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VISA

Annual Report 2010

Visa Europe is the European payment system

Making money flow

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COMPANY NO: 5139966

Contents

“Visa is making money flow”

We are a payments business

By making payments easier, we bring more speed, security and efficiency to consumers, retailers and businesses, banks, payment providers and governments

About our business

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

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

Visa Europe
The European payment system

European ownership and control
Exclusively owned by 4,176 European members, who retain direct strategic control over their payment card business

Investing in European payments
An investment of €1 billion in new European processing platforms, new innovations and the accelerated migration to Europe's EMV-based payment infrastructure

Efficient and cost-effective
A lean, not-for-profit business model, offering low scheme fees and significant scale economies

Open and transparent
An open, competitive system, based on standard technologies, enabling members to exercise free commercial choice across every facet of their payments business

A sustainable economic model
An agreement was reached with the European Commission on the interchange rate for cross-border, immediate debit transactions

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 and the precise way that Visa payments must work

The four party model

Any cardholder can use Visa to pay at retailers in more than 200 countries worldwide Those retailers can use Visa to accept payments from more than 2 2 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

The benefits we bring

Every participant in any transaction benefits from the speed, security and simplicity of Visa payments

The member benefits

By participating in Visa Europe, 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
- Speed, 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 safely in person, over the telephone, 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, telephone and mail order), to introduce self-checkout services and to offer 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 and increasing access to liquidity
- Reducing the shadow economies
- Reducing financial exclusion
- Aiding European integration
- Enabling prompt, guaranteed payment to take place

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 agree 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 in a cost-effective way 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 - employing banking, technology, marketing, consulting, risk management, retailing, research, business analysis and legal specialists from 49 countries worldwide

Point of sale spending

€963bn

Contactless Visa cards issued by Visa Europe members

10m+

Visa cards issued by Visa Europe members

408m

Commitments to issue V PAY cards

63m

A Visa-branded credit card, issued by HSBC, was placed at number 99 in the BBC's 2010 series on "A history of the world in 100 objects

99

Visa Europe employees

1,397

Countries covered by Visa Europe

36

Everyday spending transacted on a Visa card

€1 in €9

Local offices located throughout Europe

18

Our investment in Europe's payments infrastructure

€1bn

Forewords

A sound business strategy, backed up by disciplined risk management, is delivering strong growth and enabling value-creating innovations

In this section

CEO's statement

A European success story

Despite the challenging economic times, Visa Europe and its membership made substantial progress in 2010

We have seen a return to double digit growth Our key scorecard measures have been exceeded Some very significant new innovations have been implemented, with several more in the development pipeline We have also reached a definitive agreement with the European Commission on the underlying economic model for immediate debit payment cards and completed the acquisition and integration of SAS Carte Bleue

2010 can therefore be regarded as a successful year for Visa Europe However, it is important to remain mindful of the wider environment

Some of our members continue to face difficult domestic circumstances and, as European austerity measures begin to bite, there is concern that consumer spending will be negatively affected This mood of caution is backed up by the results of the Visa Europe Expenditure Index, which uses Visa transaction data to anticipate and supplement official retail spending statistics in two of our key markets, Sweden and the UK This suggests that growth remains fragile and that any recovery is likely to be subdued

Our research programmes also suggest that radical measures will need to wean certain consumer segments and retailer sectors away from hard cash Our members are certainly enthusiastic about the type of innovations that could assist in the fight against cash but, for many of them, investment funds remain in short supply

In summary, therefore, we are proud of our 2010 performance We also remain cautiously optimistic about the future But our mood is tempered by the realities and challenges we face out in the marketplace

Stronger than anticipated growth

One of our strategic objectives is to displace all other means of payment So, clearly, point of sale (POS) activity is one of our most important business indicators - and this is where we made some of the most impressive gains

Overall, the value of point of sale spending increased by 12 7 per cent, to fall just short of €1 trillion

"The value of POS spending increased by 12.7%"

As people use Visa for more of their everyday spending, average transaction values do of course drop, and this means that the number of point of sale transactions grew even more impressively

During 2010, this figure increased by an impressive 14 2 per cent, to exceed 19 5 billion transactions This is the strongest growth we have seen since 2005 - at a time when our business was less than two thirds the size that it is today

Many of our members also chose to invest in the issuance of more Visa and V PAY cards With a net gain of almost 27 5 million cards, growth exceeded seven per cent representing more than 75,000 additional cards issued every single day of the year In both relative and absolute terms, this is also the highest rate of growth we have seen for several years

The benefits of a low-cost, not-for-profit business model

The level of growth achieved in 2010 exceeded expectations We knew the proposition of secure, convenient cashless payments remained compelling We also knew that our low-cost business model was bringing significant value to our members But we had assumed that the uncertain economic climate would hamper growth, and we budgeted accordingly

In the event, faster than expected growth combined with disciplined cost control led to a year-end budget surplus of more than €150 million As Visa Europe is a membership association, the board agreed that we should waive €157 5 million of fees to our members by way of a reimbursement after the year end At the same time, many of our members are directly benefiting from the new system of pricing that was put into place during 2009, and the flexible system of rebates this enables

In spelling out its expectations for the new SEPA environment, the European Central Bank is calling on Europe's banking community to favour lean, efficient, low-cost payment systems At Visa Europe, we have shown that we offer by far the lowest fees of any equivalent SEPA-compliant payment system

Benefiting from a significant strategic asset

For me, one of the crowning achievements of the year was the full migration to the new Visa Europe Clearing and Settlement Service (VECSS) which complements the Visa Europe Authorisation Service

I think it is important to recognise the sheer scale of this undertaking Over six years, we have invested more than €500 million in our processing services alone We have built two identical, state of the art platforms and installed them in two data centres We have managed the technical migration of all Visa Europe members to these platforms We have also recruited a team of more than 670 technology professionals

In doing so, we have created the only 'made-for-SEPA' processing service, which combines unprecedented levels of speed, capacity, security and capability As well as delivering a state of the art, highly cost-effective inter-bank processing service, this enables us to create many new value-added processing services

Many of our recent innovations, such as our Real Time Scoring fraud detection solution, our cardholder loyalty proposition and our Visa Alerts text messaging service are based on this processing capability

Against this background, growth of our processing business was particularly strong We processed 9 3 billion transactions, which was 28 per cent up on the previous year Also our cross-border processing business was supplemented by our domestic processing services in a total of 19 countries

“75,000 new cards issued every day of the year”

CEO's statement continued

Bringing new innovations to market

During 2010, the interest in innovation in the payments market has definitely intensified

For example, the year has been punctuated by a continual series of announcements about new payment ventures and initiatives, many of which are directly related to the opportunity for contactless and mobile payments

It must be recognised that, once new initiatives such as these gain traction, they will move incredibly quickly This is why we are absolutely determined to protect the long-term relevance of our members' payments business and the strength of the Visa Europe franchise

As a membership association, our collective approach reduces the risks and the costs of innovation for our members Through our decision-making forums we can also broker and co-ordinate the activity of many different participants - catalysing big, market-moving initiatives

Several of our innovations are highlighted in the report, including our continued progress with V PAY, the progressive rollout of Visa payWave contactless payments, and the integration of mobile devices into the payments value chain

A sustainable economic model for card payments

In April 2010 we finally reached an agreement with the European Commission on the interchange fee on immediate debit cards On the basis of this agreement, a fee of 0 2 per cent was agreed for cross-border immediate debit card transactions Importantly, what was agreed was a methodology for setting the right fee level (based on the so called 'merchant indifference test') The European Commission has accepted that, to apply this methodology correctly, everyone needs a much better understanding of the true costs of cash Regarding immediate debit, if the cost studies confirm that the prevailing cross-border rate of 0 2 per cent is too low, there is scope to revisit it

With regards to deferred debit and credit, we still have the opportunity to convince the European Commission that the true comparator for credit is not cash and therefore under the merchant indifference methodology these programmes warrant a different comparator In the meantime, we can continue to apply our prevailing rate of 0 61 per cent

This settlement therefore brings us much closer to a sustainable long-term solution with the regulators, something Visa Europe welcomes It gives individual members much more economic certainty, and it gives the wider payment industry much more legal certainty

"our low-cost business model brings significant value to all stakeholders"

The need for a level playing field

Another regulatory matter relates to the repeated calls, from both the European Central Bank and the European Commission, for the creation of at least one more payment system

Our position is clear Through our constitution, our systems and our pricing, we feel we have already met the requirements as set out by the European Central Bank and the European Commission, for a truly European payment system We are always eager to compete, and believe that banks should be allowed to make their own decisions, based on business and marketing logic

Ultimately, we operate on behalf of the European payments market We are fully committed to the four party payment model The dynamic nature of this model ensures that every Visa transaction must bring tangible benefits to each one of these four parties - namely the cardholder, the issuer, the acquirer and the retailer

Support from all participants

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

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

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

Peter Aylisse

Peter Aylıffe
President and CEO, Visa Europe

> “a state of the art, highly **cost-effective** inter-bank processing service”

Chairman's statement

Investing in European payments

In many respects, Visa Europe's achievements in 2010 represent the culmination of a fundamental strategic decision which was taken by the membership more than six years ago

Way back in 2004, through the board of directors, more than 4,000 banks decided that Visa Europe should become a distinct European organisation In doing so, they took a direct, proprietary interest in their own regional payment system They also set off on the road of investing close to €1 billion of their own money in developing Europe's processing and payments infrastructure

In effect, they regarded Visa Europe as the best vehicle for them to realise their SEPA ambitions and to meet their SEPA commitments

"Visa Europe is a distinct European payment system"

With the full implementation of the new Visa Europe Clearing and Settlement Service, the last few pieces of the jigsaw are being put into place So, as well as benefiting from the existing range of European payment solutions, and the pipeline of European innovations, Visa Europe's members are the collective owners of the region's most capable and cost-effective inter-bank processing platform

At the same time, through a hierarchy of national and regional governance bodies and advisory forums, these banks retain direct strategic and operational control over their payments businesses They also have direct access to collaborative mechanisms through which to orchestrate big market-making and market-changing payments initiatives The acquisition of SAS Carte Bleue in France, and its integration into Visa Europe is, for me, a graphic indication of this approach to constructive, collaborative planning and development

During the year, the company itself has achieved a very credible business performance, and the board has applauded the entire Visa Europe team on the level of progress that has been made

"constructive, collaborative planning and development"

Looking ahead, you can be sure that the board will continue both to support and challenge the company, acting as constructive critics and ensuring that the long-term interests of the European payments market are always the primary concern In particular, we want the company to leverage the significant investments the membership has made in the new processing platforms To do so, we expect the company to raise its ambitions and stretch its targets even further At the same time, it must continue to pay close attention to risk and reputational management as well as disciplined cost control

As a related point, we continue to urge the management to engage constructively with the European Commission In the past year, much needed clarity was achieved on the interchange principles for immediate debit cards

As we progress towards a more open, competitive and dynamic payments market, Visa Europe continues to benefit from an extremely strong and capable board, which is truly representative of Europe's payment service providers As chairman, I would therefore like to thank the board for their continuing commitment and engagement

During 2010 we were sorry to see Gilbert Arira, Yves Blavet, Peter Jackson, Gerard Nebouy and Erik Pointillart retire from the board. However, we were delighted to welcome Yannick Chagnon, Fabrice Denele, Yves Martrenchar and Colin Walsh.

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

Jan Lidén
Chairman, Visa Europe Board of Directors

"The **board** will continue to **support** and to **challenge** the company"

Our business

As the European payment system, we are clearly focused on the needs of our European members and their respective customers

In this section

Our strategy
Visa Europe's business is payments

We help our members to replace other, less efficient forms of payment - primarily cash and cheques By doing so, we increase the efficiency of their payment operations and add value to related retail banking products, such as current accounts, savings accounts and consumer lending products

We also bring value to retailers that accept cards (and, by definition, to the acquirers that serve them) - through the provision of fast, secure payments which, in most instances, benefit from a valuable payment guarantee

And, of course, we bring value to the consumers and the businesses that use Visa to manage their payments - by bringing greater levels of convenience, security and confidence

"the cash replacement opportunity"

The market in which we operate

Across the 36 countries in which we operate, our payment solutions account for 12 47 per cent of everyday consumer spending (defined as personal consumption expenditure or PCE) The level of development of the payment card market varies significantly by country, but even in the most mature markets, there is considerable opportunity for sustained growth

Across Europe as a whole, cash is believed to account for some 77 5 per cent of retail transactions[1] The majority of cash transactions are lower value payments (an estimated 80 per cent of cash transactions are for less than €15) - which represents a significant area of opportunity for card payments

At the same time, Europe's payment markets are going through significant change For example

- Regulatory developments and initiatives, such as the creation of an Internal Market for Payments and a Single Euro Payments Area (SEPA), together with the Payment Services Directive (PSD) threaten to bring downward pressure on payment-related revenues Yet they also promise to bring more openness and dynamism to our marketplace and to stimulate competition In particular this means that the previously 'closed' domestic debit schemes and processing markets will open up to more competition, and that non-banks have more opportunities to participate in the market
- In the wake of the financial crisis, banks are paying greater attention to payment products, in terms of the costs they consume, the revenues they generate and the role that they can play in extending and cementing customer relationships In general, this means that payments have greater prominence on the general management agenda But, with pressure on profitability, these banks also have higher expectations of their payment service providers - typically seeking preferential commercial terms and flexible processing solutions, backed up by highly informed advice and consultancy expertise

1 Retail Banking Research The Future of Cash and Payments, 2010

"Our overriding goal is to deliver innovative, value-creating payment solutions"

	Our objectives	Our 2015 targets
Strategic objectives	• Displace all other means of payment	• Visa cards to account for €2 trillion in cardholder spending
	• Touch as many Visa transactions as we can	• 19 billion Visa transactions to be processed by Visa Europe Processing
	• Become the European payment scheme	• 90 million V PAY cards to be issued

- Technological change is having a significant impact on the European payments market For example, e-commerce payments represent a large and rapidly growing share of the overall market, retailers are progressively investing in new checkout and check through solutions, and it is widely anticipated that mobile devices will come to be used to initiate payments on a mass scale Consequently there is an interest in innovation and, across the world, payment-related innovations are attracting significant attention

Our strategic response

Against this background, we are pursuing a three-pillared business strategy - with three inter-linked areas of emphasis feeding into a single, overriding goal

Delivering innovative, value-creating payment solutions

The overriding goal is, quite simply, to work in partnership with our customers to deliver innovative, value-creating payment solutions The precise way in which we do this is determined by the nature of each customer, the business strategies they are pursuing and the market environment in which they operate

This overriding goal also implies a high degree of intimacy with our members We need insights into the expectations of their respective customers (consumers and retailers alike) As well as offering compelling, highly competitive commercial terms, we must also be attentive and responsive to individual member circumstances And we must appreciate the business and profitability drivers of each of these members

Our strategy continued

Displacing all other means of payment

We provide a range of flexible payment product platforms and give our members the freedom to configure them to bring maximum benefits to their business We also provide specialist expertise to assist our members in developing consumer and commercial payment products which

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

Again, a particular opportunity is cash displacement, and many of our innovations enable Visa to out-compete cash - a particular example being the speed and convenience of Visa payWave contactless payments

The Visa brand is also an important component Everywhere in Europe our research confirms that people know the Visa brand, they trust the Visa brand and, crucially, they prefer the Visa brand This helps to explain the fact that Visa-branded products routinely generate higher levels of point of sale (POS) spending than other bank-issued payment cards To build on the strength and relevance of our brand, our *'Life Flows Better with Visa'* campaign is helping to associate Visa with routine, day-to-day spending

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

Our 2015 target is for €2 trillion to be spent in our markets on Visa cards - a goal which focuses on POS growth, through market and product development activities

Touching as many transactions as we can

Across the industry it is generally believed that the transaction processing market will continue to consolidate, given the difficulties of reaching the necessary levels of scale and pan-European reach

Visa Europe has been anticipating these developments for several years

We have invested upwards of €500 million of our members' money in new European processing platforms including the Visa Europe Authorisation Service, and the Visa Europe Clearing and Settlement Service (the implementation of which was completed in June 2010) These new systems are based on the latest scalable technologies, they provide unmatched speed and flexibility, and deliver the industry's best price for performance

By entrusting more of their processing requirements to Visa Europe, our members can realise tangible benefits

- **Delivering a better customer experience -** with a fast, guaranteed response
- **Reducing exposure to risk -** with a range of advanced security solutions
- **Gaining deeper insights -** with new opportunities to access and manage transaction data
- **Improving efficiencies -** with a low-cost service and a simple, menu-based tariff
- **Simplifying operations -** with the opportunity to rationalise existing interfaces and outsource unnecessary complexity

There is no obligation for our members to use our processing services but many already choose Visa Europe to process all of their payment card transactions Others use us only for their international transactions While we acknowledge our members' freedom of choice we would like more of them to use our processing services in the future

Our 2015 target is for 19 billion Visa transactions to be processed by Visa Europe - a goal which focuses on the successful exploitation of our new processing platform through winning new business

Being regarded as the European payment system

Our pan-European membership association structure acts as a clear point of differentiation for Visa Europe

As a membership association, we are able to broker agreement and co-operation between our members We are able to provide leadership at a collective market level, planning and co-ordinating major, market-moving initiatives We are also free to engage in the type of activity which helps to grow the value of the wider payment card business but which may not bring a commercial return to Visa Europe itself

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

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

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

Our 2015 target is for 90 million V PAY cards to have been issued - a goal which would be highly indicative of share gained from other payment systems, and therefore of member satisfaction levels

V PAY is, of course, the only made-for-SEPA debit solution As a chip-only card it builds on European investments Similarly, all parties are protected from the threat of fraud - and, to date, there has not been a single instance of counterfeit fraud on any V PAY card

"We provide specialist expertise to assist our members in developing payment products"

Business review

Our overriding goal 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 progress made towards our strategic objectives

