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VISA

Visa Europe Annual Report 2009

Your value your Visa

Contents

Visa Europe is a payments company

We are *the* European payment system wholly owned, controlled and operated by our 4,147 members – the banks and payment providers located in 36 countries across Europe These members provide Visa-branded payment solutions to their customers

By using Visa, consumers can benefit from a convenient, secure, globally accepted means of payment By accepting Visa, retailers can benefit from improved customer service, greater efficiencies, added security and higher revenues In order to succeed, each participant in every transaction must get more value from Visa than they would from any other payment method

Key facts and results

Point of sale transactions
17bn

Point of sale spending reaches
€856bn

Transactions processed by Visa Europe
+10%

European countries
36

Total number of cards issued
380million

Number of members
4,147

Point of sale spending up
3.7%

Point of sale transactions up
8.2 %

About our business

We are the exclusive European licensee of the Visa brand, products and technology We partner Visa Inc to enable global Visa payments to take place Yet we exist and we operate as an entirely separate European organisation

Services

We sell a range of services to our members, including

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

The member benefits

Through these services, our members benefit from

- Increased revenues
- Reduced costs
- Better consumer and market insights
- Improved customer acquisition and retention
- Reduced fraud costs and losses
- Compelling marketing and promotional opportunities
- Expert reputation and advocacy advice and guidance

The consumer benefits

By using Visa, consumers benefit from

- Flexibility and convenience
- Simplicity and spontaneity
- Protection from theft, loss and fraud
- The ability to make purchases or withdraw cash at home or internationally
- The freedom to buy in person, over the phone, through the post or on the internet

The retailer benefits

By accepting Visa, retailers can benefit from

- Rapid settlement and guaranteed payment
- Reduced costs relating to cash handling, fraud prevention, fraud losses and robbery, as well as reduced opportunities for staff errors or pilferage
- Quicker transaction times, enabling a more efficient throughput of transactions
- The ability to provide cash withdrawal services (cash back) to customers, further reducing the costs and risks of cash handling
- Avoiding the costs and risks of providing credit to their customers
- The ability to trade across multiple channels (such as the internet and mail order), and to introduce pre-booking services
- More efficient accounting and book-keeping (particularly for smaller businesses)

The economy benefits

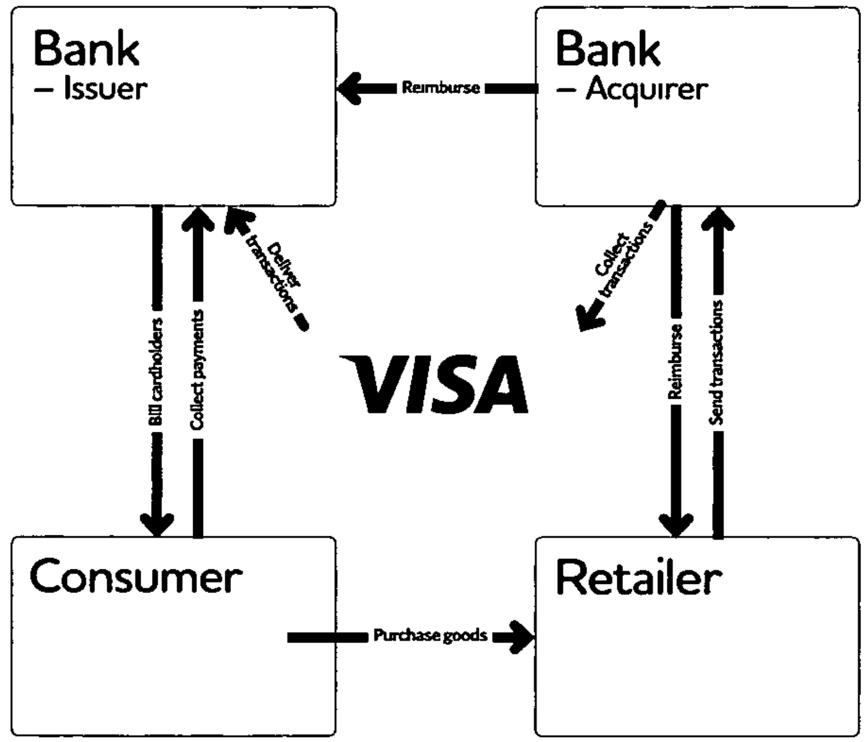
Our payment solutions also bring real benefits to the wider European economy

- Avoiding the inherent inefficiency and insecurity of cash payments
- Removing barriers to trade
- Reducing the shadow economies
- Reducing financial exclusion
- Aiding European integration
- Enabling prompt, guaranteed payment to take place

The four party model

Any cardholder can use Visa to pay at more than 29 million retailers worldwide Those retailers can use Visa to accept payments from more than two billion cardholders worldwide

What makes this possible is the Visa four party model Visa enables cardholders, issuers, acquirers and participating retailers to do business with each other Visa is the 'glue' that binds the whole system together



At Visa Europe we provide.

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

The Visa processing systems – providing the global connectivity and capability to route, switch, authorise, clear and settle transactions between any participating payment provider and, ultimately, any participating retailer worldwide

The 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

What makes us different

Visa Europe benefits from a whole range of attributes and assets which can be regarded as truly unique

Our brand
Visa is, unquestionably, the world's leading payments brand Consumers and retailers like Visa, they trust Visa and they understand Visa Our 'Life flows better with Visa' brand campaign shows how Visa can make life easier - for consumers, for businesses, for public sector organisations, and for our members

Our products and services
As a distinctly European company, our products, services and innovations respond to the particular needs of European payment providers, retailers and consumers For example, V PAY is our chip-only debit card designed specifically for Europe

Our system of governance
We are the payment industry's only pan-European membership association Visa Europe is owned and controlled by European payment providers 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 have no other agenda, nor do we seek to make a profit - only to ensure that we are adequately capitalised as a business

Our processing services
We have 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 people
We are passionate about payments We know about the tools and the innovations that will improve our members' business performance, and we are always eager to share our expertise We therefore attract and nurture a wide range of skills - including banking, technology, marketing, consulting, risk management, retailing, research, business analysis and legal

Visa Europe member countries

Turkey - increase in total card spending at point of sale

+22.1%

Bulgaria - increase in total card transactions at point of sale

+64.8%

Malta - increase in total card spending at point of sale

+35.1%

Latvia - increase in credit card transactions at point of sale

+56.7%

France - increase in credit card transactions at point of sale

+19.7%

Portugal - increase in credit card transactions at point of sale

+17.1%

UK - increase in debit card transactions at point of sale

+13.4%

Czech Republic - increase in total card spending at point of sale

+16.5%

Poland - increase in debit card spending at point of sale

+21.7%

Sweden - increase in total card transactions

+12.0%

Denmark - increase in debit card transactions at point of sale

+10.2%

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

Your Visa, your European payments partner

During 2009, we met or exceeded many of our targets, and achieved positive growth across most of our key business indicators To support our members, we have been delivering practical, hands-on advice and assistance To prepare them for the upturn, we have also continued with our programme of investment and innovation

It is with a real sense of pride that we have compiled this year's annual report

Despite the severity of the global recession, the consequent slowdown in European consumer spending, and the acute challenges faced by so many of our members, Visa Europe has delivered positive growth and exceeded most of our financial targets

Owing to these unprecedented circumstances we have also been paying particular attention to evolving member and country risks to ensure that all settlement obligations are adequately covered To do so, we have strengthened our risk monitoring processes and, where necessary, we have taken additional financial safeguards from the membership

The fact that we have achieved so much in the toughest of circumstances reflects the sheer strength of the core Visa proposition - of quick, convenient cashless payment - and the value we bring to consumers, to retailers and to our members

So, irrespective of what happens in the wider economy, Visa Europe's payment solutions continue to capture an ever-increasing proportion of everyday spending

As you will see from this report, we have met or exceeded many of our scorecard targets and delivered positive growth across all of our key business indicators

Of course we have flexed our approach and re-thought our priorities Although the core business strategy remains strong and relevant, our attention has shifted to the most immediate and pragmatic things we can do to support our members in this environment - while also preparing them for the upturn

Your Visa, your strategy for success

In many respects, the severity of the downturn has provided a stress test for our business strategy The fact that we have been able to focus on the delivery of value to our membership and to support their business growth indicates the strength of the Visa Europe proposition

Visa Europe's business is payments

We assist our membership in replacing other, less efficient forms of payment - primarily cash and cheques By doing so, we increase the efficiency of their respective payment operations We also add value to a wide range of retail banking products, such as current accounts, savings accounts and lending products

In particular, cashless payments represent a stable, low-risk and relatively predictable source of revenues with significant opportunity for growth Consider, for example that cash still accounts for some 80 per cent of European transactions and, according to analysis from McKinsey and Company, accounts for 18 per cent of the combined operational cost base of the European retail banking industry[1]

Against this background our strategy comprises three business areas directed towards a common goal the delivery of innovative, value-creating payment solutions

The three facets of our business strategy are

- **Payment solutions** - delivering payment solutions that grow the market for electronic payments and help our members to cement their customer relationships, improve their efficiencies and maximise their revenues
- **Processing solutions** - providing a market-leading, high capability, low-cost, highly resilient inter-bank processing service which can underpin and support our payment solutions
- **Stakeholder solutions** - operating a European payment system, and being solely focused on the future development and success of European payments

Your Visa, your team of payment professionals

One way we have been supporting our members is by providing direct access to our subject matter experts For example, we have created a new Centre of Excellence in Acquiring and Acceptance - which works in partnership with our acquiring members to fill acceptance gaps and develop new value propositions for retailers

We have also continued to strengthen our Relationship Management, Sales and Commercial Development teams by moving more of our people into member-facing roles In fact the number of member-facing employees is up by 45 per cent on where we were two years ago This has enabled us to gain a much clearer understanding of member needs and priorities - and to act upon them

[1]McKinsey & Company Reducing the Cost of Cash 2007

Your Visa, your business performance

By working closely in partnership with our members, we can help them to enhance their business performance

One area where we have really made a difference is our Visa Consulting service Established a little over two years ago, this is now fundamental to the Visa Europe proposition Our team has guided business strategies, enhanced card programmes, boosted profitability and helped control losses Approval ratings have consistently exceeded 85 per cent and a full 100 per cent of Consulting clients say they would like to work with us again

Another way we can improve members' operational performance is through our inter-bank processing services With the phased implementation of our new clearing and settlement service, we have delivered on the objective of creating an all new, SEPA-compliant, pan-European payment processing platform It is no exaggeration to say that this represents a unique strategic asset, not just for Visa Europe itself, but for the wider European payment market

With the core platforms in place, we are investing in a whole range of value-added services - and our processing capabilities are a central theme of this year's report

Your Visa, your payments brand

During these tough times, the Visa brand has enabled members to retain trust in their payment operations and to drive higher payment volumes - and we continued to support our brand through advertising, promotions and sponsorship activity

As a consequence, we extended our lead over MasterCard on all key metrics (such as the more trusted brand, the more familiar brand, and the most relevant to consumers' lifestyles) and, for the ninth year running, we were voted by Reader's Digest as Europe's most trusted card brand

New processing transactions committed

1.943bn

V PAY cards due to be issued by end of December 2009

7.5m

Your Visa, your money

As a membership association, our business model is a key differentiator for Visa Europe On the one hand, our members demand value for money and expect a low-cost operating model On the other, we are expected to invest for the future - in our brand, our innovations and our technical infrastructure

In order to deliver both of these dimensions, we must be extremely disciplined in the way that we manage our finances In particular, we manage the business on 'positive jaws', by ensuring that any growth in our costs is at least two per cent less than our growth in revenues So, if our revenues slow, we cut our costs accordingly

Again, we do not seek to make a profit Instead, we pass our scale economies directly back to our members - while ensuring we have the right capital to support the future growth of the business

Your Visa, your innovations

Despite the downturn, we have continued to focus on big, market-moving initiatives and innovations

A good example is V PAY, our European debit solution This calendar year, some 7 5 million V PAY cards were due to be issued and, across Europe, we have written commitments for more than 50 million cards - representing almost a third of the available market

Another example is Visa payWave, our contactless payment solution, which offers such great potential for our members to displace low-value cash transactions During 2009, some of Europe's biggest retail brands committed to contactless Similarly, some of our biggest members are developing their future payment card strategies around Visa payWave By the end of 2009, more than 6 5 million contactless Visa cards are due to have been issued in Europe

Other innovations include Visa SimplyOne our multi-function solution, which incorporates two Visa payment applications on a single card, and is now being piloted by two leading members Also, Visa CodeSure, a standard Visa card that contains a three-year battery, display and keypad that generates secure, one-time codes for card not present payments is coming to the end of its pilot phase and will be ready for launch from early 2010

Your Visa, your business agenda

If anything, the downturn has brought more focus to the subject of payment system governance - another area in which Visa Europe benefits from clear differentiation

During 2009 several developments enabled us to demonstrate the advantages of Visa Europe's collective and inclusive constitution For example, through our bi-annual board election process, we emphasised the fact that our directors are democratically elected representatives of the membership We also held a major member meeting, 'Insights 09' in Berlin, attended by more than 400 senior level decision-makers We refined our advisory groups and processes with the creation of seven new Business Forums aligned to and managed by our Centres of Excellence Meanwhile, several local market initiatives were a direct result of decisions made by our local governance bodies

Your Visa, your global solutions

Although we are a distinctly European entity, we do work very closely with our counterparts in Visa Inc in order to guarantee global acceptance, interoperability and service quality

For banks that operate outside of Europe, we have put into place a clearly understood set of procedures to enable us to deliver a consistent global service During 2009, for example, the two organisations have allocated dedicated teams to service a series of global signature clients (the majority of which are actually based here in Europe)

"uncertainty over the future of interchange has a truly stifling effect on the development of Europe's payment systems"

In fact, with our new structure, I would say that the strength of global cooperation is actually stronger than it was in the days when the Visa organisation operated as a relatively loose affiliation of world regions This level of teamwork is clearly demonstrated by the number of global Visa partnership agreements that have been concluded over the past 18 months

Your Visa, your trusted representative

It has become almost a tradition that, in every Visa Europe Annual Report, a part of the CEO's foreword is devoted to the subject of interchange (the fee that is paid between two payment providers when a card transaction takes place) Unfortunately, this year is no exception

The fact is, uncertainty over the future of interchange is having a stifling effect on the development of Europe's payment systems Without knowing how much they can expect to earn from their products and services, payment providers are understandably reluctant to invest and innovate

During the course of the year it has become apparent that the European Commission wishes to establish a completely new model for setting interchange - based on the so-called 'merchant indifference test' While we think that the merchant indifference approach raises a number of issues that need to be addressed, in a spirit of cooperation we have sought to apply it in setting Visa Europe's cross-border EU interchange

On this basis, we have already been able to achieve a substantial degree of convergence between the Commission's approach and our own approach to interchange for immediate debit cards

For the moment, the only real issue remains for consumer credit and deferred debit cards

The root of this issue relates to the costs of accepting a credit or deferred debit card payment, and the suggestion that cash should be used as the basis for comparison in measuring costs in relation to these types of transactions Our own position is that the two methods of payment are entirely different - because a cardholder often doesn't have access to the amount of cash that is needed to complete such a transaction and will need to access some form of credit in order to do so for which, of course, there is an additional cost

We would like to achieve a consistent approach or methodology for interchange across Europe, but any agreement with the Commission must be on realistic terms We know that if there was a substantial decrease in the interchange fees the European retailers (who already pay one of the lowest contributions to the cost of a payments system globally) would benefit still further at the expense of the European consumers

Finally, I should emphasise that our successes 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 members, the retailers that accept Visa - and of course, the hundreds of millions of European consumers who use Visa Together we have created a system which enables commerce and delivers unequalled levels of convenience, security and efficiency to all

Peter Ayliffe

Peter Ayliffe
President and CEO, Visa Europe

Our performance and value

On behalf of the board of directors, our chairman provides his own perspective on the state of the European payments market, the response from Visa Europe and the value being delivered to the membership

By any measure, 2009 has been a remarkable year for the Visa Europe membership

- On the one hand, the economic situation has focused banks' attention on their payment operations - in terms of the costs they consume, the revenues they generate, and also the role they can play in cementing customer relationships and attracting much needed liquidity
- On the other hand, ongoing regulatory developments (such as the creation of SEPA and the implementation of the Payment Services Directive) open the door to increased competition and place additional requirements on payment institutions

Against this background, the Visa Europe board of directors has been placing new demands and higher expectations on the company's management

We have been seeking practical, immediate solutions, we have been asking for collective investments and innovations, and we have been ensuring that Visa Europe represents the interests of the membership with the regulators

We have also insisted that the Visa Europe management pays particular attention to evolving member and country risks to ensure that settlement obligations of individual institutions can always be covered In doing so, the risk team has been working very closely with the audit, risk and finance committee and the wider membership I would like to thank everyone involved for their support in these exceptional circumstances

"business performance has been encouraging in the challenging business environment"

Overall, the business performance has been encouraging and demonstrates the extent to which Visa Europe has responded to the challenging business environment Positive growth has been achieved in many areas, the majority of the scorecard targets have been surpassed, and the level of member satisfaction remains at a record high The board therefore paid tribute to the management and congratulated the entire Visa Europe team on the level of progress that has been made

“the company will continue to benefit from a highly engaged board of directors”

Looking ahead, you can be sure that the board will continue to both support and challenge the company, acting as constructive critics and ensuring that the interests of the European payments market and the membership are always a primary concern In particular, we will look to leverage investments in the new European processing platforms We will pay close consideration to risk management We will also assess how the business strategy should evolve in response to the changing market circumstances

Having completed our regular bi-annual board elections, we were sorry to see a number of directors retire (Richard Banks, Francisco Castells Delgado, Spyros Filaretos, Friedrich Kadrnoska, Godelieve Mostrey, Johannes van der Velde and Colin Walsh) However, we were delighted to welcome several new faces (Javier Celaya, Kjell Hedman, Antony Jenkins, Antonio Ramalho, Jose San Juan, Wojciech Papierak and Alessandro Seralvo), and to welcome back Gary Hoffman I feel that the company will continue to benefit from a highly engaged board of directors

Jan Lidén
Chairman, Visa Europe Board of Directors

Your Visa, your positive performance

Our strategic aim is to work in partnership with our members and also with other stakeholders in order to deliver innovative, value-creating payment solutions In this section of the report, we provide an update on our key performance indicators, along with a division-by-division overview of our achievements

