in the desert after his stag night, entirely naked apart from his Visa card. We then follow him on his journey as he races to get to the church on time – all made possible thanks to his Visa card.

The creative is deliberately irreverent and amusing to capture consumer attention. The campaign also extends to press and out-of-home media channels, as well as in-store (an area where we continue to break new ground, creating innovative formats in partnership with media owners).

All indicators point towards an upturn in advertising awareness, brand equity and return on investment. For example, the research agency Millward and Brown benchmarked the impact of the advertising against norms for the financial services industry. In all key measures, such as advertising recognition, brand engagement, and the type of advertising one may discuss with one's friends, these industry norms were either met or easily exceeded. In terms of return on investment, we estimate a ratio of 1:121 on the value of advertising spend to the level of card spending generated.

Having now run in Germany, Greece, Poland, Spain, Turkey and the UK, the brand campaign has received much positive media coverage. The level of public engagement with the advertisement has been significant – with a 4-star rating and well over 50,000 views on YouTube and more than 200 "Visa Running Man" Facebook group members. The campaign is soon to be launched in Finland, Iceland, Norway and Sweden.

Waging the war on cash in Italy

Visa Europe was the only international card system to join the Italian Banking Association (ABI) in its "War on Cash" advertising and promotional campaign.

We contributed to a programme of TV, print and radio advertising, featuring the Visa and Pagobancomat (domestic debit card) brands. Launched in September 2008, the aim was to help overcome the cultural barriers to card payments by presenting cards as a safer, smarter, more convenient way to pay than using cash.

The campaign is being evaluated using tracking research to measure campaign awareness, understanding, relevance, enjoyment, persuasion. We are also using our own econometric modelling techniques to assess the actual business impact for our members (in terms of increases in card usage).

Winning in Beijing

Our involvement in the Beijing Olympic and Paralympic Games was a big focus of activity. As well as running seven national Visa Europe promotions, we helped members to run a total of 71 promotions across 12 countries. Our growing stable of Team Visa athletes also played a central role, making 307 appearances in seven countries.

The Team Visa initiative also generated a significant level of Visa-branded media coverage. Across seven countries, more than 400 media articles were generated. In the UK alone, related radio coverage reached an audience of more than 4.7 million.

We have worked with members to evaluate the success of their respective promotions and are creating a library of case studies to show other members how the Olympic and Paralympic Games can be used to contribute to their own business objectives.

A complete portfolio of properties

During the past year, we have significantly strengthened our portfolio of properties and partnerships. We have also brought far more discipline to the way they are communicated to members – and the way that we engage with members in creating joint promotions.

For each partnership we have created a range of assets such as pre-approved cards designs and promotional templates and unforgettable hospitality packages. All of these partnerships can be used to drive member business needs such as customer acquisition, card activation, usage and loyalty.

Our partnerships are grouped around two distinct areas – entertainment and sport – which consumers can be passionate about and, consequently, they really contribute towards preference for Visa.

In the entertainment category, we established a whole range of new partnerships:

- **20th Century Fox** – an exciting and very flexible new partnership, which will enable us to develop both Visa Europe-led and member-led promotions around any forthcoming blockbusters (such as the new film “Australia”).
- **The O₂** – during the first year of our partnership with London's O₂ arena, the Visa VIP suite has played host to hundreds of promotional winners. Twenty four promotions have reached out to more than two million people, and the Visa branding has become central to The O₂ experience. Based on this success we have extended the partnership to include O₂ World in Berlin.
- **Palacio de Deportes** – we secured a VIP box at the Goya Club in Madrid's premiere entertainment arena. As with The O₂, we are able to offer VIP suite experiences and promotional rewards around a calendar of top class events.
- **Red Letter Days** – we entered into a partnership with Red Letter Days in the UK, Yamando in Germany and Elation in Italy – the leading experience companies in each country. This enables us to offer a range of experiences to any members (to offer as prizes for any Visa-related promotion) as part of an exclusive pricing agreement.
- **Disneyland® Resort Paris** – we extended our existing relationship with Europe's number one short break destination, which attracts more than 15 million visitors a year. In November 2007 an exclusive Disney Park event was arranged. We received positive member and consumer feedback.

In the sporting category, we have supplemented our highly successful Olympic and Paralympic Games sponsorship with a new partnership with FIFA:

- **Vancouver 2010** – given the abiding interest in winter sports across many European countries, Vancouver 2010 is set to be a definite focus for members – who are now planning a programme of promotions from the second half of 2009.
- **London 2012** – the 2012 Olympiad officially began in August 2008, when the Olympic flag was ceremonially passed from Beijing to London. To celebrate, we were the title sponsor of a free concert for 40,000 people at The Mall in London. As we approach 2012 the Games will be a central focus of our brand activity and also our product development initiatives.
- **FIFA** – the big events coming up are the FIFA Confederation Cup South Africa in June 2009 and the FIFA World Cup™ in South Africa in June and July 2010.

Our business performance – consumer payment solutions

Our range of consumer payment solutions enjoyed sustained, healthy growth during 2008.

We have continued to resource our Centres of Excellence in credit, debit and also prepaid. We have also invested heavily in consumer research, giving us – and our members – a much clearer insight into the needs, the preferences and also the values of particular customer segments.

Equipped with this increased knowledge and understanding, we are able to partner with individual members to develop distinct, differentiated products and propositions which:

- Are relevant and appealing to their target customers.
- Deliver the right level of fraud risk and control.
- Provide the right level of utility.
- Offer the right mix of services and benefits.
- Encourage and enable higher levels of spending.
- Contribute to the profitability of their wider business.

Business review continued

Key activities and achievements during the year include:

Proposition development

A particular achievement for the year was the creation of several new customer value propositions, which members can adopt and adapt to target specific consumer segments.

In each case, we have drawn on research to better understand the factors which could motivate specific groups of consumers to use cards more often. We have discovered exactly what they like about cards, and we have identified any concerns they may have. Based on this insight, we have created a readymade package of features and benefits to enhance standard Visa product platforms.

In doing so, we have generally worked with third parties (such as insurance providers or concierge service providers) to create truly market-leading services and benefits. Thanks to our collective buying power, we can make these available to members at a very competitive price.

Specific examples of propositions include:

- **Visa Infinite**

The new revitalised Visa Infinite proposition, now being issued by several European banks, can be used to target the super-premium segment of High Net Worth individuals with a truly distinctive package of services and benefits, including:

- Personal assistance services.
- Insurance and protection services.
- Premium travel services.
- Philanthropy guidance.

Members tell us that they like the package and the preferential rates we have negotiated with suppliers. They like the Visa Infinite website and web services we have created on their behalf. They also appreciate the advice and guidance provided by our team of product experts.

- **Visa International Travel Offer**

International travel represents a big opportunity for Visa Europe issuers. European consumers are travelling more often and going further afield. They also tend to spend more heavily when they are travelling. For our issuers, foreign currency transactions can be more profitable than domestic transactions.

While many frequent travellers do automatically choose to use payment cards, a surprisingly high proportion still rely on cash and travellers cheques.

Extensive research investigated the reasons why international travellers are deterred from using their cards. This demonstrates that:

- The greatest factor preventing the wider use of cards while travelling is inertia – many people simply don't consider cards as an option when travelling.
- Many people would be receptive to using cards while travelling but are concerned about associated risks, such as fraud and security.

The Visa International Travel Offer consists of a package of insurance and travel assistance services, which issuers can add to any Visa card programme. It helps them build the association between cards and travel – thereby motivating cardholders to use cards abroad, and also allaying any concerns they may have regarding safety and security.

Emphasis on
the responsible
use of cards by
younger people

▪ Visa Youth Offer

We have created a complete toolkit of insight, understanding and solutions to help members attract and retain the ever-challenging youth market.

This includes:

- New insights into the needs, aspirations, lifestyles, values and also the fears of teenagers and young adults.
- A complete audit of the best, most successful and most innovative youth banking products and propositions across Europe.
- A package of features, benefits and offers, to help issuers attract and engage this new generation of consumers.
- A particular emphasis on the responsible use of cards by younger people, including several options for financial education and financial literacy programmes.

Credit

In many European countries, our credit business continued to grow strongly.

Across all of the Nordic countries, for example, growth in card numbers was very impressive (reaching 45 per cent in Sweden and 23 per cent in Norway), as was the growth in point of sale spending (in excess of 25 per cent in Denmark, Finland and Sweden).

It was a similar story across the Baltic States and also the Central European countries, where growth in both card numbers and spending tended to be in the high double digits.

Some of the larger, better established credit card markets also saw high growth. In Spain for example (where there are more than 27 million Visa credit cards), point of sale spending was up by 15 per cent and, over the border in Portugal, it was up by 19 per cent. Our members in Germany also enjoyed a surge in card usage, with spending up by 21 per cent. In Belgium, card numbers grew by 44 per cent, with spending up by 15 per cent. Our members in Turkey continued to innovate, with card numbers up by 16 per cent and spending up by 36 per cent.

By contrast, conditions in the UK market continued to be very challenging. It is highly competitive and credit cards have been progressively losing share to other lending products. The country has been one of the first to feel the impact of the tough economic conditions.

▪ Co-branding in France

From October 2007 banks in France began to issue co-branded credit cards. Inevitably this led to an intense period of activity among issuers, payment systems providers and potential co-branding partners.

Even before the October 2007 milestone, our issuers had successfully secured card programmes with high profile brands such as Fiat, Orange, Nouvelle Frontières and Renault. We have subsequently worked with issuers to win tenders for the majority of the new co-branded card programmes.

▪ Centre of Excellence

With the creation of the Credit Centre of Excellence, we have been able to engage with issuers at a much more consultative level – working in partnership to develop propositions and providing expertise and best practice guidance.

As an example of this approach, we worked with members in Italy on a complete audit of the national credit card market, supplemented by an in-depth consumer needs research programme. We were then able to suggest an ongoing programme of product enhancements as well as marketing and promotional activity.

Also, using sophisticated business modelling techniques we were able to quantify, in precise monetary terms, the value that the Visa brand adds to particular card programmes (in terms of increased consumer preference).

Business review continued

Better Money Skills site enhances consumers' understanding of credit cards

- **Better Money Skills**

During 2008, we launched a new online financial education programme, created initially for the UK market in consultation with the Citizens Advice Bureau (the UK organisation that helps people resolve their legal, money and other problems by providing free, independent and confidential advice). Called Better Money Skills, the website helps to develop consumers' understanding of credit cards, their use and misuse, with the ultimate aim of improving their financial management skills.

As well as bringing definite benefits to customers, the initiative is set to deliver tangible business value for members, such as:

- Reduced credit losses.
- Reduced operating costs.
- Increased customer retention rates.
- Increased credit stability.
- Improved customer loyalty.

The initiative draws on experience from the US market, where Visa Inc. created a similar financial education programme called MoneyChoices, and worked with issuers to conduct a rigorous value study. This compared the fate of customers who took part in the programme to a control group (who faced exactly the same circumstances but had not been invited to register).

The results revealed a stark difference between the two groups. Those who registered were far less likely to default on their credit cards – bringing personal benefits to them and tangible business value to their issuer.

Debit

2008 represented another year of exceptional growth for Visa debit.

Card numbers were up by seven per cent to exceed 227 million. Point of sale spending grew even more quickly, rising by almost 11 per cent. We regard debit as a key cash replacement tool.

We see them as a means for issuers to differentiate their account propositions, drive more profitable customer behaviours and pursue wider retail banking objectives.

During the year our priorities were to increase point of sale spending volumes and also to encourage more banks to migrate their debit programmes to Visa Europe – and we have successfully exceeded all of our related targets.

- **Increased point of sale spending**

In terms of point of sale spending, double digit growth was once again achieved across more than 20 different countries. We saw particularly strong gains in the Central European countries and the Baltic States. Turkey was also an exceptionally strong performer with point of sale volumes soaring by 43 per cent.

Even in some of our largest and most highly developed card payment markets growth was strong – in the UK, for example, point of sale spending grew by more than 11 per cent and in France it exceeded ten per cent.

These spending increases were supported by our "Life Flows Better with Visa" brand campaigns, together with a range of usage-driving cardholder promotions.

- **More banks issuing more cards**

Given the strength of our brand, the flexibility of our products and the increased levels of spending they generate, several banks have chosen to migrate their debit card portfolios to Visa Europe.

Most notable of these are RBSG and Citibank, both of which have opted for Visa as their global debit partner. This follows the decision of HSBC which we reported last year. This suggests that we are successfully supporting the larger international banks at both a local and a global level.

- **Managing large-scale implementation programmes**

When a bank decides to migrate its debit portfolio to Visa Europe, this represents the start of a demanding implementation process – which, in many cases, takes several years to complete.

Consequently, we have dedicated project and implementation teams to manage the process. In the UK, for example, we have been working with HSBC to prepare an extremely large migration project. A pilot programme is scheduled for the end of 2008. Then, from January 2009 we will support a phased issuance of Visa Debit cards – up to a total of more than ten million cards.

227
million debit cards

Prepaid

For the third successive year, Visa Prepaid was our fastest growing product category.

By the end of the 2008 fiscal year, we had more than 300 programmes across 22 European countries, with new programmes being launched at the rate of more than eight per month. In total, more than ten million Visa Prepaid cards had been issued across Europe.

To help more banks and their customers benefit from prepaid, we continued to bring greater levels of skills and resource to our Centre for Excellence. For example we have developed several new Visa Prepaid propositions – which members can adapt in order to pursue specific categories.

One of the differences between prepaid and other more conventional card products is the fact that issuers and their co-branding partners tend to work with a wide range of specialist suppliers. We have therefore put a new set of processes in place in order to partner these third parties. This means that, as well as developing our own innovations, we can act as a hub for everyone else's – bringing together banks, programme managers, processors and vendors to create distinctive, attention-grabbing prepaid propositions.

- **New Visa Prepaid propositions**

We have developed a range of prepaid propositions helping members to address specific categories or pursue distinct customer segments.

Examples include:

- **Youth proposition** – prepaid can represent the ideal payment product for younger consumers. The Visa Prepaid Youth Account combines spending controls, the opportunity for parental involvement, financial literacy programmes, youth-orientated lifestyle benefits and online and mobile functionality. During the year, seven Visa Prepaid Youth Account programmes were launched (two in Germany by DZ Bank and Berliner Bank, three in Italy by Banca Popolare di Milano and Key Client Solutions and two in the UK by Alliance & Leicester).
- **Travel proposition** – many of the most successful prepaid programmes have been travel-related. Now, we are helping issuers to develop this market by providing best practices, market learnings and marketing advice based on an assessment of numerous programmes launched across the globe. Combined with insurance and travel assistance services, emergency card reporting and replacement, and the opportunity to incorporate spending guarantees, members can expand into this lucrative and fast-growing product area with greater confidence and reduced lead times.
- **Credit builder proposition** – several credit card issuers are investigating the opportunity to supplement their credit card operations with Visa Prepaid cards. These cards could be provided to applicants who may ordinarily fail credit checking. With prepaid, cardholders can still obtain a Visa payment card, which can then be used to prepare them for the risks and responsibilities of a true Visa credit card and, at the same time, help members to learn more about the true risk profile of these customers.

- **Larger-scale prepaid programmes**

In the past, most prepaid cards have been niche products offered by specialist providers. More recently, many of our larger members have assessed the opportunities and entered the market with new programmes and propositions aimed at the mass-market and intended to operate at real scale.

In the UK, for example, Barclays has introduced Visa Prepaid travel card and gift card programmes. Similarly RBSG has established a specialist prepaid cards division with several innovative and high profile new products, including a co-branded Visa Prepaid programme with Paypal. In the same way, Alliance & Leicester has invested in the development of a prepaid sales division and actively generates new innovative business opportunities.

In France, BNP Paribas and Orange worked on the launch of a large, co-branded prepaid card programme for the youth market.

Business review continued

41

million V PAY cards

V PAY

We have made very significant progress with V PAY, our chip-only, PIN-only debit solution – which is now firmly established as a major new force in the European payment card market.

V PAY 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 banks to comply with the SEPA principles and enabling them to take a big step forward with their debit card business.