Our business performance - highlights

Year ending June

	2006	2007	2008	2009	**2010**
Point of sale cardholder expenditure volume (€'000s)	669,378,933	746,754,353	824,295,614	854,676,902	**962,996,091**
Average spend per card (€)	3,495	3,551	3,685	3,617	**3,726**
Average transaction value (€)	61 7	62 3	62 6	61 1	**59 9**
Average transactions per card	56 7	57 0	58 9	59 2	**62 2**
Number of point of sale transactions (000s)	12,785,961	14,150,189	15,727,207	17,024,121	**19,451,234**
Average transaction value at point of sale (€)	52 4	52 8	52 4	50 2	**49 5**
Average point of sale spend per card (€)	2,263	2,328	2,432	2,392	**2,524**
Average number of point of sale transactions per card	43 2	44 1	46 4	47 6	**51 0**

Note
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

Number of cards
000s

Number of transactions
000s

Gross cardholder expenditure volume
€'000s

2010 business performance

Following the slowdown in 2009, our business rebounded strongly in 2010, with many of our key indicators returning to double digit growth

Overall, Visa card numbers were up by more than seven per cent to exceed 407 million, and point of sale (POS) spending was up by almost 13 per cent to €963 billion – a growth rate that was more than three times higher than the previous year

The number of POS transactions grew even more strongly (by more than 14 per cent to exceed 19 billion), suggesting that consumers are using their Visa cards for an ever increasing proportion of their everyday spending including lower value payments Consequently the average value of these POS transactions fell by one per cent to just under €49 50

This trend towards everyday spending is particularly evident in our debit business, which now accounts for 66 per cent of all European Visa cards, and over three quarters (76 6 per cent) of our total sales volume Here, the number of POS transactions increased by more than 16 per cent, with the value of POS spending also increasing by 16 per cent to exceed €691 billion

Our credit card business was more exposed to the prevailing economic challenges and, once again, the figures remained relatively flat In 2010, as in 2009, many issuers have retained tighter risk controls, and consumers have been disinclined to make use of credit facilities Overall, the number of cards fell back by almost three per cent However the total number of POS transactions grew by six per cent, with the value of POS spending edging up by around three per cent Also the regional figures do mask some very significant gains in several countries, such as Finland (with card numbers up by 11 per cent and POS transactions by 33 per cent), France (11 per cent growth in cards and 30 per cent in POS transactions), Norway (15 per cent in cards and 52 per cent in transactions) and Sweden (16 per cent in cards and 22 per cent in transactions)

By contrast, conditions continued to be challenging in more developed credit card markets such as Ireland and the UK (where the number of credit card POS transactions fell back by four per cent and five per cent respectively)

We also saw some strong gains in our commercial card business Overall the number of cards was up by ten per cent to exceed 12 4 million, with POS spending climbing by 11 per cent to almost €62 billion In Finland, for example, card numbers were up by almost 200 per cent In Germany, the figure was close to 50 per cent, in both the Netherlands and Turkey it was around 30 per cent, in the UK it was 15 per cent, and in both Norway and Sweden it was well above ten per cent

Another highlight was the continued success of V PAY, our chip-only debit solution designed specifically for Europe The level of written card commitments increased by a further 20 per cent to reach 63 million cards and, with many banks in mass-issuance phase, the number of cards in circulation is due to reach 14 million by the end of December 2010

Meanwhile, our processing business also continued to perform very strongly As a consequence of both new card portfolio wins and new processing agreements the scale of our new processing business grew by 28 per cent In the 12 months to 30 September 2010, we processed a total of 9 3 billion transactions, equating to 25 5 million transactions a day

With our new clearing and settlement service now fully implemented, together with a fuller range of value-added processing services, 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 POS transactions Also, by becoming more creative and innovative in the development of new product propositions and solutions, we aim to improve the member business case for continued Visa card issuance

“Our debit business accounts for 77% of our total sales volume”

Business review continued

Scorecard results

We use a range of performance indicators to measure progress towards the company's strategic objectives and help us manage the business Our business targets are determined annually and agreed by the board of directors

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 five key areas Outlined below are some of the most important scorecard measures and details of our actual performance in 2010

“Our scorecard enables us to set targets and monitor performance”

Financial performance

Total revenues (€million)

The sum of all fees we have earned from our members

The actual performance is well ahead of our business target

This reflects the better than expected market conditions, the related rebound in our business performance and the return to double digit growth in POS transactions and spending

Total expenses (€million)

This figure includes our own expenses and investments and also the monies paid by us to Visa Inc for the use of the Visa brand, products and global systems

The actual expenditure was once again, well within our budget

Pre-tax surplus (€million)

This money is generally retained within the business to support our capital and reserves

Given our strong business performance, the actual performance was well ahead of our budget

We are therefore returning some €157 5 million to our members in the form of a fee reimbursement

Note
We are returning €157 5 million to our members in the form of a fee reimbursement This has been excluded from the pre-tax surplus above
The difference between total expenses above and expenses included in the operating profit shown on the income statement is mainly due to the release of an accrual of €48 million for indirect taxes on certain fees included within administration expenses in the current and prior years

Business review continued

Delivering innovative, value-creating payment solutions

Revenue from new products and services launched since 2005 (€million)

This figure reflects the success of our new product and service development programmes

The performance was in line with our business targets

Displacing all other means of payment

Total POS growth at constant rates of exchange

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 performance was far ahead of our business targets and represents the highest annual growth rate in more than five years

It was the consequence of increased card use and also business wins (in terms of card portfolios migrated to Visa Europe)

Brand equity

During 2010 we adopted a new European framework for measuring brand equity This is based on the results of a continuous brand tracking study

The performance was well above our business target, significantly ahead of our nearest competitor and far in excess of industry norms

It is bolstered by an advertising impact measure of 139 (where 100 is considered average and 110 is regarded as excellent)

Source Millward Brown

Total issued fraud as a % of cardholder expenditure volume (CEV)

This figure expresses total fraud losses as a percentage of total Visa Europe volumes It takes full account of ATM fraud (which has become a particular challenge for some members) 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)

The performance was ahead of our business targets The improvement over the past year can be attributed to several Visa Europe initiatives - including direct support for those members that generate a disproportionately large level of fraud, the accelerated deployment of both EMV chip technology and Verified by Visa plus the launch of our new fraud management services (Real Time Scoring and Visa Device Profiling)

Touching as many transactions as we can

Incremental processing transactions (million)

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

Performance exceeded our business targets

Being regarded as the European payment system

Number of V PAY cards committed and issued

This figure relates to written commitments (generally in the form of statements of intent) from members to issue V PAY cards and the cumulative number of cards that has actually been issued

Performance has been strong More banks have moved into mass issuance phase, and our projected market share is in line with our business targets

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

We managed to maintain the 'all time high rating of 8 1 that has been achieved during each of the previous two years Any areas where members have raised concerns are systematically investigated and addressed

Employee engagement rating (1-10)

Each year we work with an independent organisation to conduct a thorough Employee Engagement Survey The headline measure 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

Performance was well ahead of our target and is in the top decile of UK-based companies across a range of industry sectors Every year areas where employees raise concerns are systematically investigated and addressed

More about our business model

All of the commercial aspects of extending payment services to consumers and retailers are handled directly by our members

Visa Europe itself provides - on a competitive basis - the products, services, systems and the operating regulations that enable our members to participate in the global Visa system Our revenues are generated by the membership's use of these products and services In setting these fees and formulating our budgets, the aim is to generate sufficient revenues to cover our costs, to make strategic investments in the European payment infrastructure, and to meet capital adequacy requirements

The majority of revenues are received through three major areas

- **Association fees -** are determined by the number of cards issued and the extent to which these cards are used from both an issued and acquired perspective
- **Data processing fees -** are determined by each member's connections to the Visa Europe processing systems and the extent to which these systems are used
- **International fees -** are determined by the extent to which Visa cards are used outside the country of issue Fees are levied on both an acquiring and issuing perspective

Business review

Towards our strategic objectives

Progress in 2010

Visa has always been an innovator From the invention of the point of sale (POS) terminal, to the shift to chip and PIN, to the creation of contactless payments, we have always led the way Now, as the world of European payments is moving faster, we are innovating faster

During the course of 2010, we launched a total of 11 new products and services, and added another 16 to our innovation pipeline We also put a definite emphasis on commercialisation - by moving our new initiatives from pilot to production

"During 2010 we launched 11 new products and services"

Highlights include

Visa payWave

Significant progress was made with the rollout of Visa payWave contactless payments By bringing far greater speed and convenience to low-value payments, this is a key means of displacing cash payment

There are more than ten million contactless Visa cards issued across Europe, and this figure is set to more than double during 2011

In terms of both card numbers and acceptance locations, three particular countries are leading the way

- In Poland, Visa payWave issuance has accelerated, with PKO BP bank starting the issuance of more than six million contactless cards across their debit card portfolio with another 16 issuers also intending to issue contactless cards over the coming year
- In Turkey, 1 3 million cards have been issued by eight banks These were accepted at more than 30,000 Visa payWave terminals across the country, with contactless transaction levels increasing by some 20 per cent month-on-month
- In the UK, 8 6 million cards have been issued and Visa payWave transactions are accepted across 28,000 merchants - concentrated among national retail and restaurant chains such as Subway, Pret A Manger, EAT, Caffe Nero, AMT Coffee, Boots (selected outlets), Yo Sushi, selected SPAR outlets, Ikea, the Co-operative and the National Trust 2011 will see a significant increase in acceptance with McDonalds nationally rolling out contactless acceptance and, Co-operative supermarkets and Clinton Cards deploying contactless acceptance terminals across a number of their stores

Another major development comes from France, where the rollout is focused around the town of Nice, with the backing of 11 leading French banks Banque Edel, Banque Populaire, BNP Paribas, Caisse d'Epargne, Crédit Agricole, Crédit du Nord, CIC, Credit Mutuel, La Banque Postale, LCL, and Société Generale Implementations are also underway in a number of countries including Italy and Switzerland

At the same time, we have been adapting the Visa payWave proposition for use in specific retail situations such as mass transit ticketing, with Transport for London recently confirming that contactless payment cards will be accepted across their transit network from 2012

Visa Mobile

At Visa Europe, we see it as inevitable Within the coming years, the worlds of payment and mobile are set to converge – and we intend Visa payments to play a central role in the process

All of our research says that this is what consumers expect, and what they want So we are involved in a wide range of pilot programmes across several countries, involving multiple partners – through which we are creating real world products and solutions that work securely and faultlessly every time

A particular emphasis is NFC-enabled mobile phones – that is handsets that have a Visa payment application embedded, and can be used to make contactless payments across the existing Visa payWave acceptance infrastructure

We have also created a full set of mobile specifications based on EMV, we have built a mobile gateway directly into the Visa Europe processing systems, we have forged productive partnerships with the key players in the mobile sector, and we have collected a wealth of consumer research and insights

Initiatives undertaken during 2010 included in Spain, a major, six month pilot programme in the town of Sitges, in Poland, we worked with Bank Zachodni (BZ WBK) and the mobile operator

Case study:

Making money flow in Sitges, Spain

From May to November 2010 the Spanish town of Sitges became a test bed for mobile payments

1,500 consumers received an NFC-enabled mobile phone, for use at 500 retailers For payments of less than €10, they simply held the phone in front of an acceptance terminal For higher value payments, they were prompted to enter their PIN

Working with La Caixa and Telefonica we were able to assess the appetite and put the technology through its paces

The response was hugely positive Consumers said it felt quick, easy and secure They wanted to use it in more places And they didn't want the programme to end

Through pilots like this we are preparing the way for the future of everyday payments

Business review continued

Plus to launch the country's first SIM-based contactless mobile payments project, in Turkey we worked with six leading banks (Denizbank, Finansbank, Halkbank, T Iş Bankası, Vakıfbank and T C Ziraat Bankası) on NFC mobile payment trials designed to achieve wider market momentum, also in Turkey, we worked with DeviceFidelity and Akbank to launch a solution whereby contactless payments are initiated using a microSD card (and can therefore be conducted using any mobile device that accommodates this technology)

Visa CodeSure

Following on from a number of consumer pilots and rigorous testing with European banks, our award winning Visa CodeSure solution became fully available for commercial launch during 2010

Equipped with an alpha-numeric display, a 12-button keypad and battery embedded in the card, Visa CodeSure provides multi-channel authentication technology We have approved its use for

- PIN generated one-time-passcode for Verified by Visa payments at participating merchants globally
- PIN-generated one-time passcode for online banking access
- PIN-generated one-time passcode for telephone banking services
- Transaction signing for online banking services, using specific elements such as account reference number or amount of transaction
- Access to third party services such as corporate virtual private networks (VPN) for commercial card users, or frequent flyer programmes and other online services

Visa SimplyOne combines two Visa payment applications on one card

Since its development in 2009, Visa CodeSure has been subject to extensive pilot trials with eight European banks in a number of countries including Germany, Israel, Italy, Switzerland, Turkey and the UK These pilots canvassed user opinion and found that participants felt they would use their cards for card-not-present transactions more often (70 per cent positive) and were reassured about security with the new card (86 per cent positive)

"Visa CodeSure provides multi-channel authentication technology"

Visa SimplyOne

Following on from a number of pilot programmes, Visa SimplyOne, our multifunction chip card proposition was released for commercial launch during 2010

As its name suggests, Visa SimplyOne 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

Visa Charge

Working in close partnership with our UK membership, we have developed the Visa Charge card, a new type of proposition with several distinct features

- Cardholders are required to pay their balance in full every month
- All cards are equipped with Visa payWave contactless functionality
- Cardholders get automatic access to a compelling programme of rewards and offers

It is targeted at the large numbers of consumers who want to defer their payment, but also want to pay their balances in full each month Cardholders can therefore benefit from a product which is configured to meet their particular needs, is widely accepted, and encourages their controlled behaviour And, for issuers, the underlying business model recognises the fact that these are affluent people who spend more frequently than most other cardholders

Visa Prepaid

Visa Prepaid was, once again, our fastest growing product category (as it has been for the past five years), with more than 800 programmes launched across Europe (up from 600 in the previous year) In order to continue to expand the opportunity for Visa Prepaid, and to improve the cardholder experience, we introduced several new innovations during 2010, including

- Unattended instant issuance solution, which allows consumers to obtain a fully personalised Visa card from an ATM-like kiosk
- Selective Authorisation process, which enables Visa Europe issuers to restrict the acceptance of their Visa Prepaid cards to certain types of transaction
- Private Labelled solution, whereby Visa Prepaid cards operate across the existing Visa acceptance infrastructure, but don't actually display a Visa brand mark
- Contactless payment solution which links the power of Visa Prepaid to the speed and convenience of Visa payWave
- Partial Authorisation and Balance Return Service, which reduces the risk of declined transactions and helps to keep cardholders aware of the remaining balance on their prepaid card
- Prepaid Load Service which enables prepaid top-ups or reloads to be processed at any participating merchant location, bringing more choice and convenience to cardholders

"800 Visa Prepaid programmes launched across Europe"

A particular focus during 2010 has been Visa Prepaid care solutions, which enable public sector organisations to distribute benefit or care payments 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

Case study:

Making it easier to pay for taxis in Dublin, Ireland

By introducing the option of fast, secure Visa payments, Dublin-based taxi company National Radio Cars (NRC) has brought added choice and convenience to customers, while protecting drivers, growing sales and increasing business efficiencies

Customers don't have to worry about carrying the right money, having enough cash to pay, finding an ATM en route or dealing with pocketfuls of coins

Drivers don't have to carry or handle so much cash And, thanks to chip and PIN technology, transactions are secure

NRC says that, since accepting cards, its sales have gone from "strength to strength", and the burden of handling cash has been reduced It regards card payments as "the way of the future" and plans to extend the facility from 350 taxis to the entire fleet of around 1,200 vehicles

Business review continued

Visa IntelliLink Spend Management

Visa IntelliLink Spend Management is the new global information management tool for Visa Commercial programmes

Visa IntelliLink Spend Management was introduced in Europe during 2010, complete with a new range of local language and customisation options This data management tool provides extensive reporting and expense management capabilities for organisations of all sizes on a single, scalable platform It is easy to use, it is very flexible and it gives Visa Commercial users a new level of insight into and control over their business spending

Comprised of three core functions - reporting, data services and programme support - Visa IntelliLink Spend Management integrates with the entire range of Visa Commercial card products

Visa Business Support

For small and medium sized enterprises (SMEs) the business current account plays the pivotal role in the banking relationship - and tends to be the key driver of market share in the small business banking market

To help members differentiate their business current account packages, we therefore launched Visa Business Support - a compelling new proposition that can be packaged with any Visa Business Debit card

Visa Distribution

Visa Distribution is a new proposition which gives distributors and wholesalers a reliable, risk-free way of collecting payments from their regular clients It operates on the proven Visa Business and Visa Purchasing platforms, making it easy for Visa Europe members to issue and accept

It is particularly beneficial for those distributors or wholesalers that serve large numbers of relatively small clients who place plenty of small, regular orders One of the big benefits for our members is that Visa Distribution provides an opportunity to deliver an attractive, value-added payment service to both the distributor and its entire network of business clients It therefore enables members to extend their business banking relationships with clients in the wholesale and distribution trades, while also establishing new relationships with an entire network of local businesses

Our objective	Displace all other means of payment
Our 2015 target (including commitments)	• Visa cards to account for €2 trillion in cardholder spending
Our 2010 performance	• Visa cards accounted for €0 963 trillion in cardholder spending

Progress in 2010

In order to displace other means of payment, we need Visa to compete more effectively against the alternatives – by associating and identifying Visa with everyday spending, making Visa more relevant for particular types of purchase (such as low-value payments), and making it easier and more compelling for retailers to accept and prefer Visa

During 2010, the number of point of sale (POS) Visa transactions increased by more than 14 per cent Several initiatives have supported this rate of growth, and should enable us to continue on a similar trajectory in coming years

Portfolio strength

The strength of the Visa product portfolio, encompassing V PAY, Visa Debit, Visa Credit, Visa Prepaid and Visa Commercial, has contributed to a range of high profile business wins and portfolio migrations