Our business performance – five year highlights

Year ending June

	2005	2006	2007	2008	2009
Number of cards (000s)	291,844	319,965	343,070	360,988	**380,219**
Number of transactions (000s)	15,507,630	17,414,162	18,971,229	20,705,546	**21,877,503**
Gross cardholder expenditure volume (€'000s)	956,512,310	1,077,728,967	1,186,154,172	1,299,425,273	**1,342,470,478**
Point of sale cardholder expenditure volume (€'000s)	597,667,642	671,051,669	747,995,295	825,566,057	**856,469,838**
Average spend per card (€)	3,421	3,508	3,562	3,697	**3,630**
Average transaction value (€)	61 7	61 9	62 5	62 8	**61 4**
Average transactions per card	55 5	56 7	57 0	58 9	**59 2**
Number of point of sale transactions (000s)	11,346,375	12,785,961	14,150,819	15,727,204	**17,012,688**
Average transaction value at point of sale (€)	52 7	52 5	52 9	52 5	**50 3**
Average point of sale spend per card (€)	2,219	2,269	2,332	2,435	**2,397**
Average number of point of sale transactions per card	42 1	43 2	44 1	46 4	**47 6**

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

During 2009, our performance was of course impacted by the economic environment, and also by the challenging circumstances faced by so many of our members Even so we were able to deliver positive growth against almost all of our key business indicators

Overall, Visa card numbers were up by more than five per cent to exceed 380 million, and point of sale spending was up by almost four per cent to €856 billion

Importantly, the number of point of sale transactions grew by more than eight per cent, suggesting that consumers are using their Visa cards for an ever increasing proportion of their everyday spending – and, consequently, the average value of these point of sale transactions fell by four per cent to €50 30

This trend towards everyday spending is particularly evident in our debit business, which now accounts for almost two thirds (64 per cent) of all European Visa cards, and three quarters (75 per cent) of our total sales volume Here, the number of point of sale transactions increased by ten per cent, with the value of point of sale spending increasing by more than six per cent to reach €596 billion

By contrast, our credit card business was more exposed to the economic downturn and, consequently, the figures remained relatively constant compared to 2008 For example, many issuers have been tightening their risk controls, and consumers have been less inclined to make use of credit facilities Overall, card numbers fell very slightly (by less than 0 5 per cent), with the number of point of sale transactions up by a little less than two per cent However, card numbers did achieve high double digit growth in several countries (such as Finland, Lithuania, Poland and Romania), as did the number of point of sale transactions (in Bulgaria, Finland, France, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Sweden and Turkey)

We also saw some very strong gains in our commercial card business Overall, the number of cards grew by more than nine per cent to exceed 11 million In the UK, for example, card numbers were up by more than 11 per cent, and in several other countries (Finland, Malta, Switzerland and Turkey) growth was well over 20 per cent Given that a large proportion of commercial card use is in the travel and entertainment sector, overall spending volumes remained constant but, even so, the business is very well positioned for the economic recovery

Total cardholder expenditure

€1.342 trillion

Another highlight was the continued success of V PAY, our chip-only debit solution designed specifically for Europe With 120 banks committed to 50 million cards, the emphasis is now on mass issuance, and more than 7 5 million cards were due to be issued by the end of 2009

Meanwhile, our processing business also continued to perform very strongly As a consequence of both new card portfolio wins and new processing agreements (whereby members are migrating their business from an incumbent processor), the scale of our new processing business commitments grew by an incremental 1 943 billion transactions With our new clearing and settlement service now in place, and a wider range of value-added processing services in development, we anticipate further gains in the future

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

Scorecard results

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 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 modifications made at the start of each financial year in order to reflect the changing market circumstances (hence, the minor differences in this section of our Annual Report compared to previous years)

In addition to a range of 'lagging' indicators (which reveal the performance of our existing business), the scorecard incorporates several 'leading' indicators (on 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 2009

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 technological infrastructure

Total revenues (€m)	The sum of all fees we have earned from our members As the scale and scope of the Visa Europe business grows, we expect to see an incremental increase in our revenues	The actual performance is a little below our business target, which reflects the economic slowdown and, in particular, the impact on international transactions
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 We ensure that any increase in expenses is two per cent less than any increase in revenues	The actual expenditure was managed to be below our business target – and is commensurate with the shortfall in revenues against our target The majority of this increase in expenses follows a decision by the board of directors to remove the previous requirement for market specific advertising/marketing to be jointly funded by Visa Europe and the members
Pre-tax surplus (€m)	This is the money retained within the business to support our capital and reserves	The actual performance is slightly ahead of our business target

Note We recognised a profit of €162 million (2008 €2 359 million) in the year on our investment in Visa Inc This is excluded from the pre tax surplus above The difference between total expenses above and expenses included in the operating profit listed on the income statement is mainly due to the Visa Inc transaction On 17 October 2008 a dividend equivalent to €2 296 million was declared and this 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 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 POS (€billion) and % growth at constant rates of exchange

3 7% growth

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

The rate of growth for POS spending grew more strongly than overall cardholder expenditure volume (CEV) This suggests that Visa payment products are successfully accelerating the replacement of cash and cheques Given the challenging environment, actual growth fell short of our aggressive business targets

Incremental processing transactions committed (billion)

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 significantly ahead of our business target

Performance has been largely 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 (%)

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

Each year, our business target assumes that, in any one year, systems availability will be 100 per cent and there will never be any more than the equivalent of one hour's loss of processing volumes

Once again, our processing systems put in a near-flawless performance – ahead of our business target

Commitments for V PAY cards (million)

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

The increase in commitments, (though significant) was impacted by the market environment and uncertainty over regulatory expectations for the future of debit in Europe Even so, mass V PAY issuance is well underway and, already, we have a projected market share of almost one third

Brand equity (%)

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 downturn has had a definite impact on the perception of financial services brands (and, to a lesser extent, payment brands) Under these circumstances, our performance has been satisfactory (although slightly below our target, it is not statistically significant), and our brand equity advantage over competing payment brands has seen a marked increase[1]

Robust continuous tracking research conducted by Visa Europe has shown that the latest burst of our 'flow' advertising campaign featuring 'Bill' has outperformed advertising benchmark measures across key markets Visa Europe brand equity scores in markets where the 'Bill' campaign has aired show a clear two per cent lift during the period of the campaign

[1]For the 2009 2010 financial year we will be adopting what we believe to be a more robust measurement for European brand equity This is based on a Visa Europe commissioned brand tracking study (as opposed to the study commissioned by Visa Inc) which benefits from continuous fieldwork and a larger sample size It also enables us to identify the brand attributes which have the most direct correlation to the level of point of sale spending

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

Member satisfaction rating (1-10)

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

In 2008, the level of satisfaction reached an all time high of 8 1, an achievement which we repeated in 2009 Any areas where members have raised concerns are systematically investigated and 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 fully engaged with what we, as a business, aim to achieve

Employee engagement rating (%)

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

Our extremely strong performance moves Visa Europe towards best in class (a measure based on a sample of UK-based companies across a range of industry sectors) This reflects a continued focus on employee engagement, as indicated by our Investor in People accreditation

Risk

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

Total issued fraud as a % of CEV

This figure expresses total fraud losses as a percentage of total Visa Europe volumes This is a new scorecard measure for 2009 (replacing cross-border point of sale fraud and card not present fraud as a percentage of point of sale volumes) It takes full account of ATM fraud (which has seen a marked increase in recent years) It also acknowledges the level of sophistication deployed by today's criminals, as they target acceptance environments that are not protected by chip and PIN technology (that is, card not present payments and countries that are yet to migrate to EMV chip)

As in previous downturns, we have seen a definite correlation between economic performance and fraud losses In response, a range of new anti-fraud initiatives are being progressively introduced During the second half of 2009, there was a marked improvement in performance, which is expected to continue through to 2010

Your Visa, your achievements and developments

During 2009 Visa Europe made significant progress against our strategic objectives We continued to invest in our brand, our products and our processing capabilities, and we can report on a range of significant activity

Here we provide a summary of some of the highlights

The schematic below represents the broad structure of our organisation and the relationship between the five main operating divisions

Division	Description	Services
Marketing and Product Solutions	Led by Mariano Dima, this team manages the Visa brand in Europe and pursues new innovations Through a series of Centres of Excellence, it also manages our payment products, propositions and solutions	▪ Innovation & new product development ▪ Brand management ▪ Consumer payment solutions ▪ Commercial payment solutions ▪ Acceptance development ▪ Partnership marketing ▪ Strategic insight
Relationship Management, Sales and Commercial Development	Led by Steve Perry, this team initiates, manages and extends the relationship between Visa Europe and its members It also represents the organisation through a network of 12 regional offices and includes a Visa Consulting & Analytics team	▪ Commercial development ▪ Relationship management & sales ▪ Visa Consulting & Analytics ▪ Visa Business School
Risk Management	Led by Valerie Dias, this team develops, manages and delivers programmes and strategies in order to monitor and address the risks associated with operating a payment system	▪ Member and country risk ▪ Business and operational risk ▪ Fraud management ▪ Policy compliance ▪ Information security
SEPA and V PAY	Led by Philippe Menier, this team supports members in the migration to SEPA, and helps them to appreciate and pursue related commercial opportunities	▪ V PAY marketing ▪ Processing sales ▪ Member profitability ▪ SEPA ▪ Strategy
Technology Processing Services	Led by Steve Chambers, this team designs, develops, manages and delivers the organisation's processing business - primarily the inter-bank processing systems and services, operations and IT development	▪ Customer services ▪ Processing services ▪ Technology offers ▪ Business intelligence ▪ European development ▪ European operations

Meanwhile, four other divisions provide support to the entire organisation, namely Corporate Communications, Finance, Legal and Human Resources Management

Your Visa, your marketing and product solutions

Your Visa, your consumer payment solutions
Our consumer payment solutions team is comprised of Centres of Excellence in credit, debit and prepaid - and all three of these areas made strong progress during 2009

Credit
As mentioned elsewhere in this report, credit is the area of our business which has been most noticeably affected by the current environment In general, issuers have become more stringent in their lending criteria and consumers have become more risk-averse Consequently the headline figures are relatively constant with 2008 (with a negligible drop in total card numbers and a slight increase in the number of point of sale transactions)

These figures do mask some strong gains in several countries (particularly Central and Eastern Europe and the Nordics) Equally they obscure a definite slowdown in some of the traditional credit 'heartland' countries (primarily Ireland and the UK)

Irrespective of the local country specifics, our approach has been very similar - helping our members to

- Develop distinctive new card-based lending propositions
- Improve the performance and profitability of existing programmes
- Communicate the considerable benefits of credit cards to consumers

An important new initiative during 2009 has been the continued development of Visa SimplyOne, our multi-function chip card proposition, which combines two Visa payment applications on a single card In other words, using a single card, with a single PIN, it enables consumers to choose, on a transaction-by-transaction basis, how they wish to pay for a particular purchase

Following the mass launch of combined Visa Debit and Visa Credit cards in Finland, we see Visa SimplyOne as providing a new and innovative way for Visa Debit issuers to offer a Visa Credit application to their existing current account customers This is a significant opportunity in its own right For example, recent research shows that some 80 per cent of UK cardholders and 77 per cent of Turkish cardholders have a credit card from an institution other than their primary bank

In addition, Visa SimplyOne could enable issuers to address those consumer segments that do not yet have a credit card, those who are wary of owning their first credit card, or those who simply forget to take their credit card out with them

We have researched the concept with consumers who see it as budget-friendly, contemporary, convenient and easy - helping them manage and keep track of everyday spending As well as establishing the operating principles for Visa SimplyOne, and developing the business case for issuers, we have been actively piloting the concept with two UK-based banks

Another example of Visa Europe expanding the credit product range is the development of a new charge card proposition for the UK, the principles for which were approved by the Visa UK board of directors in October 2008 This new proposition meets the needs of those consumers who value the benefits of deferred payment, but prefer to pay their balances in full each month It has a number of mandated features (including Visa payWave functionality and a Visa Europe-sourced programme of offers and discounts), and will be available for members to launch from February 2010

Debit point of sale spending

+6%

"€3.9bn Swedish market opportunity identified"

Debit
2009 represented another year of solid growth for Visa Debit

While card numbers showed modest overall growth (at a little over three per cent), point of sale transaction numbers increased by almost ten per cent, and point of sale spending rose by more than six per cent Given the economic background, this is a good indication of the sheer strength of the Visa Debit proposition

In particular, our members are attracted by the strength of the Visa brand and the universal global acceptance that our debit cards enjoy (which, of course translates into a higher proportion of international transactions) This has been a key factor in several new business wins

We have also worked on a range of 'market growth' activities, which seek to increase the level of debit card use for everyday and low-value transactions For example, we conducted in-depth analyses of the low-value payments opportunity in both Spain and Sweden The Swedish study enabled us to identify a market opportunity of some €3 9 billion in incremental point of sale spending across just three retail sectors

Our market research teams commissioned and completed our largest ever study of consumer attitudes towards payments Involving 22,000 consumers, this study yielded some 293 million data points and provided a wealth of new insights into the barriers to and triggers for everyday spending on cards

This type of analysis helps to demonstrate our understanding of local markets, and enables us to work in partnership with our members in developing and implementing effective market development activities

One particular area of focus during the year has been a series of major Visa Debit implementation projects In recent years a number of large banks, including Citibank, HSBC and RBSG, have all chosen to migrate their entire debit card portfolios from a competing debit system to Visa Europe And, in each case, a dedicated Visa Europe team is supporting them with the implementation process

Drawing together experts from across the Visa Europe organisation, these implementation teams are involved in every facet of the process - from the initial product design and customer segmentation, to the related customer communications, to the fraud risks, to the technical and processing requirements

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

By the end of the 2009 financial year, more than 610 programmes had been implemented (up from just over 300 programmes in 2008), including launches in Austria, France, Germany, Italy, the Netherlands, Poland, Portugal, Slovakia, Spain, Switzerland, Turkey and the United Kingdom

An area of particular success was co-branded Visa Prepaid cards, with 173 new programmes launched For example, several airlines (including Air France, Emirates and Iberia) introduced Visa Prepaid as an efficient new way to disburse compensation payments to their passengers Also, several football clubs (including Rapid Wien in Austria, Fenerbache in Turkey and Wolverhampton Wanderers and Leyton Orient in the United Kingdom) all launched Visa Prepaid 'stadium cards' to their supporters

In the United Kingdom a highlight was the partnership with NatWest Bank and the mobile operator O_2 Two types of Visa Prepaid card were introduced, and the functionality was closely aligned with O_2's mobile phone services (through, for example, the delivery of spending and balance updates via SMS text message)

In another 'world first', we partnered two organisations (Halk Bank in Turkey and Key Client Cards and Solutions in Italy) to launch Visa Prepaid cards featuring Visa payWave contactless payment functionality

As well as all of the new programmes and initiatives, many existing programmes continued to gain momentum For example, Poste Italiane's Postepay programme (well established as the world's largest general purpose prepaid card programme) passed a major milestone with the issuance of its five millionth Visa Prepaid card

Your Visa, your commercial payment solutions
As the economic climate has become more challenging, industry attention has shifted to those areas of the payment card business which appear to be most resilient In this regard, commercial cards have emerged as a particular opportunity

As well as delivering more convenience and better security to business and public sector users, Visa Commercial payment solutions bring definite control and cash-flow benefits - which become all the more relevant during a time of recession

Also, with added pressure on the profitability of some other payment card products, many of our members see the value of Visa Commercial solutions

In response, Visa Europe has invested heavily in 'market-making' initiatives, we have developed a whole new range of propositions, we have been working hard to extend business-to-business acceptance, we are exploring new 'procure-to-pay' solutions, and we are supplementing our existing information management options with a world class-leading new solution

Prompt payment please

The issue of late payment - and the cash-flow pressures facing smaller businesses - has been making headline news throughout the year

The European Commission, for example, has suggested that firms that are paid late should be entitled to at least five per cent compensation of the amount due Several national governments have called for the public sector to speed up its payment timescales

Interest in the subject has provided a perfect opportunity for Visa Europe to demonstrate some of the key benefits of Visa Commercial solutions Firms that are paid using Visa cards automatically receive their funds within just four days And thanks to deferred monthly settlement arrangements, organisations that pay by Visa can still retain interest bearing funds from 20 to 50 days on average

As well as relieving cash-flow pressures for individual firms, prompter payment also has the effect of injecting additional liquidity into local economies For example, we commissioned independent research to quantify the level of liquidity that could be liberated in the UK economy if more public sector payments were made using the Government Procurement Card (GPC Visa) - this showed that up to £14 3 billion in additional liquidity could be injected into the economy if central and local government and the National Health Service made full use of GPC Visa

Visa Prepaid care solution

Many public sector organisations need to disburse funds directly to citizens, such as benefit payments, tax credits, grants and emergency payments Often the recipients are vulnerable, and may not be eligible for a bank account Consequently the related processes can be inefficient and highly resource intensive By contrast, the Visa Prepaid care solution is secure, accountable, efficient and inclusive In terms of time and financial savings, a Visa Prepaid care solution is estimated to be between 20 and 46 per cent cheaper than a system based on bank account transfers

A range of information management solutions

By capturing and analysing their Visa transaction data, companies and public sector organisations are able to increase their efficiencies, ensure spending policies and controls are functioning correctly, negotiate preferential terms with regular suppliers and, ultimately, make smarter, better-informed buying decisions

"a Visa Prepaid care solution is estimated to be 20-46 per cent cheaper than a bank account transfer system"

To this end, Visa Europe provides a complete range of information management solutions

A big focus for 2009 has been the development of the Visa Intellilink Expense Management Tool, our new bespoke data management system

In addition, we partnered an independent company (PCCL) to provide a standalone service, called eSolutions that is exclusively available to Visa Europe issuers and their business customers This is very easy for both issuers and their customers to support, and has been approved by the UK Government to support its new framework contract for commercial cards

Your Visa, your acceptance and acquiring support

During 2009 we established 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, in particular

- Accelerating acceptance in less developed payment markets, or in those countries where market development has stalled
- Delivering acquirer value propositions, by supporting acquirer innovation, and ensuring that acquirers have a clear role in our consultative forums and decision-making processes
- Delivering retailer value propositions, so that strategically important retailers and retail sectors have more reasons to accept and encourage Visa payments

As an indication of the value that can be delivered, the Centre of Excellence worked with members in Poland (through the Visa Polska decision-making body) on a new initiative which is expected to lead to a threefold increase in the level of Visa acceptance in Poland

Under the guidance of Visa Polska, Visa Europe will develop an 'acceptance in a box' solution, which all Polish members will be able to offer to their customers in the retail sector Visa Europe will also facilitate direct contractual relationships between its members, the country's acquiring processors and the country's point of sale terminal providers

During 2009 the terms were agreed and the business model was developed During 2010 the initiative will be implemented And, by 2015, it is anticipated that the level of acceptance in Poland will have increased significantly

Your Visa, your payments brand

The Visa brand is a supremely powerful asset - for Visa Europe and for our members