Crucially V PAY was designed in Europe to meet European needs. Indeed, it is still the only example of a product designed specifically for the new SEPA environment. It also benefits from European control, with a range of regional and national governance bodies.

- **Issuance commitments**

By the end of September 2008, 40 banks in nine countries (Austria, Belgium, Bulgaria, France, Germany, Italy, the Netherlands, Slovenia and Switzerland) had committed to the issuance of 41 million V PAY cards – more than double the level of commitments from a year earlier.

Much of this growth was driven by sizeable commitments in Germany, where two banks committed to convert their entire debit card portfolios to V PAY from Maestro.

Also, two Italian banks (which had already begun to issue V PAY) increased their commitments by more than 50 per cent, based on the commercial success and cardholder satisfaction of their existing V PAY programmes.

The commitments from banks in Bulgaria and Slovenia indicate the strength of the V PAY proposition and the level of momentum and traction V PAY has now achieved across the European market.

- **A mature acceptance infrastructure**

In terms of point of sale acceptance, V PAY cards are now accepted at almost six million terminals. It is also estimated that V PAY decals will be displayed at some 4.3 million terminals by the end of 2008.

During the year, we also put increased focus on developing V PAY acceptance at ATMs. As a result, V PAY acceptance has been achieved at nearly 300,000 ATMs. By the end of 2009, it is anticipated that acceptance will be achieved at 99 per cent of European ATMs. V PAY decals should be displayed at 185,000 ATMs by the end of 2008.

- **Mass issuance underway**

Mass issuance of V PAY cards is now underway in Italy, Germany, France and Bulgaria. By September 2008, nearly one million consumers were using V PAY for their everyday spending. By the end of 2009 it is anticipated that the number of cards issued will exceed ten million.

By the end of August 2008, Visa Europe's processing systems had processed domestic and cross-border V PAY point of sale and ATM transactions across 31 countries.

- **Product flexibility and functionality**

For issuers, one of the most appealing factors is the degree of flexibility and functionality provided by V PAY.

Some banks (such as Unicredit Banca and Banca Carige in Italy) position V PAY as a mass market product. Others (such as Cortal Consors in Germany) use it to target much wealthier consumers. Similarly, some banks are promoting the added security of V PAY, while others are benefiting from the added functionality.

In terms of functionality, banks have the option of contactless payment (which has already been launched by Italy's Credito Valtellinese and Telekurs in Switzerland), as well as low value payment functionality, secure e-commerce, cash back at point of sale and the Visa Money Transfer service. Future functionality is set to include mobile top-ups and m-payments.

So, with V PAY, banks have the freedom to deliver specific business priorities. They also benefit from advanced functionality which many other debit systems cannot support today – and may never be able to support in the future.

Commercial card
spending up by
25%

Our business performance – commercial payment solutions

Reflecting the value they deliver to our members and their business and corporate customers, our commercial payment solutions continued to enjoy strong growth during 2008.

Overall, card numbers increased by more than nine per cent, with point of sale spending climbing by almost 19 per cent.

Despite its relative size and maturity, the UK commercial solutions market continued with its strong growth, with card numbers up by ten per cent and point of sale spending increasing by almost a third. It was a similar story in France, where card numbers were up by 14 per cent, with a 25 per cent increase in point of sale spending.

Turkey, well established as one of the region's largest and more advanced payment card markets, also saw very strong growth – with card numbers and point of sale spending both up by almost 50 per cent.

As with our consumer payment solutions, the Central European countries and the Baltic States were also big growth markets for commercial solutions. In most of these countries the growth in card numbers exceeded 30 per cent, whereas the growth in point of sale spending was even higher.

Targeting the SME sector

Many large corporations are now sophisticated users of payment cards and the competition among issuers and payment systems is fierce. But small and medium sized (SME) businesses still represent a huge and largely untapped opportunity for our members.

In the UK, for example, 89 per cent of all businesses are classified as SMEs. Together, they account for 59 per cent of all employment and half of all business-to-business spending. However, even here, Europe's most mature payment card market, few of them use business cards to make business payments.

So, we have been thoroughly researching and segmenting the market and assessing current attitudes to card payments and the factors that would encourage SMEs to use Visa for a greater proportion of their spending. Based on this work, we have been developing a whole new range of commercial propositions, relevant to the needs of SMEs:

- **Premium solutions**

Based on our success and experience with up-scale consumer cards, we have launched a range of premium Visa Business and Visa Corporate propositions – which provide value-added benefits such as concierge services and enhanced insurance cover, as well as business-related rewards and discount programmes.

- **SME travel solution**

We have adapted our existing Visa Central Travel Account (which makes it easier for large companies to manage and pay for their air and rail travel) to bring the benefits within easy reach of SMEs.

- **Debit solutions**

We have a major programme underway to develop our Visa Business debit solutions. We thoroughly investigated existing SME attitudes to debit, and began researching several innovative ideas for new debit propositions.

Business review continued

UK GPC

20%

growth per year

Partnering with the public sector

Every government and public sector organisation has to be – and must be seen to be – good with money. They are under intense scrutiny to operate as efficiently and effectively as possible, and an important consideration is the way that payments are made and managed.

With the Government Procurement Card (GPC) programme in the UK now in its tenth year, plus successful public sector payment programmes in several other countries, we have a wealth of valuable experience – which we are building on.

In terms of the UK GPC, the programme continues to grow at the rate of more than 20 per cent each year. The current contract runs until the beginning of 2010, so we are working with members to maximise the potential. Also, a tender process is underway for the next phase of the GPC programme, and we are actively supporting all participating Visa issuers.

At the same time, public sector organisations are considering the benefits of introducing other card-based payment solutions – such as Visa Prepaid.

We are actively working with public sector organisations across Europe – including France, Ireland, Italy, Portugal and Spain.

New “green card” concept for businesses and public sector organisations

In September 2008 we launched an innovative new concept for the commercial payment card industry – a new green card which allows companies and public sector organisations to off-set the carbon emissions associated with their spending.

Each time a card is used, the carbon emissions associated with the purchase are automatically calculated and offset (through, for example, investments in renewable energy and forestry projects).

The concept can be applied to any of Visa Europe’s commercial payment solutions. The solution also includes the full technical back office infrastructure. It therefore represents a “ready-made” solution for our members, which they can implement at minimal cost.

Our business performance – processing services

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 process 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.

An important point to emphasise is that this is a collective investment. Visa Europe members own the system, they control it, and they choose how it is developed and how it is deployed. Members exercise influence and guide development through several different governance bodies, such as the Visa Europe board of directors, the processing advisers group and an increasing number of national user groups and forums.

In our Member Satisfaction Survey (an in-depth annual survey of the membership), the service quality of our processing systems was identified as one of the most important aspects of the service we deliver to members (second only to our “ownership and resolution of problems”). What is more, the level of satisfaction (at 8.3) was higher than for any other aspect of our overall service.

8.3

member satisfaction
level in service
quality of processing
systems

Processing
performance
99.999%

System
availability
100%

Specific developments during 2008 included:

99.999% service performance for Visa Authorisation

Following its full implementation in 2007, Visa Authorisation, our state-of-the-art transaction switching platform, performed well during 2008 – with 100 per cent availability and a service quality level of 99.999 per cent.

With the platform now well established and operating flawlessly, we have been able to put plenty of new capability into the system. For example, we have been through three successful business releases (the bi-annual process for updating our processing systems). We have also been implementing country-specific functionality to meet the needs of national payment markets:

- Sweden: tailored payment services for fuel dispensation and ATMs.
- Germany: new inter-bank switching services.
- Slovakia: a new national net settlement service.

We have also implemented a range of new pan-European services and capabilities, including security enhancements for Visa payWave; partial authorisation, loading and activation services for Visa Prepaid; and a new range of stand-in processing (STIP) services for V PAY.

New clearing and settlement platform

The next big development is the new clearing and settlement platform. The build phase for this was completed during 2008, and we will be in a pilot phase during the first half of 2009.

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

A clear development path

With the core system in place we are moving ahead with the introduction of a wider range of value-added services.

For example, we are now planning a range of real-time services. This includes fraud monitoring services. Also information services, which enable us to monitor and report on the performance of the various systems we connect to. So, for example, we are already able to predict and diagnose potential issues within our members' processing environments, and work in partnership to resolve them.

We also want to make our products and services more accessible. For example, we are developing a new user interface, to enable members to make real-time changes to their processing parameters. We also aim to handle a broader range of file and message formats.

Improving performance at the point of sale

At Visa Europe we believe that the quality of our inter-bank processing services has a direct impact on the experience of cardholders.

During 2008, we put this theory to the test in the UK, with the implementation of a new Assured Transaction Response threshold – ensuring that merchants always receive a response to an authorisation request within the quickest possible timeframes.

Traditionally we set a standard of ten seconds (this is how long issuers were given to respond to an authorisation request, at which point Visa Authorisation would stand in to provide a decision on their behalf). During 2008 this threshold was reduced by half – to just five seconds.

In implementing the new standard, we had some strict criteria in mind. For example, we needed to be sure that there was no increase in the rate of declined transactions, that issuers would not face any additional risks, and their systems would not be overwhelmed by the volume of authorisation requests.

All indications suggest that the project has had a positive effect on the customer experience. On the basis of this response, we are investigating the opportunity to introduce new standards elsewhere in Europe.

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90.2%
customer
satisfaction rating

Meeting local market needs

Having created these flexible new systems, we want to be sure that individual members can extract maximum value from them. We are working harder to engage members through a wider series of forums and user groups.

For example:

- **UK IT Sub-committee**
A committee of the Visa UK board of directors, which deals with country-specific processing matters.
- **National processing forums and roundtables**
In other countries, such as Poland and Switzerland, we hosted meetings with our members to investigate opportunities for the implementation and use of more value-added services.

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 2008, we received commitments for the processing of an additional 1,107 million 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.

Based on an independent evaluation (and benchmarked against 500 other companies across Europe) this customer services function has been placed in the top quartile for customer satisfaction for the last ten consecutive quarters. In the last quarter of 2008, the team received its highest ever rating of 90.2 per cent.

Our business performance - relationship management and commercial development

During the year, we continued to recruit more people in our relationship management and commercial development teams to build our understanding of local market needs and deliver a highly responsive service to our members.

The strengthening of these teams was again reflected through the results of our Member Satisfaction Survey. Compared with the previous year, the level of overall satisfaction increased from a rating of 7.7 to 8.1. Also, the stated intention of members to expand their relationship with Visa Europe increased from 8.2 to 8.7.

Particular developments include:

Merger of Carte Bleue with Visa Europe's French operations

Building on our 35-year partnership, we announced our intention to merge with SAS Carte Bleue (the exclusive Visa licensee in France).

The aim of the merger is to extend Visa Europe's association model by establishing more direct relationships with French banks in order to meet their needs more closely. The new merged Visa Europe and Carte Bleue organisation will continue providing banks with products and services customised to the French market. Visa Europe will also create a "national organisation", that will be open to all Visa Europe member banks operating in France to provide local governance on domestic Visa matters.

This landmark decision provides the best of both worlds for French banks - a SEPA-compliant development of their card payments business in France with local control.

Pending approval from the French competition and tax authorities, the merger is due to be completed in the first half of 2009.

100%

members would
use Visa Consulting
again

Visa Consulting

Key developments include the continued strengthening of our Visa Consulting practice where we added far more capacity and capability to the team, and introduced several new service lines.

The overriding objective of Visa Consulting is to help member banks improve their commercial results by getting the most value from their Visa portfolio. As a not-for-profit service, the focus is on our members' business results, rather than our own income. Also, our emphasis is on effective knowledge transfer – so that members' personnel retain a clear understanding of how to improve performance, long after our business advisers have imparted their experience.

The Visa Consulting team therefore helps the wider Visa Europe organisation to win, grow and retain more business.

During the year we continued to recruit more payment specialists in our frontline, working face-to-face with members in roles which directly add value to their Visa payment programmes.

We have also increased the geographic spread of our Visa Consulting services. In particular we extended the scope of our services beyond Europe's better established payments markets, and worked with a growing range of members across Central Europe and other emerging markets.

Indications of the success of the Visa Consulting team include:

- Delivery of 165 separate consulting assignments, for 69 banks in 20 countries, equating to 4,400 man-days of consulting time.
- A balanced portfolio of consulting assignments, covering the three broad areas of Revenue Enhancement (typically sales and marketing assignments), Loss Management (covering credit risk and fraud control) and Operational Effectiveness.
- A client satisfaction rating of 4.45 (whereby a score of 4 equates to "meeting expectations in all deliverables" and 5 equates to "exceeding expectations in all deliverables"). What's more, across all of the assignments, members have said that they would "use Visa Consulting again".
- The addition of several new service lines, including credit risk solutions, dedicated solutions for commercial card issuers, and solutions developed specifically for the acquiring sector.

As regards the coming year, we will continue to build the Visa Consulting offer and will develop the consulting service lines for acquirers and for retailers while expanding our data analytics capability. We will also continue to position Visa Consulting as a core and integral aspect of the service we provide to our members.

SEPA and the Payment Services Directive

We also continued to support our members with their preparations for SEPA and the implementation of the Payment Services Directive.

For example, a series of workshops on the Payment Services Directive was held across the region (in Brussels, London, Madrid, Milan, Stockholm and Vienna). More than 200 members attended and 96 per cent of those that responded to a questionnaire stated that the workshop met their expectations and training needs and 96 per cent also stated that they would recommend the workshop to a colleague.

Four SEPA Flash newsletters were also circulated and posted on Visa Online, keeping members updated on activity and developments surrounding SEPA and the Payment Services Directive.

Risk management

Risk management is a core discipline for Visa Europe. We explain the way we monitor, manage and mitigate risks – including business and operational risks, member and country risks and the risk from fraud.

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Risk management

As the transaction environment grows in both scale and complexity, Visa Europe faces more sophisticated risk and security considerations – with more stakeholders, and diverse payment channels contributing to the growth in Visa payments.

Having robust and clearly defined risk management governance and disciplines is core to the integrity and success of the Visa Europe system. It helps our stakeholders benefit from profitable growth, protects and enhances their Visa portfolios and, at the same time, limits their exposures to adverse risk.

By creating innovative risk and security solutions, enhancing and implementing our analytical risk capabilities, and identifying unacceptable risks, our risk management function helps to protect Visa Europe and its stakeholders from unwarranted reputational, business and financial risks. It also contributes to increased stakeholder value.

We have to manage enterprise risk (identifying, assessing and providing mitigating action to risk exposures of participants in the Visa value chain); we have to consider our own business and operational risks (including the operation of our pan-European processing systems); and, of course, we have to guard against the risks of fraud.

Fraud-related risks

In recent years, the nature of card fraud (and also the public response to it) has evolved considerably. The migration to EMV chip and PIN technology, the growth in e-commerce, the creation of new payment solutions and the increasing sophistication of criminals all have a direct impact on the type of fraud now being perpetrated and the level of losses.

By continually anticipating, analysing and addressing the threat from fraud, strengthening the industry infrastructure, and adopting new risk management disciplines, Visa Europe seeks to protect the integrity and profitability of all those who participate in the Visa payment card value chain, and the interests of Visa Europe and its members.

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 domestic counterfeit fraud and also from lost and stolen cards).

These forms of fraud were traditionally responsible for the vast majority of fraud losses and, before 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. It must be acknowledged, however, that the criminal fraternity has shifted its attention to those environments which have not yet been secured by EMV chip – namely card-not-present 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).

Following best practice minimises fraud losses

Although fraud-to-sales ratios are close to a historic low, the actual losses tend to be highly concentrated – with the more susceptible businesses bearing a disproportionate level of fraud losses. For example, card-not-present fraud losses now account for 46 per cent of the total fraud losses. 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 two per cent to 23 per cent of total cross-border fraud losses.

The fact is that, even without the universal deployment of EMV chip, most types of cross-border and card-not-present 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.

For example, the cross-industry initiatives such as the Payment Card Industry Data Security Standards (see policy compliance section below) minimise the risks of data compromise. Also, from January 2008, Visa Europe mandated the use of integrated card verification value (a new means for issuers to automatically detect and block counterfeit card transactions) in all new or re-issued EMV chip cards.