A particular focus has been a series of very large Visa Debit implementation projects In recent years a number of large banks, including HSBC and RBSG, have 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 has supported 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

“Visa transactions at point of sale increased by more than 14%”

Business review continued

Acceptance initiatives

We continue to work with the acquiring community to extend the European acceptance network, opening additional merchant sectors to Visa - particularly those which account for the highest proportion of everyday spending

Highlights include

- In Germany, more than 25,000 additional merchant outlets were signed up during the year, including thousands of smaller merchants as well as big names such as EDEKA Minden-Hannover, LIDL, Kaiser's, Tengelmann and the online stores of MediaMarkt and Saturn This delivered more than €90 million in incremental point of sale volumes for our members
- In Finland, a further 17,000 merchants began accepting Visa
- In Portugal several new merchant chains were signed up which, in combination, should account for more than €100 million in incremental sales volumes annually
- Four acceptance development working groups were set up in Germany (with Austria and Switzerland), Italy, the Nordic countries and Turkey to agree target retail/merchant sectors and address related opportunities

In more developed acceptance markets, we have been helping to extend acceptance into non-traditional sectors, such as education, regular payments, taxis and the public sector

During 2010, we also launched a new Visa Acquiring Service, which is designed to accelerate acceptance in those countries where the market has stalled The service has been developed in Poland where, working in partnership with Visa Polska, we believe we can double the level of acceptance - pushing Poland up to pan-European norms within five years By year end, targets had been exceeded with the deployment of 17,500 terminals

Brand superiority

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

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

Tracking research shows that we have extended our leadership on all the important brand attributes, including familiarity and relevance Also, Millward Brown Brandz research into brand trust places Visa fifth in the world (with no other financial services brand in the top ten)

We have also been encouraging and enabling more members to take advantage of the promotional opportunities from our range of sponsorships and partnerships

"Visa **brand attributes** ranked 5th in the world"

Public sector payments

At a time when public spending is under such scrutiny, governments and other public sector organisations have much to gain from an increased use of more efficient and accountable payment solutions

The process is well underway Government and public sector organisations in many countries across the world are already experiencing the benefits of Visa payments One of the best examples is the UK, where the Government Purchasing Card (GPC) initiative passed some important landmarks Annual spend now exceeds £1 billion (€1 1 billion) across more than 1,700 separate programmes The level of efficiency savings reached £186 million (€209 million), with transaction growth reaching 13 per cent

"Annual Government Purchasing Card spending exceeded £1 billion"

Alongside Government Procurement Cards is the opportunity for Visa payment technologies to be used as a way of disbursing benefit and care payments, and several innovative programmes were launched during the year

Aside from our work in the UK, we are currently running pilot programmes and assisting with live implementations in many countries - including Bulgaria, France, Germany, Greece, Israel, Ireland, Italy, the Netherlands, Poland, Portugal, Romania, Spain and Turkey

Interchange agreement

Interchange (that is, the fee paid between two banks when a Visa transaction takes place) is the fundamental economic model for card payments in Visa Europe s four party payment system The ability to displace other means of payment is therefore dependent upon the existence and acceptance of a viable rate of interchange

For several years, our methodology for setting interchange fees had been based on an agreement reached with the European Commission back in 2002 This agreement expired in 2007 and, ever since, we have been engaging with the European Commission in order to arrive at a definitive, lasting agreement

Significant progress was made in 2010, when we reached an agreement with the European Commission in relation to cross-border interchange fees for immediate debit cards, based on the so called 'merchant indifference test' Under the terms of this agreement, the current rate for cross-border direct debit card transactions has been set at a weighted average of 0 2 per cent However we can ask for the agreement to be revisited as and when better information derived from new cost of cash studies becomes available

With regards to deferred debit and credit card transactions, we continue to make the case that they are more readily compared with other payment instruments that provide a line of credit (as opposed to payment with cash)

Business review continued

Our objective	Touch as many transactions as we can
Our 2015 target (including commitments)	• 19 billion transactions to be processed by Visa Europe Processing
Our 2010 performance	• 9 3 billion transactions were processed by Visa Europe Processing

Progress in 2010

On behalf of our members, we have invested around €500 million in building a new European processing capability - based on the latest scalable technologies, providing unmatched speed and flexibility, and delivering the industry's best price for performance

As an 'inter-bank' processor we provide authorisation, clearing and settlement services Many of our members choose to use us for all their payment card transactions Others choose to use us only for their international transactions Either way, we aim to bring tangible value to their business and the best possible payments experience to their customers

In the 12 months to 30 September 2010, we processed a total of 9 3 billion transactions At an average rate of 25 5 million transactions a day, this represents a 28 per cent annual increase As in previous years, we delivered 100 per cent availability and 99 999 per cent service quality Also, the average processing speed, of around 20 milliseconds per transaction, is almost seven times faster than competing systems[1]

"on average we process 25.5 million transactions each day"

The real test of our capability comes during the December peak period On the busiest day of the year (23 December), 35 6 million transactions were processed, representing a 21 per cent increase on the previous year

During the year, our stand in processing service (which provides an authorisation response on behalf of members) was deployed for more than 47 million transactions - ensuring a continuation of service for those banks that were unable to handle the transactions directly

[1] In comparison to MasterCard s stated 140 milliseconds in the article "Master who plays his cards right" from the Financial Times "Business Life" supplement on Monday 13 September 2010 (page 14)

With the ability to process 2,500 transactions per second, our platforms provide Visa Europe and its membership with ample capacity to support further increases in transaction volumes We are also supplementing our core processing service with a growing array of value-creating payment services available, on demand, to any Visa Europe member Highlights during the past year include

Visa Europe Clearing and Settlement Service

The most significant development during 2010 was the full migration to the new Visa Europe Clearing and Settlement Service (VECSS) - the culmination of a six-year development programme

The new service complements our existing Visa Europe Authorisation platform, and its completion means that our inter-bank processing service takes place 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 a range of tangible benefits to our members, such as

- Improved customer service
- Better risk management
- Access to rich transaction data
- Improved business efficiencies
- Reduced complexity

Migration began in mid-2009 and, by the end of September 2009, the new systems were handling almost 75 per cent of Visa Europe processing volumes The remaining 25 per cent of processing volumes were migrated during June 2010 By this time, VECSS had already processed more than six billion transactions

Visa Europe Real Time Scoring

Based on our new European processing platforms, we are building a range of advanced fraud management solutions

Visa Europe Real Time Scoring (RTS) is our new fraud detection solution, the first phase of which was introduced in spring 2010 See our case study on page 38

Visa Device Profiling

Visa Device Profiling is a new fraud management service from Visa Europe - which provides an accurate, up-to-date indication of the global locations where suspicious cross-border ATM transactions are taking place

Devised by our own fraud management experts, the new service keeps a watchful eye on all cross-border transactions originating from those ATMs that are not EMV-enabled and may therefore be vulnerable to fraudulent transactions By automatically comparing each day's activity with the activity from the previous 30 days, we can detect any sudden shifts in ATM use - quickly and accurately identifying those ATMs that have potentially been targeted by criminals

By using the service, issuers can make better-informed, more timely and more focused ATM authorisation decisions, keep track of accounts that may be at risk and compare their own fraud profile with country and regional benchmarks Meanwhile, acquirers can use the service to monitor any suspect activity within their own ATM estates, and act accordingly

“Every aspect of our **inter-bank** processing takes place in Europe”

Business review continued

Visa Alerts

Having built a flexible new processing system, we can quickly introduce a whole range of new services - which deliver tangible value to our members and their customers

An example is our new mobile alert service, which can give Visa cardholders instant transaction confirmation to their mobiles whenever they use their Visa Debit, Credit, or Prepaid card These notifications will provide increased peace of mind when shopping, on a night out, or on holiday by instantly sending the time, location and amount of each transaction

During 2010, the service was piloted with a number of members, and the response was very positive

Creating new cardholder rewards programmes

By automatically capturing the details of any transaction the Visa Europe processing platforms provide a direct line of sight to everyday spending patterns and behaviour - and one way in which we can use this transaction data is to develop a new model for cardholder reward programmes

The data can be mined to provide new levels of actionable insight across cardholders and merchants Statistical segmentation ensures that offers go to the most receptive cardholders and propensity models can be built to ensure constant improvements to the targeting methodology Robust measurement and campaign tracking can also be used to measure and optimise campaign effectiveness

During 2010, we began to put the theory into practice, working on a range of pilot programmes with Visa issuers such as Barclaycard, BBVA, CartaSi and Nordea

Case study:

Scrutinising every transaction

Every single time we process a Visa transaction we can assess the likelihood of fraud

To do so, we consider the cardholder's previous spending patterns and transaction history We also take full account of the retailer's history - comparing each transaction with those that have been fraudulent in the past

In the space of less than 20 milliseconds, we create a risk score (a number of between 1 and 100) Based on this score, the card issuer can decide whether or not to authorise the transaction Alternatively, they can keep a watchful eye on the account, or call the cardholder to ask if the transaction was genuine

When Switzerland's Corner Banca helped us to test the system, it saw immediate benefits

- Accuracy - a 28 per cent increase in detection levels
- Speed - quicker detection timescales
- Insights - better understanding of fraud trends
- Efficiencies - seamless integration with other systems

Our objective	Become the European payment scheme
Our 2015 target	• 90 million V PAY cards to be issued
Our 2010 performance	• 14 million V PAY cards issued or ordered, with commitments for 63 million

Progress in 2010

With the reality of the eurozone, the creation of SEPA and the implementation of the Payment Services Directive we see the need for a distinct European payment system, controlled by Europe's payment providers – and we believe that Visa Europe is uniquely positioned to fulfil this role

To monitor our progress, we measure the success of V PAY, our 'made for SEPA' debit solution We also consider the attitude of our members And we assess the extent to which we are regarded as business and thought leaders

Highlights include

V PAY

We have made strong progress with V PAY, our chip-only debit solution With 14 million cards already issued or ordered, 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 It is still the only production example of a debit card product designed specifically for the new SEPA environment

V PAY also benefits from European control Pan-European strategy, development and marketing are the remit of the V PAY Steering Committee (VPSC) This is supplemented by a range of national governance bodies such as V PAY Deutschland and V PAY Italia

Another of V PAY's benefits is its flexibility Banks are free to choose how it is implemented, which schemes it co-exists with (if any), how it is processed and the level of functionality it supports This includes the option for contactless payments, and the option for secure e-commerce transactions

In total, banks from across 11 countries have now committed to the issuance of 63 million cards This represents more than a third of the market across our target countries, and already approaches 50 per cent in some markets

So far, more than 120 banks in Bulgaria, France, Germany and Italy have commenced issuance, either supplementing their existing debit cards 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, not a single instance of counterfeit fraud has been reported on any V PAY card

In terms of acceptance, V PAY can now be accepted at around eight million point of sale (POS) terminals and 375,000 ATMs (representing 88 per cent of all retailers that accept payment cards, and 95 per cent of all ATMs in Europe) Having built up such an extensive acceptance network, our focus during 2010 was to work with individual acquirers to identify and address the remaining acceptance gaps – those isolated pockets, where certain cardholders may regularly travel, and those retailers where, for some specific reason, V PAY is not sufficiently accommodated or understood

During 2010, we saw particular progress in the large and influential German market For example

- We worked with the card acceptance community to bring about a major upgrade of the country's older POS terminals and acceptance systems
- The Cooperative banking sector, collectively accounting for some 25 million debit cards, commenced mass V PAY issuance at the end of 2009
- Deutsche Postbank, the country's largest single debit card issuer has begun to migrate all of its 6 5 million cards to V PAY

Business review continued

- Key players within the savings bank sector and also the commercial bank sector have begun their V PAY issuance programmes

During 2011, it is anticipated that mass issuance will commence in Austria, Belgium, the Netherlands and Switzerland

Business wins and migrations

To win business, it is necessary for us to be regarded as the preferred partner by Europe's banks and payment providers, and to offer the most attractive competitive terms

During the year, we were invited to tender against a competing payment system for a number of large and/or high profile payment card portfolios In these competitive tenders our win-to-loss ratio again exceeded three-to-one, generating an incremental €400 billion in point of sale payment volumes

Member satisfaction performance

The results from our annual Member Satisfaction Survey are one important indicator of our success

With an overall rating of 8 1, we matched an all time high Factors that were particularly important in driving this score include the quality of the relationship and particularly the level of local market support and expertise, the level and quality of business and technical support, and the value-for-money provided by Visa Europe The level of innovation and the quality of brand support were also cited as important

Carte Bleue merger

During 2010, we successfully completed our acquisition of SAS Carte Bleue (the operational arm of Carte Bleue, which was previously the Visa licensee in France and the group member representing the interests of the French banking community within Visa Europe)

France represents the second largest market for Visa Europe, accounting for some 22 per cent of total point of sale payment values The merger enables us to extend Visa Europe's association model by establishing more direct relationships with French banks in order to meet their needs more closely

In order to provide a forum for ongoing member collaboration and market development activities, a new national decision-making body, Visa France, was established in May 2010

Case study

Winning with the FIFA World Cup™

With Visa Europe, our members benefit from powerful sports and entertainment partnerships – like the Olympic and Paralympic Games and the FIFA World Cup™

Based on these partnerships our members can craft compelling promotions and create attention-grabbing campaigns which have real business impact – enabling them to attract new customers, engage with existing customers, motivate employees, or enhance their brand

During 2010, members from 20 countries ran FIFA World Cup™ promotions, enabling them to benefit from

- **A 43 per cent increase in Visa transactions**
- **A 31 per cent increase in Visa transaction values**
- **A 45 per cent increase in international Visa transactions**
- **A 21 per cent increase in acquiring volumes at Visa merchants**

Awards won

Another indication of our progress is the success of Visa payment programmes in winning industry awards In 2010, our members won several such awards for their Visa programmes

Examples include

- At the UK and Ireland Card Awards, Visa branded programmes won eight out of a total eighteen awards (with our nearest competitor securing five awards) These included the Barclaycard CodeSure card (best innovation) and the RBS/O_2 Prepaid programme (best prepaid card and best prepaid marketing)
- At the 2010 Cards and Payments awards, Visa branded programmes won three out of a possible five such awards

Thought and business leadership

In order for Visa Europe to be regarded as the European payment system, it is necessary for us to be an authoritative source of information and opinion and providing related research and analysis

Highlights during 2010 include

- **Visa Europe Expenditure Index -** we commissioned Markit Economics, a leading financial information services company, to compile a quarterly expenditure index based on transaction data processed by Visa Europe for the Swedish and UK markets Released on a quarterly basis, this supplements, complements and precedes official retail sales data It is becoming established as an indicator of consumer spending patterns and consumer confidence
- **The future of everyday payments in Europe who cares? -** an authoritative, research-based report into the state of the European payments market, the factors that will enable continued development and innovation, and the enabling role that can be played by various stakeholders
- **Has our relationship with money and spending changed? -** a report, based on original research, investigating the impact of the economic downturn on spending and payment habits, and the implications for payment providers

Each of these initiatives was extensively covered in the media, and also used in discussions with our members and other stakeholders Details of each can be accessed from **www visaeurope com**

Case study

Faster, easier ferry journeys in Istanbul, Turkey

Each year, more than 100 million ferry crossings take place across the Bosphorus, linking the European and Asian sides of Istanbul - and 70 per cent of passengers now use a Visa contactless card to pay for their journeys

To use the service, passengers simply hold their Visa card up to a terminal They don't need to queue, find the right coins, or wait for the payment to be processed

Visa contactless payments have also brought greater efficiency to the ferry operator, reducing the costs and risks of cash management

Because the benefits are so plain to see, more and more Turkish retailers are now installing contactless card terminals - making it quicker and easier for people to pay for those small everyday items like a cup of coffee or a newspaper

Management and governance

With Visa Europe, our members have a direct, proprietary involvement in the way their payments business is managed and developed

In this section

Corporate risk management framework

As a leading payments business, generating more than €1.4 trillion worth of transactions each year, risk management is a core discipline for Visa Europe

We enter into broad engagement and partnership with a wide stakeholder base By promoting accountability and responsibility for security across the value chain, we ensure that Visa remains the most secure way to pay and to be paid

We protect our integrity by working together collectively and collaboratively to identify and close security gaps share critical information, build our defences and maintain the trust and confidence of our stakeholders

We recognise that there are no 'silver bullets' that can provide a complete or lasting guarantee of payment security As fraudsters become more sophisticated and organised, we become more creative in building our layers of defence - through technological innovations, business processes and partnerships

Protecting our most important asset

Our reputation is arguably our most important asset

Members, consumers, retailers and other external stakeholders all need to trust Visa Europe to ensure that Visa payments are convenient, reliable and secure Managing reputational risk is, therefore, the centre of our risk management activity

A dedicated Risk, Corporate Controls and Security division is responsible for identifying and managing all such risks It also provides related support to the wider business and also to the membership

During 2010, the challenging economic circumstances dictated that the organisation continues to maintain a heightened level of awareness, alertness and readiness to act and/or react to changing events, situations and circumstances

The key risks we manage and mitigate

Reputational risk	**Settlement and liquidity risk**	• Ensuring that Visa Europe and its membership are always able to meet settlement obligations
	Business and operational risk	• Protecting the integrity and maintaining the availability of all key Visa Europe operations and services
	Payment system risk	• Monitoring and policing the integrity of member and third party-owned acceptance and processing infrastructures
	Fraud-related risk	• Guarding against criminal attack and minimising the related financial losses and reputational impacts

Set against this background, we

- Further strengthened our risk and corporate controls teams
- Stress tested our member, settlement and liquidity risk frameworks
- Introduced corporate risk reduction measures on high risk business
- Ensured that effective risk management is even more deeply embedded across our organisation
- Continued to communicate the importance of proactive risk management internally and to our membership, plus other external stakeholders

Our approach to risk management

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

We have an enterprise-wide risk management policy which defines risk management objectives, risk appetite, risk tolerances and escalation triggers and establishes the internal governance structure for managing risks This policy focuses on the major risks that are relevant to the company given its business model (for example, operational, business, legal, regulatory, financial and reputational risks)

We use a risk management framework to identify, assess, measure, report and manage all types of risk The risk framework seeks to align our risk management with our overall business strategy, involving all divisional and departmental heads enterprise-wide (who participate in workshops at least five times a year to identify risk exposures and discuss mitigating actions) Under delegated authority from the EMC, the process is governed by a risk committee, which meets once every eight-to-ten weeks

Corporate risk management framework continued

> "Visa Europe **guarantees** all settlement obligations"

All significant risk exposures and mitigating actions are routinely reported to the audit, risk and finance committee of the Visa Europe board. As well as reviewing progress, the committee makes policy decisions about future controls.