To further increase the power of our brand, Visa Europe is actively building a more motivating and differentiated positioning through our 'flow' campaign - and has been running advertising campaigns and promotions throughout the region utilising a wide range of media channels, including TV, outdoor, print, 'path to purchase' and digital

The centre piece of the campaign during 2009 has been our 'Shopping with Bill' TV campaign We felt this to be a great embodiment of 'flow' and, in the process, we have created an iconic advertising campaign which shows how life does indeed flow better with Visa

It has received glowing reviews in the media and has also been a real talking point among online communities Consumer research suggests that it is successfully achieving real cut-through and impact compared to financial services advertising norms At a time of general market decline, the campaign has also helped to maintain the health of our brand (by contrast, our competitors have seen declines in brand preference, momentum and image)

For 2010 we intend to maintain the same level of investment, with all activity supporting two key objectives

- Building brand preference with consumers, retailers and members

- Driving the activation and use of Visa products and services in key markets, including specific initiatives in support of debit, credit and international spending

With the 2010 FIFA World Cup™ and growing interest in the build up to the London 2012 Summer Olympic and Paralympic Games, we will also be helping members to take full advantage of these partnerships and gain access to two of the world's most powerful sporting events A set of multimedia templates comprising relevant images and messages will be made available to members so that they can easily take advantage of these sporting events

Your Visa, your V PAY

We have made strong progress with V PAY, our chip-only debit solution With 7 5 million cards due to be issued by the end of December 2009 and another 12 million to follow during 2010 (with new cards arriving at the rate of around one million a month), V PAY is well established as a major force in the European payment card market

In particular, 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, with a single international partner 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 production example of a debit card product designed specifically for the new SEPA environment It also benefits from European control, with a range of regional and national governance bodies

In total, banks from across eleven countries have now committed to the issuance of more than 50 million cards - which is approaching a share of a third of the market in our target countries

So far, more than 120 banks in Bulgaria, France, Germany and Italy have commenced issuance - either supplementing their existing debit choices with a new, segmented offer, or migrating their entire debit portfolios to V PAY

Many banks are emphasising the security of V PAY as a chip-only product, telling their cardholders that, right across Europe, they are protected by the latest and most secure payments technology available And, to date, no counterfeit fraud has been reported on any V PAY card

In terms of acceptance, V PAY can now be accepted at around seven million point of sale terminals and 350,000 ATMs At the focus of current accelerated acceptance initiatives are countries such as Austria, Germany and the Netherlands, where acquirers and retailers are currently developing their EMV-capable networks, and taking the opportunity to accommodate V PAY acceptance

Member satisfaction

8.1

One of the big benefits V PAY offers to banks is its flexibility In creating V PAY, we wanted to help banks migrate to the new SEPA environment in their own way and at their own pace We also wanted to bring new value and added flexibility to existing debit programmes and incumbent debit schemes

One example of this level of flexibility and functionality is the capability of V PAY to support contactless payments During 2008, Credito Valtellinese in Italy was the first bank in the world to issue contactless V PAY cards to its current account holders Then, in 2009, the initiative was taken one step further with a contactless V PAY function incorporated in a mobile phone

Initially available to the bank's employees through a pilot programme, the mobile phones are equipped with NFC (Near Field Communication) functionality To complete a purchase, the phones are simply waved in front of a contactless reader and payment is made in less than a second

Your Visa, your relationship

Member engagement

During 2009, our emphasis has been to provide members with practical, hands-on business support - helping them to increase the performance of their payment operations, while also preparing them for an upturn in the economy

The results from our latest Member Satisfaction Survey are one important indicator of our success With a rating of 8 1, we matched the results of the previous year, which represented an all time high Measures where notable increases had been achieved include 'manages the relationship effectively' and 'understands and responds to local market needs'

At the same time, we have been successful in winning new business, by convincing members to develop new portfolios with Visa Europe In those instances where we have been invited to tender for new business against a competing payment system, our win-to-loss ratio has again exceeded three-to-one Key wins for credit, debit and commercial have been achieved in every market

Consulting and analytics

First created in 2007, our Visa Consulting and Analytics is now established as a core and integral aspect of the service we provide to our members

During the course of the year, we continued to strengthen the Visa Consulting practice, by adding more capacity and capability to the team, and introducing 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 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

Given the circumstances faced by our members, the nature of our consulting assignments evolved quite considerably during the year Instead of customer acquisition and new product development, there was an increased emphasis on areas such as loss management (covering credit risk and fraud control), revenue enhancement (typically sales and marketing assignments) and operational effectiveness Also, we worked on a greater proportion of debit assignments, even with those banks and in those countries where credit has traditionally been seen as more of a value-driver

"4,800 member bank employees participated in Visa Business School programmes"

Visa Business School
Established in 1991 the Visa Business School enables members to benefit from a wide range of education and training services By improving their knowledge and understanding of the payment card business, we can help to improve the performance of individuals and organisations alike

Education is delivered through a variety of courses, events and internet-based simulations Visa Business School also delivers the Bank Card Business School, a six-day learning experience which has attracted more than 150 participants from more than 40 countries each year since it was launched in 1993

This year, more than 4,800 member employees participated in Visa Business School programmes with an average satisfaction rating of 4 3 (where 5 is the highest possible)

The Visa Europe Member Awards
The Visa Europe Member Awards were launched in 2009 to recognise excellence across the many facets of the card industry Open to all Visa Europe members, the awards comprise seven different categories ranging from 'Best New Customer Proposition' to 'Best Risk and/or Security Initiative' More than 130 entries were received and a judging panel, comprising senior member representatives from across Europe, was appointed to determine the winners The awards ceremony was held at the Insights 09 member meeting in Berlin where the 'winner's winner' was voted on by more than 400 delegates

Carte Bleue acquisition
During 2009, we reached an agreement to acquire the entire share capital of SAS Carte Bleue (the operational arm of Carte Bleue) The agreement is conditional on obtaining merger clearance from the French competition authority and on the dissolution of GIE Carte Bleue (the Visa licensee in France and the Visa group member in France) One of the many benefits of this acquisition is that Visa Europe will be able to strengthen its existing relationship with French banks and meet their needs more fully

Pricing review
At Visa Europe, we have always regarded our pricing as a point of differentiation

Our approach to pricing is entirely member-centric As an association, we have no duty to deliver profits to private shareholders Instead, we apply rigorous financial disciplines and operate a low-cost business model, passing back all scale economies directly to our members We also use our pricing as a point of competition

During 2009, we conducted a strategic review of our pricing In doing so, we were able to ensure that our prices remain competitive and that the fee schedule reflects the needs of the collective membership We made no attempt to increase Visa Europe's overall revenues Instead, we re-calibrated our fees in response to the changing market dynamics - and to ensure that the money members pay to Visa Europe correctly reflects the extent of value they receive from us and the costs we incur

For our card usage fees, for example, we continue to tier our pricing according to the extent to which an issuer's Visa cards are actually used, and we also added a new system of rebates so that members are able to clearly see the significant benefits they receive from Visa Europe's low-cost association model We also added more flexibility into our processing fee schedule, making it easier for members to select and pay for bespoke processing solutions

We encourage members to make like-for-like comparisons with other payment systems and also with other processing providers It is our strong conviction that, over the lifecycle of any card programme, Visa always represents better value for money

Your Visa, your processing solutions

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 as many transactions as we can

We therefore aim to be the best inter-bank processor in the payments business - offering more scale, more reliability, more capability and less cost than any other processing organisation

During 2009, we processed an average of around 20 million transactions a day, worth more than €700 million During peak periods, our authorisation service handled 731 transactions a second Throughout the year, we provided 100 per cent availability and delivered 99 999 per cent service quality We also believe that we switch transactions four times faster than any other processor

We continue to build innovation into our systems Examples during the past year include the implementation of our new clearing and settlement service (see below) the development of our new real-time scoring fraud detection and ATM profiling system (see the risk management section of this report) and a pilot programme involving our new SMS text messaging service

In this way, we can bring added value to our members' Visa payment programmes - by maintaining an ultra high quality low-cost solution, guaranteeing international interoperability and enabling the introduction of new payment services

Our new European processing platforms can therefore 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 governance bodies, such as the Visa Europe board of directors, the processing forum and an increasing number of national user groups

Visa Europe Clearing and Settlement Service

The most significant development during 2009 was the phased introduction of our new clearing and settlement platform - the culmination of a six-year development programme

The new system complements our existing authorisation platform and its completion means that every aspect of our inter-bank processing service now takes place here in Europe using systems that have been specifically designed and built to meet the needs of the European marketplace

As well as assuming full control of all processing tasks, and delivering on the political requirement for a European owned processing capability, the new platform brings three key benefits

- **Responsiveness** - improved responsiveness to member requirements, helping Visa Europe to better serve its membership
- **Cost control** - better cost control, enabling Visa Europe to fully manage and progressively reduce its systems-related cost base
- **Scalability** - the new system is designed to allow Visa Europe to scale up to meet future growth - and to scale down to respond to domestic processing opportunities

The migration process began in Switzerland in June 2009, where two pilot members partnered with us to test and monitor the cut-over procedures In August 2009, our Swedish members migrated to the new system, with the UK following in mid-September By the end of September 2009, the new systems were handling almost 75 per cent of Visa Europe processing volumes and, by November 2009 one billion transactions had been processed

The remaining 25 per cent of processing volumes are due to be migrated by June 2010

Your Visa, your risk managers

Risk management is a core discipline for Visa Europe In this section of the report we explain about the processes we have in place to monitor, manage and mitigate risk - including member and country risks, business and operational risks, and the risks from fraud

Across Europe, our payment system accounts for more than €1 3 trillion worth of transactions each year - so, clearly, risk management has to be a core discipline for Visa Europe

As an organisation, trust in the Visa brand is of primary importance to all our stakeholders and, from a reputation perspective, the risk management culture is embedded throughout the organisation Practically speaking, we constantly review and assess our reputational, financial, business and operational risks

- **Member and country risks** - ensuring that each of our members is able to meet their settlement obligations and to abide by our compliance programmes
- **Fraud-related risks** - guarding against the risks of criminal attack and minimising the related financial losses and reputational impacts
- **Business and operational risks** - identifying, analysing and mitigating against the inherent risk factors which we face as a business

In this section of the report, we provide an update on each of these areas, together with an overview of our related governance procedures

Your Visa, your risk managers

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

Under delegated authority from the Visa Europe executive management committee, a risk committee is made up of several executive and senior management representatives and is chaired by Valerie Dias This committee meets once every eight-to-ten weeks (and more frequently in the current economic and financial climate) to oversee the business, operational and membership risks

"trust in the Visa brand is important to all stakeholders"

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 of the Visa Europe board 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 undertakes a SAS70 review (technical systems audit) of Visa Europe's systems each year

Members of the risk committee

- Chief Risk & Compliance Officer (chair)
- Chief Executive Officer
- Deputy Chief Executive Officer (deputy chair)
- Chief Financial Officer
- Chief Information Officer
- Legal Counsel
- Executive Vice President, Relationship Management, Sales & Commercial Development
- Head of Corporate Security
- Head of Information Security

Your Visa, managing your member and country risks

Assessing and addressing settlement and liquidity risks

In view of the present economic environment, this is an area where Visa Europe continues to maintain heightened alertness

A specialist risk management team constantly evaluates, monitors and responds to the risk and credit rating of each member that 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 face, 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 an holistic view of the potential risk which individual members and third parties may pose to the Visa Europe system, based on their business practices and financial health, the level of compliance with Visa Europe's policies and operating regulations is also evaluated (see compliance section below) Where necessary, financial safeguards are assessed and maintained in order to protect Visa Europe and its wider membership from potential losses

As a last line of defence, Visa Europe does have the capability to rapidly block a member's Visa programmes in order to prevent any further acceptance of its cards The process is tested regularly to ensure that it can be completed quickly and effectively

The more significant processes include

- **Country risk reviews** - country risk assessments are performed on all countries represented by Visa Europe and individual ratings are allocated accordingly These reviews form an integral part of the whole risk assessment activity Reviews are performed regularly with ratings being advised to each risk committee meeting These reviews cover the economic elements ("can the country pay?") and the political ("are they willing to pay?") A number of issues are analysed, including GDP growth, inflation, external debt levels, current account performance, levels of foreign exchange reserves and political stability as part of each full assessment

  The member risk team uses various information providers and also views reports issued by Standard & Poor's, Moody's and Fitch, and then gives its internal rating In cases where a country has been rated as being sub-investment (Visa C and below) all members within that country are automatically re-rated to the country rating and financial safeguards are taken At present there are three countries rated Visa C (Latvia, Romania and Turkey)
- **Financial reviews** - every member's financial position is assessed based upon their profitability, balance sheet structure, asset quality, liquidity, and capital base Each member is assessed at least once a year, although some more frequently based on the current level of assessment and rating
- **Programme reviews** - the member risk team also undertakes programme risk reviews These examine the performance of its respective Visa programmes (for example, its Visa Prepaid programmes) together with compliance requirements associated with each of these programmes In addition, the review assesses fraud levels on programmes and, in particular, analyses high risk merchants and compliance issues
- **Regulatory monitoring** - as part of its reviews, the member risk team takes into consideration risk exposures associated with the legal, regulatory and competitive environments and the prevailing accountancy systems and requirements
- **Other reviews** - when new information is received regarding a member an updating review is performed and the risk rating is reconsidered The member risk team also examines members' daily authorisation and settlement patterns to assess whether there are any warning signals which require action (such as the raising of higher levels of financial safeguards)

  As a minimum, an annual liquidity and asset quality test is performed using selected financial numbers and ratios to identify any members with deteriorating performance that should be reviewed quickly
- **Ratings** - the reviews and liquidity and asset quality tests undertaken on a country, member and programme basis result in a Visa Europe rating assessment (with each member rated as either A, B or C) While a state of alertness is maintained on all categories of members, all C rated members are generally subject to financial safeguards in the form of parental guarantees, letters of credit and, increasingly, in the form of cash

With the implementation of the Payment Services Directive (PSD), from November 2009, non-banks can operate as payment institutions and participate in payment systems such as Visa Europe An area of focus during 2009 has, therefore, been to establish the most appropriate risk management principles and processes relating to such entities

Compliance - governance, function, programmes and policies
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

The compliance enforcement process is governed through the compliance council In addition to overseeing the implementation and enforcement of all compliance programmes, the compliance council also reviews and resolves ad-hoc matters relating to general member and third party compliance

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 of directors 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

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

Visa Europe also operates a number of member and third party compliance programmes These guarantee integrity while 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 that 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

Under guidance from the board of directors, a continuing focus for 2009 was the threat from compromises of cardholder and account data Visa Europe continues to provide support to acquirers, retailers and service providers in their implementation of the Payment Card Industry Data Security Standards (PCI DSS) We are also engaged more closely and proactively with those entities which have been slower to respond to the requirements

Your Visa, managing your fraud-related risks

Over recent years, the nature of card fraud has evolved considerably The migration to EMV chip and PIN technology, the growth in e-commerce transactions, 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 During 2009, we have also seen a strong correlation between the deterioration of the economic environment and the level of fraud attacks

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 system Also, through our consultancy services and our growing range of fraud management products and services, we can help individual members to assess their exposure to fraud and to keep associated losses to a minimum

During 2009 our focus continued to be those environments which are not yet protected by EMV chip and PIN technology - namely card not present transactions (primarily e-commerce) and cross-border counterfeit transactions (involving retailer locations and ATMs that are yet to deploy EMV chip technology)

Together, these two categories of fraud now account for some 75 per cent of fraud losses for the Visa Europe membership

"the compliance council's aim is to identify potential issues and work with members to resolve them"

Visa Europe's annualised fraud-to-sales rate has decreased slightly year-on-year from 6 6 basis points to 6 0 basis points for the year ending June 2009 (when compared to the year ending June 2008) The underlying fraud-to-sales ratio for the latest quarter ending June 2009 had reduced to 5 4 basis points (compared with 6 0 basis points for the previous quarter ending March 2009)

Various media reports, trends and discussions with members have identified a direct correlation between economic recessions and a rise in crime and fraud rates (ranging between 15 per cent and 30 per cent) In addition to crimes such as burglary and mugging showing an increase in previous recessions, there is also evidence to suggest that various types of fraud, such as insurance and accounting fraud, have significantly increased The harsh economic climate has had, and will continue to have, an impact on card fraud generally This includes those fraudulent transactions committed without the genuine cardholder's knowledge, and also 'first party' fraud, where the cardholder has some degree of knowledge or involvement in the transaction, but claims to be an innocent victim of fraud

During 2009, Visa Europe's risk team has engaged more closely with those members that experience disproportionately high levels of fraud As well as helping them to manage their fraud level, our intervention can help to improve their customers' experience of declined or referred transactions, particularly when they are travelling outside their own country Additionally, Visa Europe is driving the development and deployment of enhanced risk management tools, products and services to aid in the reduction of fraud losses and protection of genuine transactions

Significant developments during 2009 include

- **The final development phases for two new fraud detection tools** - during 2009 we have successfully developed and piloted a new real-time scoring system This means that, as transactions are routed through the Visa Europe processing systems, they are automatically analysed by neural network technologies and are scored for the likelihood of fraud A 'risk score' is then transmitted to the issuer as part of the authorisation message, enabling them to block any suspicious transactions or to closely monitor any subsequent transactions

  We also developed and piloted a new ATM Transaction Profiling Service, which helps issuers to identify and address suspicious ATM cash withdrawals

  Both of these tools will be launched to the membership during 2010
- **Increased levels of e-commerce authentication** - to address the increased levels of e-commerce fraud, there was a big jump in the deployment of Verified by Visa, our online authentication solution Some 300,000 retailers, accounting for almost 37 per cent of e-commerce transaction volume, now support the service and more than 50 million cardholders have enrolled

  We have been working to enhance the service, with the introduction of a new user interface (which should be commercially available during 2010)

  Additionally, initiatives are in place to drive down current fraud rates for transactions that are authenticated by Verified by Visa and further strengthen the security of Verified by Visa by reducing the reliance on static passwords and migrating to dynamic passcodes As a stepping stone, the UK, for example, has mandated, as a minimum, partial password prompts at merchant sites to replace static password entry from June 2010

  In a related development we have been working with six members to pilot Visa CodeSure, a type of card which incorporates a keypad and LCD-screen, in order to generate dynamic passcodes
- **Total Cost of Fraud analytical model** - we worked with seven banks to pilot a new analytical model, which will help members to understand the wider business implications of their existing fraud experience - and to make better informed decisions with regard to future strategies

  Alongside actual fraud losses, the model quantifies the secondary costs (the operational and administrative costs) and also the opportunity costs (such as subsequent cardholder behaviour) It also enables members to benchmark themselves against their peers