The Visa Europe fraud management team has a unique perspective on today's fraud environment. Through our fraud reporting systems and processes we have a near real-time view of the European fraud environment. We anticipate and analyse new and emerging fraud trends. We understand how different members in different countries address and manage fraud losses. Our multi-disciplined team includes a range of specialists, including technology, compliance, analytical and investigative skills that provide a consultancy service to the members. This includes:

Issuer risk review processes

- Organisation and structure overview.
- Strategy and policy overview.
- Management information and reporting.
- Fraud management technologies.
- Fraud detection strategy.
- Fraud detection operations.
- Fraud management operations.
- Internal risk management.
- Industry co-operation.

Acquirer risk review processes

- Organisation and structure overview.
- Strategy and policy overview.
- Management information and reporting.
- Risk management technologies.
- IT policy and information security.
- Fraud validation.
- Operational processes.

Risk management continued

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

- **Acquirer Monitoring Programme**
A fraud control programme that monitors acquirers' cross-border fraud levels on a monthly basis and instigates action if losses exceed an acceptable threshold.
- **Fraud reporting services**
Monthly and quarterly reporting of fraud performance across Visa Europe to assess trends and develop risk control strategies.
- **Global Fraud Information Service**
An extranet website, available to risk management departments of all members, which provides details of all known fraud incidents, statistics and related information.
- **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.
- **Investigations support**
Provision of intelligence to members, assistance with investigations and support with relationships between law enforcement agencies, particularly for major incidents and cross-border fraud.
- **Issuer Monitoring Programme**
A fraud control programme that monitors issuers' cross-border fraud levels on a monthly basis and instigates action if losses exceed an acceptable threshold.
- **Merchant Fraud Performance**
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.
- **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.
- **Visa Account Bulletin**
A system for distributing potentially compromised or "at risk" account numbers to the banks that issued them.
- **Visa Intelligent Scoring of Risk**
A neural network fraud detection solution for issuers.
- **Visa Europe Merchant Alert Service**
An online database, intended as a warning system for acquirers approached by merchants whose contracts have previously been terminated by another acquirer.

Contribution to EC's fraud action plan

By driving communication 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 contributed to the European Commission's Fraud Action Plan and participated in the Fraud Prevention Expert Group. With the creation of SEPA, we have also worked closely with the European Payments Council to agree on several new fraud prevention policies.

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

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.

Business, operational and member risks

Governance

As part of its day-to-day responsibilities, the executive management committee 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 executive management committee, a risk committee is made up of several executive and senior management members and is chaired by Valerie Dias, chief risk and compliance officer. This committee meets once every 8-10 weeks (and more frequently if required) to oversee the business, operational and membership risks. These risks are prioritised within a risk management framework 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.

Deloitte acts as internal auditors and KPMG acts as external auditors for Visa Europe. In addition, KPMG undertake a SAS70 review (technical systems audit) of Visa Europe's systems each year.

Business and operational risks

Visa Europe uses an enterprise-wide risk management framework to identify, assess, measure, report and manage risk. This seeks to align risk management with corporate strategy. It assesses the impact of risks from business, operational, financial, settlement, human resources, IT and also of those risks emerging from external factors like legislation, new technologies or impacts from market environment. It is therefore used to develop risk tolerances and mitigating action to address these risks.

During 2008, the Visa Europe internal control team undertook several risk and control assessments and reviews to assess the effectiveness of current mitigations. The outcome of these reviews is integrated into risk management activities and action plans. The internal control team report on risk exposures and material issues and also on any significant issues identified in the monitoring process to the risk committee. Significant risk exposures and mitigating action to address these exposures are reported to the audit, risk and finance committee.

As an additional control measure, the risk management framework and our related policies are reviewed by internal auditors who, in turn, regularly update the audit, risk and finance committee and the executive management committee on the status of the organisation's risk and controls.

Member and country risks

A specialist risk management team evaluates, monitors and responds to the risk and credit rating of each member which participates in the Visa Europe 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 materialises – while also taking account of the economic, supervisory and regulatory environment of each of the countries represented by Visa Europe.

To guard against settlement risk exposures, each member is also assessed on the risk-based exposure of its Visa card-issuing portfolio, including the related sales volumes generated.

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, non-compliance to Visa Europe's policies and operating regulations are also assessed (see compliance council section below). Where necessary, financial safeguards are maintained in order to protect Visa Europe and its wider membership from potential losses.

In the face of the global financial crisis, Visa Europe risk teams continue to maintain a heightened risk alertness and have increased their in-depth assessment of member banks, their liquidity positions and exposures to settlement risk. For example, we have introduced additional and more frequent risk reviews of our members. We have also introduced new liquidity stress tests and we have taken appropriate actions to mitigate against the changing risk environment. In certain instances this has included the taking of additional financial safeguards.

Risk management

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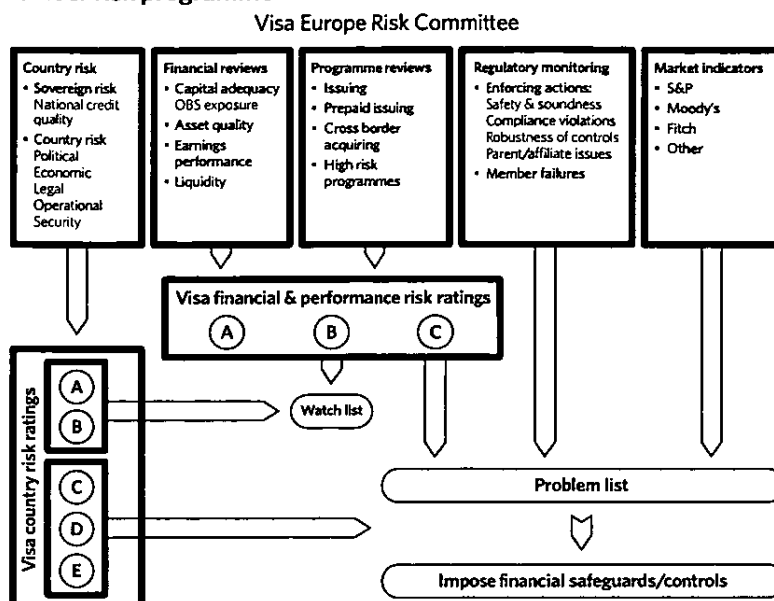
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Risk management continued

Member risk programme



Policy compliance

Visa Europe has 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. Recent changes include the introduction of new requirements for "over the air" personalisation of chip cards and also for the "instant issuance" of Visa cards.

Visa Europe also operates a number of member and third party compliance programmes. These guarantee integrity while 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**
To provide assurance that cardholder and account data is processed and stored in a secure way.
- **The Global Chargeback Merchant Monitoring Programme**
To ensure that rogue merchants are identified and acquirers and their business partners implement adequate risk controls.
- **Chip Interoperability Programme**
To ensure that the collective investment in EMV chip technology provides a return for all members.
- **Third Party Compliance and Registration Programme**
To provide 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 PIN Entry Device Audit Programme**
To ensure that all entities processing PIN-verified transactions meet Visa Europe'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 Europe's requirements, as set out in the Visa Europe Operating Regulations.

The compliance enforcement process in Visa Europe is governed through the compliance council. In addition to overseeing the implementation and enforcement of the international and regional compliance programmes in each of the Visa Europe countries, the compliance council also reviews and resolves ad-hoc matters relating to general member and third party compliance with the global Visa operating regulations.

Data security & PCI DSS compliance – a priority

The authority of the compliance council is delegated from the executive management committee which, in turn, acts on the delegated authority of the Visa Europe Board. 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. While the council may, from time to time, resolve to levy penalties for breaches of Visa Europe's rules and requirements, the aim is to identify any potential issues and proactively work with members to resolve any concerns.

A continuing focus during 2008 was the threat from compromises of cardholder and account data. 2008 saw an increase in the number of compromises at smaller retailers and/or their service providers.

In response, Visa Europe continued to extend 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 and a programme of related activity have been implemented, including an awareness programme, proactive involvement and engagement in industry events, and training for acquirers and their merchants. During 2008 for example, we ran a series of PCI DSS workshops across Europe. Open to members, merchants and service providers, these showcased strategies and solutions to help identify and address vulnerabilities.

Significant progress was made during 2008 across Europe. Almost all (98 per cent) larger merchants (those regarded as tier one merchants by the Payment Card Industry Security Standards Council) have either achieved compliance or have established a formal plan and timescale to do so.

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 in risk management

Given the complexities of a rapidly changing market, the recent and volatile financial crisis, risk management will continue to be a major 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 implementation of the new clearing and settlement platform in 2009 will 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 card-not-present transactions. This will include tactical activity, which identifies and addresses those merchants responsible for a disproportionate level of fraud (typically cross-border merchants that are yet to implement Verified by Visa).

On a more strategic level, the deployment and development of our online authentication service, Verified by Visa, is a priority to address card-not-present fraud. We will also support our members in the development and deployment of new techniques such as dynamic passcode authentication.

We are pursuing several initiatives to help members minimise the risk of cross-border counterfeit fraud. We are, for example, working to identify those ATM locations where fraud is typically being perpetrated and to accelerate the deployment of EMV-compliant ATMs. We are also working with acquirers to improve the monitoring and management of point of sale terminals and devices to minimise the risk of compromise.

Data security and wider-scale compliance with 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 remaining retail customers. However, in the face of unsatisfactory progress, lack of risk mitigation or co-operation, penalties will be applied.

Corporate responsibility

Our vision is to be the world's most trusted currency. Consequently we make reasoned, well informed and ethical decisions about how we conduct our business, the way we treat our employees and our impact on society as a whole.

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Corporate responsibility

Corporate responsibility is intrinsic to our commercial activity

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, how we support our employees and the impact our business has on society as a whole.

During 2008 we refined and articulated our overriding ethos of corporate responsibility. In broad terms we believe there is a definite "shared interest" between our business and the society in which we participate. Our studies have shown that the speed, the convenience, the inclusiveness and the efficiency of cashless payments bring tangible benefits to banks, to retailers, to consumers – and to the wider economy.

By extending the reach and the use of cashless payment, we automatically extend these associated benefits. Our approach to corporate responsibility is not therefore only about mitigating risks or compensating for perceived harm. Instead, it is intrinsic to our commercial activity. Our emphasis is to promote the responsible use of payment cards and, to this end, several new initiatives were introduced in 2008.

It should also be noted that a particular focus of our programmes and initiatives is young people. Through a growing range of programmes and initiatives, we seek to protect young people and empower them to fulfil a positive role in society.

How we conduct our business

Reputation governance

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

Chaired by Steve Perry, the reputation council comprises 15 senior executives from across the business, each of whom has a direct influence on Visa Europe's 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 up to six times a year. It reports to the executive management committee, and policy recommendations are referred to the executive management committee as appropriate.

During 2008, the reputation council led the project to refine and articulate our overriding corporate responsibility ethos – acknowledging the "shared interest" between our business objectives and the society in which we operate.

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.

Maintaining consumer trust in the Visa brand

Proactive stakeholder engagement

Our legal, corporate communications, marketing 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 take place. 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.

Setting and enforcing 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, our direct involvement in the Payment Card Industry Security Standards Council 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, 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.

How we support our people

Like any business, Visa Europe recognises that long-term success derives from the quality of our employees. During 2008 we have taken substantial steps within our Human Resources Management (HRM) division and across the wider business to attract, inspire and retain motivated people and teams.

By aligning employee and business goals, we have created an environment in which people are engaged and motivated about improving business and personal performance.

This is demonstrated by exceptionally high levels of employee engagement. The average corporate measure of employee engagement in the UK is 63 per cent. Among financial organisations, this rises to 76 per cent. At Visa Europe, we are proud to have achieved a figure of 83 per cent – signifying that the vast majority of our employees feel actively involved in (and engaged by) the work we do and the goals we set.

This level of employee engagement is further reflected by the exceptionally high level of participation in our Employee Engagement Survey (94 per cent).

Corporate responsibility continued

A complete programme of best practice HR initiatives

Practical deliverables have contributed to these high engagement levels, including:

- **Competencies**
We have embedded a set of precise competencies which define the skill sets and behaviours expected within the business.
- **Performance management**
We have put a rigorous performance management programme in place, with regular reviews, providing clarity on the line of sight between each employee's input and business strategy.
- **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. The combination of performance management and scorecards has further clarified the connection between individual goals and the wider needs of the business.
- **Reward and recognition**
Because reward and recognition is based on performance against scorecards, pay is transparently and directly linked to performance. Following the 2007 introduction of a broad banded grade structure (with fewer bands) lateral movement has been encouraged and achieved, alongside vertical promotions. We have also reviewed our promotion process to provide greater transparency and consistency. This approach has helped us develop a broader range of experience within Visa Europe.
- **Talent management**
Our talent management programme was launched in 2007, designed to evaluate and build talent and release potential at every level of the business. With performance assessed against the delivery of scorecard objectives and potential linked to our Peak Performing Organisation initiatives (see below), talent management dovetails naturally with Visa Europe's wider ambitions. During the past year, 95 per cent of eligible employees have been assessed, generating management information which will prove invaluable in planning assignments and alternative roles, succession and development activities. Results showed that 24 per cent of employees fell within the top tier of high, adaptable or peak performers, and 20 exceptional individuals were invited to join a peak talent group (benefiting from a tailored programme of personal and professional development).
- **Career management and organisational development**
Our HRM team also provides ongoing career management to guide, identify and deliver development opportunities, with dedicated organisational development representatives providing hands-on consultancy to each division.

76%
of employees have participated in PPO

Establishing a Peak Performing Organisation

Specific initiatives are important but arguably the most vital element in a business is shaping a positive, shared ethos and sense of purpose.

Since 2005 Visa Europe has embedded Peak Performing Organisation as our working philosophy and as a way to motivate individuals, teams and the wider business to continuously exceed previous accomplishments. As a means of liberating and empowering individuals, it is helping to drive accountability and encourage people to feel engaged by what they do - and committed in their personal role of improving their area of the business.

Seventy-six per cent of Visa Europe employees have voluntarily experienced peak performance via workshops and team activities, helping us create the working environment we need, while fostering the principles of ownership and accountability for achieving results and leadership.

As examples of leadership excellence in 2008:

- Executive management committee member, Steve Chambers was acknowledged as one of the top 50 leaders shaping the future of IT in the UK (silicon.com CIO50 list).
- General Manager of our Polish office, Gosia O'Shaughnessy was acknowledged as one of Poland's women of influence by Forbes magazine.
- Head of regional V PAY Marketing, Jutta Mueller-Liefeld was one of five business women to be recognised by Austria's leading women's magazine, WOMAN, for their achievements.

The diverse make up of our employees

As an international organisation we encourage and expect diversity in our workforce, which numbered 1,206 employees as of September 2008. At this time the ratio of male to female employees stood at 3:2 and we employed 47 different nationalities, thus creating an extremely rich and diverse multicultural family. Our membership of the Employers' Forum on Disability reflects our commitment to being an equal opportunities employer.

Comprehensive 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 a non-contributory pension scheme, free annual health screening, and family benefits (medical/dental cover and travel insurance). We also run child care vouchers and cycle to work schemes, while subsidising gym membership.