As an additional control measure, the risk management framework and our related policies are scrutinised by our internal auditors (Deloitte) who are responsible for the independent review of risk management and the control environment. In addition, KPMG LLP undertakes an independent, annual Statement on Accounting Standards 70(SAS70) review of our IT systems.

Managing settlement and liquidity risks

All of our members are expected to meet their settlement obligations on a daily basis. In order to guarantee the integrity of our payment system, Visa Europe assumes ultimate responsibility for guaranteeing all such settlement obligations – as set out in our membership regulations.

To mitigate the associated financial exposure, our member and country risk team continually 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 were to materialise – while also taking account of the economic, supervisory and regulatory environment of each of the countries in Visa Europe's territory.

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.

Where necessary, financial safeguards are assessed and maintained in order to protect Visa Europe and its wider membership from potential losses. As of 2010, we were holding almost €1 billion in such safeguards.

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. In cases where a country has been rated as being sub-investment grade, all members based in that country are automatically re-rated to the country rating and financial safeguards are taken.
- **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 depending on the current level of assessment and rating.
- **Programme reviews** – for each member, we examine the performance of each of its Visa programmes (for example, its Visa Prepaid programmes) together with the 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 accounting principles 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, C, D or E). While a state of alertness is maintained on all categories of members, all members rated C and below 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. We have therefore established an additional set of risk management disciplines to ensure that such entities can safely participate in the Visa Europe system. During 2010, ten of these payment institutions became members of Visa Europe.

"... our risk management ethos is embedded across the company"

Managing business and operational risks

Through our enterprise risk management disciplines (as described above) we ensure that a disciplined risk management ethos and awareness is embedded across the company

Through ongoing engagement with all departmental and divisional heads, we assess the impact of risks from business, operational, financial, settlement, human resources and IT, along with those risks emerging from external factors like legislation, new technologies or changes within the market environment In this way, the framework is used to establish risk tolerances, mitigating actions and control assurance

The ongoing enterprise risk management process is supplemented by a range of complementary risk review processes, including

- **Risk and control reviews** - to provide individual teams with independent assurance that the risks they face or create are understood and managed
- **Control assessment reviews** - to provide an informed opinion as to the risks that could hinder or prevent Visa Europe from achieving a particular objective
- **Ad hoc reviews** - to identify the risk management implications of any changes in business procedures or processes

A particular focus of this activity is, of course, our processing systems and services, which fulfil a truly business critical service for Visa Europe and our members

We also establish and maintain key controls to protect the integrity of our internal systems, we protect the physical and logical security of our premises across Europe, and ensure that our business continuity measures and processes are regularly assessed and tested

Managing payment system risks

As an international payment system, we have a responsibility to monitor and police the integrity of the wider payments infrastructure - thereby ensuring that it does not present any unacceptable risks to our members' businesses or to the reputation of Visa Europe

Compliance programmes

Visa Europe operates a number of member and third party compliance programmes These guarantee integrity and sound business practices while giving all participants peace of mind that their products and services work in accordance with our rules

"We establish and maintain key controls to protect the integrity of our internal systems"

We have a dedicated member and third party compliance and payment system risk 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 our 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 the Chief Risk & Compliance Officer and also comprises senior executives from the business divisions It is responsible for developing and enforcing 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 and their customers to resolve any concerns before they become significant issues

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

Corporate risk management framework continued

Engagement, advice and support

Our acceptance risk and payment system security teams provide 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

Under guidance from the board of directors, a continuing focus for 2010 was the threat from compromises of cardholder and account data Security is a shared responsibility with our stakeholders and we continue to work with them to render sensitive data useless if it gets into the wrong hands For example, we provide active support to acquirers, retailers and payment service providers in their implementation of the Payment Card Industry Data Security Standards (PCI DSS), and in the mitigation of related risks

"We provide expert advice to our members and their business partners"

EMV chip migration

We have also been working with members and merchants in an effort to accelerate and complete Europe's migration to EMV chip technology In particular, we have been promoting the wider benefits of EMV chip migration including

- Support of the SEPA vision (in which EMV is a uniting technology for all European countries)
- Maximising the prevention of fraud and data compromise
- Accommodating and enabling innovations such as V PAY, Visa payWave and Visa SimplyOne

"94% of European ATMs and 63% of Visa Europe cards are EMV chip"

By June 2010, 94 per cent of European ATMs and 63 per cent of Visa Europe cards had been migrated to EMV chip Also, approximately 80 per cent of intra-regional point of sale transactions were taking place through EMV chip-enabled devices

Managing fraud-related risks

Over recent years, the nature of payment system 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

- **The scale is far bigger –** in the past five years the number of European Visa cards has grown by 40 per cent, and sales volumes are up by more than 55 per cent And, when we operate a €1 4 trillion payment system, it is inevitable that criminals take notice
- **The scope is far broader –** the number of acceptance locations, and the type of retailers that accept cards have escalated and face-to-face transactions have been progressively supplemented by e-commerce self-service, and mobile payments This gives criminals many more potential avenues to exploit
- **The underlying technology is far more capable –** more than 4,000 European banks are migrating their entire payment card businesses to EMV, and have now upgraded the majority of cards and acceptance devices This has changed the nature of the challenge for the criminals – and for everyone in the industry who guards against them

Visa Europe's annualised fraud-to-sales rate decreased to 0 055 per cent Of particular note is the fraud performance in the UK Accounting, as it does, for 36 per cent of Visa Europe fraud losses any movements in the UK have a significant impact across the region as a whole Overall, the UK market achieved a decrease in fraud losses of more than €100 million in the year to June 2010 Again, this was due to a reduction in counterfeit fraud (thanks to the implementation of chip-and-PIN in many more locations worldwide), and also in card-not-present fraud (due, chiefly, to the continued rollout of Verified by Visa)

Visa Europe's risk and security strategy relies on a multiple layers of protection From EMV deployment measures in the card present environment, to Verified by Visa in the card-not-present environment, moving from static data authentication to dynamic data authentication, to deploying neural networks to analyse transactions in real time, Visa Europe takes a comprehensive approach to fraud detection and prevention

Significant developments during 2010 include

- **New fraud detection solutions** – the commercial launch of our new Real Time Scoring fraud detection solution and our Visa Device Profiling for ATMs solution (see business review)

Increased levels of e-commerce authentication – in 2010 there was another big jump in the deployment of Verified by Visa, our online authentication solution Forty four per cent of total e-commerce transaction volume now takes place at Verified by Visa merchants, of which 84 per cent is fully authenticated, with both the merchant and cardholder participating in the service

For the future, initiatives are in place to further strengthen the security of Verified by Visa by reducing the reliance on static passwords and migrating to dynamic passcodes

We have also created an environment of partnership by promoting industry engagement, security awareness, education, training and accountability with law enforcement agencies and judicial authorities across various European countries When close co-operation 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, these authorities can better appreciate and lend their support to the economic and social benefits of the payment card system

“Annual fraud-to-sales ratio **dropped** to 0.055%”

Corporate responsibility

At Visa Europe we see corporate responsibility (CR) as the guiding philosophy behind who we are and everything we do – not as something separate from our day-to-day business

We believe that, by their very nature, our activities benefit society Used appropriately, Visa cards and electronic payments are good for economies, banks, retailers, consumers and people in general They are more efficient, secure, convenient and auditable than cash and cheques They contribute to closer European integration and economic growth They can also contribute to financial inclusion and empowerment

In addition to our everyday business, we see areas as diverse as environmental efficiency, recruitment and management practices contributing to our CR efforts We also encourage our people to contribute to society and the local community through voluntary work and fundraising To facilitate this, we run a matched volunteering scheme, enabling each full-time employee to devote up to three working days to volunteer activities

Applying rigour and discipline to our reputation management

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

Vision	Enabling themes	Examples of progress in 2010
For Visa to be the world's most trusted currency	**Applying rigour and discipline to our reputation management**	• Favourability among stakeholders rated at 89% • Visa again named as Europe's most trusted card brand
	Running our business responsibly	• Regular, formal audits are conducted • Our environmental impact is minimised
	Quantifying and articulating the benefits of cashless payment	• New 'Making money flow' website launched • New research-based reports published
	Pushing for greater safety, responsibility and empowerment	• Additional financial education programmes launched • CEOP partnership extended
	Attracting, inspiring and developing capable, committed people	• An employee engagement rating of 88% • Investors in People Bronze • ICS ServiceMark standard achieved • Visa Consulting and Analytics awarded membership of the Management Consultancies Association
	Encouraging our people to make a positive contribution	• UNICEF partnership • Visa Europe highly commended at Business Charity Awards

Key responsibilities of the reputation council 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 stakeholders and formulate recommendations that will serve to protect and build Visa Europe's reputation and that of our members
- To anticipate areas of contention, pressure points and areas of potential reputational risk and consider 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

The reputation council meets two 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

Tracking and influencing perceptions

We actively engage with a wide range of stakeholders from around Europe to discuss the benefits of cashless payment and Visa Europe's role in extending their use This programme ensures that we hear about issues or concerns from stakeholders In this way a real dialogue can take place

We routinely track the perception of Visa among these key stakeholder groups In the latest round of research (conducted during mid-2010) favourability towards the payment card industry as a whole remained relatively constant at 79 per cent Meanwhile, favourability towards Visa increased slightly to 88 per cent (12 percentage points ahead of our nearest competitor), and advocacy of Visa increased considerably, rising from 63 per cent to 75 per cent (24 percentage points ahead of our nearest competitor)

We also use our own brand tracking research as well as external sources to track the level of trust in the Visa brand among consumers During 2010, for example, Visa once again emerged as Europe's most trusted payment card brand in the annual Reader's Digest survey of Europe's most trusted brands

Case study: Smart, secure payments for young people leaving care

In the London Borough of Lewisham, young people who leave the council's care receive a weekly allowance - which provides valuable financial support as they continue in education or look for a job

The council used to pay this allowance in hard cash, and the recipients were expected to travel to its offices every week to collect their money Now, with a Visa Prepaid programme, everyone benefits from a smarter, safer solution

The London Borough of Lewisham avoids the costs of handling cash, and it is making a 60 per cent saving on the related administration Meanwhile, young people benefit from increased safety and convenience, and get a direct route into the financial mainstream

This is just one of the ways that Visa Prepaid cards are now being used to disburse public funds Given the benefits, we expect these programmes to proliferate in the coming years

Corporate responsibility continued

Openness and transparency

We recognise that the payments industry is under intense public scrutiny As the payment card industry increases in scale and scope, this level of scrutiny inevitably increases We make sure 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, our pan-European interchange fees, and also the Visa interchange fees that apply within individual countries

Running our business responsibly

In the way that we run our business and manage our premises, we aim to comply with the highest professional, ethical and environmental standards To ensure that we live up to this aspiration, we formally and regularly audit our operations in terms of

- Our compliance with health and safety standards
- Our emergency and evacuation procedures
- Our compliance with environmental standards

We also ensure that all of the companies to which we outsource non-core operations (such as cleaning, physical security and catering) are ISO 4001 and 14001 compliant

Minimising our environmental impact

Given that Visa Europe 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 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 of 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

In pursuit of these objectives, we are registered on the government's Carbon Reduction Commitment (CRC) programme, and our performance is monitored and assessed by third parties (Norland Managed Services, Power Efficiency and the Carbon Trust) against a 2009 benchmark

We produce a monthly energy use dashboard and measure our Power Usage Efficiency We also contribute to the Greenhouse Gas Protocol, a voluntary league table measuring our use of power This includes travel costs

As an example of our commitment, we have significantly improved the energy efficiency of our data centre operations In January 2009 each transaction processed came at a cost of 1 56 grams of carbon emissions By January 2010, the equivalent figure had plummeted to 0 50 grams (a reduction of 68 per cent)

Quantifying and articulating the benefits of cashless payment

It is widely acknowledged that electronic payments in general and card payments in particular offer significant advantages over cash As well as being more efficient, secure and accountable, cashless payments help to fuel economic growth and to reduce the scope for grey economies Through our stakeholder engagement programmes we seek to quantify and also to articulate the benefits of cashless payment

During 2010, our regional website, **www visaeurope com**, was re-designed and re-launched in order to bring more prominence to these and other related themes A dedicated area of this website, called *Making money flow*, seeks to demonstrate the value we bring to a whole range of stakeholders

The website also describes the role that cashless payments play in an efficient, dynamic economy

Case study

Volunteering to protect children online

As part of our partnership with the Child Exploitation and Online Protection (CEOP) Centre, Visa Europe employees have been visiting schools to speak to children about how to stay safe online

This is part of our commitment to volunteering (each year our people support around 200 community and charity projects)

It is also part of our commitment to protecting children online We have had a strategic partnership with CEOP since 2006, offering investigative expertise and IT hardware as well as funding We have also strengthened our business rules and our monitoring programmes to identify and end any instances of Visa cards being used to buy illegal or distasteful items online

Our involvement in the PROTECT programme is one part of this wider picture

Corporate responsibility continued

Pushing for greater safety, responsibility and empowerment

At Visa Europe we do not issue cards, we do not lend money to anyone, and we leave it to our members to decide how best to price and promote their products Nonetheless, we are intrinsically associated (in the minds of the media, consumer groups and the regulatory community) with the subject of financial capability, and we continue to be involved in related initiatives - particularly those aimed at younger people

Financial education programmes

We have worked with our members to create a series of consumer education initiatives For example, we maintain 'Budgeting' and 'Managing Credit' sections on **www visaeurope com** And, in several countries, such as Greece, Poland and Turkey, we have developed comprehensive financial education programmes for younger people, supplemented by public relations programmes

We also hosted a financial capability conference at the European Parliament in Brussels, in which industry groups, consumer groups and policymakers discussed financial education solutions

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 to prevent Visa payments products from being used to buy illegal or distasteful items, and we devote substantial resources to working with relevant agencies to prevent the use of Visa cards in illegal purchases

To underline our commitment in this area, we have supported the Child Exploitation and Online Protection (CEOP) Centre since its formation in 2006 This London-based law enforcement agency has an international remit Beyond financial assistance, CEOP has access to our investigative skills and knowledge We have taken an active role in the European Financial Coalition - which brings together organisations from across all key sectors to track, disrupt and look to ultimately confiscate commercial gain made by those who deal in the distribution of images of child exploitation

Setting and enforcing industry standards

An important part of our role at Visa Europe is to work with members to establish industry standards These include our continuing contribution to the EMV chip specifications, our direct involvement in the Payment Card Industry Security Standards Council and our input into the European Payment Council's various standardisation initiatives

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

"Visa Europe helps to set industry standards"

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

Enabling greater inclusiveness and empowerment

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

An example is the way that Visa Prepaid cards are now being used by public sector organisations to distribute benefits and social care payments to people who, by definition, tend to be vulnerable and have often been excluded from the financial mainstream Several such programmes were launched during 2010, and we expect to see significant growth in the coming years

Our commitment to inclusion is also demonstrated through our unparalleled support for the global Paralympic movement

Case study:

Helping younger people to manage their money

'I can manage my money' (Paramı Yönetebiliyorum) is a programme which helps to build financial awareness among Turkish citizens aged between 15 and 30 This innovative programme, backed by the Turkish government, the United Nations Development Programme and the Youth Association for Habitat, is being rolled out across the country It uses a peer education model – with volunteers passing on their newly-acquired knowledge and skills

It is one of many financial education and literacy initiatives we support across Europe

Together, they reflect our conviction that electronic payments are beneficial to society and play a key role in personal choice, financial management, economic growth and social inclusion

> “Visa Europe and its products contribute to a truly inclusive European society”

People

Attracting, inspiring and developing capable, committed people

During 2010 we have taken substantial steps across the 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 a figure of 88 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

"Value of employee engagement – 88%"

This level of employee engagement is further reflected by the exceptionally high level of participation in our Employee Engagement Survey (95 per cent)

Comprehensive benefits package

The benefits offered to employees 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

External accreditations

To ensure that we aspire to best practice, we seek external accreditation for our people and processes Examples and achievements from 2010 include

- **Investors in People (IIP) Bronze accreditation** - Visa Europe achieved Investors in People (IIP) accreditation in July 2009 At that time, the company made a commitment to work towards the achievement of the IIP Gold award by 2012

  Through our IIP accreditation, and our goal of achieving a Gold award, we can demonstrate our commitment to truly world class people management practices

- **Institute of Customer Service (ICS) ServiceMark standard**
  The ICS ServiceMark is an organisational accreditation scheme which recognises the quality of a company's customer support and service provision

  In November 2009, we successfully achieved accreditation The ICS commented that we are not just meeting the ServiceMark standard but exceeding it with a truly 'world class' performance

- **Management Consultancy Association (MCA) membership**
  In September 2010, Visa Consulting and Analytics, our advisory practice, became one of just 55 companies to be admitted into the UK's Management Consultancy Association (MCA)

The diverse make up of our employees

As an international organisation we encourage and expect diversity in our workforce, which numbered 1,397 employees as of September 2010 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

Human resources management (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

Encouraging our people to make a positive contribution

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

During 2010 we maintained our emphasis on supporting young people More than a hundred volunteers in London helped students at local colleges and schools with Maths and English, taking on mentoring roles and becoming involved with sports coaching We ran workshops on how to compile engaging CVs and develop interview skills These efforts were matched in our regional and country offices Each of our UK offices, for example, held open days at which local students were invited to explore information technology as an exciting career