- **EMV chip migration** - the continuing migration of EMV chip and PIN continues to bring benefits to the Visa Europe membership As a direct result of discussions with many members on areas of exposure of non-EMV chip-compliant terminals, there have been further migrations in some countries and with some members As a result of continued EMV chip migration, the regional fraud rate for counterfeit fraud for example had decreased by six per cent year-on-year as at June 2009

  More than 74 per cent of all ATMs across the Visa Europe region have now been upgraded to EMV chip More than 94 per cent of intra-Visa Europe ATM transactions are completed at chip-enabled ATM devices and 73 per cent of point of sale transactions are from EMV chip-enabled point of sale devices (with 79 per cent being chip-to-chip ATM transactions and more than 57 per cent being chip-to-chip point of sale transactions)
- **Integrated Chip Verification Value (iCVV) and Dynamic Data Authentication (DDA)** - As of January 2008, the use of iCVV became a standard requirement for all newly issued Visa chip cards This enables issuers to check (through a standard authorisation message) if account information derived from a chip card has been encoded on a counterfeit magnetic stripe It is therefore a valuable new way to address cross-border counterfeit fraud So far, between 60 and 65 per cent of Visa Europe issuers are now deploying iCVV on their cards

  Similarly, Visa Europe continues to strongly advocate the accelerated deployment of Dynamic Data Authentication (DDA) on all chip cards (the mandate is effective on all cards issued from 2011), which protects against potential vulnerabilities in Static Data Authentication (SDA) and ensures the continued integrity of chip and transaction data

We also continued to step up our level of engagement with law enforcement agencies and judicial authorities When close cooperation is achieved, the impact (in terms of arrests and convictions and also in terms of subsequent fraud levels) can be significant And, through engagement with public sector organisations, they can better appreciate and lend their support to the economic and social benefits of the payment card system

In Poland, for example, we organised a conference for public sector bodies which investigated the benefits of electronic payments We also engaged closely with the judicial authorities, organising training for around 100 judges and prosecutors This activity contributed to the introduction of new legislation regarding non-cash payment, and also contributed to an increase in arrests and convictions for card fraud Building on this success, we are involved in similar activities in countries such as Bulgaria and Romania

Another example comes from the UK where, following engagement with the British Transport Police, 43 arrests were made and the level of fraud in unmanned ticket machines fell by 85 per cent

Retailers supporting Verified by Visa

300,000

Risk management

As well as providing fraud review and consultancy services to individual issuers and acquirers, we operate a wide range of programmes 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
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 across Visa Europe member countries and internationally The programme assesses fraud performance at retailer 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	Our neural network fraud detection solution for issuers
Visa Europe Merchant Alert Service	An online database, intended as a warning system for acquirers approached by retailers whose contracts have previously been terminated 'for cause' by another acquirer

"significant risk exposures and mitigating action to address these exposures are reported to the audit, risk and finance committee"

Your Visa, managing your 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 risks emerging from external factors like legislation, new technologies or impacts from the market environment It is therefore used to develop mitigating action to address these risks

During 2009, 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

Your Visa, your impact on society

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 the benefits we can bring to society as a whole

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

It follows, therefore, that we need to understand the impact that our business has upon society as a whole We also need to make informed, reasoned and ethical decisions about how we conduct our business and how we support our employees

In essence, we believe that cashless payments are a 'force for good'

They are more efficient, more secure and more convenient than cash payments They contribute to closer European integration and economic growth They can also contribute to financial inclusion

So, by extending the use of cashless payment, we automatically extend these associated benefits Consequently, our approach to corporate responsibility is not simply about mitigating risks or compensating for perceived harm Instead, it is intrinsic to our commercial activity

The benefits we bring

Addressing the costs of cash

Cash continues to be Europe's predominant payment method, accounting for some 80 per cent of all transactions, yet the societal costs of cash are considerable

The European Commission has calculated that the total cost to society of all payment systems, equates to 2-3 per cent of GDP, with cash being responsible for the vast majority of these costs[1]

Given that cards are the most effective means of displacing cash payments, we can bring about a reduction in the use of cash - and the societal costs will fall commensurately

Squeezing the shadow economy

Valued at some €2 trillion, the scale of Europe's shadow economy has severe consequences – in terms of lost tax revenues for governments, reduced protection for workers, lower productivity for companies and, ultimately, slower rates of economic growth

Clearly, it is cash-based transactions which provide the opportunity to participate in the shadow economy, and analysis from A T Kearney reveals a strong correlation between the prevalence of electronic payments in a country and the size of its shadow economy Related analysis from the Johannes Kepler University of Linz suggests that a 15 per cent increase in the uptake of electronic payments can reduce the overall size of the shadow economy by up to 8 6 per cent

Fuelling economic growth

As well as addressing the costs and risks of cash, electronic payments can make a definite contribution to economic growth – by increasing the sale of goods and services, enabling remote transactions, reducing barriers to credit and liquidity, and easing geographic restrictions to trade and exchange

Analysis from Global Insight suggests that any movement from cash payments to electronic payments automatically leads to an increase in GDP growth Based on an analysis of 50 countries, it was found that a one per cent shift in electronic payments will directly liberate a 0 5 per cent increase in GDP

"electronic payments can make a definite contribution to economic growth"

Consideration should also be given to the fact that, with card payments, sellers typically receive guaranteed payment within a four-day timescale Recent analysis from Intrum Justitia[2] estimates that, across Europe, average payment timescales exceed 55 days and, in some countries, the norm exceeds 90 days As well as bringing additional liquidity into the economy, payment by card can alleviate cash-flow pressures for smaller businesses Indeed, the European Commission has suggested that, across the region, one business insolvency in every four is a direct result of late payment - leading to the loss of some 450,000 jobs each year[3]

Avoiding the risks of counterfeit currency

While the euro area is justifiably proud of the fact that counterfeit rates are relatively low, the picture is beginning to change Indeed, according to the European Central Bank, the number of counterfeit euro notes jumped 17 per cent in the first half of 2009[4] compared to the previous six months

In other EU Member States, the picture can be yet more alarming In the UK, for example, official figures indicate that one in every forty £1 coins is now counterfeit, with some authorities suggesting that the true figure may be closer to one in every twenty[5] In relative terms, the rate of fraud experienced by the payment card system is negligible

[1]Commission Staff Working Document Annex to the proposal for a Directive of the European Parliament and of the Council on Payment Services in the Internal Market Impact Assessment COM (2005) 603 final
[2]European Payment Index Intrum Justitia May 2009
[3]According to Françoise Le Bail director general and SME envoy at DG Enterprise part of the European Commission
[4]European Central Bank July 2009 http //www ecb int/press/pr/date/2009/html/pr090713 en html
[5]As reported in the Daily Telegraph newspaper January 2009 http.//www telegraph co uk/news/uknews/4379416/One 1-coin in 40-is a fake html

Contributing to financial inclusion
The use of secure, chip-enabled payment cards can help to bring people into the financial mainstream – thereby avoiding the risks, the costs and the everyday inconveniences of financial exclusion

For example, Visa Prepaid solutions are now being used as a way of distributing benefit and social care payments to vulnerable people Similarly, Visa Prepaid solutions can be offered for minimal cost and with minimal risk to people who may otherwise find it difficult to open a conventional bank account – such as migrant workers, young people or those with a questionable credit history

The responsible use of cards
We do acknowledge that the sheer convenience and flexibility of cashless payment can lead to certain risks for certain consumers, in particular, the risk of over-spending Our emphasis, therefore, is to promote the responsible use of payment cards

"Visa Europe's emphasis is to promote the responsible use of payment cards"

For example, we have worked with our members to create a series of consumer education initiatives 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 2009 we also extended the reach of our 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

Your Visa, your responsible business partner

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 ongoing business strategy and activity

During 2009, the role and remit of the reputation council were reassessed and restated Key responsibilities include

- To input and give guidance on the future direction of Visa Europe's business, its own reputation and the reputation of the wider payments industry
- To seek out perspectives from external authorities and formulate recommendations that will serve to protect and build Visa Europe's reputation
- To anticipate areas of contention, pressure points and areas of potential reputational risk and advise on how the business should respond
- To raise awareness of reputational issues across the business and foster a spirit in which our reputation is both protected and enhanced through all business decisions
- Where the need for a change in existing procedure is identified, to formulate recommendations to the appropriate operating division or decision-making forum

The reputation council meets twice or three times a year It makes a formal report to the executive management committee (EMC) on an annual basis, and policy recommendations are referred to the EMC as appropriate

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

As the payment card industry increases in scale and scope, this level of scrutiny is set to increase Consequently, we are committed to openness and transparency across every aspect of our finances and operations This means that all stakeholders have easy access to detailed information about how Visa Europe functions For example, our regional website, www visaeurope com provides detailed descriptions of our constitution, our structure, our operations and our pan-European interchange fees, while our national websites provide details of national interchange fees

Setting and enforcing industry standards
An important part of our role at Visa Europe is to work with members to establish industry standards This includes 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 define product and acceptance rules and regulations These set out 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

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 (CEOP), a London-based law enforcement agency with an international remit Beyond financial assistance, CEOP has access to our investigative skills and knowledge

Environmental policies and initiatives
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

Policy statement
"Visa Europe is committed to reducing its impact on the environment We take our responsibilities seriously and 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, re-use and recycle 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

One small initiative introduced during 2009 was our 'bin-the-bin' programme, in which we reduced the number of desk bins in our headquarters offices and all but eliminated waste being sent to landfill As a consequence, the amount of paper and cardboard for recycling rose from 3 3 tonnes per month to 29 9 tonnes

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 This year we announced that Visa-branded card products could be produced from recycled PVC material

Monthly recycling increased to

29.9 tonnes

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 2009 our employees again selected the UK's National Society for the Prevention of Cruelty to Children (NSPCC) as their preferred charity and the company sponsored a range of fund raising initiatives During 2009, the equivalent of €174,000 was raised by our employees for this charity

Community-related initiatives
During 2009, we also extended our involvement in the Colourful Horizons programme, a social investment in Turkey

We again partnered with all of our Turkish members, and joined forces with two non-governmental organisations (NGOs) 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

We also formalised our employee volunteering policy during 2009 As a result, 75 people to date are involved in supporting local schools

Your Visa, your team of payment professionals

Like any business, Visa Europe recognises that long-term success derives from the quality of our employees During 2009 we have taken substantial steps within our Human Resources Management (HRM) division and across the wider business to attract, inspire, develop and retain motivated people and teams

By aligning employee and business goals, we have created an environment in which people are engaged and passionate 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 73 per cent Among financial organisations, this rises to 76 per cent At Visa Europe, we are proud to have achieved an all-time high figure of 90 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 (96 per cent)

A complete programme of best practice HR initiatives
Practical deliverables have contributed to these high engagement levels, including

- **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
- **Performance management** - regular reviews provide clarity on the line of sight between each employee's input and business strategy
- **Leadership framework** - we have introduced a framework which defines the leadership behaviours expected right across the business
- **Reward and recognition** - because reward and recognition is based on performance against scorecards, pay is transparently and directly linked to performance In addition, our promotion process is regularly reviewed to ensure transparency and consistency This approach has helped us develop a broader range of experience within Visa Europe
- **Career management and organisational development** - our Human Resource Management (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

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

Investor in People accreditation
A significant achievement during 2009 was our Investor in People (IIP) accreditation

In his final report, the IIP assessor made particular mention of the clear link between the corporate scorecard and individual objectives, noting that Visa Europe "has one of the two most advanced scorecards seen by the assessor anywhere" In addition, the strong culture of continuous improvement and innovation were noted, along with the wide range of development possibilities available to all employees

In conclusion the assessor noted that "this is a high performing organisation using what is considered to be the best practice in people management"

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 (PPO) 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 passionate about their personal role in improving their area of the business

The IIP assessor noted that "PPO has been an obvious success in embedding the culture and values of Visa Europe"

The diverse make up of our employees
As an international organisation we encourage and expect diversity in our workforce, which numbered 1,346 employees as of September 2009 At this time the ratio of male to female employees stood at 3 2 and we employed 49 different nationalities, thus creating an extremely rich and diverse multi-cultural environment Our membership of the Employers' Forum on Disability reflects our commitment to being an equal opportunities employer

Whistle blowing
HRM provides an important internal outlet for employees to report possible misconduct, such as questionable accounting or unethical conduct, to the head of HRM (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 HRM 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 We plan to build on our recent IIP accreditation to enable us to consolidate and extend existing expertise across Visa Europe, delivering both exceptional HR support and a truly great business

Decision-making and governance

As a European membership association, our members have direct control over the direction of Visa Europe In this section of the report, we explain about our decision-making processes, the people behind them, and the commitment to sound governance

Your Visa, your decisions

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

Your Visa, your board of directors

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 (Peter Ayliffe, our president and CEO) who represents the Visa management, and an independent chairman

The Visa Europe Board of Directors

1 Gary Hoffman
Chief Executive, Northern Rock plc, United Kingdom

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

3 Nazan Somer
Executive Vice President, Retail Banking, Yapı ve Kredi Bankası A Ş , Turkey

4 Gilbert Arira
President of Groupement Carte Bleue Board of Directors, Head of Global Customer Banking Solutions, Retail Banking, Distribution Market Solutions, BNP Paribas, France

5 Graham J Beale
Chief Executive, Nationwide Building Society, United Kingdom

6 Javier Celaya
Director of ServiRed, Consumer Finance Director, Caja Madrid, Spain

7 Johannes Evers
Vorsitzender des Vorstands, Landesbank Berlin AG, Germany

8 Peter Ayliffe
President & Chief Executive Officer, Visa Europe

9 Jose M Gabeiras
Chairman of the Board of Directors of ServiRed, ServiRed S A , Spain

10 Kjell Hedman
Chairman of Visa Sweden Board, Executive Vice President and Head of Swedish Banking, Swedbank AB, Sweden

11 Jan Lidén
Independent Director

12 Antony Jenkins
Chief Executive Officer, Global Retail Banking, Barclays Group, United Kingdom

13 Ennio La Monica
Deputy General Manager, Governo e Controllo, Banca Carige, Italy

14 Wojciech Papierak
Vice President of Management Board, PKO Bank Polski S A , Poland

15 Erik Pointillart
Vice-President of Groupement Carte Bleue Board of Directors, Head of International Department, Financiere Oceor (Group Caisse d'Epargne), France

16 António Palma Ramalho
President & CEO, UNICRE, Instituição Financeira de Credito S A , Portugal

17 José San Juan
Cards Manufacturing Director, Abbey (part of Santander Group), United Kingdom

18 Alessandro Seralvo
Executive Vice President, Corner Banca, Director Cornercard, Switzerland

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

20 Peter Jackson
Managing Director, Consumer Banking, Lloyds Banking Group plc, United Kingdom

The audit, risk and finance committee
Peter Ayliffe (ex officio)
Graham Beale
Johannes Evers (Chairman)
José Gabeiras
Antony Jenkins
Jan Liden (Deputy Chairman)
Gérard Nébouy
Nazan Somer

The compensation committee
Gilbert Arira
Graham Beale
Johannes Evers
Gary Hoffman (Chairman)
Jan Liden (Deputy Chairman)

The executive committee
Gilbert Arira
Peter Ayliffe
Johannes Evers
Jose Gabeiras
Gary Hoffman
Antony Jenkins
Jan Lidén (Chairman)

Significant board decisions

During 2009, some of the more significant decisions reached by the Visa Europe board of directors included

- **A new, flexible pricing schedule** - Visa Europe's pricing schedule is regarded as an important point of differentiation, which is reviewed every few years The board was updated on the conclusions of the latest review, and agreed to a new tariff, to come into effect from the start of the 2010 financial year

  In doing so, we were able to ensure that our prices remain competitive and that the fee schedule reflects the needs of the collective membership No attempt was made to increase Visa Europe's overall revenues Instead, our fees were re-calibrated in response to the changing market dynamics and to ensure that the money members pay to Visa Europe correctly reflects the extent of value they receive from us and the costs we incur

- **Setting multi-lateral interchange fees** - given the fundamental importance of interchange in the operation of European payment card systems, the matter continued to be a priority

  The board was kept fully appraised of related developments involving the European Commission In particular, it acknowledged that the European Commission had adopted the so called 'merchant indifference model' as its preferred basis for the calculation of interchange fees It was also agreed that, in the light of this and in a spirit of cooperation, Visa Europe would apply the merchant indifference approach in setting EU cross-border multi-lateral interchange fees

  The board agreed to the revised fees (namely €0 18 for immediate debit cards and 0 61 per cent for credit and deferred debit cards), which took immediate effect in March 2009 It also agreed to a range of new transparency measures, including the publication of the prevailing national interchange fees on all of Visa Europe's in-country websites

- **Managing member and country risks** - in the face of the economic climate, considerable board attention was devoted to risk management and, in particular, evolving settlement and liquidity risks

  For example, the board agreed with our approach of introducing additional and more frequent risk reviews of our members, including new liquidity stress tests The board also reviewed our criteria for taking appropriate actions to mitigate against the changing risk environment including, in certain instances, the taking of additional financial safeguards

- **Finalising the merger with SAS Carte Bleue** - following the signature of the agreement relating to the acquisition of the entire share capital of SAS Carte Bleue (the operational arm of GIE Carte Bleue) by Visa Europe Limited, we are expecting to complete the acquisition on 31 December 2009 subject to obtaining merger clearance from the French competition authority

- **Disciplined financial management** - given that our revenues fell somewhat below our business targets, the board was given regular detailed updates on our financial position and our cost management measures In particular the board approved our approach towards managing the business on 'positive jaws' - that is, ensuring that any growth in our costs is at least two per cent less than our growth in revenues

- **Implementing our new clearing and settlement service** - given its strategic significance and also the level of investment entailed, the board was kept fully informed of developments in our processing business and, in particular, the implementation of our new clearing and settlement service

  Once the pilot of this new service had been completed, the board was updated on the technical and operational performance, and agreed to the commencement of the phased implementation programme

- **An emphasis on fraud prevention** - in the face of the economic circumstances and the increased threat of criminal activity, fraud management figured prominently on the agenda of all board meetings The board received updates on the changing nature and pattern of fraud losses, and the programme of activity being undertaken by Visa Europe

  The board agreed to a new range of fraud management and security measures, including new requirements regarding the security of PIN-entry devices, a new requirement for members to use chip cards which support dynamic data authentication, a clarification of dispute resolution rules and services

  The board also instructed Visa Europe to engage more closely with those members that are responsible for generating a disproportionately high level of fraud losses, and to enforce members' compliance with all fraud management requirements

- **Investing in and benefiting from the strength of the Visa brand** - the board agreed to the funding of national marketing and communications activities across 17 countries The precise nature of these campaigns was subsequently agreed in collaboration with the respective national decision-making bodies and their marketing committees - in all cases, the emphasis was on driving the usage of Visa products