Whistle blowing

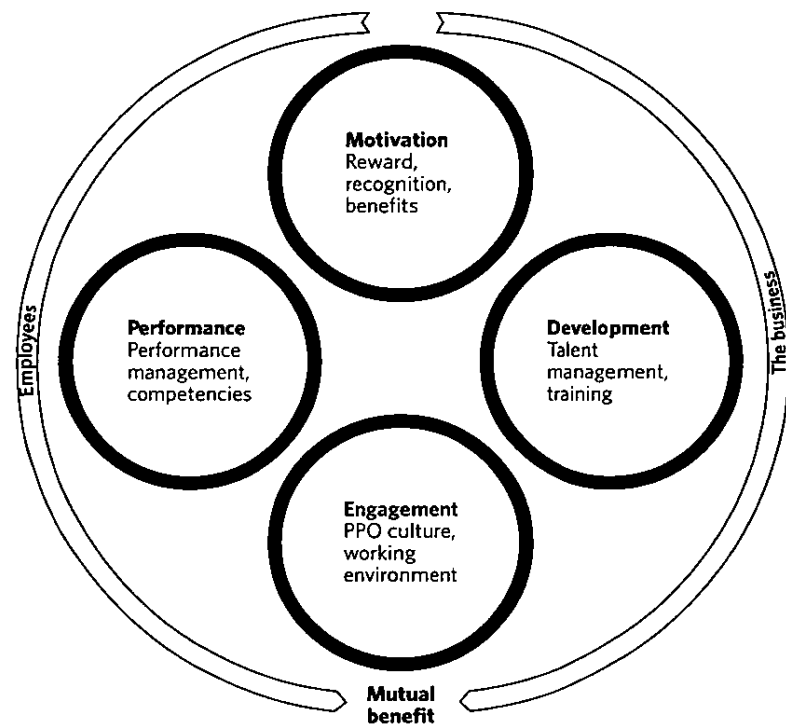
HRM provides an important internal outlet for employees to report possible misconduct, for example, questionable accounting or unethical conduct, to the head of HR (or to the chief risk and compliance officer). Taking such feedback seriously is essential to safeguarding our reputation, brand, commercial viability and ethical values.

Plans for the future

Recent years have seen our HR practices develop to match a more mature business and marketplace. As the business gets ever-closer to our customers, HRM will contribute by helping to recruit, develop and support commercial and innovative people and practices alike.

This will enable us to consolidate and extend existing expertise across Visa Europe, delivering both exceptional HR support and a truly great business.

Aligning corporate and personal needs



Corporate responsibility continued

Visa Europe acts as an authoritative facilitator, broker & arbitrator

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. Nonetheless, we are intrinsically associated (in the minds of the media, consumer groups and the regulatory community) with the subject of financial capability, and we continue to invest in related initiatives – particularly those aimed at younger people.

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.

During 2008 we also launched a new online consumer education programme. Called Better Money Skills, this was developed in association with the Citizens Advice Bureau. The aim is to promote and encourage the responsible use of payment cards.

Another important development was the creation of a new prepaid card proposition called the Visa Prepaid Youth Account. Important components of this proposition include financial education modules, parental control and involvement, and related spending controls. Younger people therefore have the opportunity to learn about the benefits of payment cards in a secure and controlled manner.

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 2008 we hosted a conference in Turkey. We also continue to promote the benefits of financial capability programmes to the wider Visa Europe 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. This support was extended to the Beijing 2008 Paralympic Games. We provided direct support to several Paralympic athletes (members of the Team Visa programme) and were delighted to see that prime time television coverage took their achievements to a greater worldwide audience than ever before. As regards the future, the Paralympic athlete, Dame Tanni Grey Thompson, is playing a leading role in our support of and preparations for the London 2012 Olympic and Paralympic Games.

Glossary	Financial statements	Corporate governance	Decision-making	Corporate responsibility
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Corporate responsibility continued

Visa Europe is committed to reducing its impact on the environment

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 2008, our employees raised more than €160,000 in charitable donations. They also voted the National Society for the Prevention of Cruelty to Children as their preferred charity and the company sponsored a range of initiatives such as charity auctions, duvet days and donations.

We also extended our Visa Swap programme, run in association with TRAIID (Textile Recycling for Aid and International Development) and Oxfam. Consumers are invited to donate designer and high quality clothes. They are then awarded a certain number of points on a Visa Fashion Swap Card to “swap” for other items of clothing. Any clothes left over are then donated to TRAIID (in the UK) or Oxfam (in Germany).

Also, in relaunching Visa Infinite (our most upscale card programme), we worked with Philanthropy UK to create the Visa Infinite Guide to Philanthropy, which helps high net worth individuals find appropriate ways of supporting good causes.

Community-related initiatives

During 2008, we extended our involvement in the Colourful Horizons programme, a new social investment in Turkey.

We again partnered with all of our Turkish members, and joined forces with two non-governmental organisations. Together we implemented 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.

In 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.

During 2008 this group developed a formal policy and established a set of objectives, which were endorsed by the executive management committee. Key components include:

- **Policy statement**

“Visa Europe is committed to reducing its impact on the environment. We take our responsibilities seriously and would seek to implement environmental best practice with clear aims and objectives that form the foundation of our corporate social responsibility agenda.”

- **Principles**

- To include ethical and environmental considerations in daily and project activities particularly through the innovation of new products.
- To reduce, recycle and re-use waste where feasible.
- To seek to maximise energy efficiency and reduce green house gas emissions.
- To reduce the dependence on air travel and seek alternative means for conducting international business.
- To adopt an ongoing measurement of the resource and ecological footprint of the organisation.
- To better control the use of water on the premises.

Visa debit and credit cards provide more convenience & greater security than other forms of payment

• Objectives

- Energy
 - To reduce energy consumption by minimising and monitoring total energy consumption.
- Purchasing and supply
 - To endeavour to use local suppliers where practical therefore mitigating and reducing the related carbon emissions.
 - To develop a sustainable supplier catalogue for use by the procurement team.
- Waste
 - To minimise waste where possible through waste reduction and recycling.
 - To use recycled products where feasible.
- Transport
 - To minimise the use of air travel and car travel where practical.
- Water
 - To minimise the use of water and to measure the total water consumed.
 - To ensure water use in buildings is not wasteful.

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 CO₂ off-set programmes (which compensate for the CO₂ 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. We also extended our partnership with the Netherlands-based specialist, Climacount, with the launch of a new CO₂ off-set option for Visa Commercial card programmes. This enables any issuer to add a CO₂ off-set programme to any of their business or commercial clients.

Our wider economic impact

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

Visa-branded payment programmes currently account for 11.3 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.

Decision-making

As a pan-European membership association, our members have direct control over the direction of Visa Europe. We explain more about the way we make our business decisions – and the people who contribute to them.

Decision-making

**Visa Europe
board of
directors**

**Visa Europe
executive team**

Board of directors

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

Executive team

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

Peter Ayliffe leads the executive team.

Decision-making continued

Our members influence and oversee the management of Visa Europe

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.

All of the major 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. The board also has one Visa Europe executive director who represents the Visa management and an independent deputy chairman.

The Visa Europe board of directors

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

Group Risk Director, 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 PLC, United
Kingdom

Friedrich Kadrnoska

Chairman of the Board of Directors, Visa
Austria, Austria

Ennio La Monica

Director of CartaSi S.p.A. Board, Direttore
Centrale, Pianificazione Controllo e
Organizzazione, 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, Denmark

Godelieve Mostrey

Member of the Bank Executive Board,
Chief Operating Officer, Fortis Bank,
Belgium

Gérard 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, Yapi ve Kredi
Bankasi A.Ş., Turkey

Johannes (Hans) van der Velde

Deputy Chairman, Visa Europe Board,
United Kingdom

Colin Walsh

UKRB Integration Director, 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
Gérard Nébouy
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 Lidén (Chairman)
Gérard Nébouy
Johannes (Hans) van der Velde

* Resigned on 30 September 2008

Decision-making continued

The board reviewed and agreed a proactive programme of brand support

Significant decisions

During 2007-2008, some of the more significant decisions reached by the Visa Europe board of directors included:

- **Distribution of IPO-related funds**

Following the restructure of the global Visa organisation and the subsequent IPO of Visa Inc., Visa Europe was able to realise significant value for its members.

Based on the agreements negotiated by the Visa Europe board of directors and the strength of the IPO, we ultimately realised the equivalent of some US\$2.164 billion in cash and 26.9 million shares in Visa Inc. – the vast majority of which was distributed directly to our principal members in October 2008.

Therefore, the task facing the board was to agree on the precise formula for this distribution and to instigate a formal process for the distribution in order to handle any related questions. To this end, the board based its decisions on the principles outlined in our Articles of Association.

An extraordinary annual general meeting and board meeting were held in October 2008 in order to obtain shareholder and final board approval for the distribution.

- **Capital adequacy requirements**

Following the restructure of the global Visa organisation, Visa Europe and Visa Inc. agreed to maintain sufficient levels of capital for their respective organisations.

The board agreed that Basel II should be used as the basis for determining Visa Europe's capital adequacy requirements. It was also agreed that these requirements would be funded in part by using a proportion of the proceeds received following the Visa Inc. IPO.

- **Revitalised brand support programmes**

Following a major brand strategy review in 2007, the board reviewed and agreed to a more proactive programme of brand support initiatives.

This included the creation of the new "Life Flows Better with Visa" brand campaign and a revised formula for funding brand-related investments. Members in each national market continue to agree on the nature of their local brand support programmes and to determine relevant success criteria.

- **An emphasis on tighter fraud management**

At each of its meetings the board reviewed the changing nature and pattern of fraud losses. With the implementation of chip and PIN in Europe, fraud has progressively migrated to those locations and channels where the security of chip and PIN has not yet been deployed (in particular, cross-border ATM fraud and card-not-present fraud).

While the actual fraud rates are approaching a historic low, the board has emphasised the need for continued focus from the Visa Europe management with a view to addressing current vulnerabilities and continuing to reduce the rate of fraud losses.

- **Tighter member risk controls**

Given the impact of the global credit crisis, the board reassessed Visa Europe's potential exposures. This included an in-depth review of the financial position of every Visa Europe principal member. Where deemed necessary, additional collateral and guarantees were secured by Visa Europe.

- **New product enhancements**

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

- **More Visa Europe members**

The board approved a range of new membership applications. With more members joining Visa Europe – representing a diverse range of institutions – competition is progressively enhanced.

- **Effective governance**

The board reappointed Hans van der Velde as an independent director and deputy chairman of the board. This term lasts until April 2009. Mr van der Velde also continued to represent Visa Europe on the board of Visa Inc. up until the IPO in March 2008.

The Visa Europe executive team

The executive management committee 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 has driven increased customer focus, moving more people to the frontline of the business and creating centres of excellence to improve the provision of innovative, value-creating solutions for our member bank customers. During his first 18 months in the role, Peter led negotiations on behalf of Visa Europe that resulted in the creation of a unique organisational structure within which, Visa Europe remains a European, bank-owned, membership association with an exclusive, irrevocable and perpetual licence to operate the Visa business in Europe. He previously spent more than 20 years with Lloyds TSB, a leading UK bank, where, he held a number of executive posts in the bank's retail business, culminating in his appointment as a group 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.

Steve Chambers

Executive Vice President, Chief Information Officer

Steve joined Visa Europe in 2004, and is responsible for Visa Europe's processing business, including the development and delivery of the organisation's IT systems. 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. During 2008, Steve was also named by silicon.com as one of the top 50 leaders shaping the future of IT in the UK.

Valerie Dias

Executive Vice President, Chief Risk and Compliance Officer

Valerie joined Visa Europe in 1993. She holds a M.Com (Hons) degree and is a chartered certified accountant (FCCA). She previously 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 publishing, 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 Product Solutions

Mariano joined Visa Europe in 2007. He is responsible for the Centres of Excellence in acquiring, commercial solutions, credit, debit and prepaid, and heads up the product development and innovation teams. His remit also covers the management of the Visa brand across Europe. Prior to joining Visa Europe he held several executive consumer marketing positions with some of the world's leading consumer brands including, Levi Strauss & Co, Vodafone Group plc and PepsiCo International. He has a degree in industrial engineering from Universidad de Buenos Aires.

Philippe Menier

Deputy Chief Executive

Philippe joined Visa Europe in 1998. His responsibilities include extending Visa Europe's relationship within the banking community, ensuring the success of the V PAY debit solution, SEPA, member profitability, processing sales and strategy. Previous roles within Visa Europe included Chief Operating Officer. 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.

Stephen Perry

Executive Vice President, Relationship Management, Sales and Commercial Development

Steve joined Visa Europe in 1990. He is responsible for the company's 11 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.

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 stagiare. A previous winner of the Finance Award at the prestigious First Women Awards she was invited to participate in the judging of this year's awards. Carol is a trustee of the Visa Europe Pension Plan.

In addition,

Fiona Wilkinson

Senior Vice President, Corporate Communications

Fiona 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.

Rachel Belsham, previously Executive Vice President, Strategic Development, resigned from Visa Europe on 7 October 2008 to become a director of transformation at Northern Rock in the UK.

Decision-making continued

Advisory groups

To advise on Visa Europe's product development activity and innovation initiatives, 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, Societe Generale, France
- Jan-Olof Brunila, Swedbank, Sweden
- Carmen Canero, ServiRed S.A., Spain
- Maria Cires, Caja Madrid, Spain
- Willy Dubost, BNP Paribas, France
- Giorgio Ferrero, Intesa Sanpaolo, Italy
- Gianluigi Giberti, DBI, Italy
- Heikki Kapanen, Luottokunta, Finland
- Hakan Kaplan, Yapi Kredi Bankasi AŞ, Turkey
- Leonor Machado, Caixa Geral Depósitos, Portugal
- Gerald McLarnon, HBOS, United Kingdom
- Joan Morla Tomas, la Caixa, Spain
- Philip Robinson, Lloyds TSB, United Kingdom
- Fernando de la Rica, BBVA, Spain
- Ian Rutland, RBSG, United Kingdom
- Alessandro Seralvo, Corner Bank, Switzerland
- H Arthur Smolders, ICS BV, Netherlands
- Nevra Toktas, Turkey Is Bankasi AŞ, Turkey
- Jans-Jurgen Torkler, Berliner Bank, 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 risk and fraud management policies and its range of services.

Participants include:

- Pinar Ayaroglu, T Is Bankasi AŞ, Turkey
- Marco Cortellari, CartaSi SpA, Italy
- Selcuk Ergen, Yapi Kredi Bankasi AŞ, Turkey
- Peggy Hemmelder, Citibank Privatkunden AG & CO, KGaA, Germany
- Carlos Ibanez de Motta, ServiRed S.A., Spain
- 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 Sampaio, Banco Espirito Santo, Portugal
- Antoine Sautereau, Groupement Carte Bleue, France
- Marcel Drescher, UBS, Switzerland
- Freddy Syversen, EnterCard Norge AS, Norway
- Zohra Temal, Barclaycard, United Kingdom
- Patrick Thibaudet, Credit Lyonnais, France
- Wim Van Doorn, International Card Services BV, Netherlands

Visa processing 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 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, Cornèr Bank, Switzerland
- Maciej Biniek, Bank Zachodni, WBK SA, Poland
- Osman Bosna, Yapi Kredi Bankasi AŞ, Turkey
- Victor Escudero, ServiRed SA, Spain
- Gerry Granger, Royal Bank of Scotland, United Kingdom
- Rolf Erik Gundersen, Den Norske Bank, Norway
- Chris Hair, HSBC Bank Plc, United Kingdom
- Joel Jeuris, KBC Bank, Belgium
- Richard Koch, HBOS plc, United Kingdom
- Ben Ludwinski-Heydenkorn, Lloyds TSB Group, 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
- Ronit Rubin, Israel Credit Cards, Israel
- Jacques Schuhmacher, Caisse Nationale des Caisses
- Tilo Schürer, Landesbank Berlin AG, Germany
- Peter Šmíd, Slovak Savings Bank, Slovakia
- George Vintzileos, Bank of Cyprus Ltd, Greece
- Birgitta Were, Nordea Bank Sweden AB, Sweden
- Sirius Zafar, Komerční Banka, Czech Republic

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.

Decision-making continued

V PAY European governance

In developing V PAY, our European 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, as far back as 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 we have since established:

- V PAY Deutschland.
- V PAY Italia.

To advise on V PAY development activity and help to formulate proposals to be taken to the respective governance bodies we also have a dedicated V PAY advisory group which meets on a regular basis.

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 Europe, 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 countries, banks have chosen to establish national decision-making bodies, known as national organisations, to agree on national Visa Europe-related policy and activity. These include:

- Visa Deutschland.
- Visa Hellas.
- Visa Italia.
- Visa Polska.
- 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 are administered by Visa Europe and 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. They are:

- Visa Bulgaria Executive Committee.
- Visa Ireland Forum.
- Turkish Executive Committee.

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

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.

Corporate governance

We have a unique system of corporate governance which has been developed and refined over many years. We explain more about our commitment to governance, and the level of collaboration and consultation that's in-built in our constitution.