In order to encourage this type of volunteering, we have a formal policy in place, enabling all full-time employees to devote up to three days' of their work time each year

The company and our employees have also undertaken substantial fundraising initiatives During 2010, Visa Europe raised €269,000 (around €192 per employee) for UNICEF, the charity partner selected by our employees This sum was raised through a combination of corporate donations, employee fundraising efforts and matched giving schemes We also donated the equivalent of €19,000 in personnel time, supporting CEOP (the Child Exploitation and Online Protection Centre, of which Visa Europe is a founder supporter)

Reflecting the scale of our charitable and volunteering activity, Visa Europe was highly commended in the employee engagement category at the inaugural UK Business Charity Awards

> “Visa Europe's **employees** are **engaged** and **passionate** about **improving** business and personal **performance**”

Decision-making

As a membership association, Visa Europe is owned and controlled by the 4,176 European banks and payment providers that are licensed to offer Visa-branded payment solutions to their respective customers

Our members are the 'governors' of Visa Europe

- The Visa Europe board of directors takes the big, strategic, pan-European decisions
- A series of board committees is mandated to carry out specific functions and projects as assigned by the board
- A series of national organisations decide on how best to take forward country-specific activities related to Visa Europe payments operations in each of their respective countries
- A range of specialist advisory forums and consultative groups provide ongoing guidance and input
- A hierarchy of regional and national governance bodies has also been established to take control of the management and development of V PAY
- The day-to-day management and operation of the company is delegated to our executive management committee

Visa Europe is therefore fully accountable to its membership

We respond to their agenda We invest and innovate on their behalf We are also able to plan and co-ordinate the type of orchestrated, collaborative initiatives that are generally required in order to change deeply ingrained payment behaviours

In this chapter of the report we provide details of each of our main decision-making forums

Visa Europe board of directors – the big strategic decisions

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

The board comprises 18 directors, all of whom are elected or appointed by Visa Europe's members They are all senior management employees of their respective organisations The board also has one Visa Europe executive director (Peter Ayliffe) who represents the Visa Europe management, and an independent chairman (Jan Lidén)

The Visa Europe board of directors

1 Peter Ayliffe
President and Chief Executive Officer, Visa Europe

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

3 Javier Celaya
Director of ServiRed S A, Consumer Finance Director, Caja Madrid, Spain

4 Yannick Chagnon
Head of Payment Services, Société Génerale, France

5 Fabrice Denèle
Head of Payments Strategy Retail Banking Coordination Department BPCE, France

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

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

8 Kjell Hedman
Chairman of Visa Sweden Board
President and Chief Executive Officer Landshypotek, Sweden

9 Gary Hoffman
Chief Executive Northern Rock plc, United Kingdom

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

11 Ennio La Monica
General Manager, Banca Carige S p A, Italy

12 Jan Lidén
Chairman of the Visa Europe Board, Independent Director

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

14 Yves Martrenchar
COO, BNP Paribas Retail Banking France

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

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

17 José San Juan
Cards Manufacturing Director, Santander UK plc, United Kingdom

18 Alessandro Seralvo
Executive Vice President Cornèr Banca, Switzerland

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

20 Colin Walsh
Managing Director, Savings, Investment and Protection, Lloyds Banking Group, United Kingdom

The audit, risk and finance committee
- Peter Ayliffe (ex officio)
- Graham Beale
- Fabrice Denele
- Johannes Evers (Chairman)
- José Gabeiras
- Antony Jenkins
- Jan Lidén (Deputy Chairman)
- Nazan Somer

The compensation committee
- Graham Beale
- Johannes Evers
- Gary Hoffman (Chairman)
- Jan Lidén (Deputy Chairman)
- Yves Martrenchar

The executive committee
- Peter Ayliffe
- Yannick Chagnon
- Johannes Evers
- José Gabeiras
- Gary Hoffman
- Antony Jenkins
- Ennio La Monica
- Jan Liden (Chairman)

Board representatives on the V PAY Steering Committee
- Peter Ayliffe
- Fabrice Denele
- Johannes Evers (Chairman)
- José Gabeiras
- Ennio La Monica
- Alessandro Seralvo

Significant board decisions

During 2010, the board considered a range of strategic options in relation to the competitive landscape in Europe

Reaching agreement with the European Commission on multi-lateral interchange fees for immediate debit cards

As covered elsewhere in this report, Visa Europe reached a settlement with the European Commission in relation to multi-lateral interchange fees for immediate debit cards

Investing in an enhanced e-commerce payment solution

Following an exhaustive feasibility study and a successful prototype, the board agreed to a significant, multi-year investment in the development of a new e-commerce payment solution

Overseeing disciplined financial management

The board received regular, detailed updates on our financial position and our cost management measures By early 2010, it became evident that the organisation was benefiting from an upsurge in business performance which, by year end, would culminate in a budget surplus

Given our business and ownership model, the board agreed that we should return a substantial proportion of this surplus directly to our members in the form of a fee waiver For each member, the precise level of this waiver was directly proportional to the scale of their business with Visa Europe It takes the form of a fee reimbursement which will be credited to members on the December 2010 invoices

Managing member and country risks

In the face of the economic climate, considerable board attention continued to be devoted to risk management The board was reminded of the processes in place and the level of financial safeguards routinely carried out by Visa Europe

Enhancing Visa Europe products and services

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

Examples include the development of operating principles for Visa SimplyOne, our multi-function chip card proposition, and operating regulations governing the acceptance of Visa payWave contactless payments in unattended devices - such as vending and ticketing machines

Admitting more organisations to the Visa Europe membership

The board approved several new membership applications With more members joining Visa Europe - representing an increasingly diverse range of institutions - competition is progressively enhanced

During 2010 the eligibility criteria for membership were extended Previously, it was necessary for all applicants to be licensed by their national authorities as a deposit-taking institution With the implementation of the European Payment Services Directive (PSD), eligibility for Visa Europe membership was extended to any organisation that is licensed by its national authorities as a payment service provider (including credit institutions, e-money institutions, payment institutions, post office giro, central banks and various government organisations)

The board therefore agreed to the type of risk management requirements and controls that should relate to these payment institutions A total of ten such membership applications were approved by the board during 2010

National bodies - making payments flow better in each country

We actively encourage our members to participate in national governance bodies, within the frameworks set by Visa Europe This enables our members to decide on how best to develop the Visa Europe payments franchise in the face of particular national requirements and circumstances

Varying models have been adopted in different countries

- **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 11 of these group members operating across Europe

National decision-making bodies - In other countries, banks have chosen to establish national decision-making bodies to agree on national Visa Europe-related policy and activity The decisions made by these organisations are binding on all Visa Europe members operating in the country

These include

- Visa Deutschland
- Visa Hellas
- Visa Italia
- Visa Polska
- Visa UK Limited

During 2010, following the merger with SAS Carte Bleue, one additional organisation was established, namely

- Visa France

These organisations are administered by Visa Europe They have a board of directors comprising senior representatives from those Visa Europe members operating in the country, and at least one member of Visa Europe's senior management team Their remit usually 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 Visa Europe membership 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 include

- Turkish Executive Committee
- Visa Bulgaria Executive Committee
- Visa Czech Republic Forum
- Visa Ireland 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

Focused on the development of local payment markets

The wide range of local decision-making bodies and consultative forums that we operate is an important asset and differentiator for Visa Europe

As a membership association, the principles of consultative decision-making are deeply embedded within the culture of our organisation And, having brokered market-level decisions, we can co-ordinate collective market-making initiatives

Some indicative examples from 2010 include

In the Czech Republic

Through the Visa Czech Republic Forum, our members decided to create and contribute to a dedicated fund for national market development initiatives, such as research programmes and promotional activities, designed to increase card usage across all Visa products and for all members This fund will help the collective Czech membership to increase awareness of the Visa brand, educate cardholders, launch new products and services, and extend the acceptance network

In Germany

Our members, through the Visa Deutschland board, created a German Fraud Advisers Group Already very active, this newly established group of fraud and risk management specialists is focused on driving down fraud rates in Germany - by accelerating the implementation of tools such as EMV chip and PIN and Verified by Visa, and also through the deployment of fraud detection services such as the new Visa Europe Real Time Scoring solution

In Greece

Through Visa Hellas, our members launched a new financial education programme Aimed at younger people and based around a new website at **www moneyiq gr**, this provides practical advice and information on financial management Visa Hellas also continued its sponsorship of the Greek police's computer crime unit, as well as the Safer Internet programme, both of which are intended to mitigate the risks of the internet among younger people - particularly the threat of online child abuse

In Italy

Through the Visa Italia board, our members established an Acceptance Development Working Group, with a remit to identify and close any gaps in the country's existing card acceptance network, and to accelerate the deployment of EMV chip and PIN acceptance devices The board also agreed on a three-year plan to implement contactless payments, focusing initially on the main urban centres, and eventually encompassing all of Italy

In Turkey

Through our Turkish Executive Committee, our members have agreed to an extensive programme of initiatives designed to change the way that debit cards are regarded and used by Turkish consumers Although the Turkish credit card market is one of the most advanced in the world, the country's debit cards are predominantly used for ATM cash withdrawals An entire programme of activity, due for implementation in 2011 and beyond, is designed to reposition debit cards as an everyday payment tool, and to bring about a step change in usage levels

Case study:

Kick starting card acceptance in Poland

Under the guidance of Visa Polska, we are co-ordinating an initiative which promises to double the level of card acceptance – which should push Poland up to pan-European norms, within five years

Together, we have developed a 'shop in a box' solution, which all of our Polish members will be able to offer to their customers in the retail sector

This includes a card acceptance terminal plus marketing materials for the retailer, along with all the necessary paperwork to set up relationships with acquirer processors and terminal vendors Meanwhile Poland's card issuers are subsidising the cost of acceptance terminals And banks, processors and vendors are all engaged to drive the process forward

This is one way in which our collaborative membership model is helping to develop the payments market – and bring benefits to all parties

Advisory forums and consultative groups – ongoing guidance and direction

Visa Europe operates seven specialist business forums, enabling us 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 for their industry knowledge, their experience and their personal reputation Participation 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

- João Amaral UNICRE Portugal
- Ilario Bolis, Setefi SpA, Italy
- Ulrich Bug, B+S Card Service GmbH, Germany
- Barbara Cossetto, CartaSi SpA, Italy
- Chris Davies, HSBC Merchant Services United Kingdom
- Arif Isfendiyaroglu, Garanti Bankasi, Turkey
- NeofitosKaramanos, JCC Payment Systems Ltd, Cyprus/Greece
- Oskar Karlsson, Swedbank AB, Sweden
- Antonio Mondejar, ViaCajas S A - Euro 6000, Spain
- Karine Munoz, BNP Paribas, France
- Stuart Neal, Barclaycard Payment Acceptance, United Kingdom
- Marek Paradowski, eService SA Poland
- Matthew Rowsell, RBS Worldpay, United Kingdom
- Gerard Savage, Elavon Financial Services Ltd, United Kingdom
- Jean Marc Vedrune, Crédit Mutuel - CIC Group, France
- Sirus Zafar Komercni Banka, A S, Czech Republic

Focused on the development of local payment markets continued

Commercial

This group supports the development of Visa Europe's commercial payments 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

- Stephane Battez, BNP Paribas France
- Dennis Bauer Barclaycard, United Kingdom
- Anne-Laure Brisset, Societe Générale, France
- Martin Cannings Citigroup Inc, United Kingdom
- Karl-Heinz Golder, Degussa Bank GmbH, Germany
- Felix Holzhey, UBS Card Center AG, Switzerland
- Herco le Fevre, ING Bank NV, Netherlands
- Maria Lorenzo, Banco Popular Espanol S A , Spain
- Leo Olsson, Nordea Bank AB, Sweden
- Davide Rigamonti Deutsche Bank SpA Italy
- Mark Robinson, HSBC, United Kingdom
- David Rockliff RBS Group, United Kingdom
- Gokhan Sun, Denizbank A Ş , Turkey

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

- Paul Carvell Nationwide Banking Society, United Kingdom
- Cord Constantin Bregulla, UBS AG, Switzerland
- Sven Estwall SEB Kort AB, Sweden
- Emmanuelle Fenard, BNP Paribas Personal Finance, France
- Antonio Galiano, ICCREA Banca SpA Italy
- Mine Konuman, Akbank TAŞ, Turkey
- James Lewis, MBNA Europe Ltd, United Kingdom
- Josep Gallach Patau, La Caixa, Spain
- Fernando de la Rica, BBVA, Spain
- Arthur Smolders ICS BV, Netherlands
- Katarzyna Sosin, PKO Bank Polski SA, Poland
- Hans-Juergen Torkler Landesbank Berlin AG, Germany
- Serkan Ulgen, Yapı ve Kredı Bankası A Ş , Turkey
- Katherine Whitton, Barclaycard, United Kingdom
- Assaf Zimmerman, ICC, Israel

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

- Dominique Bleichner, CNCE France
- Jan-Olof Brunila, Swedbank AB, Sweden
- Soner Canko, T C Ziraat Bankası A Ş , Turkey
- Maria Cires Caja Madrid, Spain
- Jean-Marie Dragon, La Banque Postale, France
- Allan Hardie, RBS Group, United Kingdom
- Tomasz Mirek Bank Zachodni WBK SA, Poland
- Vincent Reboul, HSBC, United Kingdom
- Carl Renstrom, Handelsbanken, Sweden
- Sergio Segovia, La Caixa, Spain
- Jonathan Taylor, Lloyds TSB, United Kingdom
- Nevra Toktaş, T Is 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

- Yves Blavet Societé Génerale, France
- Enrique Barthe Miralles, BBVA, Spain
- Gianluigi Gilberti, Key Client Cards + Solutions SpA, Italy
- Heikki Kapanen Luottokunta Finland
- Pawel Kucharski, BRE Bank SA, Poland
- Michel Morel LCL (Credit Lyonnais), France
- Stefan Popp Deutsche Kreditbank AG, Germany
- Alessandro Seralvo, Cornèr Banca SA, Switzerland
- Francesca Terrell, Nordea Bank, Denmark
- Elc in Yanık, Finansbank A Ş Turkey

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 investments, 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 Group Ireland
- Emanuele Balistreri, CartaSi SpA, Italy
- Giovanni Bettoni, Corner Banca SA Switzerland
- Selc uk Ergen Yapi ve Kredi Bankasi A Ş, Turkey
- Nils Hilbard, SEB Kort Danmark A/S, Denmark
- Alisa Jackson, Lloyds Banking Group plc, United Kingdom
- Rob Jamison, RBS Group, United Kingdom
- Tadeusz Koscinski Bank Zachodni WBK SA, Poland
- Tapio Pesonen, Swedbank AB Sweden
- Javier Querejeta Sistema 4B Spain
- Graham Robinson, Barclaycard United Kingdom
- Tilo Schurer, Landesbank Berlin AG, Germany
- John Sutton, HSBC Merchant Services, United Kingdom
- Sirus Zafar Komercni Banka, A S, Czech Republic

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

- Tomer Alkobi, Leumi Card Israel
- Carmen Carnero, ServiRed S A, Spain
- David Chan Barclaycard, United Kingdom
- Marco Cortellari, CartaSi SpA Italy
- Per Harald Fredriksen, Nordea, Norway
- Hans-Stephan Giese Landesbank Berlin AG, Germany
- Magdalena Macko, Bank Millennium SA, Poland
- Caroline Sellier, Natixis Paiements, France
- Mark Tingey, RBS Group, United Kingdom
- Paul Wood, HSBC, United Kingdom

V PAY governance

Managing Europe's debit solution

In developing V PAY, Europe s 'made for SEPA' chip-only debit solution, 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 a series of national governance bodies During 2007, V PAY Deutschland and V PAY Italia were both created, with the V PAY Netherlands Forum following in 2009

The role of these bodies is to support the strategy for the national introduction of V PAY and to advise on its ongoing management

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

The Visa Europe executive management committee

Disciplined, rigorous management

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

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 and Visa International boards. He has a degree in economics from Manchester University. He is a non-executive director for Investors in People

3 Steve Chambers
Executive Vice President, Chief Information Officer

Steve joined Visa Europe in 2005, 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 25 years, working for companies such as EDS, First Data and ACI. 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 Newcastle Polytechnic. For two consecutive years Steve was named by silicon.com as one of the top 50 leaders shaping the future of IT in the UK

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 and acceptance, commercial, 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, 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 18 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 vice chairman, and chair of the finance committee of EACT, an education foundation with responsibility for ten academies He is also a non-executive director of TheCityUK

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 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 and member profitability 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 was a previous winner of the prestigious First Women Awards in the Finance Award category She is also a trustee of the Visa Europe Pension Plan

10 Fiona Wilkinson
Senior Vice President, Corporate Communications

Fiona joined Visa in 1982 and is called upon to advise the EMC on the communications and reputational implications of their decisions She is responsible for stakeholder engagement, protecting and enhancing the reputation of the organisation Fiona has broad expertise in payment systems having previously held roles in marketing, sales, finance, relationship management and HR Fiona holds a degree in economics and law and is a trustee of Eaves for Women

Good governance

In this section of the report we explain more about the corporate governance systems within Visa Europe and, more specifically, the constitution, the roles and responsibilities of the board of directors

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

In this section of the report we explain more about the board processes and disciplines at Visa Europe As a reference point, the chapter is structured around the main principles of the UK Corporate Governance Code

Since we are not a publicly listed company this Code does not strictly 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 Corporate Governance Code as a way of demonstrating that

- We take the matter of corporate governance extremely seriously
- We take 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 or profit-oriented company

"The board ensures that the policies and investments Visa Europe makes are in the best interests of the members"

1 Leadership

The role of the board

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

It meets its collective responsibility for the long-term success 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

In providing entrepreneurial leadership of the company, the board takes full account of a framework of prudent and effective controls, which enables risk to be assessed and managed

During 2010, the board met on nine separate occasions

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

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

Good governance continued

Division of responsibilities

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

The chairman

The chairman is responsible for setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items