- **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

  Examples include the proof of concept of a new online payment service, enabling us to examine a secure checkout solution for the e-commerce retail environment Also, the board agreed to the pilot programme and subsequent deployment of our new real-time fraud detection solution and ATM profiling service

- **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

Your Visa, your business forums

During 2009, we instituted an important change to our member and stakeholder consultation procedures and mechanisms, with the creation of seven new business forums This enables Visa Europe to elicit advice, guidance and direction on our products, services and innovations, while also benefiting from additional member and market insights

In each case, the participants are selected based on their industry knowledge, their experience and their personal reputation Membership is reviewed on an annual basis, at which time it is ensured that the membership of each forum is representative of the wider Visa Europe membership (in terms of the size of the organisation, its business emphasis and its geography)

Each of the Business Forums meets at least twice a year and is governed by formal terms of reference

Acquiring and acceptance
This group assists the Visa Europe management by providing advice and direction on the development of our acquiring and acceptance initiatives

Participants include
- Ilario Bolis, Banca Intesa/Setefi, Italy
- Stuart Neal, Barclaycard Payment Acceptance, United Kingdom
- Karine Munoz, BNP Paribas, France
- Ulrich Bug, B+S Card Service, Germany
- Claudio Venturi, CartaSi SpA, Italy
- Patrick Tanniou, CIC, France
- Jamie Domingo, Elavon, United Kingdom
- Marek Paradowski, eService SA, Poland
- Arif Isfendiyaroglu, Garanti Bankasi, Turkey
- Chris Davies, HSBC Merchant Services, United Kingdom
- Michael Ioannides, JCC, Cyprus
- Sirus Zafar, Komercni Bank, Czech Republic
- Matt Rowsell, RBS WorldPay, United Kingdom
- Jan-Erik Berg, Swedbank, Sweden
- Joao Amaral, UNICRE, Portugal
- Antonio Mondejar, ViaCajas S A - Euro 6000, Spain

Commercial
This group supports the development of Visa Europe's commercial cards business It provides input into our related thinking, our strategy and key business development initiatives It also provides advice and direction relating to the development of our commercial card products, propositions and services

Participants include
- José Angel Amor, Banco Popular, Spain
- Neil Radley, Barclays Bank, United Kingdom
- Stephane Battez, BNP Paribas, France
- Martin Cannings, Citibank, Pan EU
- Davide Rigamonti, Deutsche Bank, Italy
- Marc Robinson, HSBC Bank plc, United Kingdom
- Herco Le Fevre, ING Bank, Netherlands
- Allison Moulton, MBNA, United Kingdom
- Leo Olsson, Nordea, Nordics
- David Rockliff, RBS WorldPay, United Kingdom
- Anne Laure Brisset, Sociéte Genérale, France

Credit
This group provides input into Visa Europe's strategy and key business development initiatives for credit cards In particular, it provides advice and guidance on product and proposition development

Participants include
- Duncan Akin, Bank of America, United Kingdom
- Stephen Whitehouse, Barclays Bank, United Kingdom
- Emmanuelle Fenard, BNP Paribas Personal Finance, France
- Ronen Galperin, ICC, Israel
- Antonio Galiano, ICCREA, Italy
- H Arthur Smolders, ICS BV, Netherlands
- Juan Morla Tomas, La Caixa, Spain
- Hans Juergen Torkler, Landesbank Berlin AG, Germany
- Nick Ware, Nationwide, United Kingdom
- Katarzyna Sosin, PKO Bank Polski SA, Poland
- Sven Estwall, SEB, Sweden
- Hakan Kaplan, Yapı ve Kredi Bankası A Ş, Turkey

Debit
This group provides input into Visa Europe's strategy and key business development initiatives for debit cards In particular, it provides advice and guidance on product and proposition development

Participants include
- Brian Cunnington, Barclays Bank, United Kingdom
- Maria Cires, Caja Madrid, Spain
- Miloslav Krecan, Ceska Sporitelna, Czech Republic
- Françoise Epiphanie, CNCE, France
- Carl Renstrom, Handelsbanken, Sweden
- James Pearson, HSBC Bank plc, United Kingdom
- Jean-Marie Dragon, La Banque Postale, France
- Philip Robinson, Lloyds TSB, United Kingdom
- Allan Hardie, Royal Bank of Scotland Group, United Kingdom
- Jan-Olof Brunila, SwedBank, Sweden
- Nevra Toktas, Yapı ve Kredi Bankası A Ş, Turkey

Innovation
This group provides input into Visa Europe's new product and new channel development strategies, initiatives and processes, including general guidance related to our innovation agenda

Participants include
- Enrique Barthe, BBVA, Spain
- Emmanuel Robert, Groupement Carte Bleue, France
- Gianluigi Giberti, Key Client Services, Italy
- Heikki Kapanen, Lottokunta, Finland
- Yves Blavet, Societe Générale, France

Processing
This group advises on the development and ongoing management of Visa Europe's inter-bank processing business As well as providing input into our processing strategy and our related initiatives, the group of subject matter experts gives guidance on product and service development, and ensures that we meet the processing needs of European banks

Participants include

- Maree Annesley, AIB Card Issuing, Ireland
- Tadeusz Koscinski, Bank Zachodni WBK SA, Poland
- Graham Robinson, Barclaycard, United Kingdom
- Emanuele Balistreri, CartaSi SpA, Italy
- Giovanni Bettoni, Corner Bank Ltd, Switzerland
- John Sutton, HSBC Bank plc, United Kingdom
- Sirus Zafar, Komercni banka a s , Czech Republic
- Tilo Schurer, Landesbank Berlin AG, Germany
- Ben Ludwinski, Lloyds TSB Group plc, United Kingdom
- Rob Jamieson, Royal Bank of Scotland Group, United Kingdom
- Javier Querejeta, Sistema 4B, Spain
- Tapio Pesonen, Swedbank, Sweden
- Selcuk Ergen, Yapi ve Kredi Bankasi A Ş, Turkey

Risk
This group supports the development of the Visa Europe risk strategy It provides input on key topics related to all risk disciplines, and advice and guidance on all related product and service development matters

Participants include

- David Chan, Barclaycard, United Kingdom
- Marco Cortellari, CartaSi SpA, Italy
- Peggy Hemmelder, Citibank, Germany
- Paul Wood, HSBC Bank plc, United Kingdom
- Urszula Nowakowska, ING Poland, Poland
- Tomer Alkobi, Leumi Card, Israel
- Caroline Sellier, Natixis Paiements, France
- Per Harald Fredriksen, Nordea, Nordics
- Mark Gale, Royal Bank of Scotland Group, United Kingdom
- Carmen Carnero, ServiRed S A , Spain

Your Visa, your V PAY
In developing V PAY, our European chip-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 V PAY Deutschland and V PAY Italia were both created in 2007

During 2009, we facilitated the creation of the V PAY Netherlands Forum As all such bodies, the aim of this forum is to agree on the strategy for the national introduction of V PAY and to assume control of its ongoing management

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

Your Visa, your 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 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 senior management team 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 senior management team Their remit covers matters such as generic Visa brand support, risk management and infrastructure development

They are
- Turkish Executive Committee
- Visa Bulgaria Executive Committee
- Visa Ireland Forum

During 2009, two additional forums were established, namely
- Visa Czech Republic Forum
- Visa Romania Forum

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

Examples of in-market decision-making
We would contend that our range of decision-making bodies and consultative bodies represent an important point of differentiation for Visa Europe

As a membership association, the principles of consultative, cooperative decision-making are deeply embedded within our culture and constitution Consequently, we have a whole range of mechanisms in place for reaching and acting on collaborative decisions

Examples of in-market national decisions during 2009 include

A market development fund for Romania
One of the first decisions reached by the newly constituted Visa Romania Forum was to establish a national market development fund, to be effective from 1 October 2009

This means that all active Visa Europe members in Romania will contribute to a dedicated fund for national market development initiatives (such as market research and marketing communication initiatives) in order to increase card usage across all Visa products and for all members

It is also anticipated that the fund will help the collective Romanian membership to increase awareness of the Visa brand, educate cardholders, launch new products and services, and extend the acceptance network A new marketing working group will be established to advise on the implementation of such activity

Acceptance in Poland
Over several years, Visa Polska has played a pivotal role in establishing the Polish payment card market, creating the national payments infrastructure, introducing new payment services (such as cash back at the point of sale), migrating to EMV chip and PIN and implementing joint marketing and communications programmes

Continuing in this tradition, Visa Polska has now identified an opportunity to accelerate the expansion and development of the Polish acceptance network

Under the guidance of Visa Polska, Visa Europe will develop an 'acceptance in a box' solution, which all Polish members will be able to offer to their customers in the retail sector

During 2009 the terms were agreed and the business model was developed During 2010 the initiative will be implemented And, by 2015, it is anticipated that the level of acceptance in Poland will see a three-fold increase

Your Visa, your 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

The relationship between Visa Inc and the working processes are governed by a range of formal terms of reference

Your Visa, your management team

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

The Visa Europe Executive team

1 Derrick Ahlfeldt
Senior Vice President, Human Resource Management
Derrick joined Visa Europe in 1990 He is responsible for all people-related activity 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

2 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 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 Investor in People He was named Industry Personality of the Year at The Card Awards 2009

3 Carol Walsh
Executive Vice President, General Counsel and Head of Legal Affairs
Carol joined Visa Europe in 1984 She is responsible for the management of all legal issues within the company and its relations with the regulatory community Carol is also the company secretary Prior to Visa Europe, Carol worked with the law firm Clifford Chance She also spent a period at the European Commission as an anti trust stagiaire Carol is a trustee of the Visa Europe Pension Plan

4 Valerie Dias
Executive Vice President, Chief Risk and Compliance Officer
Valerie joined Visa Europe in 1993 She holds an M Com (Hons) degree and is a chartered certified accountant (FCCA) She previously served as chief financial officer for six years Her remit covers corporate and enterprise risk, fraud management, 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 UK She is also a director of European Resources Management Limited and a trustee of the Visa Europe Pension Plan

5 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, innovation and strategic insight teams His remit also covers partnership marketing around Visa's sponsorship of the Olympic and Paralympic Games and the FIFA World Cup™ as well as 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

6 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, the integration of SEPA requirements across the business, 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

7 Stephen Perry
Executive Vice President, Relationship Management, Sales and Commercial Development
Steve joined Visa Europe in 1990 He is responsible for the company's 12 local offices, and his team initiates, builds and nurtures the business relationship with members The division also includes the Visa consulting and analytics team 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 part of the Lloyds Banking Group) 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 Steve is a non-executive director, and chair of the audit, risk and finance committee of Edutrust Academies Charitable Trust (EACT), an education foundation and a registered charity established to promote excellence in education and learning

8 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

9 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 Steve's career in payment services spans 20 years, working for companies such as EDS, First Data and ACI and although technology is his home ground, he has also run marketing, sales and product disciplines He has a degree in physics and astrophysics from the University of Leicester and a masters degree in optoelectronics from the University of Newcastle For the second year running Steve was named by silicon com as one of the top 50 leaders shaping the future of IT in the UK

10 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

Your Visa, your corporate governance

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

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

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

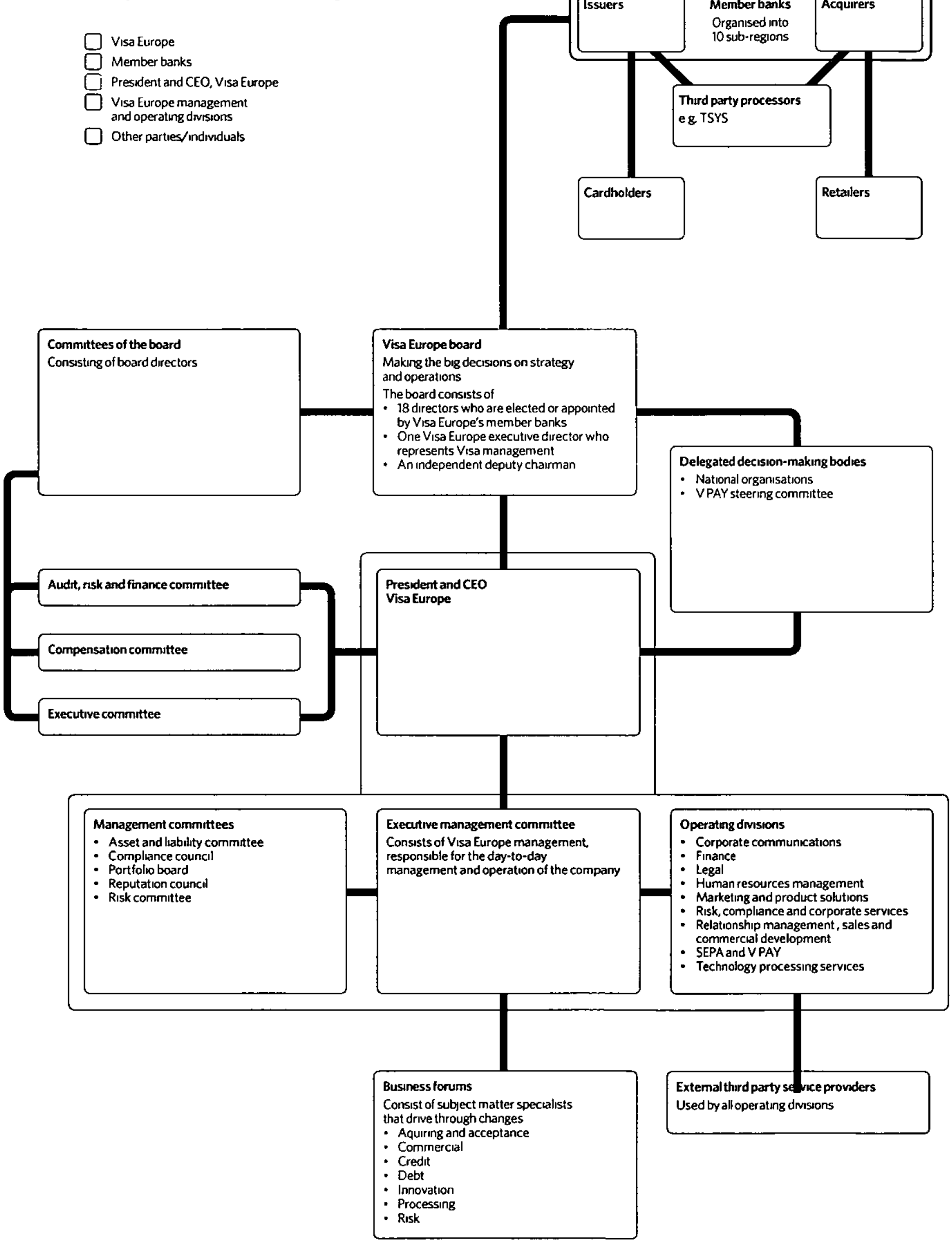
Since we are not a publicly listed company, the Combined Code does not actually apply to Visa Europe Due to the nature of our organisation, some of its principles are inappropriate to our business Nonetheless, it has become a standard and easily understood way of reporting on corporate governance issues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

More detailed information relating to our constitution and decision-making processes is available in our Articles of Association, which are available on www visaeurope com

Our governance system at a glance



1 The board

Composition of the board
The Visa Europe board of directors comprises 18 non-executive directors, an independent director (who is currently the chairman of the board) and one representative of the Visa Europe executive management team (20 people in all)

Calibre, knowledge, skills and experience
The non-executive directors are all senior management employees of Visa Europe members Consequently their calibre, industry knowledge, skills and experience ensure that they are eminently well qualified to 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 territory

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 up to six times a year to discuss operational matters and 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 twice 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 director's presence

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, the 4,147 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 the 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 itself In addition, where necessary or desirable, the board is able to appoint up to two strategic directors and up to two independent directors Jan Liden (formerly chief executive officer of Swedbank and a non-executive director of Visa Europe) was appointed as an independent director in 2009 He was also re-appointed as chairman of the board (the same role that he held as a non-executive director) Meanwhile, Johannes van der Velde (formerly an independent director) retired from the board

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 director is 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 (and one such election was held during 2009) 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 annual and long-term 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 (and recently more frequently), 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

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 summary of discussions and decisions reached by the directors During 2009 we also held a two-day Visa Europe Member Meeting (Insights 09, held in Berlin on 23 and 24 April), which was attended by more than 400 senior decision-makers from the membership

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 Business Forums comprising member representatives (more details of these groups and their responsibilities appear elsewhere in this section of the 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 earlier in this section of the 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

Analysis of our financial performance

Visa Europe is 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

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 2009

Principal activities

Visa Europe, a payments system organisation, represents some 4,147 members (2008 4,586 members) from 36 European countries The membership number has decreased during the year due to the redemption of shares and adjustments for duplications and consolidations, as set out in note 29 to the consolidated financial statements

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 12 to 25 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 14 to 16

Results and dividend

The consolidated income statement for the year is set out on page 58 and shows a profit after tax for the year and attributable to the ordinary shareholders of €199,604,000 (2008 €2,420,783,000) The consolidated balance sheet is on page 60 and shows a net asset balance of €502,674,000 (2008 €2,744,733,000) The directors do not recommend a final dividend The directors recommended an interim dividend on 17 October 2008 of €2,296,231,000 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 benefit 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 26 to 33 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 €22,000 (2008 €22,000)

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 418(3) of the Companies Act 2006) of which the Company's auditors are unaware, and the directors have taken all the steps they ought to have taken as a director in order 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

Directors' report continued

Board membership

The following directors held office during the year ended 30 September 2009

Gilbert Arira

Peter Ayliffe

Richard L Banks
resigned 30 October 2008

Graham J Beale

Francisco Castells Delgado
resigned 30 April 2009

Javier Celaya
appointed 1 May 2009

Johannes Evers

Spyros N Filaretos
resigned 30 April 2009

José M Gabeiras

Kjell Hedman
appointed 1 May 2009

Gary Hoffman
appointed 24 November 2008

Peter Jackson
resigned 16 February 2009
appointed 17 February 2009

Antony Jenkins
appointed 1 October 2008

Friedrich Kadrnoska
resigned 30 April 2009

Ennio La Monica

Jan Lidén
resigned 30 April 2009
appointed 1 May 2009

Sven Lystbæk

Godelieve Mostrey
resigned 30 April 2009

Gérard Nébouy

Wojciech Papierak
appointed 1 May 2009

Erik Pointillart

Antonio Ramalho
appointed 1 May 2009

Jose San Juan
appointed 1 May 2009

Alessandro Seralvo
appointed 1 May 2009

Nazan Somer

Johannes (Hans) van der Velde
resigned 30 April 2009

Colin Walsh
resigned 17 February 2009

By order of the board

Carol Walsh
Company Secretary
11 December 2009

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 the parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare the 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)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period 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 judgments and estimates that are reasonable and prudent,
- state whether, for the Group financial statements, applicable International Financial Reporting Standards as adopted by the EU have been followed,
- state whether, for the parent company financial statements, applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the parent company's transactions and 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 2006 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