Corporate governance

Visa Europe is a pan-European membership association

As a pan-European membership association Visa Europe is unlike most other companies.

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.

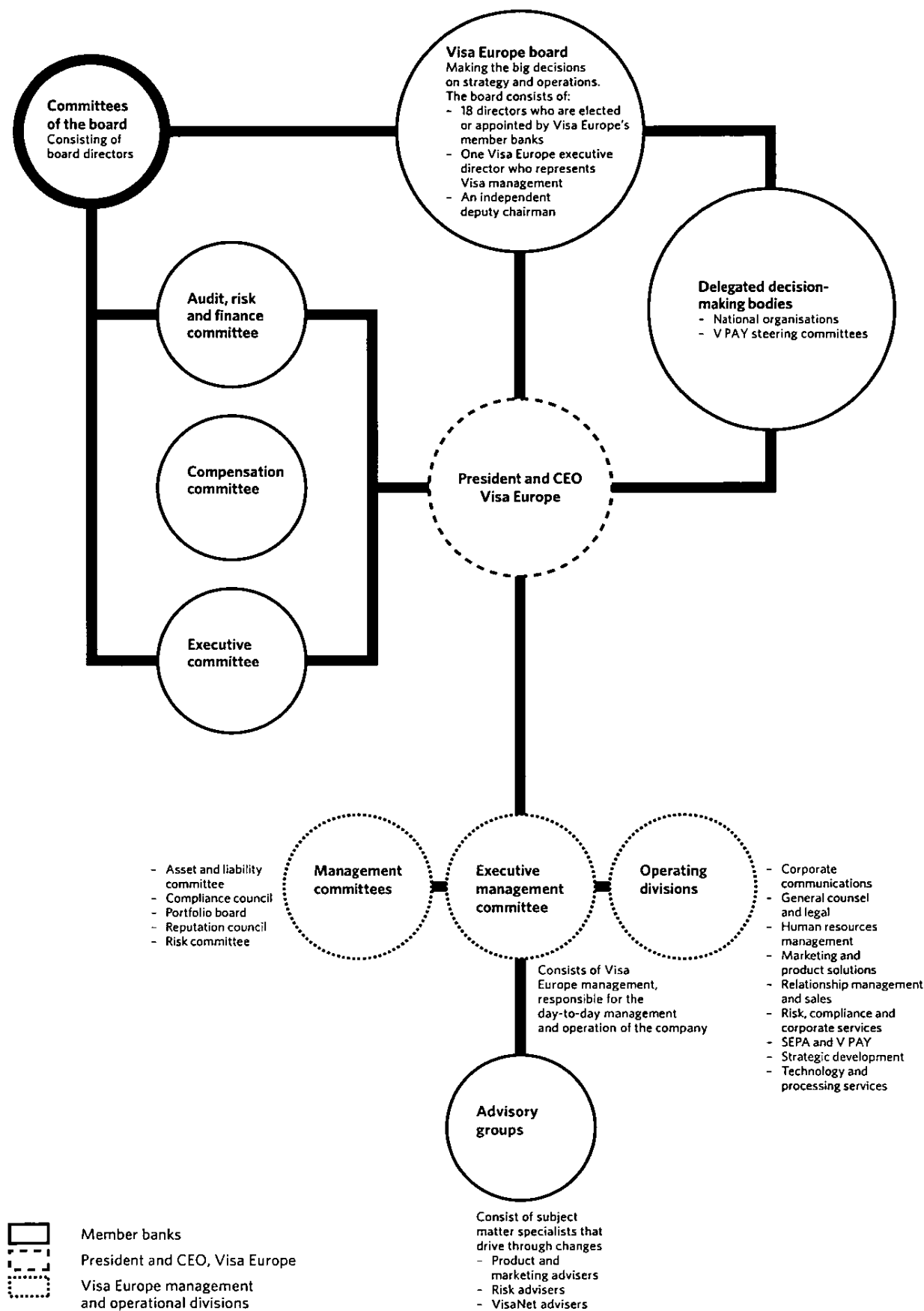
Since we are not a publicly listed company, the Combined Code does not actually apply to Visa Europe. Also, due to the nature of our organisation, some of its principles are inappropriate to our business. Nonetheless, it has become a standard and easily understood way of reporting on corporate governance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

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 in 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.

Our governance system at a glance



4,586
European members

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 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

While 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 frequently 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, if considered appropriate, the chairman meets non-executive directors without the executive directors present.

2. Role of the chairman and the president and chief executive officer

There is a clear division of responsibilities between the chairman and the president and chief executive officer. The chairman is primarily responsible for the effective running and leadership of the board, while the president and chief executive officer 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, 4,586 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 11 different countries are directly represented on the board, and the remaining 25 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 wide perspective on external factors affecting the company and its business environment. 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 Europe 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 (a former president and chief executive officer 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 Europe 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 Europe'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 are available to download from www.visaeurope.com)

7. Re-election

Elections of directors are held every two years (with the last such election held during 2007). At such times:

- Principal members that are automatically allocated 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 chief executive officer of Visa Europe in accordance with the company's Articles of Association.

If any vacancies arise among the elected directors, the board will arrange a special election within 60 days of the vacancy arising. 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 - a formal means of identifying, monitoring and prioritising the business risks facing the company.

Deloitte acts as Visa Europe's internal auditors. As an additional control measure, the risk management framework 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 committee on the state of the organisation's risk and controls.

The audit, risk and finance committee is updated on the risk management framework 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 chief executive officer, together with a summary of discussions and decisions reached by the directors.

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 'How we make decisions' 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.

Financial statements

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. Here we provide a full analysis of our financial performance.

Directors' report

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 2008.

Principal activities

Visa Europe, a payments system organisation, represents some 4,586 members (2007: 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 32 to 55. 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 36 to 39.

Results and dividend

The consolidated income statement for the year is set out on page 100 and shows a profit after tax for the year and attributable to the ordinary shareholders of €2,420,783,000 (2007: €48,375,000). The consolidated balance sheet is on page 102 and shows a net asset balance of €2,744,733,000 (2007: €227,994,000). The directors recommended a dividend on 17 October 2008 of €2,296,231,000 (2007: nil) of which €1,610,723,000 was paid in cash and €685,508,000 was satisfied by the transfer of 26,949,616 Class C (Series I) shares of Visa Inc.

Directors

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

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 Employee Engagement survey.

Financial risk management

The details of the Group's financial instruments, policies and strategies are set out on page 56 to 63 and in note 23 to the consolidated financial statements.

Political and charitable donations

The Group made no political contributions during the year. Donations to charities amounted to more than €22,000 (2007: €31,000).

Acquisition of Visa Inc. shares

On 3 October 2007 Visa Inc. was formed from the reorganisation of Visa International (VI) in preparation for an initial public offering (IPO). In exchange for its membership interest in VI and its interest in Inovant, Visa Europe received a ten per cent shareholding, comprising Class EU Series I shares, Class EU Series III shares and redeemable Class EU Series II shares in Visa Inc. Refer to note 14 to the consolidated financial statements for valuation during the year.

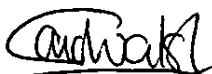
Disclosure of information to auditors

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 reappoint its auditors annually. KPMG LLP will continue as auditors to the Company.

By order of the board



Carol Walsh
Company Secretary
5 December 2008

Board membership

The following directors held office during the year ended 30 September 2008:

Gilbert Arira

Peter Ayliffe

Richard L Banks

Graham J Beale

Francisco Castells Delgado

Johannes Evers

Spyros N Filaretos

José M Gabeiras

Gary Hoffman

resigned 30 September 2008

Peter Jackson

Friedrich Kadrnoska

Ennio La Monica

Jan Lidén

Sven Lystæk

Godelieve Mostrey

Gérard Nébouy

Erik Pointillart

Nazan Somer

Johannes (Hans) van der Velde

Colin Walsh

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 Group and parent company 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;
- for the Group financial statements, state whether 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 parent company 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 2008, 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 Group 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 98.

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, Risk Management and Our Business Performance in 2008 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 affairs as at 30 September 2008 and of its 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 2008;
- 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
Chartered Accountant
Registered Auditor
5 December 2008

Consolidated income statement

Year ended 30 September 2008

	Note	2008 €'000	2007 €'000
Continuing operations			
Revenue	4	672,576	583,331
Other operating income	5	2,917	2,560
Administrative expenses	6	(604,445)	(539,857)
Other operating expenses	7	(23,511)	(10,617)
Share of profit of jointly controlled entity	14	-	29,321
Operating profit		47,537	64,738
Finance income	10	65,523	460
Dividend income	11	4,488	-
Finance costs	10	(551)	(322)
Profit on disposal of jointly controlled entity	14	2,174,295	-
Gain on investment	12	180,279	-
Profit before tax		2,471,571	64,876
Tax	13	(50,788)	(16,501)
Profit for the year attributable to the equity holders of the parent		2,420,783	48,375

The notes on pages 105 to 131 form part of these financial statements.

Consolidated statement of recognised income and expense

Year ended 30 September 2008

	Note	2008 €'000	2007 €'000
Available-for-sale investments:			
Gains on revaluation taken to equity		124,555	314
Foreign exchange losses taken to equity on revaluation of assets for sale		(14,127)	(10,518)
Foreign exchange (losses)/gains taken to equity on defined benefit pension scheme		-	559
Cash flow hedges:			
Losses taken to equity		(34,798)	(9,150)
Losses transferred from equity to income statement		23,046	3,880
Actuarial (losses)/gains on defined benefit pension schemes	33	(8,219)	23,899
Tax on items recognised directly in equity		5,499	(6,630)
Net income recognised directly in equity		95,956	2,354
Profit for the year		2,420,783	48,375
Total recognised income and expense for the year attributable to the equity holders of the parent		2,516,739	50,729

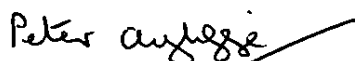
The notes on pages 105 to 131 form part of these financial statements.

Consolidated balance sheet

30 September 2008

	Note	2008 €'000	2007 €'000
Non-current assets			
Goodwill and intangibles	15	24,601	24,614
Property, plant and equipment	16	223,085	185,078
Available for sale investments	18	-	1,258
Investments in jointly controlled entities	14	-	114,866
Retirement benefit surplus	33	-	4,025
Deferred tax asset	24	10,483	10,678
Derivative financial instruments	23	1,406	44
		259,575	340,563
Current assets			
Trade and other receivables	20	68,349	45,869
Cash and cash equivalents	21	149,570	62,081
Available for sale investments	18	767,046	7,603
Short-term receivables	22	1,833,137	-
Derivative financial instruments	23	1,915	54
		2,820,017	115,607
Current liabilities			
Trade and other payables	26	258,055	205,926
Current tax liabilities		26,541	6,941
Obligations under finance leases	25	278	496
Redeemable share capital	28	45	45
Bank overdrafts	21	94	2,109
Derivative financial instruments	23	33,670	6,317
		318,683	221,834
Net current assets/(liabilities)		2,501,334	(106,227)
Non-current liabilities			
Other liabilities		188	216
Provisions	27	7,832	4,387
Obligations under finance leases	25	359	749
Retirement benefit obligation	33	4,310	-
Derivative financial instruments	23	3,487	990
		16,176	6,342
Net assets		2,744,733	227,994
Equity			
Share capital	28, 29	1	1
Other reserves	29	101,786	(1,046)
Retained earnings	29	2,642,946	229,039
Equity attributable to equity holders of the parent		2,744,733	227,994
Memorandum note:			
Non-redeemable share capital		-	-
Redeemable share capital		1	1
Reserves		2,744,732	227,993
Total members' interests		2,744,733	227,994

The financial statements were approved by the board of directors and authorised for issue on 5 December 2008. They were signed on its behalf by:



Peter Ayliffe
President and Chief Executive Officer, Visa Europe

The notes on pages 105 to 131 form part of these financial statements.


Company balance sheet (prepared under UK GAAP)

30 September 2008

	Note	2008 €'000	2007 €'000
Non-current assets			
Investment in subsidiaries	17	45	45
Current assets			
Short-term investments	19	745,082	-
Trade and other receivables	20	175,161	83,965
Cash and cash equivalent	21	8,788	-
Short-term receivables	22	1,833,137	-
Total assets		2,762,213	84,010
Current liabilities			
Trade and other payables	26	118,735	83,964
Redeemable share capital	28	45	45
		118,780	84,009
Net assets		2,643,433	1
Equity			
Share capital	28, 29	1	1
Retained earnings	29	1,898,350	-
Revaluation reserve	29	745,082	-
Equity attributable to equity holders of the parent		2,643,433	1
Memorandum note:			
Redeemable share capital		-	-
Non-redeemable share capital		1	1
Reserves		2,643,432	-
Total members' interests		2,643,433	1

The financial statements were approved by the board of directors and authorised for issue on 5 December 2008.

They were signed on its behalf by:



Peter Ayliffe

President and Chief Executive Officer, Visa Europe

The notes on pages 105 to 131 form part of these financial statements.

Consolidated cash flow statement

Year ended 30 September 2008

	Note	2008 €'000	2007 €'000
Operating profit from continuing operations		47,537	64,738
Adjustments for:			
Depreciation of property, plant and equipment	16	36,182	31,002
Loss on disposal of property, plant and equipment	7	407	2,205
Increase/(decrease) in provisions		3,479	2,131
Share of profit of jointly controlled entity		-	(29,321)
Operating cash flows before movements in working capital		87,605	70,755
(Increase) in receivables		(25,437)	(1,288)
Increase in payables		61,225	53,314
Cash generated by operations		123,393	122,781
Income taxes paid		(28,274)	(19,956)
Interest paid	10	(551)	(322)
Net cash from operating activities		94,568	102,503
Investing activities			
Interest received	10	65,523	460
Dividends received	11	4,488	-
Purchases of property, plant and equipment	16	(74,596)	(62,476)
Purchase of unincorporated entity		-	(5,789)
Acquired available for sale investment		-	(2,528)
Proceeds of sale of investment		-	2,329
Net cash used in investing activities		(4,585)	(68,004)
Financing activities			
Repayments of obligations under finance leases		(479)	(703)
Net cash (used in)/from financing activities		(479)	(703)
Net increase/(decrease) in cash and cash equivalents		89,504	33,796
Cash and cash equivalents at beginning of year		59,972	26,176
Cash and cash equivalents at end of year	21	149,476	59,972

The notes on pages 105 to 131 form part of these financial statements.

Notes to the financial statements

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 135.

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 103.

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 Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

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.

Changes in accounting policy

The accounting policies are consistent with those of previous years with the following exception:

The directors have adopted International Accounting Standards 1 (amended): 'Presentation of Financial Statements (capital disclosures) (IAS1)' and IFRS7: 'Financial Instruments: Disclosures'.

The principal effects of these changes are as follows:

IAS1: Disclosure enables the user to evaluate the Group's requirements for managing capital and its policies to do so. As IAS1 is a disclosure standard, there is no impact on the financial statements other than increased disclosures.

IFRS7: Disclosure enables users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. As IFRS7 is a disclosure standard, there is no impact to the financial statements other than increased disclosures, with comparative information revised where required.

The following accounting standard, which has not been applied to these financial statements, was in issue but not yet effective:

IFRS8 Operating segments effective from accounting periods beginning on 1 January 2009.

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 29.

In preparing the financial statement 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).

Notes to the financial statements continued

For the year ended 30 September 2008

2. Significant accounting policies (continued)

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 the income statement.

Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement 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 and have an infinite useful life. 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.

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.

Notes to the financial statements continued

For the year ended 30 September 2008

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 and other 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.

Notes to the financial statements continued

For the year ended 30 September 2008

2. Significant accounting policies (continued)

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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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.

Notes to the financial statements continued

For the year ended 30 September 2008

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 103) 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 with the exception of equity shares, which have been valued at fair value under the alternative accounting rules. The Company financial statements 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.

Current asset investments

Equity shares are held as investments and valued at fair value. Changes in the fair value, including any changes in value on translation of foreign currency balances into the reporting currency are recognised in the revaluation reserve.

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 €24,601,000 (2007: €24,614,000) against which no impairment has been made.