He promotes a culture of openness and debate, by facilitating the effective contribution of all directors, and by promoting constructive relations between the board and the management of the company

Non-executive directors

The nature and balance of the board reflects the special nature of the Visa Europe organisation

A substantial majority of the board is made up of non-executive directors (18 directors out of a current total of 20) 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

Non-executive directors are expected to scrutinise performance, constructively challenge and help develop proposals on strategy Similarly, they are expected to satisfy themselves on the integrity of financial information, and that the company's financial controls and systems of risk management are robust and defensible They are also expected to ensure that the policies of Visa Europe, and the investments that it makes, are in the best interests of the collective membership of Visa Europe

2 Effectiveness

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)

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

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)

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

This process ensures that Visa Europe benefits from planned and progressive refreshing of the board, and that an appropriate balance of skills and experience is constantly maintained

Commitment

In agreeing to serve on the board, all directors formally commit to allocate sufficient time to the company, in order to discharge their responsibilities effectively Expectations are disclosed to all directors prior to their appointment, with a broad indication of the time commitment involved

Development

By virtue of the fact that all non-executive directors hold a senior management position within a member institution they will, by definition, have an in-depth knowledge of the payment systems business

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

Good governance continued

Information and support

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 agenda items before each board meeting 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

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 additional processes or measures to assess the performance of the board or its committees

Re-election

Elections of directors are held every two years (the next such election is due to be held in 2011) 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 normally arrange a special election within 60 days of the vacancy arising If a vacancy arises within 150 days before the biennial election of the directors, no special election is required unless a person entitled to vote in such a special election requests by notice in writing to the board This notice must be given more than 60 days prior to the biennial election

3. Accountability

Financial and business reporting

In the form of the Visa Europe Annual Report, the board presents a balanced and understandable assessment of the company's position and prospects, which goes well beyond statutory requirements

As well as providing a detailed explanation of the company's own financial position, this provides an update on the ongoing investments which are made and the initiatives undertaken on behalf of the membership

Risk management and internal control

The board acknowledges that it has overall responsibility for Visa Europe's system of internal control and for reviewing its effectiveness Furthermore, the board takes responsibility for determining the nature and extent of the risks it is willing to take in achieving the company's strategic objectives, in maintaining the integrity of the Visa Europe payment system, and in ensuring that the membership is not subject to settlement risks

Through the audit, risk and finance committee, the board commits to a formal review, at least annually (and, given the prevailing economic climate, more frequently), of Visa Europe's internal controls

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

Audit committee and auditors

The audit, risk and finance committee meets at least three times a year, and one of its principal responsibilities is to review the company's risk management framework As well as reviewing progress, the committee is encouraged to make policy decisions about future controls

Deloitte acts as Visa Europe's internal auditor As an additional control measure, the risk management framework and our related policies are reviewed by this internal auditor who, in turn, regularly updates the audit, risk and finance committee as well as the executive management committee on the state of the organisation's risks and controls

A1-B

Financial statements

Visa Europe operates a low-cost, not-for-profit business model – while making strategic investments in the future of European payments

4 Remuneration

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

As regards the executive director and senior management team, a significant proportion of remuneration is deferred into a long-term incentive plan

5 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 Every two years the company also hosts a two-day Visa Europe Member Meeting (the next of which, Insights 11, is due to be held in Barcelona on 7 and 8 April 2011), which is typically attended by more than 400 senior decision-makers from across the membership

“Annually the board reviews Visa Europe's internal controls”

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)

Visa Europe also encourages members in each national market to decide on the most appropriate membership model for their own country More details on the different arrangements also appear in this report

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

To gain a thorough understanding of member bank attitudes and opinions, Visa Europe commissions an annual Member Satisfaction Survey

In this section

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 2010

Principal activities

Visa Europe, a payments system organisation, represents some 4,176 members (2009 4,147 members) from 36 European countries

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

Business objectives and activities

Developments in the group's business during the year, and an indication of likely future developments, are analysed in the Business Review on pages 22 to 41 which form part of this Directors' Report 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 24 to 27

Results and dividend

The consolidated income statement for the year is set out on page 80 and shows a profit after tax for the year and attributable to the ordinary shareholders of €44,950,000 (2009 €199,604,000) In 2009, the group recognised a profit on investment of €161,568,000 related to the disposal of Visa Inc shares as a one-off event, in 2010 there was no such disposal of investments The increase in operating profit is attributable to the acquisition of SAS Carte Bleue, the global economic recovery, the growth in transaction volumes and the release of an accrual for indirect taxes Offset against these factors is the fee reimbursement to return the majority of the surplus to members The consolidated balance sheet is on page 82 and shows a net asset balance of €574,487,000 (2009 €502,674,000) The directors do not recommend a dividend (2009 €2,296,231,000)

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 pages 44 to 49 and in notes 4 and 25 to the consolidated financial statements

Political and charitable donations

The group made no political contributions during the year Donations to charities amounted to €142,000 (2009 €22,000)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director 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 Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

Board membership

The following directors held office during the year ended 30 September 2010

Gilbert Arira
resigned 8 February 2010

Peter Ayliffe

Graham J Beale

Javier Celaya

Johannes Evers

José M Gabeiras

Kjell Hedman

Gary Hoffman

Peter Jackson
resigned 19 March 2010

Antony Jenkins

Ennio La Monica

Jan Liden

Sven Lystbæk

Gerard Nebouy
resigned 29 January 2010

Wojciech Papierak

Erik Pointillart
resigned 8 February 2010

António Ramalho

Jose San Juan

Alessandro Seralvo

Nazan Somer

Colin Walsh
appointed 14 April 2010

Yves Blavet
appointed 29 January 2010
resigned 8 February 2010

Yannick Chagnon
appointed 19 February 2010

Fabrice Denele
appointed 19 February 2010

Yves Martrenchar
appointed 19 February 2010

By order of the board

Carol Walsh

Carol Walsh
Company Secretary
10 December 2010

Financial statements

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

The directors are responsible for keeping 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 LLP
15 Canada Square
London E14 5GL
United Kingdom

Independent auditors' report to the members of Visa Europe Limited

We have audited the financial statements of Visa Europe Limited for the year ended 30 September 2010 set out on pages 80 to 86 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 (IFRSs) 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 Chapter 3 of Part 16 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 78, 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 2010 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters 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

Mike Peck

Mike Peck (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
10 December 2010

Consolidated income statement

For the year ended 30 September

	Note	2010 €'000	2009 €'000
Revenue before fee reimbursement		**878,322**	709,486
Less fee reimbursement		**(157,514)**	-
	5	**720,808**	709,486
Other operating income	6	**4,625**	5,757
Exceptional income	6	**48,009**	-
Administration expenses	7	**(695,572)**	(595,774)
Other operating expenses	8	**(5,632)**	(53,447)
Operating profit		**72,238**	66,022
Finance income	11	**3,822**	17,724
Dividend income	12	**206**	170
Finance costs	11	**(497)**	(461)
Gain on investment	13	**-**	132,265
Profit before tax		**75,769**	215,720
Tax	15	**(30,819)**	(16,116)
Profit for the year attributable to equity holders of the parent		**44,950**	199,604

The notes on pages 87 to 118 form part of these financial statements

Financial statements

Consolidated balance sheet

As at 30 September 2010

	Note	2010 € 000	2009 € 000
Non-current assets			
Property, plant and equipment	16	**272,137**	241,344
Goodwill and intangibles	18	**43,059**	24,601
Financial assets	20	**10,448**	1,777
Deferred tax assets	26	**19,393**	25,971
		345,037	293,693
Current assets			
Inventories	22	**358**	-
Trade and other receivables	23	**543,267**	115,552
Cash and cash equivalents	24	**635,254**	393,043
Financial assets	20	**114,542**	135,067
		1,293,421	643,662
Current liabilities			
Trade and other payables	27	**937,797**	320,332
Current tax liabilities		**41,620**	17,215
Financial liabilities	28	**21,936**	33,979
Redeemable share capital	32	**41**	41
		1,001,394	371,567
Net current assets		**292,027**	272,095
Non-current liabilities			
Other liabilities		**436**	370
Retirement benefit obligation	30	**45,010**	32,519
Provisions	31	**8,437**	6,606
Financial liabilities	28	**8,694**	23,619
		62,577	63,114
Net assets		**574,487**	502,674
Equity			
Share capital		**1**	1
Other reserves		**14,650**	(20,685)
Retained earnings		**559,836**	523,358
Equity attributable to equity holders of the parent		**574,487**	502,674

The financial statements were approved by the board of directors and authorised for issue on 10 December 2010 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 87 to 118 form part of these financial statements

Consolidated statement of comprehensive income

For the year ended 30 September

	Note	2010 € 000	2009 € 000
Profit for the year attributed to equity holders of the parent		**44,950**	199,604
Other comprehensive income			
Available-for-sale investments			
Gains/(losses) on revaluation	14	**4,404**	(99,191)
Gains transferred from other comprehensive income to profit or loss	13	**-**	(49,298)
Foreign exchange gains taken to other comprehensive income on revaluation of available-for-sale assets		**1,593**	47,743
Cash flow hedges			
Gains/(losses) taken to other comprehensive income		**33,738**	(70,905)
Losses transferred from other comprehensive income to profit or loss		**11,398**	37,483
Actuarial losses on defined benefit pension schemes		**(14,107)**	(34,872)
Tax on items recognised in other comprehensive income	15	**(10,163)**	23,608
Other comprehensive income/(loss) for the year, net of income tax		**26,863**	(145,432)
Total comprehensive income for the year		**71,813**	54,172

The notes on pages 87 to 118 form part of these financial statements

Company balance sheet (prepared under UK GAAP)

As at 30 September 2010

	Note	2010 €'000	2009 €'000
Non-current assets			
Property, plant and equipment	16	**1,308**	-
Investment in subsidiaries	19	**45**	45
Goodwill and intangibles	18	**15,731**	-
		17,084	45
Current assets			
Short-term investment	21	**65,000**	100,000
Trade and other receivables	23	**511,692**	71,460
Inventories	22	**358**	-
Cash and cash equivalents	24	**88,911**	270,278
		665,961	441,738
Total assets		**683,045**	441,783
Current liabilities			
Trade and other payables	27	**363,261**	125,964
Current tax liabilities		**5,235**	4,170
Redeemable share capital	32	**41**	41
		368,537	130,175
Net current assets		**297,424**	311,563
Non-current liabilities			
Other liabilities		**59**	-
Retirement benefit obligation		**259**	-
Provisions		**203**	-
		521	-
Net assets		**313,987**	311,608
Equity			
Share capital		**1**	1
Retained earnings		**313,986**	311,607
Equity attributable to equity holders of the parent		**313,987**	311,608

The financial statements were approved by the board of directors and authorised for issue on 10 December 2010 They were signed on its behalf by

Peter Aylıffe

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

The notes on pages 87 to 118 form part of these financial statements

Consolidated statement of cash flows

For year ended 30 September 2010

	Note	2010 € 000	2009 € 000
Profit before tax		**75,769**	215,720
Adjustments for			
Depreciation of property, plant and equipment	16	**51,132**	39,299
Amortisation of intangibles	18	**199**	-
Loss on disposal of property, plant and equipment	16	**1**	15,161
Increase/(decrease) in provisions and employee benefits		**4,276**	(7,891)
Operating cash flows before movements in working capital		**131,377**	262,289
(Increase)/decrease in receivables		**(400,105)**	1,624,875
Increase in payables		**579,272**	29,338
Cash generated by operations		**310,544**	1,916,502
Income taxes paid		**(12,423)**	(5,546)
Interest paid	11	**(497)**	(461)
Net cash from operating activities		**297,624**	1,910,495
Investing activities			
Interest received	11	**4,372**	16,824
Dividends received	12	**206**	170
Dividends paid		**-**	(1,610,683)
Proceeds from disposal of investment		**35,000**	-
Acquisition of subsidiary, net of cash acquired	17	**(15,822)**	-
Purchases of property, plant and equipment	16	**(79,963)**	(72,719)
Net cash used in investing activities		**(56,207)**	(1,666,408)
Financing activities			
Repayments of obligations under finance leases		**(2,436)**	(183)
Net cash used in financing activities		**(2,436)**	(183)
Net increase in cash and cash equivalents		**238,981**	243,904
Cash and cash equivalents at the beginning of the year		**392,834**	149,476
Effect of foreign exchange rate changes thereon		**(3,995)**	(546)
Cash and cash equivalents at the end of the year	24	**627,820**	392,834

The notes on pages 87 to 118 form part of these financial statements

Consolidated statement of changes in equity

For the year ended 30 September 2010

	Attributable to equity holders of the parent							
	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	Total €000
Balance as at 1 October 2009	-	-	1	2,000	9,978	(32,663)	523,358	502,674
Total comprehensive income for the year								
Profit for the year attributable to equity holders of the parent	-	-	-	-	-	-	44,950	44,950
Other comprehensive income:								
Available-for-sale investments								
Gains on revaluation	-	-	-	-	4,404	-	-	4,404
Foreign exchange gains	-	-	-	-	1,593	-	-	1,593
Cash flow hedges								
Gains taken to other comprehensive income	-	-	-	-	-	33,738	-	33,738
Losses transferred from other comprehensive income to income statement	-	-	-	-	-	11,398	-	11,398
Actuarial losses on defined benefit pension schemes	-	-	-	-	-		(14,107)	(14,107)
Tax on items recognised in other comprehensive income	-	-	-	-	-	(15,798)	5,635	(10,163)
Total other comprehensive income	-	-	-	-	5,997	29,338	(8,472)	26,863
Total comprehensive income for the year	-	-	-	-	5,997	29,338	36,478	71,813
Balance as at 30 September 2010	-	-	1	2,000	15,975	(3,325)	559,836	574,487

The notes on pages 87 to 118 form part of these financial statements

Financial statements

Consolidated statement of changes in equity continued

For the year ended 30 September 2009

	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	Total €'000
	Attributable to equity holders of the parent							
Balance as at 1 October 2008	-	-	1	2,000	110,724	(10,938)	2,642,946	2,744,733
Total comprehensive income for the year								
Profit for the year attributable to equity holders of the parent	-	-	-	-	-	-	199,604	199,604
Other comprehensive income:								
Available-for-sale investments								
Losses on revaluation	-	-	-	-	(99,191)	-	-	(99,191)
Gains transferred from other comprehensive income to income statement	-	-	-	-	(49,298)	-	-	(49,298)
Foreign exchange gains/(losses)	-	-	-	-	47,743	-	-	47,743
Cash flow hedges								
Losses taken to other comprehensive income	-	-	-	-	-	(70,905)	-	(70,905)
Losses transferred from other comprehensive income to income statement	-	-	-	-	-	37,483	-	37,483
Actuarial losses on defined benefit pension schemes	-	-	-	-	-		(34,872)	(34,872)
Tax on items recognised in other comprehensive income	-	-	-	-	-	11,697	11,911	23,608
Total other comprehensive income	-	-	-	-	(100,746)	(21,725)	(22,961)	(145,432)
Total comprehensive income for the year	-	-	-	-	(100,746)	(21,725)	176,643	54,172
Transactions with owners recorded in equity								
Dividends to equity holders	-	-	-	-	-	-	(2,296,231)	(2,296,231)
Total contributions by and distributions to equity holders of the parent	-	-	-	-	-	-	(2,296,231)	(2,296,231)
Balance as at 30 September 2009	-	-	1	2,000	9,978	(32,663)	523,358	502,674

The notes on pages 87 to 118 form part of these financial statements

Notes to the financial statements

Year ended 30 September 2010

1. General information

Visa Europe Limited is a company incorporated in the United Kingdom under the Companies Act 2006 The address of the registered office is given on page 120

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 83

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

Adoption of revised standards
The following amendments to existing standards, as issued by the International Accounting Standards Board, are applicable to the group for the first time in the current year The adoption of these amendments have had no impact on the group's accounting but have resulted in the following disclosure changes

- IAS 1 *Presentation of Financial Statements* requires a number of changes to the presentation of financial statements These include a requirement to present all items of income and expense recognised in a period in either a single statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income) As a result, the group has elected to present a consolidated income statement, a consolidated statement of comprehensive income and a consolidated statement of changes in equity This has resulted in the reformatting of the consolidated statement of recognised income and expense into the consolidated statement of comprehensive income and the addition of a consolidated statement of changes in equity
- IFRS 7 *Financial Instruments Disclosures* expands the disclosure requirements in respect of fair value measurements and liquidity risk

Amendments made to the following IFRSs and the issuance of IFRIC 14 which became effective in the current financial year have had no material impact on these financial statements

- IFRS 2 *Share-Based Payment*,
- IFRS 3 *Business Combinations*,
- IAS 23 *Borrowing Costs*,
- IAS 27 *Consolidated and Separate Financial Statements*,
- IAS 32 *Financial Instruments Presentation*,
- IAS 39 *Financial Instruments Recognition and Measurement*,
- IFRIC 13 *Customer Loyalty Programmes*, and
- IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The following revisions to accounting standards and pronouncements applicable to the group were issued as at 30 September 2010 but are effective for accounting periods beginning after 30 September 2010 The use of IFRSs and certain IFRIC Interpretations that have yet to be endorsed by the European Union is not permitted Where IFRSs and IFRIC Interpretations listed below have been endorsed by the European Union and early adoption is permitted, the group has elected not to apply them in the preparation of these financial statements