KPMG

KPMG LLP
One Canada Square
London E14 5AG
United Kingdom

Independent auditor's report to the members of Visa Europe Limited

We have audited the financial statements of Visa Europe Limited for the year ended 30 September 2009 which comprise the Consolidated Income Statement, the Consolidated and parent company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006 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 auditors' 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
As explained more fully in the Directors' Responsibilities Statement set out on page 56, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 September 2009 and of the Group's profit for the year then ended,
- of the Group have been properly prepared in accordance with IFRS as adopted by the EU,
- of the parent company have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ian S. Smith

Ian S Smith
Senior Statutory Auditor
for and on behalf of KPMG LLP
Chartered Accountants
11 December 2009

Consolidated income statement

Year ended 30 September 2009

	Note	2009 €'000	2008 € 000
Continuing operations			
Revenue	4	**709,486**	672,576
Other operating income	5	**5,757**	2,917
Administrative expenses	6	**(595,774)**	(604,445)
Other operating expenses	7	**(53,447)**	(23,511)
Operating profit		**66,022**	47,537
Finance income	10	**17,724**	65,523
Dividend income	11	**170**	4,488
Finance costs	10	**(461)**	(551)
Profit on disposal of jointly controlled entity	14	**-**	2,174,295
Gain on investment	12	**132,265**	180,279
Profit before tax		**215,720**	2,471,571
Tax	13	**(16,116)**	(50,788)
Profit for the year attributable to the equity holders of the parent		**199,604**	2,420,783

The notes on pages 63 to 93 form part of these financial statements

Consolidated statement of recognised income and expense

Year ended 30 September 2009

	Note	2009 €'000	2008 €'000
Available-for-sale investments			
(Losses)/gains on revaluation taken to equity		(99,191)	124,555
Gains transferred from equity to income statement	12	(49,298)	-
Foreign exchange gains/(losses) taken to equity on revaluation of available for sale assets		47,743	(14,127)
Cash flow hedges			
Losses taken to equity		(70,905)	(34,798)
Losses transferred from equity to income statement		37,483	23,046
Actuarial losses on defined benefit pension schemes	34	(34,872)	(8,219)
Tax on items recognised directly in equity		23,608	5,499
Net (expense)/income recognised directly in equity		(145,432)	95,956
Profit for the year		199,604	2,420,783
Total recognised income and expense for the year attributable to the equity holders of the parent		54,172	2,516,739

The notes on pages 63 to 93 form part of these financial statements

Consolidated balance sheet

30 September 2009

	Note	2009 €'000	2008 €'000
Non-current assets			
Goodwill and intangibles	15	**24,601**	24,601
Property, plant and equipment	16	**241,344**	223,085
Deferred tax asset	24	**25,971**	10,483
Financial assets	18	**1,777**	1,406
		293,693	259,575
Current assets			
Trade and other receivables	20	**115,552**	68,349
Cash and cash equivalents	21	**393,043**	149,570
Financial assets	18	**135,067**	768,961
Short-term receivables	22	**-**	1,833,137
		643,662	2,820,017
Current liabilities			
Trade and other payables	27	**320,332**	258,055
Current tax liabilities		**17,215**	26,541
Financial liabilities	25	**33,979**	34,042
Redeemable share capital	29	**41**	45
		371,567	318,683
Net current assets		**272,095**	2,501,334
Non-current liabilities			
Other liabilities		**370**	188
Provisions	28	**6,606**	7,832
Financial liabilities	25	**23,619**	3,846
Retirement benefit obligation	34	**32,519**	4,310
		63,114	16,176
Net assets		**502,674**	2,744,733
Equity			
Share capital	29 30	**1**	1
Other reserves	30	**(20,685)**	101,786
Retained earnings	30	**523,358**	2,642,946
Equity attributable to equity holders of the parent		**502,674**	2,744,733
Memorandum note			
Non-redeemable share capital		**-**	-
Redeemable share capital		**1**	1
Reserves		**502,673**	2,744,732
Total members' interests		**502,674**	2,744,733

The financial statements were approved by the board of directors and authorised for issue on 11 December 2009 They were signed on its behalf by

Peter Ayliffe

Peter Ayliffe
President and Chief Executive Officer, Visa Europe
Company number 5139966

The notes on pages 63 to 93 form part of these financial statements

Company balance sheet (prepared under UK GAAP)

30 September 2009

	Note	2009 € 000	2008 € 000
Non-current assets			
Investment in subsidiaries	17	**45**	45
Current assets			
Short-term investments	19	**100,000**	745,082
Trade and other receivables	20	**71,460**	175,161
Cash and cash equivalent	21	**270,278**	8,788
Short-term receivables	22	**-**	1,833,137
Total assets		**441,783**	2,762,213
Current liabilities			
Trade and other payables	27	**125,964**	118,735
Current tax liability		**4,170**	-
Redeemable share capital	29	**41**	45
		130,175	118,780
Net assets		**311,608**	2,643,433
Equity			
Share capital	29, 30	**1**	1
Retained earnings	30	**311,607**	1,898,350
Revaluation reserve	30	**-**	745,082
Equity attributable to equity holders of the parent		**311,608**	2,643,433
Memorandum note			
Redeemable share capital		**-**	-
Non-redeemable share capital		**1**	1
Reserves		**311,607**	2,643,432
Total members' interests		**311,608**	2,643,433

The financial statements were approved by the board of directors and authorised for issue on 11 December 2009 They were signed on its behalf by

Peter Ayliffe

Peter Aylıffe
President and Chief Executive Officer, Visa Europe
Company number 5139966

The notes on pages 63 to 93 form part of these financial statements

Consolidated cash flow statement

Year ended 30 September 2009

	Note	2009 € 000	2008 € 000
Operating profit from continuing operations		**66,022**	47,537
Adjustments for			
Depreciation of property, plant and equipment	16	**39,299**	36,182
Loss on disposal of property, plant and equipment	7	**15,161**	407
(Decrease)/increase in provisions and employee benefits		**(7,891)**	3,479
Operating cash flows before movements in working capital		**112,591**	87,605
Decrease/(Increase) in receivables		**1,774,488**	(25,437)
Increase in payables		**28,877**	61,225
Cash generated by operations		**1,915,956**	123,393
Income taxes paid		**(5,546)**	(28,274)
Interest paid	10	**(461)**	(551)
Net cash from operating activities		**1,909,949**	94,568
Investing activities			
Interest received	10	**16,824**	65,523
Dividends received	11	**170**	4,488
Dividends paid		**(1,610,683)**	-
Purchases of property, plant and equipment	16	**(72,719)**	(74,596)
Net cash used in investing activities		**(1,666,408)**	(4,585)
Financing activities			
Repayments of obligations under finance leases		**(183)**	(479)
Net cash used in financing activities		**(183)**	(479)
Net increase in cash and cash equivalents		**243,358**	89,504
Cash and cash equivalents at beginning of year		**149,476**	59,972
Cash and cash equivalents at end of year	21	**392,834**	149,476

The notes on pages 63 to 93 form part of these financial statements

Notes to the financial statements

For the year ended 30 September 2009

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 96

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on page 61

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 (IFRSs)

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 support 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 ongoing 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 amendment to IAS 39 'Financial Instruments Recognition and Measurement' and IFRS 7 'Financial Instruments Disclosures' on the reclassification of financial assets

The principal effect of this change is as follows

The amendment permits an entity to reclassify non-derivative financial assets out of the fair value through profit or loss category in particular circumstances The amendment also permits an entity to transfer from the available for sale category to the loans and receivables category certain financial assets under particular circumstances The application of this amendment has had no impact on the financial statements of the Group

The following pronouncements relevant and applicable to the Group were issued as at 30 September 2009 but which have effective dates for periods beginning after 30 September 2009 The use of IFRSs and certain IFRIC Interpretations that have yet to be endorsed by the European Union is not permitted Those IFRSs and IFRIC Interpretations listed below that have been endorsed by the European Union, and whose use is therefore permitted, have not been applied in preparing these financial statements

Notes to the financial statements continued

For the year ended 30 September 2009

2. Significant accounting policies (continued)

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the Group none of these pronouncements are expected to result in any material adjustments to the financial statements

Pronouncement	Nature of change	Latest effective date for the Group
IFRS 3 Revised Business combinations	IFRS 3 Revised requires acquisition costs to be expensed and not capitalised, an estimate of cash contingent consideration to be made at the date of acquisition, with any future changes recognised in income, provides the option to recognise 100 per cent of the goodwill of an acquired entity in a partial acquisition, discloses information that enables users to evaluate the nature and financial effects of the acquisition	1 October 2009
IAS 1 Revised Presentation of Financial Statements	IAS 1 Revised provides the option to either disclose all non-owner changes in equity in one statement of Comprehensive Income or continue to disclose two statements The standard also requires an additional balance sheet to be presented at the beginning of the earliest comparative period when a change in accounting policy is applied retrospectively or a retrospective restatement is made	1 October 2009
IAS 23 Revised Borrowing costs	The revised standard requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to form part of the costs of that asset Other borrowing costs are recognised as an expense	1 October 2009
Amendment to IAS 27 Consolidated and Separate Financial Statements	This amendment changes the treatment for part disposals, both when control is retained (which is accounted for as an equity transaction, generating no profit or loss in the income statement) and when control is lost (where the residual holding is measured at fair value with any changes reflected in income)	1 October 2009
Amendment to IAS 32 Financial Instruments Presentation	This amendment is in respect of the balance sheet classification of puttable financial instruments and obligations arising only on liquidation Some financial instruments that currently meet the definition of a financial liability may be classified as equity if they represent the last residual interest in the net assets of an entity	1 October 2009
Amendment to IAS 39 'Financial Instruments Recognition and Measurement'	This amendment to the standard clarifies how the principles that determine whether a hedge's risk or portion of cash flows is eligible for designation should be applied in particular situations	1 October 2009
IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	Provides guidance on assessing the amount of surplus that can be recognised as an asset and explains how a minimum funding requirement might either affect the availability of reductions of future contributions or give rise to a liability The Group are still assessing the impact on the Group accounts	1 October 2009
Improvements to IFRSs (2007)	Amendments to IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40	1 October 2009

Notes to the financial statements continued

For the year ended 30 September 2009

2. Significant accounting policies (continued)

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 408(3) of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement The profit for the year is included in note 30

Foreign currency translation

The Group financial statements of Visa Europe are presented in Euros, which is the Group's functional currency 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 Any resulting exchange differences are included in administration expenses in the income statement 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 Any resulting exchange differences are included in administration expenses in the income statement, except for differences on avaliable for sale non-montery financial assets, which are included in the avaliable for sale reserve in equity 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 The nature of the Group's currency risks is explained in note 23 (see below for details of the Group's accounting policies in respect of such derivative financial instruments)

Goodwill and intangible assets

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses Negative goodwill arising on an acquisition is recognised directly in 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 10 years

Notes to the financial statements continued

For the year ended 30 September 2009

2. Significant accounting policies (continued)

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired

Recoverable amount is the higher of fair value less costs to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase

Financial instruments

Financial assets and financial liabilities are recognised/derecognised on the Group's balance sheet when the Group becomes/stops being a party to the contractual provisions of the instrument

Trade receivables 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

Investments, classified as held to maturity, are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group positively intends and has the ability to hold to maturity Held to maturity investments are measured at amortised cost using the effective interest rate method

Notes to the financial statements continued

For the year ended 30 September 2009

2. Significant accounting policies (continued)

Investments, classified as available-for-sale, 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

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

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

Share capital
Share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option

Share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary Dividends thereon are recognised in the income statement as interest expense

Trade payables and share capital classified as financial liabilities
Trade payables and share capital classified as financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

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

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents service and transaction fees, net of volume-based discounts and support incentives, VAT and other sales-related taxes Volume-based discounts and support incentives are offset against revenue when it is probable that the criteria for the discount or incentive will be met and the amount can be reliably estimated Service fees predominantly represent payments by members with respect to their card programmes carrying the Visa brand marks Transaction fees represent user fees for authorisation, clearing, settlement and other activities that facilitate transaction and information flow among Visa Europe's members Revenue is recognised when services are performed

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

Notes to the financial statements continued

For the year ended 30 September 2009

2. Significant accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date Actuarial gains and losses are recognised in full in the period in which they occur These gains and losses are not recognised within the income statement and are presented in the statement of recognised income and expense

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested

The value of the retirement benefits recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value using a commercial rate where the effect is material Discounts are unwound through the income statement from the date the provision is made up to the date that the expenditure covered by the provision is incurred

UK GAAP

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements (see page 61) 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 2006 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 408 (3) of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

Notes to the financial statements continued

For the year ended 30 September 2009

2. Significant accounting policies (continued)

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 All other current asset investments are valued under historical cost convention

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

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 (2008 €24,601,000) against which no impairment has been made

Retirement benefits

Actuarial assumptions adopted and external factors can vary significantly the surplus or deficit of funded defined benefit pension schemes Advice is obtained from independent actuaries in selecting suitable assumptions

Two important assumptions are the rate of inflation and the discount rate The assumed rate of inflation affects the rate at which salaries are projected to grow and therefore the size of the pension that employees receive upon retirement and also the rate at which pensions in payment increase Over the longer term rates of inflation can vary significantly, at 30 September 2009 it was assumed that the rate of inflation would be 3 19 per cent per annum (2008 3 55 per cent), although if this was increased by 0 1 per cent the overall deficit would increase by approximately €3 2 million and the annual cost by approximately €0 3 million A reduction of 0 1 per cent would reduce the overall deficit by approximately €2 7 million and the annual cost by approximately €0 3 million

The size of the overall deficit is also sensitive to changes in the discount rate, which is affected by market conditions and therefore potentially subject to significant variations At 30 September 2009 the discount rate used was 5 68 per cent (2008 7 per cent), a reduction of 0 1 per cent would increase the overall deficit by approximately €3 4 million and the annual cost by approximately €0 2 million, while an increase of 0 1 per cent would reduce the net deficit by approximately €3 3 million and the annual cost by approximately €0 2 million

Discount on available for sale shares

Visa Inc shares held by the Group are classified as avaliable for sale assets The shares are valued at market value and are subject to a discount for the lock-up provision As at 30 September 2009, the discount rate for the lock-up provision is 15 5 per cent (2008 35 per cent) if this was increased by 0 1 per cent the asset would decrease by €18,000 A reduction of 0 1 per cent would increase the asset by €18,000

The discount percentage is subject to periodic review, taking into account time and volatility

Notes to the financial statements continued
For the year ended 30 September 2009

4. Revenue
An analysis of the Group's revenue is as follows

	2009 €'000	2008 €'000
Continuing operations		
Service and transaction fees	**709,486**	672,576

5. Other operating income

	2009 €'000	2008 €'000
Rental income from operating leases	**5,117**	2,917
Other	**640**	-
	5,757	2,917

6. Administrative expenses
Administrative expenses include

	2009 €'000	2008 €'000
Foreign exchange (gains)/losses (see below)	**(37,368)**	738
Depreciation of property, plant and equipment		
- owned	**39,056**	35,840
- leased	**243**	342
Staff costs (see note 8)	**137,978**	137,516
Exceptional costs (see below)	**3,942**	9,446
Auditors' remuneration (see below)	**755**	989

Included within foreign exchange gains in 2009 are gains of €29,303,000 (2008 €nil) on cash received on redemption of the Group's Series II shares and 57 per cent of its Series III shares in Visa Inc , between redemption and cash being distributed to members (see note 14)

Included within administrative expenses in 2009 are exceptional costs from the potential acquisition of SAS Carte Bleue €3,942,000 (2008 €nil) Included within administrative expenses in 2008 are exceptional costs arising from restructuring incurred as a result of the creation of Visa Inc €9,446,000

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

	Group		Company	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Fees payable to the Group and Company's auditors for the audit of the Group's financial statements	**260**	324	-	-
Audit of subsidiaries	**10**	16		
All other services	**351**	281	-	-
Other services relating to taxation	**124**	360	-	-
Fees relating to the Visa Europe Pension Plan	**10**	8	-	-
	755	989	-	-

The Group paid all audit fees on behalf of the Company

7. Other operating expenses

	2009 €'000	2008 €'000
Net losses on derivatives not in a designated hedge accounting relationship	**803**	58
Net losses on disposal and write off of property, plant and equipment	**15,161**	407
Net losses on forward contracts transferred from equity	**36,573**	21,146
Net losses on option contracts transferred from equity	**910**	1,900
	53,447	23,511

Net losses on disposal and write off of property, plant and equipment includes a write down of €14,615,000 (2008 nil) of project-related costs to recoverable amount

	2009 €'000	2008 €'000
Ineffectiveness arising from cash flow hedges included in net losses on derivatives not in a designated hedge accounting relationship	**-**	1

Notes to the financial statements continued

For the year ended 30 September 2009

8. Staff costs

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

	Group 2009 Number	Group 2008 Number	Company 2009 Number	Company 2008 Number
Marketing	159	137	-	-
Relationship management and member services	237	211	-	-
Technology and processing services	616	469	-	-
Other	267	254	-	-
	1,279	1,071	-	-

	2009 €000	2008 €000	2009 €000	2008 €000
Their aggregate remuneration comprised				
Wages and salaries	113,545	111,155	-	-
Social security costs	14,008	14,226	-	-
Other pension costs	10,425	12,135	-	-
	137,978	137,516	-	-

9. Remuneration of directors

The remuneration of the directors for the year was as follows

	2009 €000	2008 €000
Directors emoluments	1,704	1,837

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was €1,421,000 (2008 €1,376,000), comprising

	2009 €'000	2008 €000
Base remuneration	483	501
Performance related bonuses	802	728
Other benefits	136	147
	1,421	1,376

There were no retirement benefits accruing to any directors

10. Net financing income/expense

	2009 €'000	2008 €000
Finance income		
Interest on bank deposits	14,990	6,737
Interest income on receivables	2,734	58,786
	17,724	65,523
Finance costs		
Interest on obligations under finance leases	(15)	(34)
Discounted provisions - unwind of discount	(446)	(517)
	(461)	(551)

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 We have presented the difference between the eventual amount payable per quarter and the fee payable as interest receivable

Notes to the financial statements continued

For the year ended 30 September 2009

11. Dividend income

	2009 €'000	2008 €'000
Dividend income on available for sale/investment financial asset	170	2,522
Dividend income on short-term receivable financial asset	-	1,966
	170	4,488