Notes to the financial statements continued

For the year ended 30 September 2008

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

Discount on available for sale shares

The Group procured a third party independent valuation of the shares as at 3 October 2007 (the merger date). The valuation methodology and discount for uninfluential minority and illiquidity of holding are disclosed in note 14.

From IPO date market value was available and this was subject to a discount for the lock-up provision.

The discount percentage was maintained periodically for changes due to effluxion of time and volatility.

4. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 2008 €'000	Year ended 2007 €'000
Continuing operations		
Service and transaction fees	672,576	583,331

5. Other operating income

	2008 €'000	2007 €'000
Rental income from operating leases	2,917	2,560

6. Administrative expenses

Administrative expenses include:

	2008 €'000	2007 €'000
Foreign exchange (gains)/losses	738	(5,353)
Depreciation of property, plant and equipment		
- owned	35,840	29,991
- leased	342	1,011
Staff costs (see note 8)	137,516	123,181
Auditors' remuneration (see below)	989	954
Exceptional costs (see below)	9,446	26,980

The remuneration of the auditors, KPMG LLP, is set out below:

	Group		Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Fees payable to the Group and Company's auditors for the audit of the Group's financial statements	324	347	-	-
Audit of subsidiaries	16	17	-	-
All other services	281	465	-	-
Other services relating to taxation	360	117	-	-
Fees relating to the Visa Europe Pension Plan	8	8	-	-
	989	954	-	-

The Group paid all audit fees on behalf of the Company.

Included within administrative expenses in 2008 are exceptional costs arising from restructuring incurred as a result of the creation of Visa Inc. 2008: €9.4 million (2007: €16.8 million). Additional exceptional costs in 2007, relate to a €10.2 million fine that was paid to the Commission of the European Communities.

The restructuring costs largely relate to the negotiation of interaction processes between Visa Inc. and Visa Europe and legal advice required on the cash and share distribution to members.

Notes to the financial statements continued

For the year ended 30 September 2008

7. Other operating expenses

	2008 €'000	2007 €'000
Net losses on derivatives not in a designated hedge accounting relationship	58	4,532
Net losses on disposal and write off of property, plant and equipment	407	2,205
Net losses on forward contracts transferred from equity	21,146	3,834
Net losses on option contracts transferred from equity	1,900	46
	23,511	10,617

	2008 €'000	2007 €'000
Ineffectiveness arising from cash flow hedges included in net losses on derivatives not in a designated hedge accounting relationship	1	7

8. Staff costs

The average monthly number of employees (including executive directors) was:

	2008 Number	Group 2007 Number	2008 Number	Company 2007 Number
Marketing	137	107	-	-
Relationship management and member services	211	176	-	-
Technology and processing services	469	394	-	-
Other	254	221	-	-
	1,071	898	-	-

	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Their aggregate remuneration comprised:				
Wages and salaries	111,155	99,919	-	-
Social security costs	14,226	9,637	-	-
Other pension costs	12,135	13,625	-	-
	137,516	123,181	-	-

9. Remuneration of directors

The remuneration of the directors for the year was as follows:

	2008 €'000	2007 €'000
Directors emoluments	1,837	2,742
	1,837	2,742
Amounts paid to third parties in respect of directors' services	-	15
	1,837	2,757

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was €1,376,000 (2007: €1,529,000), comprising:

	2008 €'000	2007 €'000
Base remuneration	501	554
Performance related bonuses	728	805
Other benefits	147	170
	1,376	1,529

There were no retirement benefits accruing to any directors.

Notes to the financial statements continued

For the year ended 30 September 2008

10. Net financing income/expense

	2008 €'000	2007 €'000
Finance income:		
Interest on bank deposits	6,737	460
Interest income on receivables	58,786	-
	65,523	460
Finance costs:		
On bank loans and overdrafts	-	(8)
Interest on obligations under finance leases	(34)	(48)
Discounted provisions - unwind of discount	(517)	(266)
	(551)	(322)

Interest income on receivables: the fee payable by the company under the Framework Agreement for services provided by Visa Inc. increases over time in this period. For part of this 2007/8 period, we have presented the difference between the eventual amount payable per quarter and the fee payable as interest receivable.

11. Dividend income

	2008 €'000	2007 €'000
Dividend income on available for sale/investment financial asset	2,522	-
Dividend income on short-term receivable financial asset	1,966	-
	4,488	-

A dividend of €5,802,000 (2007: nil) was also received on Class C (Series II) shares in Visa Inc. recorded in short-term receivables. However, there was a corresponding reduction in the receivable and so this dividend is de-recognised.

12. Gain on investment

	2008 €'000	2007 €'000
Gain in fair value recycled from equity	231,603	-
Loss on foreign exchange on investment	(33,809)	-
Loss on derivatives	(17,515)	-
	180,279	-

13. Tax

	2008 €'000	2007 €'000
Current tax:		
- UK corporation tax	37,079	13,022
- Foreign tax	8,990	4,534
Total current tax	46,069	17,556
Deferred tax (note 24)	4,719	(1,055)
Total tax charge	50,788	16,501

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 lower than the standard rate of Federal income tax in the USA of 35 per cent (2007: 35 per cent).

The differences are explained below:

	2008 €'000	2007 €'000
Profit before tax	2,471,571	64,876
Taxation at the standard US Federal income tax rate of 35% (2007: 35%)	865,050	22,707
Effects of:		
Jointly controlled equity income included net of tax	-	(10,262)
Permanent differences	29,946	7,224
Prior year adjustment	(30)	(3,887)
Non taxable gains on investment in Visa Inc.	(844,676)	-
Other	498	719
Total tax charge (see above)	50,788	16,501

Notes to the financial statements continued

For the year ended 30 September 2008

14. Investment in Visa International (VI) and Visa Inc.

For the year ended 30 September 2007 the Group's investment in VI was treated as an interest in a jointly controlled entity under IAS 31.

The Group 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 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.

A summary of the financial impact of adopting the equity method of accounting is detailed below:

	€'000
Cumulative share of net assets at 30 September 2007	114,866
Share of profit of jointly controlled entity	29,321

Summarised consolidated financial information for VI was as follows:

	2007 €'000
Non-current assets	222,110
Current assets	1,526,314
Total assets	1,748,424
Non-current liabilities	69,551
Current liabilities	1,067,883
Total liabilities	1,137,434
Net assets	610,990

For the year ended 30 September

	2007 €'000
Total revenue	1,498,905
Total expenditure	1,297,198
Profit after tax	201,707

Reorganisation of VI

On 3 October 2007 Visa Inc. was formed from the reorganisation of VI in preparation for an initial public offering (IPO). In exchange for its membership interest in VI and its interest in Inovant, Visa Europe received a ten per cent shareholding, comprising Class EU Series I shares, Class EU Series III shares and redeemable Class EU Series II shares in Visa Inc.

The Class EU Series I shares and Class EU Series III shares were valued at \$2.1 billion. In order to calculate this value the approach taken was as follows:

- 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 and supported with a Discounted Cash Flow analysis.
- 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.

The Class EU Series II shares were valued at \$1.146 billion and were expected to be redeemed at the later of when Visa Inc. made its public offering or 369 days after completion of the reorganisation.

Subsequent to the reorganisation of VI the Group's investment could no longer be recognised as an interest in a jointly controlled entity because under the terms of the reorganisation VI became a separate entity as Visa Inc., which is unrelated to Visa Europe.

On initial recognition the Series II shares were classed as long-term debt, due to their fixed redemption value, with a fair value of \$1.146 billion. An element of profit on disposal of the jointly controlled entity of €809 million was recognised in profit for the year in respect of these shares. Subsequent movements in foreign exchange of €(15) million were recognised in the income statement.

The remaining Class EU shares were classed as non-monetary Available for Sale assets on initial recognition and an element of profit on disposal of the jointly controlled entity of €1,481 million was recognised in profit for the year in respect of these shares.

Notes to the financial statements continued

For the year ended 30 September 2008

14. Investment in Visa International (VI) and Visa Inc. (continued)

Initial public offering of shares in Visa Inc.

On 18 March 2008 the IPO of shares in Visa Inc. took place. The Group's Class EU Series I and Class EU Series III shares in Visa Inc. were subsequently reclassified as Class C (Series III) and (Series IV) shares, respectively. The Series II shares were reclassified as Class C (Series II) shares.

Approximately 57 per cent of the Series III shares had their redemption price fixed at an amount of \$1.508 billion at the IPO date and were redeemed on 10 October 2008. The Group held beneficial entitlement to these shares until the redemption date. These shares were classified as debt and a profit of €231 million was recycled from equity to the income statement. Exchange losses of €(19) million relating to these shares were recognised in profit for the year.

The remaining 43 per cent of the Series III shares and the Series IV shares are measured at fair value by discounting the open market value of Visa Inc. ordinary shares for the 'lock-up period' applicable to the Group's shares. The 'lock-up period' prevents the transfer of the remaining Class C shares before the third anniversary of the IPO date, except under certain conditions, to the Group's members, in which case they are bound by the 'lock-up' conditions. The estimated discount from market value applied to the Series III and IV shares to reflect the illiquidity imposed by these conditions is 35 per cent.

The Series III and IV shares are classed as Available for Sale investments with changes in the fair value of €125 million and foreign exchange losses of €(14) million being recognised in equity.

The accounting entries discussed above are summarised in the tables below:

	Series II €'000	57% of Series III €'000	43% of Series III €'000	Subtotal €'000	Series IV €'000	Total €'000
Initial recognition	808,564	832,480	636,210	2,277,254	13,164	2,290,418
Less original cost of investment	-	-	-	(114,865)	(1,258)	(116,123)
Profit on disposal of jointly controlled entity/investment	808,564	832,480	636,210	2,162,389	11,906	2,174,295
Initial recognition	808,564	832,480	636,210	2,277,254	13,164	2,290,418
Subsequent movement in fair value through income statement	-	231,603	-	231,603	-	231,603
Subsequent movement in fair value through equity	-	-	122,531	122,531	2,498	125,029
Dividend received	(5,703)	-	-	(5,703)	-	(5,703)
Foreign exchange gains/(losses) in income statement	(14,651)	(19,158)	-	(33,809)	-	(33,809)
Foreign exchange gains/(losses) through equity	-	-	(13,659)	(13,659)	(468)	(14,127)
Balance sheet value	788,210	1,044,925	745,082	2,578,217	15,194	2,593,411

Notes to the financial statements continued

For the year ended 30 September 2008

15. Goodwill and intangible assets

	Goodwill €'000	Other Intangibles €'000	Total €'000
Cost			
At 1 October 2006	18,826	-	18,826
Additions	-	5,788	5,788
At 1 October 2007	18,826	5,788	24,614
Adjustment to fair value	-	(13)	(13)
At 30 September 2008	18,826	5,775	24,601
Accumulated impairment losses			
At 1 October 2006 and 30 September 2007	-	-	-
At 1 October 2007	-	-	-
Impairment losses for the year	-	-	-
At 30 September 2008	-	-	-
Carrying amount			
At 30 September 2008	18,826	5,775	24,601
At 30 September 2007	18,826	5,788	24,614

An adjustment has been made to the initial fair value of net assets purchased in relation to the transfer of the operating rights of Bulgaria and Romania. This complies with IFRS3 on retrospective accounting on adjustments to intangibles.

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:

	2008 €'000	2007 €'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 three per cent. This rate does not exceed the average long-term growth rate for the relevant markets.

Notes to the financial statements continued

For the year ended 30 September 2008

16. 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 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 1 October 2007	40,816	74,818	12,396	129,153	257,183
Additions	9,074	25,958	2,014	37,550	74,596
Transfers between items	(10)	(766)	-	776	-
Disposals	-	-	-	-	-
Write off	-	-	(302)	(1,154)	(1,456)
At 30 September 2008	49,880	100,010	14,108	166,325	330,323
Accumulated depreciation and impairment					
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 1 October 2007	(9,889)	-	(6,583)	(55,633)	(72,105)
Charge for the year	(4,369)	-	(1,649)	(30,164)	(36,182)
Eliminated on write off	-	-	232	817	1,049
At 30 September 2008	(14,258)	-	(8,000)	(84,980)	(107,238)
Carrying amount					
At 30 September 2008	35,622	100,010	6,108	81,345	223,085
At 30 September 2007	30,927	74,818	5,813	73,520	185,078

The Group leased computer equipment under a number of finance lease arrangements. At 30 September 2008, the net carrying amount of leased assets was €515,000 (2007: €1,132,000).

Capital commitments at the end of the financial period, for which no provision has been made are as follows:

	Group		Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Contracted purchase of software and computer equipment	3,390	9,967	-	-
Contracted expenditure on building improvements	-	268	-	-
	3,390	10,235	-	-

17. Investment in subsidiaries

	Company	
	2008 €'000	2007 €'000
Cost and carrying value		
At 1 October and 30 September	45	45

Details of the Company's subsidiaries at 30 September 2008 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 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.

Notes to the financial statements continued

For the year ended 30 September 2008

18. Available for sale assets

	2008 €'000	Group 2007 €'000
Non-current assets		
Interests in an unlisted related party	-	1,258

On the reorganisation of Visa International (see note 14) the Group's interests in the unlisted related party were exchanged for Class EU (Series III) shares in Visa Inc. with a fair value of \$18.4 million. The gain on disposal of these interests was recognised in profit for the year and subsequent changes in these shares are recognised directly in equity. These shares are classed as available for sale investments.

	2008 €'000	Group 2007 €'000
Current assets		
Available for sale	767,046	7,603

Available for sale asset includes Class C (series III) and (series IV) shares in Visa Inc. held by the group valued at €760 million. The shares are listed and are measured at fair value (see note 14).

19. Investments

	2008 €'000	Company 2007 €'000
Current assets		
Investment	745,082	-

The investment held by the company is a listed investment in Visa Inc. Class C (Series III) Shares detailed in note 14.

20. Trade and other receivables

	2008 €'000	Group 2007 €'000	2008 €'000	Company 2007 €'000
Trade receivables	38,947	19,656	34,607	19,495
Amounts owed by related parties	-	197	140,554	64,470
Other receivables	4,302	3,514	-	-
Prepayments	25,100	22,502	-	-
	68,349	45,869	175,161	83,965

The average credit period taken on sales of goods is 29 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.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 23.

21. Cash and cash equivalents

	2008 €'000	Group 2007 €'000	2008 €'000	Company 2007 €'000
Bank balances	149,570	62,081	8,788	-
Bank overdrafts	(94)	(2,109)	-	-
Cash and cash equivalents in the statement of cash flows	149,476	59,972	8,788	-

Cash and cash equivalents held by the Group includes short-term bank deposits with an original maturity of three months or less.

The bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 4.71 per cent (2007: 5.54 per cent) per annum and is determined based on 0.75 per cent plus prime rate. The average effective interest rate on short-term bank deposits approximates 4.31 per cent (2007: 4.02 per cent).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

Notes to the financial statements continued

For the year ended 30 September 2008

22. Short-term receivables

Group and Company

	2008 €'000	2007 €'000
Current Assets		
Short-term receivables	1,833,137	-

Short-term receivables relate to Visa Inc. shares classified as short-term receivables and measured at amortised cost (see note 14).

23. Financial instruments

The derivatives recognised in the balance sheet on 30 September 2008 and 2007 are as follows:

	2008 €'000	2007 €'000
Non-current derivatives:		
Asset	1,406	44
Liability	(3,487)	(990)
Current derivatives:		
Asset	1,915	54
Liability	(33,670)	(6,317)
	(33,836)	(7,209)

Risk management and financial derivatives

The international nature of the business exposes Visa Europe to a range of financial and operating risks. The financial risks predominantly arise from changes in foreign exchange rates and interest rates and money market liquidity.

A financial risk management framework is in place to mitigate, where appropriate, any negative impact this may have on the Euro reported consolidated financial statements. For the purposes of the consolidated financial statements the results and financial positions of each group company are expressed in Euros, which is the presentation currency for the consolidated financial statements.

The risk framework comprises a treasury policy, approved by the board. This policy provides guidance over all treasury and finance related matters, is underpinned by delegated authority guidelines and is additionally supported by detailed procedures. The main objectives of the policy 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 Visa Europe's net income.