Notes to the financial statements continued

Year ended 30 September 2010

2. Significant accounting policies continued

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the group, but 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 9 *Financial Instruments*	IFRS9 has yet to be endorsed, but introduces new requirements for classifying and measuring financial assets In October 2010, the IASB also added new requirements for the classification and measurement of financial liabilities and derecognition of financial instruments The updated version of IFRS 9 (IFRS 9 (2010)) is effective for annual periods beginning on or after 1 January 2013 and early adoption is permitted The IASB intends to further expand IFRS 9 (including impairment and hedge accounting) to completely replace IAS 39	1 October 2013 Not yet endorsed
IAS 24 *Related party disclosures*	Simplifies the definition of a related party and provides partial exemption from disclosure requirements for government-related entities	1 October 2011 Endorsed
IAS 32 *Financial instruments Presentation*	Requires rights issues denominated in a currency other than the functional currency of the issuer to be classified as equity regardless of the currency in which the exercise price is denominated	1 October 2010 Endorsed
Amendment to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	Removes unintended consequences arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement	1 October 2011 Endorsed
Improvements to IFRS (issued April 2009)	Sets out minor amendments to IFRS standards as part of the annual improvement process	1 October 2010 Endorsed
Improvements to IFRS (issued May 2010)	This pronouncement has yet to be endorsed, but sets out minor amendments to IFRS standards as part of the annual improvement process	Various 1 October 2010/ 1 October 2011 Not yet endorsed

Notes to the financial statements continued

Year ended 30 September 2010

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(31) 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 31

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 statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions Monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the reporting date Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined Any resulting exchange differences are included in administration expenses in the income statement, except for differences on available-for-sale non-monetary financial assets, which are included in the available-for-sale reserve in other comprehensive income 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 are included in the income statement for the year

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 4 (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 to the income statement

Goodwill which is recognised as an asset is reviewed for impairment at least annually Any impairment is recognised immediately to 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 income statement 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 Goodwill is reviewed for impairment at least annually and has an infinite useful life See below for additional details of impairment reviews

Intangible assets are recorded at cost less accumulated amortisation and any impairment losses Amortisation is charged to the income statement using the straight line method so as to write off the cost of the assets over their estimated useful lives on the following bases

Customer relationships	15 years
Brand	7 years

Goodwill is assessed to have an indefinite useful life as, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity

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

Year ended 30 September 2010

2. Significant accounting policies continued

Property, plant and equipment continued

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period 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 consolidated 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 the end of each reporting period, 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

The 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 the income statement 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

Year ended 30 September 2010

2. Significant accounting policies continued

Investments 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 other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement for the period An impairment loss is recognised in the income statement 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 the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement Impairment losses recognised in the income statement 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 deemed to be effective as hedges of future cash flows are recognised directly in other comprehensive income 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 other comprehensive income 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 other comprehensive income 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 other comprehensive income is retained in other comprehensive income until the forecasted transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income 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 the group 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

Year ended 30 September 2010

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 the end of each reporting period 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 but are instead included in other comprehensive income

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 reporting 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 reporting 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 other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income

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 reporting 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 balance sheet (see page 83)

Basis of preparation

The company's financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 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 The company has also taken advantage of the exemption in FRS 1 Cash Flow Statements, which provides that where a company is a member of a group and a consolidated cash flow statement is published, the company does not have to prepare a cash flow statement

Notes to the financial statements continued

Year ended 30 September 2010

2. Significant accounting policies continued

Property, plant and equipment

Tangible assets are stated at cost less accumulated depreciation

Depreciation is charged to the income statement using the straight-line method so as to write off the cost to the residual values of assets 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

Current asset investments

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 reporting 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

Goodwill

On 30 April 2010 the trade and net assets of a subsidiary undertaking were transferred to the company at their book value which was less than their fair value The cost of the company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition As a result of this transfer, the value of the company's investment in that subsidiary undertaking fell below the amount at which it was stated in the company's accounting records Schedule 1 to the Companies Act 2006 *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008* (SI 2008 No 410) requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account

However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the year and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill on the date that the subsidiary undertaking was transferred to the company The effect of this departure is to decrease the holding company's profit for the financial year by €1,500,000 and to increase the amount of the acquisition goodwill from €14,189,000 in the group balance to €16,080,000 in the holding company's balance sheet The group financial statements are not affected by this transfer

Intangible assets recognised in the group balance sheet are not recognisable under UK GAAP

Goodwill is amortised on a straight-line basis over its useful life which is deemed to be 20 years

3. Critical accounting judgements and key sources of estimation uncertainty

Accounting judgements and key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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

Goodwill

At 30 September 2010 the group carried goodwill on its balance sheet totalling €33,015,000 (2009 €18 826,000) of which €14,189,000 relates to the acquisition of SAS Carte Bleue

The group reviews the goodwill for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place The impairment review is performed by projecting future cash flows based upon budgets and plans and making appropriate assumptions about rates of growth and discounting these using a rate that takes into account prevailing market interest rates and the risks inherent in the business If the present value of the projected cash flows is less than the carrying value of the underlying net assets and related goodwill an impairment charge is required in the income statement This calculation requires the exercise of significant judgement by management, if the estimates made prove to be incorrect or performance does not meet expectations which affects the amount and timing of future cash flows, goodwill may become impaired in future periods Further details are given in note 18

Notes to the financial statements continued

Year ended 30 September 2010

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

Intangible assets

Intangible assets that derive their value from contractual customer relationships or that can be separated and sold and have a finite useful life are amortised over their estimated useful life Determining the estimated useful life of these finite life intangible assets requires an analysis of circumstances, and judgement by the group's management At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment If indications are present, these assets are subject to an impairment review The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount the higher of the asset's or the cash-generating unit's net selling price and its value in use Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset s continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis

Retirement benefits

The schemes' liabilities are calculated using the projected unit credit method, which takes into account projected earnings increases, using actuarial assumptions that give the best estimate of the future cash flows that will arise under the scheme liabilities The resulting estimated cash flows are discounted at a rate equivalent to the market yield at the balance sheet date on high quality bonds with a similar duration and currency to the schemes' liabilities In order to estimate the future cash flows, a number of financial and non-financial assumptions are made by management, changes to which could have a material impact upon the overall deficit or the net cost recognised in the income statement

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 2010 it was assumed that the rate of inflation would be 3 21 per cent per annum (2009 3 19 per cent), although if this was increased by 0 1 per cent the overall deficit would increase by approximately €4 1 million (2009 €3 2 million) and the annual cost by approximately €0 3 million (2009 €0 3 million) A reduction of 0 1 per cent would reduce the overall deficit by approximately €3 5 million (2009 €2 7 million) and the annual cost by approximately €0 3 million (2009 €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 2010 the discount rate used was 5 19 per cent (2009 5 68 per cent), a reduction of 0 1 per cent would increase the overall deficit by approximately €4 3 million (2009 €3 4 million) and the annual cost by approximately €0 2 million (2009 €0 2 million), while an increase of 0 1 per cent would reduce the net deficit by approximately €4 1 million (2009 €3 3 million) and the annual cost by approximately €0 2 million (2009 €0 2 million) See note 30

Fair value of financial instruments

Available-for-sale financial investments are initially recognised at fair value and are subsequently held at fair value Gains and losses arising from changes in fair value of such assets are included as a separate component of equity

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale Where a valuation model is used to determine fair value, it makes maximum use of market inputs Management exercises judgement in deciding which point in the acceptable range generated by the model is the fair value

Financial instruments with a fair value based on quoted market prices (level 1) include valuations which are determined by unadjusted quoted prices for identical instruments in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis

Financial instruments with a fair value based on observable inputs (level 2), include valuations other than quoted market prices as described for level 1, but which are observable for the instrument, either directly or indirectly

Financial instruments with a fair value based on significant unobservable inputs (level 3), include valuations which incorporate significant inputs for the instrument that are not based on observable market data (unobservable inputs) Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques

Visa Inc shares held by the group are classified as available-for-sale assets The shares are valued at market value and are subject to a discount for the lock-up provision The discount was determined using industry standard models The models calculate fair value based on input parameters such as the risk free rate of return, the period of the restriction the level of volatility anticipated and the level of dividends expected The results are validated against observable in-the-money put options As at 30 September 2010, the discount rate for the lock-up provision is 4 0 per cent (2009 15 5 per cent) If this was increased by 0 1 per cent the asset would decrease by €10,000 (2009 €18,000) A reduction of 0 1 per cent would increase the asset by €10,000 (2009 €18,000)

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

Taxation

The group has taken account of tax issues that are subject to ongoing discussions with HM Revenue and Customs and other tax authorities in recognising tax assets Inherent in this is management s assessment of legal and professional advice, case law and other relevant guidance The various risks are categorised and appropriate weightings applied in determining the carrying value of current and deferred tax balances

Notes to the financial statements continued

Year ended 30 September 2010

3 Critical accounting judgements and key sources of estimation uncertainty continued

Revenue recognition

As stated in note 2, revenues are stated net of volume based discounts and support incentives This offset takes place when it is probable that criteria for the discount or incentive will be met and can be reliably estimated Management exercises judgement in assessing whether criteria will be met and in estimating the percentage completion For support incentives, management estimates the percentage completion against the target criteria agreed with members For volume based discounts, management bases the estimates upon past experience

4. Financial risk management

Overview

The group has exposure to the following

- Market risk
- Settlement risk
- Liquidity risk
- Other price risk

This note presents information about the group s exposure to each of the above risks Further quantitative disclosures are included in note 25

Risk management framework

The group is exposed to a range of financial risks which predominantly arise from changes in foreign exchange rates, interest rates and money market liquidity A financial risk management framework is in place, where appropriate, to mitigate any negative impact this may have on the group's reported results

The risk framework comprises a treasury policy approved by the board This policy provides guidance over all treasury and finance-related matters and is underpinned by delegated authority guidelines and detailed procedures The main objectives of the policy are to ensure that sufficient liquidity exists to meet the operational needs of the business, to maintain the integrity and liquidity of the investment portfolio, and to manage the impact of foreign exchange and interest rate volatility on the group's net income

The execution of this policy is performed by an experienced treasury team and is monitored by an Asset and Liability Committee Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the group's activities Value-at-Risk and sensitivity analyses provide the Asset and Liability Committee with the appropriate information to monitor the net underlying financial risks

The group manages its foreign exchange, liquidity and interest rate risks in accordance with these policies using a variety of derivative and non-derivative instruments These instruments comprise of forward foreign exchange contracts and currency option contracts Hedging relationships are maintained within minimum and maximum allowable limits over specific maturity timeframes as defined in the policy The group does not trade in financial instruments, nor does it take on speculative or open positions through its use of derivatives

Market risk

The group is exposed to market risk factors such as changes in foreign exchange rates, interest rates and equity prices

Foreign exchange risk

A substantial proportion of the group's expenditure is denominated in foreign currencies, mainly Sterling and US Dollars To manage the income statement volatility attributable to this foreign exchange risk, the foreign exchange exposure of future committed and uncommitted cash flows are mitigated through the use of foreign exchange forwards and currency option contracts within the parameters defined by the treasury policy Committed cash flows relate to certain contractual rights or obligations Uncommitted cash flows are highly probable future cash flows for which the group does not yet have a contractual right or obligation

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 on its investment portfolio so as to minimise the effect of interest rate fluctuations on the income statement

The treasury policy allows the use of derivative transactions to manage exposures to interest rate movements The group has a policy of swapping a portion of variable interest profiles on its cash investments and cash equivalents to fixed interest profiles Where necessary, the group enters into interest rate swap transactions and forward rate agreements to achieve this objective

Equity risk

The group holds a small amount of equity risk which is currently accepted and not managed through the use of derivative instruments

Notes to the financial statements continued

Year ended 30 September 2010

4. Financial risk management continued

Settlement risk

The group's settlement risk is the risk that a member is unable to honour its obligations to the group as and when those fall due The group employs a specialist member risk management team that is responsible for monitoring the credit rating of each member that participates in the Visa system This is done by regularly assessing each principal member's financial health and evaluating their ability to respond if such a risk crystallises Each member is also further assessed based on the risk-based exposure generated by the number of Visa cards issued by the member and the related sales and acquiring volumes

Other risk management measures include assessing the economic, supervisory and regulatory environment of the countries in which those members operate To reduce any potential member losses that may arise from members' 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

Liquidity risk

Liquidity risk is the risk that the group is unable to meet its current and future cash flow obligations as and when they fall due, or can only do so at excessive cost This includes the risk that the group is unable to meet settlement obligations to the acquiring banks due to failure of an issuing bank to pay

To mitigate this risk, back up liquidity facilities are in place with a syndicate consisting of high credit, quality financial institutions, in addition to the group's own liquid investments The treasury policy states liquidity criteria for use in the management of the group's cash investments

To ensure that sufficient liquidity is available to meet short-term financial obligations, the group s swap policy is such that 80 per cent of cash investments must have an investment duration of less than one month and 40 per cent of cash assets must be invested in AAA rated Money Market Funds that allow same day access to funds All financial investments have an S&P rating of A or above and no investments are classed as either past due or impaired

Other price risk

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

Capital management

The group is not subject to any external capital requirements and nor was it in the prior year The group currently uses Basel II principles to measure and monitor the requirement for capital 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

5. Revenue

An analysis of the group's revenue is as follows

	2010 €000	2009 €000
Service and transaction fees	**720,808**	709,486

Due to higher than budgeted revenue growth and exceptional income, the group has generated a surplus over budget and its capital requirements As Visa Europe is a membership association, this surplus is to be returned to members in the proportions in which they pay fees, and it has been decided that this will be achieved by returning certain identified fees This reduction in revenues has been accrued in the year and has a net impact of €157,514,000 (2009 €nil)

6. Other operating and exceptional income

	2010 €000	2009 €000
Rental income from operating leases	**3,414**	5,117
Other	**1,211**	640
	4,625	5,757

During the year, the group released an accrual for indirect taxes on certain fees included within administration expenses in the current and prior years to exceptional income in the amount of €48,009,000 (2009 €nil) The group has satisfied itself that there is no longer a requirement to provide for such indirect tax and so the accrual has been released and no further accrual is being made

Notes to the financial statements continued

Year ended 30 September 2010

7 Administrative expenses

Administrative expenses include

	2010 € 000	2009 €'000
Foreign exchange losses/(gains) (see below)	**12,797**	(37,368)
Depreciation of property, plant and equipment		
owned	**50,889**	39,056
leased	**243**	243
Staff costs (see note 9)	**160,697**	137,978
Exceptional costs (see below)	**3,540**	3,942
Auditor's remuneration (see below)	**857**	755

Included within foreign exchange gains in 2009 are gains of €29,303,000 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) In 2010 no such gains were recognised

Included within administration expenses in 2010 are exceptional costs from the acquisition of SAS Carte Bleue €3,540,000 (2009 €3,942,000) (see note 17)

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

	Group		Company	
	2010 € 000	2009 € 000	2010 € 000	2009 € 000
Audit of the financial statements	**318**	260	**-**	-
Audit of the financial statements of the subsidiaries pursuant to legislation	**63**	10	**-**	-
Other services related to taxation	**53**	124	**-**	-
Fees relating to the Visa Europe Pension Plan	**9**	10	**-**	-
All other services	**414**	351	**-**	-
	857	755	**-**	-

The group paid all audit fees on behalf of the company

All other services predominantly relate to assurance services on the SAS Carte Bleue acquisition and SAS 70 reporting

8. Other operating expenses

	2010 €'000	2009 € 000
Net (gains)/losses on derivatives not in a designated hedge accounting relationship	**(5,767)**	803
Net losses on disposal and write off of property, plant and equipment	**1**	15,161
Net losses on forward contracts transferred from other comprehensive income	**11,398**	36,573
Net losses on option contracts transferred from other comprehensive income	**–**	910
	5,632	53,447

In 2009, net losses on disposal and write off of property, plant and equipment included a write down of €14,615,000 of project-related costs to recoverable amount In 2010 no such losses were recognised

There was no ineffectiveness arising from cash flow hedges included in derivatives not in designated hedge accounting relationships (2009 €nil)

9. Staff costs

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

	Group		Company	
	2010	2009	2010	2009
Marketing	**174**	159	**9**	-
Relationship management and member services	**240**	237	**6**	-
Technology and processing services	**674**	616	**11**	-
Other	**287**	267	**12**	-
	1,375	1,279	**38**	-

Notes to the financial statements continued

Year ended 30 September 2010

9. Staff costs continued

Their aggregate remuneration comprised of

	Group		Company	
	2010 €'000	2009 €'000	**2010 €'000**	2009 €'000
Wages and salaries	**131,632**	113,545	**3,546**	-
Social security costs	**17,320**	14,008	**947**	-
Other pension costs	**11,745**	10,425	**409**	-
	160,697	137,978	**4,902**	-

10. Remuneration of directors

The remuneration of the directors for the year was as follows

	2010 €'000	2009 €'000
Directors' emoluments	**2,185**	1,704

The aggregation of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was €1,648,000 (2009 €1,421,000), comprising

	2010 €'000	2009 €'000
Base remuneration	**495**	483
Performance related bonuses	**1,014**	802
Other benefits	**139**	136
	1,648	1,421

There were no retirement benefits accruing to any directors

11. Net financing income/(expense)

	2010 €'000	2009 €'000
Finance income		
Interest on bank deposits	**3,822**	14,990
Interest income on receivables	**-**	2,734
	3,822	17,724
Finance expense		
Interest on obligations under finance leases	**(10)**	(15)
Discounted provisions - unwind of discount	**(487)**	(446)
	(497)	(461)

Interest income on receivables in 2009 the fee payable by the company under the Framework Agreement for services provided by Visa Inc increased over time The difference between the eventual amount payable per quarter and the fee payable was presented as interest receivable There has been no such increase in 2010

12. Dividend income

	2010 €'000	2009 €'000
Dividend income on available-for-sale financial assets	**206**	170

13. Gain on investment

	Note	**2010 €'000**	2009 €'000
Gain in fair value recycled from other comprehensive income		**-**	49,298
Gain on foreign exchange on investment	14	**-**	103,284
		-	152,582
Loss on derivatives		**-**	(20,317)
		-	132,265

In 2009, a gain of €29,303,000 relating to foreign exchange movements arising from the investment in Visa Inc was included in administration expenses (note 7) Consequently the total gain on investment was €161,568,000 There is no such gain in 2010