12. Gain/(loss) on investment

	Note	2009 €'000	2008 €'000
Gain in fair value recycled from equity	14	49,298	231,603
Gain/(loss) on foreign exchange on investment	14	103,284	(33,809)
	14	152,582	197,794
Loss on derivatives		(20,317)	(17,515)
		132,265	180,279

A gain of €29,303,000 (2008 €nil) relating to foreign exchange movements arising from the investment in Visa Inc has been included in administration expenses (note 6) Consequently the total gain on investment was €161,568,000 (2008 €180,279,000)

13. Tax

	2009 €'000	2008 €'000
Current tax		
UK corporation tax		
Current tax on profit for the year	11,744	37,569
Adjustment in respect of prior years	(4,600)	(490)
	7,144	37,079
Foreign tax		
Current tax on profit for the year	1,897	8,469
Adjustment in respect of prior years	(177)	521
	1,720	8,990
Total current tax	8,864	46,069
Deferred tax (note 24)		
Origination and reversal of temporary differences	1,250	4,780
Adjustment in respect to prior years	6,002	(61)
	7,252	4,719
Total tax charge	16,116	50,788

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 (2008 35 per cent) The differences are explained below

	2009 €'000	2008 €'000
Profit before tax	215,720	2,471,571
Taxation at the standard US Federal income tax rate of 35% (2008 35%)	75,502	865,050
Effects of		
Permanent differences	3,762	29,946
Prior year adjustment	1,224	(30)
Non taxable gains on investment in Visa Inc	(63,660)	(844,676)
Other	(712)	498
Total tax charge (see above)	16,116	50,788

14. Investment in Visa Inc.

On 3 October 2007 Visa Inc was formed from the reorganisation of Visa International (VI) in preparation for an initial public offering (IPO) The profit recognised in 2008 in relation to the disposal of the previously held investment was €2,174,295,000 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 II shares, Class EU Series III shares and redeemable Class EU Series II 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 IV) shares, respectively The Series II shares were classified as Class C (Series II) shares

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 7billion) 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

In 2009 a gain was recognised in relation to the change in value of the Series II and 57 per cent of Series III shares and the gain recognised on 43 per cent of Series III shares previously recognised in reserves was recycled to the income statement

	Series II €000	57% of Series III €000	43% of Series III €000	Subtotal €000	Series IV €000	Total €000
Total recognised in previous years through income statement	788,210	1,044,925	636,210	2,469,345	13,164	2,482,509
Total recognised in previous years through equity	-	-	108,872	108,872	2,030	110,902
Balance sheet value as at 30 September 2008	788,210	1,044,925	745,082	2,578,217	15,194	2,593,411
Balance sheet value as at 1 October 2008	788,210	1,044,925	745,082	2,578,217	15,194	2,593,411
Subsequent movement in foreign exchange through income statement	44,410	58,874	-	103,284	-	103,284
Subsequent movement in fair value through equity	-	-	(107,470)	(107,470)	8,197	(99,273)
Subsequent movement in foreign exchange through equity	-	-	47,896	47,896	(153)	47,743
	832,620	1,103,799	685,508	2,621,927	23,238	2,645,165
Cash received on redemption of investment	(832,620)	(1,103,799)	-	(1,936,419)	-	(1,936,419)
Distributed to the members	-	-	(685,508)	(685,508)	-	(685,508)
Balance sheet value as at 30 September 2009	**-**	**-**	**-**	**-**	**23,238**	**23,238**
Gain on investment recognised in income statement	**44,410**	**58,874**	**49,298**	**152,582**	**-**	**152,582**

Notes to the financial statements continued

For the year ended 30 September 2009

15. Goodwill and intangible assets

	Goodwill €'000	Other intangibles €'000	Total €'000
Cost			
At 1 October 2007	18,826	5,788	24,614
Adjustment to fair value	-	(13)	(13)
At 30 September 2008 and 30 September 2009	**18,826**	**5,775**	**24,601**
Accumulated impairment losses			
At 1 October 2007	-	-	-
At 30 September 2008 and 30 September 2009	**-**	**-**	**-**
Carrying amount			
At 1 October 2007	18,826	5,788	24,614
At 30 September 2008 and 30 September 2009	**18,826**	**5,775**	**24,601**

An adjustment was 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 IFRS 3 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

	2009 €'000	2008 €'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 2009

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 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	-
Write off	-	-	(302)	(1,154)	(1,456)
At 1 October 2008	49,880	100,010	14,108	166,325	330,323
Additions	3,508	60,853	1,917	6,441	72,719
Transfers between items	(2,917)	(82,736)	(2,933)	88,586	-
Disposals	(334)	-	(898)	(4,794)	(6,026)
Write off	-	(14,615)	-	-	(14,615)
At 30 September 2009	**50,137**	**63,512**	**12,194**	**256,558**	**382,401**
Accumulated depreciation and impairment					
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 1 October 2008	(14,258)	-	(8,000)	(84,980)	(107,238)
Charge for the year	(5,100)	-	(1,653)	(32,546)	(39,299)
Elimination on disposal	307	-	454	4,719	5,480
At 30 September 2009	**(19,051)**	**-**	**(9,199)**	**(112,807)**	**(141,057)**
Carrying amount					
At 30 September 2009	**31,086**	**63,512**	**2,995**	**143,751**	**241,344**
At 30 September 2008	35,622	100,010	6,108	81,345	223,085

The Group leased computer equipment under a number of finance lease arrangements At 30 September 2009, the net carrying amount of leased assets was €5,478,000 (2008 €750,000)

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

	Group 2009 €'000	Group 2008 €000	Company 2009 €000	Company 2008 €000
Contracted purchase of software and computer equipment	**1,348**	3,390	-	-
Contracted expenditure on building improvements	**714**	-	-	-
	2,062	3,390	-	-

Notes to the financial statements continued

For the year ended 30 September 2009

17. Investment in subsidiaries

	2009 €'000	2008 € 000
Cost and carrying value		
At 1 October and 30 September	**45**	45

Details of the Company's subsidiaries at 30 September 2009 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

18. Financial assets (group)

	Group 2009 € 000	Group 2008 € 000
Non-current		
Interest rate derivatives	**1,727**	131
Currency derivatives	**50**	1,275
	1,777	1,406

	2009 € 000	Group 2008 € 000
Current		
Held to maturity investment	**100,000**	-
Interest rate derivatives	**4,642**	948
Currency derivatives	**464**	967
Available for sale	**29,961**	767,046
	135,067	768,961

At 30 September 2009, available for sale assets included Class C (Series IV) shares in Visa Inc held by the Group valued at €23,238,000 (2008 €15,194,000) The shares are listed and are measured at fair value (see note 14)

19. Investments (company)

	Company 2009 €'000	Company 2008 € 000
Current assets		
Investment	**100,000**	745,082

On 30 September 2009, a fixed term investment was held by the Company which was valued at historical cost less impairment

On 30 September 2008, the investment held by the Company was a listed investment in Visa Inc Class C (Series III) Shares detailed in note 14

Notes to the financial statements continued
For the year ended 30 September 2009

20. Trade and other receivables

	Group 2009 € 000	Group 2008 € 000	Company 2009 € 000	Company 2008 € 000
Trade receivables	**98,281**	38,947	**26,302**	34,607
Amounts owed by related parties	**-**	-	**44,360**	140,554
Other receivables	**2,128**	4,302	**798**	-
Prepayments	**15,143**	25,100	**-**	-
	115,552	68,349	**71,460**	175,161

The average credit period taken on sales of goods is 25 days (2008 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

	Group 2009 €'000	Group 2008 € 000	Company 2009 €'000	Company 2008 € 000
Bank balances	**393,043**	149,570	**270,278**	8,788
Bank overdrafts (see note 25)	**(209)**	(94)	**-**	-
Cash and cash equivalents in the statement of cash flows	**392,834**	149,476	**270,278**	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 3 51 per cent (2008 4 71 per cent) per annum and is determined based on 1 75 per cent plus base rate The average effective interest rate on short-term bank deposits approximates 2 73 per cent (2008 4 31 per cent)

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

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

Notes to the financial statements continued

For the year ended 30 September 2009

23. Financial instruments

Balance sheet derivatives information is contained in note 18 and 25

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

a) general financing considerations including liquidity/investment management and borrowing guidelines,

b) financial market risk comprising foreign exchange (FX) risk, interest rate risk and equity price risk,

c) credit risk comprising specific counterparty risk, concentration risk and settlement risk,

d) 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 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 with different currencies exposes Visa Europe to foreign exchange risk This is traditionally categorised as either transaction, translation or economic risk

Foreign exchange transaction risk

A substantial proportion of Visa Europe's expenditure is denominated in foreign currencies, mainly Sterling and the US Dollar 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 over a future time horizon and when appropriate 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 and assets and liabilities held in non-functional currencies

Most Visa Europe operating companies have the Euro as the functional currency Assets and liabilities are generally held in Euro but may be held, from time to time, in other currencies

Notes to the financial statements continued

For the year ended 30 September 2009

23. Financial instruments (continued)

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 a proportion of the 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 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 significant 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)	30 September 2009 € million	30 September 2008 € million
Foreign exchange risks			
Transaction risk uncommitted - Value-at-Risk	12	12 8	13 8

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 and a greater de-correlation benefit

Notes to the financial statements continued

For the year ended 30 September 2009

23. Financial instruments (continued)

Income currency (12-month holding period)	30 September 2009 Value at-Risk Gross impact € million	Net impact € million	Risk reduction € million	30 September 2008 Value at Risk Gross impact € million	Net impact € million	Risk reduction € million
US Dollar	25 8	12 3	52%	16 3	9 5	42%
Sterling	57 4	8 8	85%	36 1	9 6	73%
Total undiversified	83 2	21 1	75%	52 4	19 1	64%
Diversification	(29 3)	(8 3)	72%	(13 4)	(5 3)	60%
Net VaR	53 9	12 8	76%	39 0	13 8	65%

A high overall level of cover has been placed to protect the Visa Europe cash flow during a period of exceptionally volatile market conditions This cover and additional de-correlation benefit offsets the increased volatility seen over the year This reduces the gross (i e pre-hedged) VaR by 76 per cent to €12 8 million The minimum and maximum levels of VaR recorded in 2009 were €14 million and €18 million respectively

Foreign exchange 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 2009 and 2008 was as follows

Currency	Sales in % 2009	2008	Operating costs in % 2009	2008
US Dollar	34	30	26	24
Euro	49	40	21	15
Sterling	7	16	53	61
Other	10	14	-	-
Total	100	100	100	100

A significant strengthening of the US Dollar or Sterling against the Euro will negatively affect Visa Europe results Visa Europe assesses the risk by sensitivity testing (ten per cent currency shift) and stress testing (25 per cent currency shift) the net underlying exposure on a quarterly basis At year end 2009 a ten per cent strengthening of both the US Dollar and Sterling against the Euro would adversely affect the cash flow by €4 5 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 Sensitivity analysis shows that a one basis point (0 01 per cent) parallel shift in interest rates (PV01) would change the value of the Group's financial derivatives holdings by €37,000 Stress testing shows that a 100 basis point (1 0 per cent) parallel shift in interest rates (PV100) would change the value of the Group's financial derivative holdings by €3 5 million

The following table shows the financial instruments traded and their durations

	2009 Carrying amount € million	Duration (days)	2008 Carrying amount € million	Duration (days)
Financial assets				
Amounts owing from banks under various deposits arrangements at various interest rates	384 7	2	148 9	5
Marketable securities	100 0	12	-	-
Long-term marketable securities	-	-	-	-
Total assets and weighted duration	484 7	4	148 9	5
Financial derivatives				
Fixed rate agreements - fixed rate	0 6	206	0 3	135
Interest rate swaps - fixed rate	5 8	483	0 8	305
Total derivatives and weighted duration	6 4	345	1 1	261

Note Notional values have been used to calculate duration

Notes to the financial statements continued

For the year ended 30 September 2009

23. Financial instruments (continued)

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 €900 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 which 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 crystallises 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 based on the risk-based exposure generated by the number of Visa cards it issues, and the related sales volumes generated To reduce any potential member losses that may arise from 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, letter of credits and guarantees

	2009 € million	2008 € million
Cash	**157**	108
Letters of credit	**276**	94
Guarantees	**374**	347
Total	**807**	549

As the financial safeguards do not meet the definition of an asset of the Group, no amounts are included on the balance sheet

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 counter-parties, 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 2009

	Net carrying amount 30 September 2009 € million	**Contractual cash flows € million**	**Less than 1 year € million**	**Greater than 1 year € million**
Non-derivative financial liabilities				
Trade and other Payables	**320 3**	**320 3**	**320 3**	**-**
Finance lease	**5 3**	**5 4**	**3 9**	**1 5**
Derivative financial liabilities				
Interest rate swaps and forward rate agreements	**-**	**-**	**-**	**-**

	Net carrying amount 30 September 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

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 2009 and 2008 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 2009

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 2009 and 2008

	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								
2009	**(200)**	**(100)**	-	-	-	-	**(100)**	-
2008	(100)	-	-	-	-	(100)	-	-
Forward rate agreements								
2009	**(400)**	-	-	-	**(100)**	**(200)**	**(100)**	-
2008	(400)	-	-	-	(100)	(200)	(100)	-
Foreign exchange forward contracts								
Sterling	620	33	20	39	72	135	321	-
US Dollar	121	-	-	-	23	38	60	-
Other	(12)	(10)	-	(3)	-	1	-	-
Total 2009	**729**	**23**	**20**	**36**	**95**	**174**	**381**	-
Total 2008	198	(235)	16	36	66	139	176	-
Currency option contracts								
Total 2009	-	-	-	-	-	-	-	-
Total 2008	(49)	(60)	5	2	2	2	-	-

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 2009 and 2008

	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								
2009	**5 7**	**4 7**	-	-	**(0 2)**	**(0 5)**	**1 7**	-
2008	0 8	-	-	-	-	0 8	-	-
Forward rate agreements								
2009	**0 6**	-	-	-	**0 1**	**0 4**	**0 1**	-
2008	0 3	-	-	-	-	0 1	0 2	-
Foreign exchange forward contracts								
Sterling	(47 7)	(2 8)	(2 2)	(4 2)	(7 3)	(11 4)	(19 8)	-
US Dollar	(3 5)	-	-	-	(0 9)	(0 3)	(2 3)	-
Other	(0 3)	(0 2)	-	-	-	(0 1)	-	-
Total 2009	**(51 5)**	**(3 0)**	**(2 2)**	**(4 2)**	**(8 2)**	**(11 8)**	**(22 1)**	-
Total 2008	(30 7)	(15 9)	(1 2)	(2 0)	(4 9)	(4 4)	(2 3)	-
Currency option contracts								
Sterling	-	-	-	-	-	-	-	-
US Dollar	-	-	-	-	-	-	-	-
Total 2009	-	-	-	-	-	-	-	-
Total 2008	(4 2)	(3 4)	(0 7)	(0 1)	-	-	-	-

Fair value calculations are based on the forward foreign exchange and interest rate yield curves which have been discounted at year end zero rates to derive the Net Present Value for each contract

Notes to the financial statements continued

For the year ended 30 September 2009

23. Financial instruments (continued)

Hedge accounting

Cash flow hedges

Visa Europe's activities expose it to the financial risks of changes in foreign currency exchange rates and changes in interest rates Visa Europe uses foreign exchange and interest rate derivatives 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 material 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

Effectiveness for the foreign exchange forward currency contracts is measured quarterly using the forward rate basis 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 Hedge effectiveness for interest rate derivatives is measured retrospectively on a quarterly basis using an appropriate method for each specific hedge

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 and held interest rate swaps and forward rate agreements to hedge its 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

In 2008, 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 2009 and 2008

	Notional amount		Positive fair value		Negative fair value	
	2009 € million	2008 € million	**2009 € million**	2008 € million	**2009 € million**	2008 € million
Interest rate swaps and FRAs						
- undesignated hedges	**(500)**	(500)	**5 4**	11	**-**	-
Foreign exchange forward contracts						
- undesignated hedges	**(11 5)**	(252 2)	**-**	-	**-**	(14 6)
Currency option contracts						
- undesignated hedges	**-**	(63 1)	**-**	-	**-**	(3 0)

Notes to the financial statements continued

For the year ended 30 September 2009

23. Financial instruments (continued)

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

	2009 € million	2008 € 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	(70 0)	(31 8)
Gains/(losses) removed from equity and recognised in net income	36 6	21 1
Currency option contracts		
Gains/(losses) recognised in equity	(0 9)	(3 0)
Gains/(losses) removed from equity and recognised in net income	0 9	1 9

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

	2009 € million	2008 € million
Less than one year	(29 4)	(13 8)
One to three years	(22 1)	(2 2)
Three years or later	-	-

In 2009 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 (2008 €nil)

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

	2009 € million	2008 € million
Impairment losses reported in profit or loss	-	-
Unrealised holding gains/(losses) reported in shareholders' equity	51 5	125 1
Realised holding gains/(losses) removed from equity and classified in net income	49 3	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 on 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

Notes to the financial statements continued

For the year ended 30 September 2009

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 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 1 October 2008	(511)	2,922	8,072	10,483
Charge/(credit) to income	(1,695)	(1,516)	1,961	(1,250)
Charge/(credit) to equity	-	11,989	11,619	23,608
Prior year adjustment	(789)	1,424	(6,637)	(6,002)
Exchange differences	-	(868)	-	(868)
At 30 September 2009	**(2,995)**	**13,951**	**15,015**	**25,971**

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

	2009 €000	2008 €000
Deferred tax liabilities	**(5,172)**	(4,119)
Deferred tax assets	**31,143**	14,602
	25,971	10,483

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. Financial liabilities

	Group 2009 €000	Group 2008 €000
Non-current		
Obligations under finance leases (note 26)	**1,469**	359
Currency derivatives	**22,150**	3,487
	23,619	3,846

	Group 2009 €'000	Group 2008 €000
Current		
Obligations under finance leases (note 26)	**3,879**	278
Bank overdraft (note 21)	**209**	94
Currency derivatives	**29,891**	33,670
	33,979	34,042

Notes to the financial statements continued

For the year ended 30 September 2009

26. Obligations under finance leases

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

	Minimum lease payments 2009 €'000	2008 €000	Present value of lease payments 2009 €'000	2008 €000
Amounts payable under finance leases				
Within one year	**3,951**	294	**3,879**	278
In the second to fifth years	**1,503**	377	**1,469**	359
	5,454	671	**5,348**	637
Less future finance charges	**(106)**	(34)	**n/a**	n/a
Present value of lease obligations	**5,348**	637		
Less amount due for settlement within 12 months (shown under current liabilities)			**(3,879)**	(278)
Amount due for settlement after 12 months			**1,469**	359