The policy covers:

- general financing considerations including liquidity/investment management and borrowing guidelines;
- financial market risk comprising foreign exchange (FX) risk, interest rate risk and equity price risk;
- credit risk comprising specific counterparty risk, concentration risk and settlement risk;
- the control framework covering internal controls and reporting, roles and responsibilities, ethical considerations and business resumption planning.

The execution of this policy is performed by an experienced treasury team and is monitored by an Asset and Liability Committee through regular quarterly meetings.

Visa Europe manages its foreign exchange, liquidity and interest rate risks in accordance with these policies using a variety of derivative and non derivative instruments. Financial instruments comprise cash, borrowings and derivatives, namely forward foreign exchange contracts and currency option contracts. Visa Europe does not trade in financial instruments nor does it take speculative or open positions.

The treasury policy sets hedging operational parameters, comprising minimum and maximum allowable hedging ratios over specific maturity timeframes and also instruments available for risk mitigation.

These ratios, in conjunction with value at risk and sensitivity analysis, provide the asset and liability committee with the appropriate information to monitor the net underlying financial risks.

Risk management principles

Visa Europe is exposed to market risk, primarily due to changes in foreign exchange, interest rates and equity prices.

Foreign exchange risk

Operating across a number of countries exposes Visa Europe to foreign exchange risk. This is traditionally categorised as either transaction, translation or economic risk.

Notes to the financial statements continued

For the year ended 30 September 2008

Foreign exchange transaction risk

A substantial proportion of Visa Europe's expenditure is denominated in foreign currencies, mainly Sterling and the US Dollar. This is the most material risk requiring management. The risk is managed by protecting future committed and uncommitted cash flows with foreign exchange forward and currency option contracts. Committed cash flows relate to certain contractual rights or obligations. Uncommitted cash flows are highly probable future cash flows for which Visa Europe does not yet have a contractual right or obligation.

The process begins through identifying and designating cash flows as hedged items from detailed cash flow budgets and is designed to minimise year on year currency related income volatility. This reduction in volatility is achieved by layering trades and using combinations of forward foreign exchange and option contracts.

Foreign exchange translation risk

Translation exposure arises from consolidation of foreign currency denominated financial statements of subsidiaries.

Visa Europe is not exposed to this risk as the primary operating companies have Euro functional currencies.

Foreign exchange economic risk

The policy is not to hedge long-term foreign exchange risk.

Interest rate risk

Visa Europe is exposed to fluctuations in interest rates on its investments and borrowings. Currently Visa Europe has no long-term debt but actively monitors interest rate exposures so as to minimise the effect of interest rate fluctuations on net revenue.

The policy allows the use of derivative transactions to manage sensitivity to interest rate movements. Visa Europe has entered into interest rate swap transactions and forward rate agreements to fix interest rates received. Most interest rate swap/agreements involve paying or receiving the difference between fixed and floating rate interest payments on a given amount over a given period.

Interest rate swaps are contractual agreements to exchange an amount of interest, calculated at a defined rate on a defined notional principal amount, for another amount of interest, calculated at a different rate but on the same notional amount on a defined settlement date in the future.

Forward rate agreements are interest rate contracts in which the buyer and seller agree to exchange the difference between the current interest rate and a pre-agreed fixed rate, struck on the date of execution of the agreement.

Visa Europe has fixed the interest rate on a proportion of its cash investments and cash equivalents.

Other price risk

The defined benefit pension scheme is additionally exposed to equity price risk and this indirectly affects Visa Europe. Visa Europe also maintains short-term money market investments and other marketable securities related to certain executive compensation plans. Visa Europe holds equity investments (see note 14).

Financial risk assessment

Foreign exchange

The residual risk exposure post hedging is assessed using "Value-at-Risk" (VaR) and sensitivity analysis.

Value at Risk

All VaR approaches try to recognise that holding different assets/liabilities or future cash flow exposures may actually reduce portfolio risk through the de-correlation benefits of diversification. This benefit is captured within the calculation and thus aims to holistically present portfolio risk.

Visa Europe only has two major currency pairs and thus de-correlation benefits are limited. Nevertheless, the VaR approach is deemed a useful method of measuring risk and forms part of the risk management reporting.

Visa Europe uses the VaR - Variance-Covariance (or Parametric) Approach. This method measures within what ranges the value of respective exposures may fluctuate with a certain probability over a certain time period (holding period).

Visa Europe uses a 95 per cent confidence interval (i.e. there is a five per cent probability that the impact from market fluctuations exceeds the level calculated) over a 12 month holding period. This is applied to the future uncommitted foreign currency exposures.

The statistical measure takes past price data and implicitly assumes that the value changes in the recent past are indicative of value changes in the future. The measure is performed quarterly.

Risk calculation summary table (net impact)

	Time horizon (months) € million	30 September 2008 € million	30 September 2007 € million
Foreign exchange risks:			
Transaction risk uncommitted - Value-at-Risk	12	13.8	9.2

The underlying exposures have not materially changed from prior year but currency volatility has risen substantially. This has been partially mitigated by higher hedge cover in 2008.

Notes to the financial statements continued

For the year ended 30 September 2008

23. Financial instruments (continued)

Income currency (12 month holding period)

	30 September 2008 Value-at-Risk			30 September 2007 Value-at-Risk		
	Gross impact € million	Net impact € million	Risk reduction € million	Gross impact € million	Net impact € million	Risk reduction € million
US Dollar	16.3	9.5	42%	5.5	3.7	33%
Sterling	36.1	9.6	73%	35.0	17.0	51%
Total undiversified	52.4	19.1	64%	40.5	20.7	49%
Diversification	(13.4)	(5.3)	60%	(21.4)	(11.5)	46%
Net VaR	39.0	13.8	65%	19.1	9.2	52%

Excludes impact of IPO hedging (described in undesignated section of note 23) as this was a one off item and does not form part of the ongoing operational risk.

A high level of cover has been placed to protect the Visa Europe cash flow during a period of exceptionally volatile market conditions. This reduces the gross (i.e. pre hedged) VaR by 65 per cent to €13.8 million. The minimum and maximum levels of VaR recorded in 2008 were €7 million and €14 million respectively.

Sensitivity analysis

The following table demonstrates the sales and operating cost foreign currency exposures. The primary net foreign currency exposures against the Euro are the US Dollar and Sterling.

The split of sales and operating costs by currency for the years 2008 and 2007 was as follows:

Currency	Sales in %		Operating costs in %	
	2008	2007	2008	2007
US Dollar	30	24	24	24
Euro	40	40	15	17
Sterling	16	22	61	59
Other	14	14	-	-
Total	100	100	100	100

A significant strengthening of the US Dollar or Sterling against the Euro will thus negatively affect Visa Europe results. Visa Europe assesses the risk by sensitivity testing (10 per cent currency shift) and stress testing (25 per cent currency shift) the net underlying exposure on a quarterly basis. At year end 2008 a ten per cent strengthening of both the US Dollar and Sterling against the Euro would adversely affect the Income statement by €8 million.

Interest rate risks

As mentioned above, Visa Europe is exposed to fluctuations in interest rates on its cash investments.

The majority of cash/cash equivalents are deposited with less than three months maturity or in negotiable instruments. They are readily accessible and receive floating rate interest. This floating rate profile has been partially fixed using interest rate swaps and fixed rate agreements.

The following table shows the instruments traded and their sensitivity to interest rate movements.

	2008		2007	
	Carrying amount € million	Duration (days)	Carrying amount € million	Duration (days)
Financial assets				
Amounts owing from banks under various deposits arrangements at various interest rates	148.9	5	32.4	1
Marketable securities	-	-	-	-
Long-term marketable securities	-	-	-	-
Total assets and weighted duration	148.9	5	32.4	1
Financial derivatives				
Fixed rate agreements - fixed rate	0.3	135	-	-
Interest rate swaps - fixed rate	0.8	305	-	-
Total derivatives and weighted duration	1.1	261	-	-

Notes to the financial statements continued

For the year ended 30 September 2008

Settlement risk

Settlement risk is the risk that a member is unable to honour its obligations to Visa Europe as they fall due. With average daily settlement volumes of more than €700 million, the Group faces this risk in respect of members who may fail to meet their daily settlement obligations. Visa Europe operates a specialist risk management team that is responsible for monitoring and responding to the risk and credit rating of each member that participates in the Visa system. This is done 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 were to crystallise while also taking into account the economic, supervisory and regulatory environment of the countries represented by Visa Europe.

To guard against settlement risks, each member is also assessed on the risk-based exposure generated by the Visa card portfolio it issues, and the related sales volumes generated. To reduce any potential member losses that may arise from a member's failure to settle, the Group requires certain members to provide financial safeguards to ensure performance of settlement obligations arising from card and other product clearings. The type of financial safeguards is based on board approved guidelines and generally includes cash equivalents, letters of credit and guarantees. Details of the financial safeguards held by the group can be found in note 31.

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.

At the reporting date there were no significant financial guarantees for third party obligations that increased this risk. Visa Europe signs netting agreements under an ISDA (International Swaps and Derivatives Association) master agreement with the respective counterparties, which minimises the exposure on derivative positions.

Short-term liquidity

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 includes the risk that Visa Europe is unable to meet settlement obligations to the acquiring banks due to failure of an issuing bank to pay. Liquidity facilities are in place with a syndicate of high credit quality financial institutions to mitigate this risk.

The following table shows Visa Europe's contractual maturities of financial liabilities, including estimated interest payments held at 30 September 2008.

2008

	Net carrying amount 30 Sep 2008 € million	Contractual cash flows € million	Less than 1 year € million	Greater than 1 year € million
Non-derivative financial liabilities:				
Trade and other payables	258.1	258.1	258.1	-
Finance lease	0.6	0.7	0.3	0.4
Derivative financial liabilities:				
Interest rate swaps and forward rate agreements	1.1	1.1	0.9	0.2

2007

	Net carrying amount 30 Sep 2007 € million	Contractual cash flows € million	Less than 1 year € million	Greater than 1 year € million
Non-derivative financial liabilities:				
Trade and other payables	205.9	205.9	205.9	-
Finance lease	1.2	1.5	0.9	0.6
Derivative financial liabilities:				
Interest rate swaps and forward rate agreements	-	-	-	-

Forecast data for liabilities which may be incurred in the future is not included in the table above. Amounts in foreign currency were translated at the closing rate at the reporting date. The variable payments arising from the financial instruments were calculated based on the forward interest rate yield curve at 30 September 2008 and 2007. Interest on interest rate swaps includes the paid and received amounts as interest is settled on a net basis. Financial liabilities that can be repaid at any time have been assigned to the earliest possible time period.

Notes to the financial statements continued

For the year ended 30 September 2008

23. Financial instruments (continued)

Derivative financial instruments

The following table shows Visa Europe's notional amount and maturities of derivative financial instruments held at 30 September 2008 and 2007:

	Total € million	30 days or less € million	60 days or less € million	90 days or less € million	180 days or less € million	181 days - 1 year € million	1-3 years € million	More than 3 years € million
Interest rate swaps								
2008	(100)	-	-	-	-	(100)	-	-
2007	-	-	-	-	-	-	-	-
Forward rate agreements								
2008	(400)	-	-	-	(100)	(200)	(100)	-
2007	-	-	-	-	-	-	-	-
Foreign exchange forward contracts								
Sterling	377	23	16	29	58	111	140	-
US Dollar	(179)	(258)	-	7	8	28	36	-
Total 2008	198	(235)	16	36	66	139	176	-
Total 2007	241	23	17	28	52	68	53	-
Currency option contracts								
Sterling	8	3	5	-	-	-	-	-
US Dollar	(57)	(63)	-	2	2	2	-	-
Total 2008	(49)	(60)	5	2	2	2	-	-
Total 2007	36	1	1	1	7	17	9	-

The above tables demonstrate the Visa Europe currency of exposure against the IFRS functional currency.

The following table shows the fair values of Visa Europe's derivative financial instruments held at 30 September 2008 and 2007:

	Total € million	30 days or less € million	60 days or less € million	90 days or less € million	180 days or less € million	181 days - 1 year € million	1-3 years € million	More than 3 years € million
Interest rate swaps								
2008	0.8	-	-	-	-	0.8	-	-
2007	-	-	-	-	-	-	-	-
Forward rate agreements								
2008	0.3	-	-	-	-	0.1	0.2	-
2007	-	-	-	-	-	-	-	-
Foreign exchange forward contracts								
Sterling	(17.0)	(1.4)	(1.2)	(1.9)	(4.7)	(4.7)	(3.1)	-
US Dollar	(13.7)	(14.5)	-	(0.1)	(0.2)	0.3	0.8	-
Total 2008	(30.7)	(15.9)	(1.2)	(2.0)	(4.9)	(4.4)	(2.3)	-
Total 2007	(6.5)	(0.6)	(0.6)	(0.6)	(1.6)	(2.2)	(0.9)	-
Currency option contracts								
Sterling	(1.1)	(0.4)	(0.7)	-	-	-	-	-
US Dollar	(3.1)	(3.0)	-	(0.1)	-	-	-	-
Total 2008	(4.2)	(3.4)	(0.7)	(0.1)	-	-	-	-
Total 2007	(0.7)	-	(0.1)	(0.1)	(0.2)	(0.3)	-	-

Notes to the financial statements continued

For the year ended 30 September 2008

Hedge accounting

Cash flow hedges

Visa Europe's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. Visa Europe uses foreign exchange forward contracts to hedge these exposures and does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the treasury policy which has been approved by the board of directors. This provides written guidance 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.

Hedge effectiveness for net purchased options is measured on a quarterly basis. The option hedge designation and effectiveness test excludes the time value element and uses the forward rate methodology. Each quarter the cumulative movement in intrinsic value is compared to the movement in the notional underlying value. Effectiveness for the forward contracts is measured quarterly using the forward rate basis. The probability of forecast items occurring is assessed annually.

Undesignated hedges

Visa Europe may enter into certain foreign currency and interest rate transactions that are not designated as hedges for accounting purposes. The fair value movements of the hedge will be immediately recorded in the income statement.

In 2008, Visa Europe entered into interest rate swaps and forward rate agreements to hedge the IPO related economic exposure to falls in the US Dollar and Euro interest rates. These trades did not qualify for hedge accounting, so the movement in the fair value and realised gain/loss on the swaps was recorded in the income statement.

The retained IPO proceeds were hedged using undesignated foreign exchange forward contracts and are thus included in the table below.

The notional amounts and fair values of the financial derivative instruments at 30 September 2008 and 2007:

	Notional amount		Positive fair value		Negative fair value	
	2008 € million	2007 € million	2008 € million	2007 € million	2008 € million	2007 € million
Interest rate swaps and FRAs						
- undesignated hedges	(500)	-	1.1	-	-	-
Foreign exchange forward contracts						
- undesignated hedges	(252.2)	-	-	-	(14.6)	(1.6)
Currency option contracts						
- undesignated hedges	(63.1)	6.5	-	-	(3.0)	(0.3)

Gains and losses on derivative instruments recognised as cash flow hedges during the period were as follows:

	2008 € million	2007 € million
Interest rate swaps and FRAs		
Gains/(losses) recognised in equity	-	-
Gains/(losses) removed from equity and recognised in net income	-	-
Foreign exchange forward contracts		
Gains/(losses) recognised in equity	(31.8)	(8.9)
Gains/(losses) removed from equity and recognised in net income	21.1	3.8
Currency option contracts		
Gains/(losses) recognised in equity	(3.0)	(0.3)
Gains/(losses) removed from equity and recognised in net income	1.9	-

Notes to the financial statements continued

For the year ended 30 September 2008

23. Financial instruments (continued)

The forecasted transactions designated as the hedged items for the above foreign exchange forward contracts and currency options are expected to occur and be reported within net income within three years from the balance sheet date.

	2008 € million	2007 € million
Less than one year	(13.8)	(4.0)
One to three years	(2.2)	(1.1)
Three years or later	-	-

In 2008 there were no reclassifications into earnings as a result of cash flow hedge accounting being discontinued on the grounds that it had become unlikely that the hedged forecasted transaction would occur.