It is the Group's policy to lease certain of its fixtures and equipment under finance leases The average lease term is four years (2008 five years) For the year ended 30 September 2009, the average effective borrowing rate was six per cent (2008 nine per cent) Interest rates are fixed at the contract date All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments

All lease obligations are denominated in Sterling

The fair value of the Group's lease obligations approximates their carrying amount

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets

27. Trade and other payables

	Group 2009 €'000	2008 €000	Company 2009 €000	2008 €000
Trade payables	**71,874**	22,883	**3,736**	-
Social security and other taxes	**19,115**	11,368	**9,964**	12,847
Accruals and deferred income	**229,343**	223,804	**112,264**	105,888
	320,332	258,055	**125,964**	118,735

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 27 days (2008 25 days)

Notes to the financial statements continued

For the year ended 30 September 2009

28. Provisions

	Total 2009 €'000	Asset retirement obligation 2009 € 000	Other 2009 €'000	Total 2008 € 000	Asset retirement obligation 2008 € 000	Other 2008 € 000
At 1 October	**7,832**	**4,332**	**3,500**	4,387	4,387	-
Additional provision in the year	**2,432**	**1,168**	**1,264**	3,500	-	3,500
Unwinding of discount	**446**	**446**	**-**	517	517	-
Provisions reversed during the period	**(3,073)**	**-**	**(3,073)**	-	-	-
Provisions used during the period	**(471)**	**-**	**(471)**	-	-	-
Exchange difference	**(560)**	**(560)**	**-**	(572)	(572)	-
At 30 September	**6,606**	**5,386**	**1,220**	7,832	4,332	3,500

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

29. Share capital

	2009 Number	2009 €	2008 Number	2008 €
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	**4,586**	**1,155**	4,603	1,151
Issue of shares	**45**	**11**	26	11
Redemption of shares	**(65)**	**(16)**	(43)	(7)
Adjustment for duplications and consolidations	**(419)**	**(113)**	-	-
At 30 September	**4,148**	**1,047**	4,587	1,165

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 €41,000 (2008 €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 30

Adjustment for duplications and consolidations is due to the resolution of duplication errors regarding Swiss members and consolidation of German members in the Share Register

Notes to the financial statements continued

For the year ended 30 September 2009

30. Capital and reserves

Group	Share capital € 000	Capital redemption reserve € 000	Capital contribution reserve € 000	Merger reserve € 000	Available for sale reserve € 000	Cash flow hedging reserve € 000	Retained earnings € 000
	Attributable to the equity holders of the parent						
At 1 October 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
At 1 October 2008	-	-	1	2,000	110,724	(10,938)	2,642,946
Total recognised income and expense	-	-	-	-	(100,746)	(21,725)	176,643
Dividend	-	-	-	-	-	-	(2,296,231)
At 30 September 2009	**-**	**-**	**1**	**2,000**	**9,978**	**(32,663)**	**523,358**

Company	Share capital € 000	Capital redemption reserve € 000	Capital contribution reserve € 000	Merger reserve € 000	Revaluation reserve €'000	Cash flow hedging reserve € 000	Retained earnings € 000
	Attributable to the equity holders of the parent						
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
At 1 October 2008	-	-	1	-	745,082	-	1,898,350
Total recognised income and expense	-	-	-	-	(745,082)	-	709,488
Dividend	-	-	-	-	-	-	(2,296,231)
At 30 September 2009	**-**	**-**	**1**	**-**	**-**	**-**	**311,607**

The Company's profit on ordinary activities after taxation was €189,095,000 (2008 €1,898,350,000)

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

Revaluation reserve

The revaluation reserve comprises the cumulative net change in the fair value of assets classified as investments

31. 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

Notes to the financial statements continued
For the year ended 30 September 2009

32. Contingent liabilities

The Company and its subsidiaries are, from time to time, parties to or affected by legal and regulatory proceedings and claims and they enter into guarantees, financing arrangements and commitments which are in the ordinary course of business Where it is considered that it is more likely than not that there will be no outflow of resources in respect of these matters no provision is made On the basis of current information 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 Nonetheless, given the inherent unpredictability of litigation and regulatory proceedings, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's results of operations or cash flows in a particular year

In April 2009, the EU Commission ('Commission') issued a Statement of Objections ('SO') to Visa Europe alleging that Visa Europe's intra-regional and domestic default MIFs, for the period from 1 January 2008 to 10 March 2009, restrict competition in acquiring in the EEA On 30 July 2009 Visa Europe responded in detail to the Commission's allegations Following the disclosure of further information by the Commission to Visa Europe, Visa Europe submitted a supplementary response to the SO on 30 October 2009 Visa Europe will continue to defend the case brought by the Commission It is not currently known when the Commission intends to conclude its investigation or make a decision

33. Operating lease arrangements

The Group as lessee

	2009 €000	2008 €000
Minimum lease payments under operating leases recognised in income for the year	**14,572**	13,649

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

	2009 €000	2008 €000
Within one year	**12,246**	11,533
In the second to fifth years inclusive	**44,912**	44,637
After five years	**137,731**	139,369
	194,889	195,539

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

The Group as lessor

Property rental income earned during the year was €5,117,000 (2008 €2,917,000) At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments

	2009 €'000	2008 €000
Within one year	**3,971**	739
In the second to fifth years inclusive	**10,696**	6,835
After five years	**1,261**	5,905
	15,928	13,479

Notes to the financial statements continued

For the year ended 30 September 2009

34. 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 €5,948,000 (2008 €4,869,000) 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 More than two thirds of employees are members of this pension scheme (69 per cent)

There were no outstanding or prepaid contributions at either the beginning or end of the year

Defined benefit scheme

For the remaining employees, the Group provides benefits through a defined benefit plan which is known as 'The Visa Europe Pension Plan' (VPP) Here the benefits are provided on a funded basis and are based on the final pensionable pay of its members to the maximum level allowed by HMRC The balance of the benefit, for those few individuals entitled to benefits above the maximum allowed by HMRC, is provided through an unfunded unapproved arrangement (UA) The latest actuarial valuation was carried out at 30 September 2008 and was updated for the purpose of IAS 19, Employee Benefits, to 30 September 2009 by a qualified independent actuary As the defined benefit scheme is closed to new members, it is expected that the cost of the scheme as a percentage of individual pensionable salaries will increase as the members age The cumulative amount recognised in the Statement of Recognised Income and Expense for both arrangements at 30 September 2009 was €(22,758,000) (2008 €12,114,000)

	2009 %	2008 %	2007 %	2006 %
Key assumptions used				
Discount rate applied to scheme liabilities	**5 68**	7 00	6 00	5 00
Expected return on scheme assets	**6 61**	8 13	7 00	6 51
Expected rate of salary increases	**4 44**	4 80	4 50	4 25
Future pension increases	**3 05**	3 35	3 10	3 00
Inflation	**3 19**	3 55	3 25	3 00
	Years	Years	Years	Years
Life expectancy for a male aged 65	**23 4**	23 3	21 9	19 8
Life expectancy for a male aged 45 from the age of 65	**24 6**	24 5	23 0	19 8
Life expectancy for a female aged 65	**25 7**	25 7	24 8	22 8
Life expectancy for a female aged 45 from the age of 65	**26 7**	26 7	25 8	22 8

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

	2009 €'000 Total	2009 €'000 UA	2009 €'000 VPP	2008 € 000 Total	2008 € 000 UA	2008 € 000 VPP	2007 € 000 Total	2007 € 000 UA	2007 € 000 VPP	2006 € 000 Total	2006 € 000 UA	2006 € 000 VPP
Current service cost	**4,477**	**250**	**4,227**	7,156	268	6,888	9,434	686	8,748	8,879	562	8,317
Interest cost	**7,636**	**294**	**7,342**	7,701	311	7,390	7,918	328	7,590	6,714	247	6,467
Expected return on scheme assets	**(8,430)**	**-**	**(8,430)**	(8,972)	-	(8,972)	(8,563)	-	(8,563)	(6,972)	-	(6,972)
Past service cost	**6**	**-**	**6**	110	-	110	10	-	10	717	717	-
	3,689	**544**	**3,145**	5,995	579	5,416	8,799	1,014	7,785	9,338	1,526	7,812

Amounts recognised in the income statement have been included in administrative expenses Actuarial gains and losses have been reported in the statement of recognised income and expense

The actual return on scheme assets was €8,117,000 (2008 €(16,365,000))

34. Retirement benefit schemes (continued)

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

	2009 € 000 Total	2009 €'000 UA	2009 €'000 VPP	2008 € 000 Total	2008 € 000 UA	2008 € 000 VPP	2007 € 000 Total	2007 € 000 UA	2007 € 000 VPP	2006 € 000 Total	2006 € 000 UA	2006 € 000 VPP
Present value of defined benefit obligations	**(145,733)**	**(6,013)**	**(139,720)**	(115,234)	(4,406)	(110,828)	(135,983)	(5,376)	(130,607)	(149,828)	(5,822)	(144,006)
Fair value of scheme assets	**113,214**	**-**	**113,214**	110,924	-	110,924	140,008	-	140,008	126,934	-	126,934
Surplus/(deficit) in scheme	**(32,519)**	**(6,013)**	**(26,506)**	(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	**(32,519)**	**(6,013)**	**(26,506)**	(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

	2009 € 000 Total	2009 € 000 UA	2009 € 000 VPP	2008 € 000 Total	2008 € 000 UA	2008 € 000 VPP	2007 € 000 Total	2007 € 000 UA	2007 € 000 VPP	2006 € 000 Total	2006 € 000 UA	2006 € 000 VPP
At 1 October	**(115,234)**	**(4,406)**	**(110,828)**	(135,983)	(5,376)	(130,607)	(149,828)	(5,822)	(144,006)	(125,241)	(4,150)	(121,091)
Current service cost	**(4,477)**	**(250)**	**(4,227)**	(7,156)	(268)	(6,888)	(9,434)	(686)	(8,748)	(8,879)	(562)	(8,317)
Interest cost	**(7,636)**	**(294)**	**(7,342)**	(7,701)	(311)	(7,390)	(7,918)	(328)	(7,590)	(6,714)	(247)	(6,467)
Contributions from scheme members	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-
Actuarial gains and losses	**(34,559)**	**(1,736)**	**(32,823)**	16,888	832	16,056	23,866	1,187	22,679	(8,988)	(191)	(8,797)
Exchange difference	**15,490**	**611**	**14,879**	17,538	643	16,895	4,777	192	4,585	(133)	(32)	(101)
Benefits paid	**689**	**62**	**627**	1,290	74	1,216	2,564	81	2,483	844	77	767
Past service cost	**(6)**	**-**	**(6)**	(110)	-	(110)	(10)	-	(10)	(717)	(717)	-
At 30 September	**(145,733)**	**(6,013)**	**(139,720)**	(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 2009

34. Retirement benefit schemes (continued)

Movements in the fair value of scheme assets were as follows

	2009 € 000 Total	2009 €'000 UA	2009 €'000 VPP	2008 € 000 Total	2008 € 000 UA	2008 € 000 VPP	2007 € 000 Total	2007 € 000 UA	2007 € 000 VPP	2006 € 000 Total	2006 € 000 UA	2006 € 000 VPP
At 1 October	**110,924**	**-**	**110,924**	140,008	-	140,008	126,934	-	126,934	102,839	-	102,839
Expected return on scheme assets	**8,430**	**-**	**8,430**	8,972	-	8,972	8,563	-	8,563	6,972	-	6,972
Actuarial gains and losses	**(313)**	**-**	**(313)**	(25,107)	-	(25,107)	33	-	33	5,422	-	5,422
Exchange difference	**(14,871)**	**-**	**(14,871)**	(18,022)	-	(18,022)	(4,218)	-	(4,218)	706	-	706
Contributions from the sponsoring company	**9,733**	**62**	**9,671**	6,363	74	6,289	11,260	81	11,179	11,839	77	11,762
Contributions from scheme members	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-
Benefits paid	**(689)**	**(62)**	**(627)**	(1,290)	(74)	(1,216)	(2,564)	(81)	(2,483)	(844)	(77)	(767)
At 30 September	**113,214**	**-**	**113,214**	110,924	-	110,924	140,008	-	140,008	126,934	-	126,934

Experience items on liabilities and assets were as follows

	2009 €'000 Total	2009 € 000 UA	2009 € 000 VPP	2008 € 000 Total	2008 € 000 UA	2008 € 000 VPP
Experience gains/(losses) on assets	**(313)**	**-**	**(313)**	(25,107)	-	(25,107)
Experience gains/(losses) on liabilities	**(34,559)**	**(1,736)**	**(32,823)**	16,888	832	16,056

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows

	Expected rate of return		Fair value of assets	
	2009 %	2008 %	2009 € 000	2008 € 000
Equity instrument	**8 23**	9 79	**48,331**	46,032
Index linked gilts	**3 95**	4 68	**22,049**	24,482
Debt instruments	**5 68**	7 00	**24,051**	23,720
Property	**8 23**	9 79	**2,804**	4,545
Other assets	**4 15**	5 00	**15,979**	12,145
			113,214	110,924

The expected contributions between 1 October 2009 and 30 September 2010 are €8 9 million

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 2009 together with an inflation assumption and an assumption of 1 5 per cent per annum long-term real dividend growth

Cash The 20 year interest rate swap at 30 September 2009

Index Linked and Fixed Interest Gilts The return equal to the yield published for the FTSE UK Gilts 15 year index

Corporate bonds The discount rate

Property As equity instruments (see above)

Notes to the financial statements continued

For the year ended 30 September 2009

35. Events after the balance sheet date

On 15 October 2009 Visa Europe Limited signed a Share Sale Agreement to purchase 100 per cent of SAS Carte Bleue's shares Completion of this agreement is subject to certain conditions being met, including merger clearance from the French competition authority, and is expected to complete on 31 December 2009 at which time SAS Carte Bleue is expected to become part of the Visa Europe Group

Glossary

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 member bank that signs up retailers to accept Visa cards - and, along with the issuer, the cardholder and the retailer, constitutes one of the parties in a four party payment system

Acquiring bank Also referred to as an acquirer, this is a Visa member bank that signs up retailers to accept Visa cards - and, along with the issuer, the cardholder and the retailer, constitutes one of the parties in a four party payment system

Adviser To develop its products and procedures Visa Europe operates a thorough consultative process, involving several advisory groups An adviser is a representative of a member bank who serves on one of these advisory groups

ARF The audit, risk and finance committee is one of the committees of the Visa Europe board of directors

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

Cardholder We use this term to refer to any one of the customers of our member banks who has been issued with a Visa card – and, along with the acquirer, the issuer and the retailer, constitutes one of the parties in a four party payment system

Card sales volume We use this term to refer to the total value of transactions conducted using Visa cards

CEV Cardholder expenditure volume is an amount of money which has been spent or withdrawn using a Visa card

Chip and PIN This term refers to any Visa transaction (at either the point of sale or an ATM) which is protected by a combination of a chip card and a personal identification number The term can also be used as a description of the underlying technology involved in these transactions

CVV2 Card Verification Value 2 is used to provide evidence that the card being used is actually in the presence of the cardholder and is valid Such verification is used primarily in card not present (CNP) transactions occurring over the internet, by mail, or over the phone

DCC Dynamic currency conversion is a service which some retailers offer to foreign cardholders, whereby a currency conversion to the cardholder's currency of domicile is conducted at the point of sale

EMC The executive management committee is the most senior internal day-to-day decision-making body within Visa Europe and reports to the board of directors

EMV The Europay MasterCard Visa chip specifications are regarded as the industry standard for payment cards in Europe

EPC The European Payments Council is a decision-making body that was established by the European banking industry to support and promote the creation of the Single Euro Payments Area (SEPA)

EC The European Commission is the executive body of the European Union Its primary roles are to propose and implement legislation, and to act as 'guardian of the treaties' which provide the legal basis for the EU

ECB The European Central Bank is the central bank of the euro zone, in charge of monetary policy of the 25 countries that use the euro currency

EU The European Union is an intergovernmental and supranational union of 27 European countries, known as member states

Four party system We use this term to describe payment systems, such as Visa, which involve four separate participants - that is, the issuer, the acquirer, the cardholder and the retailer

Group Member A group member is an independent organisation or organisations 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

Inter-bank routing and switching A term used in connection with the processing of card transactions Using the information within a card account number, processing systems such as 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

Issuer Also referred to as an issuing bank, this is a Visa member bank that issues Visa cards to its customers - and, along with the acquirer, the cardholder and the retailer, constitutes one of the parties in a four party payment system

Issuing bank Also referred to as an issuer, this is a Visa member bank that issues Visa cards to its customers - and, along with the acquirer, the cardholder and the retailer, 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

MSC The 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

POS Point of sale is the term used to classify a Visa transaction where goods or services are purchased (as opposed to a Visa transaction where cash is withdrawn) We also use it to describe a physical location where goods or services are sold to cardholders

Processor We use 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

RMF The Risk Management Framework is the methodology we use to prioritise the various business risks faced by Visa Europe and set out all of the related responsibilities and accountabilities across the organisation

SEPA The Single Euro Payments Area is a term used by the European Central Bank to refer to its policy and goal establishing a pan-European payments infrastructure The aim is that, by 2010 any differences between national and pan-European payments should be eliminated

3-D Secure A technology developed by Visa which enables a cardholder to be authenticated during an e-commerce transaction This technology is deployed in a service offered by member banks called Verified by Visa

Transaction This is the process that takes place each time a Visa card is used to make a purchase or to conduct a cash withdrawal

Vendors We use this term to refer to companies (often technology companies) which supply payment-related goods and services to Visa and its member banks Examples may include card manufacturers, terminal manufacturers and software providers

Verified by Visa A service offered by member banks to cardholders and retailers 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

Visa Inc Visa Inc is a private stock corporation incorporated in the United States, formed through the merger of Visa Canada, Visa USA and Visa Inc (including the Visa businesses in Asia Pacific, Latin America and Caribbean, Central and Eastern Europe Middle East and Africa) Visa Inc floated on the New York Stock Exchange in March 2008 Visa Europe remains a member-owned, not-for-profit association in Europe

Visa System 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

VISOR Visa Intelligent Scoring of Risk (VISOR) is a sophisticated fraud detection system developed by Visa Europe and provided to member banks Transactions passing through the Visa System are automatically scrutinised and 'scored' to determine the likelihood of fraud

Volumes We use this term to refer to the total value of transactions conducted using Visa cards This could be either cardholder expenditure volumes (representing the total value of all point of sale transactions and cash withdrawals) or point of sale volumes (representing the total value of point of sale transactions alone)

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The Forest Stewardship Council (FSC) is an international network which promotes responsible management of the world s forests Forest certification is combined with a system of product labelling that allows consumers to readily identify timber based products from certified sources