At the end of 2007 after reviewing forecast transactional cover available for cash flow hedge designation a number of net income currency hedges were de-designated. In 2007 these de-designated hedges were marked to market through the income statement generating a loss of €1.9 million.

Reported gains and losses on revaluation of available-for-sale financial assets were as follows:

	2008 € million	2007 € million
Impairment losses reported in profit or loss	-	-
Unrealised holding gains/(losses) reported in shareholders' equity	125.1	0.3
Unrealised holding gains/(losses) removed from equity and classified in net income	231.6	-

Quoted equity securities are valued at quoted closing prices. Fair value of unquoted equity securities is not material.

Capital management

The Group is not subject to any external capital requirements and nor was it in the prior year. Visa Europe uses Basel II principles to measure and monitor the requirement for capital (equity and borrowings) within the business and measures the available capital against this.

The purpose of maintaining the capital per Basel II principles is to provide cover against risks in the business, the principal ones being settlement risk arising from member default and operational malfunction. Capital reserves should therefore be liquid and held in low risk assets so that they can be accessed quickly in an emergency and with certainty of value.

24. 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 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 1 October 2007	415	3,397	6,866	10,678
Charge/(credit) to income	(902)	(952)	(2,926)	(4,780)
Charge/(credit) to equity	-	1,414	4,085	5,499
Prior year adjustment	(24)	38	47	61
Exchange differences	-	(975)	-	(975)
At 30 September 2008	(511)	2,922	8,072	10,483

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:

	2008 €'000	2007 €'000
Deferred tax liabilities	(4,119)	(704)
Deferred tax assets	14,602	11,382
	10,483	10,678

Notes to the financial statements continued

For the year ended 30 September 2008

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

25. Obligations under finance leases

	2008 €'000	2007 €'000
Lease obligation:		
Less than one year	278	496
Greater than one year	359	749
	637	1,245

The minimum lease payments under the terms of the lease are as follows:

	Minimum lease payments		Present value of lease payments	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Amounts payable under finance leases:				
Within one year	294	528	278	496
In the second to fifth years	377	789	359	749
	671	1,317	637	1,245
Less: future finance charges	(34)	(72)	n/a	n/a
Present value of lease obligations	637	1,245		
Less: amount due for settlement within 12 months (shown under current liabilities)			(278)	(496)
Amount due for settlement after 12 months			359	749

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is five years (2007: four years). For the year ended 30 September 2008, the average effective borrowing rate was nine per cent (2007: seven 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.

26. Other financial liabilities

Trade and other payables

	Group		Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Trade payables	22,883	21,206	-	-
Amounts owed to related parties	-	12,285	-	-
Social security and other taxes	11,368	17,259	12,847	12,628
Accruals and deferred income	223,804	155,176	105,888	71,336
	258,055	205,926	118,735	83,964

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.

Notes to the financial statements continued

For the year ended 30 September 2008

27. Provisions

	Total 2008 €'000	Asset retirement obligation 2008 €'000	Other 2008 €'000	Total 2007 €'000	Asset retirement Obligation 2007 €'000	Other 2007 €'000
At 1 October	4,387	4,387	-	4,100	4,100	-
Additional provision in the year	3,500	-	3,500	144	144	-
Unwinding of discount	517	517	-	266	266	-
Exchange difference	(572)	(572)	-	(123)	(123)	-
At 30 September	7,832	4,332	3,500	4,387	4,387	-

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.

28. Share capital

	2008		2007	
	Number	€	Number	€
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	4,603	1,151	4,533	1,133
Issue of shares	26	11	87	22
Redemption of shares	(43)	(7)	(17)	(4)
At 30 September	4,587	1,165	4,604	1,161

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 (2007: €45,000).

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 29.

Notes to the financial statements continued

For the year ended 30 September 2008

29. Capital and reserves

Group

	Share capital €'000	Capital redemption reserve €'000	Attributable to the equity holders of the parent Capital contribution reserve €'000	Merger reserve €'000	Available for sale reserve €'000	Cash flow hedging reserve €'000	Retained earnings €'000
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
At 1 October 2007	-	-	1	2,000	296	(3,342)	229,039
Total recognised income and expense	-	-	-	-	110,428	(7,596)	2,413,907
At 30 September 2008	-	-	1	2,000	110,724	(10,938)	2,642,946

Company

	Share capital €'000	Capital redemption reserve €'000	Attributable to the equity holders of the parent Capital contribution reserve €'000	Merger reserve €'000	Revaluation reserve €'000	Cash flow hedging reserve €'000	Retained earnings €'000
At 1 October 2006	-	-	1	-	-	-	-
Total recognised income and expense	-	-	-	-	-	-	-
At 30 September 2007	-	-	1	-	-	-	-
At 1 October 2007	-	-	1	-	-	-	-
Total recognised income and expense	-	-	-	-	745,082	-	1,898,350
At 30 September 2008	-	-	1	-	745,082	-	1,898,350

The Company's profit on ordinary activities before taxation was €1,898,350,000 (2007: €nil)

Available for sale reserve

The available for sale reserve comprises the cumulative net change in the fair value of assets classified as available for sale.

Cash flow hedging reserve

The hedging reserve relates to the effective proportion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

30. Notes to the cash flow statement

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.

31. 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.

As the collateral does not meet the definition of an asset of the Group, no amounts are included on the balance sheet.

Member losses and financial safeguards

Visa Europe had the following financial safeguards to mitigate member losses as at 30 September 2007 and 2008:

	2008 € million	2007 € million
Cash	108	72
Letters of credit	94	68
Guarantees	347	166
Total	549	306

The above financial safeguards are held to mitigate risk arising from the Visa Europe member settlement process.

Notes to the financial statements continued

For the year ended 30 September 2008

32. Operating lease arrangements

The Group as lessee

	2008 €'000	2007 €'000
Minimum lease payments under operating leases recognised in income for the year	13,649	12,758

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:

	2008 €'000	2007 €'000
Within one year	11,533	13,160
In the second to fifth years inclusive	44,637	52,037
After five years	139,369	163,769
	195,539	228,966

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of ten years and rentals are fixed for an average of five years.

The Group as lessor

Property rental income earned during the year was €2,917,000 (2007: €2,560,000). At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 €'000	2007 €'000
Within one year	739	2,418
In the second to fifth years inclusive	6,835	8,264
After five years	5,905	1,244
	13,479	11,926

33. 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 €4,869,000 (2007: €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 2008 was €4,406,000 (2007: €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 2008 was €32,118,000 (2007: €20,333,000, 2006: €3,566,000).

On 1 October 2007 the assets and liabilities of the Visa Europe section of the VPP was transferred to a new Visa Europe Pension Plan. This new plan is managed by the same trustees as the Visa Europe section of the VPP, and was created to keep the assets and liabilities of the Visa International section of the VPP separate from the assets and liabilities of the Visa Europe members of the VPP on the reorganisation of Visa International on 3 October 2007. The Group's statement of recognised income and expense was unaffected by the transfer of assets and liabilities to the Visa Europe Pension Plan.

Notes to the financial statements continued

For the year ended 30 September 2008

	2008 %	Valuation at 2007 %	2006 %
Key assumptions used:			
Discount rate applied to scheme liabilities	7.00	6.00	5.00
Expected return on scheme assets	8.13	7.00	6.51
Expected rate of salary increases	4.80	4.50	4.25
Future pension increases	3.35	3.10	3.00
Inflation	3.55	3.25	3.00
	Years	Years	Years
Life expectancy for a male aged 65	23.3	21.9	19.8
Life expectancy for a male aged 45 from the age of 65	24.5	23.0	19.8
Life expectancy for a female aged 65	25.7	24.8	22.8
Life expectancy for a female aged 45 from the age of 65	26.7	25.8	22.8

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2008 €'000 Total	2008 €'000 EVP	2008 €'000 VPP	2007 €'000 Total	2007 €'000 EVP	2007 €'000 VPP	2006 €'000 Total	2006 €'000 EVP	2006 €'000 VPP
Current service cost	7,156	268	6,888	9,434	686	8,748	8,879	562	8,317
Interest cost	7,701	311	7,390	7,918	328	7,590	6,714	247	6,467
Expected return on scheme assets	(8,972)	-	(8,972)	(8,563)	-	(8,563)	(6,972)	-	(6,972)
Past service cost	110	-	110	10	-	10	717	717	-
	5,995	579	5,416	8,799	1,014	7,785	9,338	1,526	7,812

Of the charge for the year, €7,266,000 (2007: €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 €16,365,000 (2007: €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:

	2008 €'000 Total	2008 €'000 EVP	2008 €'000 VPP	2007 €'000 Total	2007 €'000 EVP	2007 €'000 VPP	2006 €'000 Total	2006 €'000 EVP	2006 €'000 VPP
Present value of defined benefit obligations	(115,234)	(4,406)	(110,828)	(135,983)	(5,376)	(130,607)	(149,828)	(5,822)	(144,006)
Fair value of scheme assets	110,924	-	110,924	140,008	-	140,008	126,934	-	126,934
Surplus/(deficit) in scheme	(4,310)	(4,406)	96	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	(4,310)	(4,406)	96	4,025	(5,376)	9,401	(22,894)	(5,822)	(17,072)

Movements in the present value of defined benefit obligations were as follows:

	2008 €'000 Total	2008 €'000 EVP	2008 €'000 VPP	2007 €'000 Total	2007 €'000 EVP	2007 €'000 VPP	2006 €'000 Total	2006 €'000 EVP	2006 €'000 VPP
At 1 October	(135,983)	(5,376)	(130,607)	(149,828)	(5,822)	(144,006)	(125,241)	(4,150)	(121,091)
Current service cost	(7,156)	(268)	(6,888)	(9,434)	(686)	(8,748)	(8,879)	(562)	(8,317)
Interest cost	(7,701)	(311)	(7,390)	(7,918)	(328)	(7,590)	(6,714)	(247)	(6,467)
Contributions from scheme members	-	-	-	-	-	-	-	-	-
Actuarial gains and losses	16,888	832	16,056	23,866	1,187	22,679	(8,988)	(191)	(8,797)
Exchange difference	17,538	643	16,895	4,777	192	4,585	(133)	(32)	(101)
Benefits paid	1,290	74	1,216	2,564	81	2,483	844	77	767
Past service cost	(110)	-	(110)	(10)	-	(10)	(717)	(717)	-
At 30 September	(115,234)	(4,406)	(110,828)	(135,983)	(5,376)	(130,607)	(149,828)	(5,822)	(144,006)

Notes to the financial statements continued

For the year ended 30 September 2008

33. Retirement benefit schemes (continued)

Movements in the fair value of scheme assets were as follows:

	2008 €'000 Total	2008 €'000 EVP	2008 €'000 VPP	2007 €'000 Total	2007 €'000 EVP	2007 €'000 VPP	2006 €'000 Total	2006 €'000 EVP	2006 €'000 VPP
At 1 October	140,008	-	140,008	126,934	-	126,934	102,839	-	102,839
Expected return on scheme assets	8,972	-	8,972	8,563	-	8,563	6,972	-	6,972
Actuarial gains and losses	(25,107)	-	(25,107)	33	-	33	5,422	-	5,422
Exchange difference	(18,022)	-	(18,022)	(4,218)	-	(4,218)	706	-	706
Contributions from the sponsoring company	6,363	74	6,289	11,260	81	11,179	11,839	77	11,762
Contributions from scheme members	-	-	-	-	-	-	-	-	-
Benefits paid	(1,290)	(74)	(1,216)	(2,564)	(81)	(2,483)	(844)	(77)	(767)
At 30 September	110,924	-	110,924	140,008	-	140,008	126,934	-	126,934

Experience items on liabilities and assets were as follows:

	2008 €'000 Total	2008 €'000 EVP	2008 €'000 VPP	2007 €'000 Total	2007 €'000 EVP	2007 €'000 VPP	2006 €'000 Total	2006 €'000 EVP	2006 €'000 VPP
Experience gains/(losses) on assets	(25,107)	-	(25,107)	33	-	33	5,422	-	5,422
Experience gains/(losses) on liabilities	16,888	832	16,056	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:

	2008 %	Expected rate of return 2007 %	2006 %	2008 €'000	Fair value of assets 2007 €'000	2006 €'000
Equity instrument	9.79	7.83	7.74	46,032	84,488	68,233
Index linked gilts	4.68	4.96	4.44	24,482	24,963	20,343
Debt instruments	7.00	6.00	5.00	23,720	23,070	20,104
Property	9.79	7.83	7.74	4,545	6,768	6,796
Other assets	5.00	5.75	4.75	12,145	719	11,458
				110,924	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 UK Gilts 15 year index. For corporate bonds the Merrill Lynch Corporate AA rated bond spot yield curve.

Property: As equity instruments (see above).

Notes to the financial statements continued

For the year ended 30 September 2008

34. Events after the balance sheet date

Distribution

On 10 October 2008 the Group's Series II shares and 57 per cent of its Series III shares in Visa Inc. were redeemed for a total of \$2.7 billion cash.

On 17 October 2008 the remaining 43 per cent of the Series III shares (value of €0.7 billion) and €1.6 billion in cash were distributed by Visa Europe Limited (the Company) to its members in accordance with their respective entitlements to dividends and other distributions from the Company, in accordance with the applicable constituent documents of Visa Europe. The distribution was approved by the board of directors on 17 October 2008 and made out of the Company's distributable reserves at that date.

The Group continues to hold its Class C, Series IV shares, now reclassified as Class C, Series I shares, in Visa Inc., valued at €15.2 million at the balance sheet date.

Glossary of terms

At Visa Europe we work in a complex industry with its own particular terminology and a bewildering array of 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 Europe member bank 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 Europe member bank 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 help develop our products and procedures Visa Europe operates a thorough consultative process, involving several advisory groups. An adviser is a representative of a member bank who serves on one of these advisory groups.

ATM An automated teller machine, more commonly known as a cash machine, which enables cardholders to withdraw cash from their bank or card account.

Basel II Basel II is an international business standard that requires financial institutions to maintain enough capital reserves to cover any risks incurred by their operations. The Basel accords are a series of recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision.

Cardholder We use this term to refer to any of the customers of our member banks 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.

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.

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.

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.

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.

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 inter-governmental and supra-national 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 represent several individual banks within Visa Europe. In Spain for example, ServiRed S.A., Sistema 4B and ViaCajas S.A. represent the interests of all the Spanish banks, adapt Visa products to the Spanish market and manage the gateway to the Visa Europe processing systems.

Integrated card verification value This is a new anti-counterfeit tool for chip cards. If compromised data from a chip card is used to create a counterfeit card, it can automatically detect and block any transactions. From the start of 2008, Visa Europe mandated its use in any newly issued EMV chip cards.

Inter-bank routing and switching A term used in connection with the processing of card transactions. Using the information from a card account number, processing systems such as Visa Europe will automatically send authorisation requests and clearing and settlement messages to the cardholder's issuing bank.

Interchange A fee which may be paid between two banks each time a card is used. It is a "cost sharing" mechanism and 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.

Intra-regional We use this term to refer to a Visa transaction or any other process that takes place within Visa Inc. or Visa Europe.

Issuer Also referred to as an issuing bank, this is a Visa Europe member bank 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 Europe member bank 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 Europe.

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.

Merchant Service Charge 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.

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 Consumer Expenditure, the total market value of all goods and services purchased by households and non-profit institutions, excluding house purchases.

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.

Glossary of terms continued

Processor We use this term to refer to any organisation which provides payment card transaction processing services to our member banks – this could include transaction routing services, authorisation management services and clearing and settlement services.

Retailer We use this term to refer to merchants or service providers that accept Visa payments – and, along with the acquirer, the issuer and the cardholder, constitutes one of the parties in a four party payment system.

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 European Central Bank to refer to its policy and goal of 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 Inc., 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 member banks. 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 member banks.

Visa Inc. Visa Inc. is a private stock corporation incorporated in the United States 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). Visa Inc. floated on the New York Stock Exchange in March 2008. Visa Europe remains a separate member-owned association in Europe.

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).

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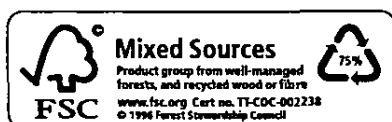
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