Notes to the financial statements continued

Year ended 30 September 2010

14. Investment in Visa Inc.

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
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 the income statement	44,410	58,874	-	**103,284**	-	**103,284**
Subsequent movement in fair value through other comprehensive income	-	-	(107,470)	**(107,470)**	8,197	**(99,273)**
Subsequent movement in foreign exchange through other comprehensive income	-	-	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 members	-	-	(685,508)	**(685,508)**	-	**(685,508)**
Balance sheet value as 30 September 2009	-	-	-	-	23,238	**23,238**
Balance sheet value as 1 October 2009	-	-	-	-	23,238	**23,238**
Subsequent movement in fair value through other comprehensive income	-	-	-	-	4,680	**4,680**
Subsequent movement in foreign exchange through other comprehensive income	-	-	-	-	1,600	**1,600**
Balance sheet value as at 30 September 2010	-	-	-	-	29,518	**29,518**

The subsequent movement in fair value through other comprehensive income of €4,680,000 is included in the available-for-sale reserve gain of €4,404,000 in the consolidated statement of changes in equity

15. Tax

	2010 €000	2009 €000
Current tax		
UK corporation tax		
Current tax on profit for the year	**20,870**	11,744
Adjustment in respect of prior years	**(312)**	(4,600)
	20,558	7,144
Foreign tax		
Current tax on profit for the year	**13,237**	1,897
Adjustment in respect of prior years	**1,950**	(177)
	15,187	1,720
Total current tax	**35,745**	8,864
Deferred tax (note 26)		
Origination and reversal of temporary differences	**(1,900)**	1,250
Adjustment in respect of prior years	**(3,026)**	6,002
	(4,926)	7,252
Total tax charge	**30,819**	16,116

The group's profits are taxable in the UK, France and USA, subject to foreign tax relief in the USA and UK

Notes to the financial statements continued

Year ended 30 September 2010

15. Tax continued

The current tax charge for the year is higher than the standard rate of Federal income tax in the USA of 35 per cent (2009 35 per cent) The differences are explained below

	2010 €000	2009 €000
Profit before tax	**75,769**	215,720
Taxation at the standard US Federal income tax rate of 35% (2009 35%)	**26,519**	75,502
Effects of		
Permanent differences	**5,661**	3,762
Prior year adjustments	**(1,388)**	1,224
Non-taxable gains on investment in Visa Inc	**-**	(63,660)
Other	**27**	(712)
Total tax charge (see above)	**30,819**	16,116

Income tax recognised in other comprehensive income
For the year ended 30 September

	2010			2009		
	Before tax	**Tax**	**Net of tax**	Before tax	Tax	Net of tax
Available-for-sale investments						
Gains transferred from other comprehensive income to income	**-**	**-**	**-**	(49,298)	-	(49,298)
Gains/(losses) on revaluation	**4,404**	**-**	**4,404**	(99,191)	-	(99,191)
Foreign exchange gains	**1,593**	**-**	**1,593**	47,743	-	47,743
Cash flow hedges						
Gains/(losses) taken to other comprehensive income	**33,738**	**(11,809)**	**21,929**	(70,905)	24,816	(46,089)
Losses transferred from other comprehensive income to income statement	**11,398**	**(3,989)**	**7,409**	37,483	(13,119)	24,364
Actuarial losses on defined benefit pension schemes	**(14,107)**	**5,635**	**(8,472)**	(34,872)	11,911	(22,961)
	37,026	**(10,163)**	**26,863**	(169,040)	23,608	(145,432)

Notes to the financial statements continued

Year ended 30 September 2010

16 Property, plant and equipment

Group

	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 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 1 October 2009	**50,137**	**63,512**	**12,194**	**256,558**	**382,401**
Acquisitions through business combinations	602	-	19	1,342	1,963
Other additions	85	79,538	-	340	79,963
Transfers between items	44	(53,116)	1,168	51,904	-
Disposals	(87)	-	(175)	(18,890)	(19,152)
At 30 September 2010	**50,781**	**89,934**	**13,206**	**291,254**	**445,175**
Accumulated depreciation and impairment					
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 1 October 2009	**(19,051)**	-	**(9,199)**	**(112,807)**	**(141,057)**
Charge for the year	(4,701)	-	(1,468)	(44,963)	(51,132)
Elimination on disposal	87	-	175	18,889	19,151
At 30 September 2010	**(23,665)**	-	**(10,492)**	**(138,881)**	**(173,038)**
Carrying amount					
At 30 September 2010	**27,116**	**89,934**	**2,714**	**152,373**	**272,137**
At 30 September 2009	31,086	63,512	2,995	143,751	241,344

The group leased computer equipment under a number of finance lease arrangements At 30 September 2010, the net carrying amount of leased assets was €5,365,000 (2009 €5,478,000)

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

	Group 2010 € 000	2009 € 000
Contracted purchase of software and computer equipment	**4,955**	1,348
Contracted expenditure on buildings, fixtures and equipment	**2,396**	714
	7,351	2,062

Notes to the financial statements continued

Year ended 30 September 2010

16. Property, plant and equipment continued

Company

	Building improvements €'000	Fixtures and equipment €'000	Computer equipment and software €'000	Total €'000
Cost				
At 1 October 2008 and 1 October 2009	-	-	-	-
Transfer of the subsidiary undertaking SAS Carte Bleue	602	19	711	1,332
Other additions	85	-	340	425
Disposals	-	-	(46)	(46)
At 30 September 2010	**687**	**19**	**1,005**	**1,711**
Accumulated depreciation				
At 1 October 2008 and 1 October 2009	-	-	-	-
Charge for the year	(61)	(6)	(381)	(448)
Elimination on disposal	-	-	45	45
At 30 September 2010	**(61)**	**(6)**	**(336)**	**(403)**
Carrying amount				
At 30 September 2010	**626**	**13**	**669**	**1,308**
At 30 September 2009	-	-	-	-

17. Acquisition of subsidiary

On 1 February 2010 the group obtained control of SAS Carte Bleue, a French payments processing entity by acquiring 100 per cent of the shares and voting interests in the company

Through an increased presence in France following the acquisition, Visa Europe's aim is to increase market share in France, as it will have the ability to provide a unified Visa Europe view to French members and will be able to provide better customer service by tailoring products for individual members

In the eight months to 30 September 2010 the SAS Carte Bleue business contributed revenue of €62,207,000 and profit after tax of €3,096,000 If the acquisition had occurred on 1 October 2009, management estimates that the SAS Carte Bleue business would have contributed revenues of €90,641,000 and profit after tax for the year of €3,923,000 In determining these amounts management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 October 2009

Identifiable assets acquired and (liabilities) assumed

	Pre-acquisition carrying amounts €'000	Recognised values at acquisition €'000
Goodwill (see note 18)	-	14,189
Property, plant and equipment (including software)	1,452	1,963
Intangibles (see note 18)	28	4,468
Inventories	254	254
Trade and other receivables	29,613	29,613
Cash and cash equivalents	2,888	2,888
Trade and other payables	(26,864)	(27,088)
Deferred tax	(3,764)	(5,443)
Personnel and pension obligations	(1,334)	(1,571)
Total net identifiable assets	**2,273**	**19,273**

Cash flows used in the acquisition

Consideration agreed for the acquisition of SAS Carte Bleue amounted to €19,273,000

	€'000
Consideration for SAS Carte Bleue	19,273
Deferred consideration	(563)
Cash and cash equivalents acquired	(2,888)
Cash flows used in the acquisition	**15,822**

Notes to the financial statements continued

Year ended 30 September 2010

17. Acquisition of subsidiary continued

Costs associated with the acquisition amounting to €3,540,000 (2009 €3,942,000) have been expensed as exceptional costs and included within administration expenses (refer note 7)

Goodwill

Goodwill recognised as a result of the acquisition is as follows

	€000
Consideration paid	19,273
Less net identifiable assets and liabilities assumed	(5,084)
Goodwill	**14,189**

Amortisation periods

The amortisation periods of other intangibles and acquired software is as follows

	€000	Amortisation period (in years)
Customer relationships	3,711	15
Brand	757	15
Software	1,122	7

Forecast revenue and cost synergies arising from the acquisition have been attributed to the intangible asset values The goodwill value is the residual balance of the purchase price after allocation of appropriate fair values to the intangible asset categories

None of the goodwill is expected to be deductible for tax purposes

18. Goodwill and intangibles

Group

	Note	Goodwill €000	Operating rights €000	Customer relationships €000	Brand €000	Total €'000
Cost						
At 1 October 2008 and 30 September 2009		18,826	5,775	-	-	24,601
Acquisition through business combinations	17	14,189	-	3,711	757	18,657
At 30 September 2010		**33,015**	**5,775**	**3,711**	**757**	**43,258**
Accumulated amortisation						
At 1 October 2008 and 30 September 2009		-	-	-	-	-
Amortisation charge		-	-	(165)	(34)	(199)
At 30 September 2010		**-**	**-**	**(165)**	**(34)**	**(199)**
Carrying amount						
At 1 October 2008 and 30 September 2009		18,826	5,775	-	-	24,601
At 30 September 2010		**33,015**	**5,775**	**3,546**	**723**	**43,059**

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

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 For the current year, this was ten per cent 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 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

Year ended 30 September 2010

18. Goodwill and intangibles continued

Company

	Goodwill €000	Brand €'000	Total €'000
Cost			
At 1 October 2008 and 30 September 2009	-	-	
Acquisition through business combinations	16,080	26	16,106
At 30 September 2010	**16,080**	**26**	**16,106**
Accumulated amortisation			
At 1 October 2008 and 30 September 2009	-	-	-
Amortisation charge	(370)	(5)	(375)
At 30 September 2010	**(370)**	**(5)**	**(375)**
Carrying amount			
At 1 October 2008 and 30 September 2009	-	-	-
At 30 September 2010	**15,710**	**21**	**15,731**

19. Investment in subsidiaries

	2010 €'000	2009 €000
Cost and carrying value		
At 1 October and 30 September	**45**	45

Details of the company's subsidiaries at 30 September 2010 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 (dormant)	UK	UK	100%*	100%*	Cost
European Resource Management Limited	Jersey	Jersey	100%*	100%*	Cost
Visa EU Limited (dormant)	UK	UK	100%*	100%*	Cost

* Ownership interest and voting power held indirectly by the company through its interest in Visa Europe Services Inc

20. Financial assets (group)

	Group 2010 €'000	Group 2009 €000
Non-current		
Interest rate derivatives	**2,271**	1,727
Currency derivatives	**8,177**	50
	10,448	1,777

	Group 2010 €'000	Group 2009 €000
Current		
Held to maturity investment	**65,000**	100,000
Interest rate derivatives	**-**	4,642
Currency derivatives	**11,724**	464
Available-for-sale investment	**37,818**	29,961
	114,542	135,067

At 30 September 2010, available-for-sale assets included Class C (Series IV) shares in Visa Inc held by the group valued at €29,518,000 (2009 €23,238,000) The shares are listed and are measured at fair value (see note 14)

Notes to the financial statements continued

Year ended 30 September 2010

21. Short-term investment (company)

	2010 €'000	2009 € 000
Current assets		
Investment	**65,000**	100,000

On 30 September 2010, a fixed term investment was held by the company which was valued at historical cost less impairment

22 Inventories

	2010 €'000	2009 € 000
Finished goods	**358**	-

23 Trade and other receivables

	Group		Company	
	2010 € 000	2009 € 000	2010 €'000	2009 € 000
Trade receivables	**494,379**	98,281	**65,897**	26,302
Amounts owed by related parties	**-**	-	**445,348**	44,360
Other receivables	**21,409**	2,128	**281**	798
Prepayments	**27,479**	15,143	**166**	-
	543,267	115,552	**511,692**	71,460

The average credit period taken on sales of goods is 27 days (2009 25 days) No interest is charged on the receivables for the first 30 days from the date of the invoice

The directors consider that the carrying amount of trade and other receivables approximates their fair value

The group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 25

During the course of 2010, most of our members migrated from Visa Inc 's settlement system, to Visa Europe's own settlement system, VECSS The consequence of settling receipts from net issuing members and payments to net acquiring members two days after the processing date is that the gross amounts of cardholder transactions are reflected in the group's balance sheet, rather than Visa Inc 's, as accounts receivable and accounts payable, respectively Consequently, the group has seen an increase in the balance of these accounts compared to September 2009

24 Cash and cash equivalents

	Group		Company	
	2010 € 000	2009 € 000	2010 €'000	2009 € 000
Bank balances	**635,254**	393,043	**88,916**	270,278
Bank overdrafts (see note 28)	**(7,434)**	(209)	**(5)**	-
Cash and cash equivalent in the statement of cash flows	**627,820**	392,834	**88,911**	270,278

Cash and cash equivalents held by the group include 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 2 23 per cent (2009 3 51 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 0 44 per cent (2009 2 73 per cent)

The group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25

Notes to the financial statements continued

Year ended 30 September 2010

25. Financial instruments

Settlement risk

Settlement risk is the risk that a member is unable to honour its obligations to the group as and when they fall due Daily settlements volumes averaged more than €1 4 billion (2009 €900 million) To guard against any potential losses that may arise, the group obtains financial safeguards from members where it is deemed appropriate This is based on board-approved guidelines and generally includes cash equivalents, letter of credits and guarantees

The group had the following financial safeguards to mitigate its settlement risk with members

	2010 € million	2009 € million
Cash	176	157
Letters of credit	307	276
Guarantees	505	374
Total	988	807

As these forms of collateral do not meet the definition of an asset for the group, no amounts are included on the balance sheet

Credit risk

The carrying amount of financial assets represents the group's maximum exposure, which at reporting date, was as follows

	2010 € million	2009 € million
Financial assets	125 0	136 9
Trade and other receivables	543 3	115 6
Cash and cash equivalents	635 3	393 0
	1,303 6	645 5

The group places cash deposits with high credit quality financial institutions

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

Liquidity risk

Maturity analysis

The following tables show the group's contractual cash flows of financial liabilities, including estimated interest payments

30 September 2010

	Net carrying amount € million	Contractual cash flows € million	Less than 1 year € million	Greater than 1 year € million
Non-derivative financial liabilities				
Bank overdraft	(7 4)	(7 4)	(7 4)	-
Trade and other payables	(937 8)	(937 8)	(937 8)	-
Finance lease	(2 9)	(3 0)	(3 0)	-
Derivative financial liabilities				
Interest rate swaps	(0 1)	(0 1)	(0 1)	-
Total liquidity risk	(948 2)	(948 3)	(948 3)	-

30 September 2009

	Net carrying amount € million	Contractual cash flows € million	Less than 1 year € million	Greater than 1 year € million
Non-derivative financial liabilities				
Bank overdraft	(0 2)	(0 2)	(0 2)	-
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	-	-	-	-
Total liquidity risk	(325 8)	(325 9)	(324 4)	(1 5)

Notes to the financial statements continued

Year ended 30 September 2010

25. Financial instruments continued

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur

30 September 2010

	Total € million	2010 6 months or less € million	6-12 months € million	1-3 years € million	Greater than 3 years € million
Interest rate swaps	**2 2**	**1 1**	**(1 2)**	**2 3**	-
Forward rate agreements	-	-	-	-	-
Foreign exchange forward contracts					
Sterling	**632 3**	**114 3**	**90 4**	**427 6**	-
US Dollar	**143 4**	**27 4**	**3 6**	**112 4**	-
Other	-	-	-	-	-
Total	**777 9**	**142 8**	**92 8**	**542 3**	-

30 September 2009

	Total € million	2009 6 months or less € million	6-12 months € million	1-3 years € million	Greater than 3 years € million
Interest rate swaps	5 7	4 5	(0 5)	1 7	-
Forward rate agreements	0 6	0 1	0 4	0 1	-
Foreign exchange forward contracts					
Sterling	620 0	164 0	135 0	321 0	-
US Dollar	121 0	23 0	38 0	60 0	-
Other	(12 0)	(13 0)	1 0	-	-
Total	735 3	178 6	173 9	382 8	-

The following table indicates the periods in which the cash flows associated with cash flow hedges outstanding at 30 September 2010 and 2009 are expected to impact the income statement

30 September 2010

	Total € million	2010 6 months or less € million	6-12 months € million	1-3 years € million	Greater than 3 years € million
Interest rate swaps	**0 6**	**(0 4)**	**0 9**	**0 1**	-
Forward rate agreements	-	-	-	-	-
Foreign exchange forward contracts					
Sterling	**632 3**	**114 3**	**90 4**	**427 6**	-
US Dollar	**143 4**	**27 4**	**3 6**	**112 4**	-
Total	**776 3**	**141 3**	**94 9**	**540 1**	-

30 September 2009

	Total € million	2009 6 months or less € million	6-12 months € million	1-3 years € million	Greater than 3 years € million
Interest rate swaps	1 1	(0 1)	0 9	0 3	-
Forward rate agreements	0 6	0 2	0 4	-	-
Foreign exchange forward contracts					
Sterling	620 0	164 0	135 0	321 0	-
US Dollar	121 0	23 0	38 0	60 0	-
Other	(12 0)	(13 0)	1 0	-	-
Total	730 7	174 1	175 3	381 3	-

Notes to the financial statements continued

Year ended 30 September 2010

25. Financial instruments continued

30 September 2010

The following table shows the fair values of the group's derivative financial instruments held at 30 September 2010 and 2009

	2010				
	Total € million	6 months or less € million	6-12 months € million	1-3 years € million	Greater than 3 years € million
Interest rate swaps	2 2	1 1	(1 2)	2 3	-
Forward rate agreements	-	-	-	-	-
Foreign exchange forward contracts					
Sterling	0 1	0 1	(1 0)	1 0	-
US Dollar	0 4	0 4	1 0	(1 0)	-
Other	-	-	-	-	-
Total	2 7	1 6	(1 2)	2 3	-

30 September 2009

	2009				
	Total € million	6 months or less € million	6 12 months € million	1-3 years € million	Greater than 3 years € million
Interest rate swaps	5 7	4 5	(0 5)	1 7	-
Forward rate agreements	0 6	0 1	0 4	0 1	-
Foreign exchange forward contracts					
Sterling	(47 7)	(16 5)	(11 4)	(19 8)	-
US Dollar	(3 5)	(0 9)	(0 3)	(2 3)	-
Other	(0 3)	(0 2)	(0 1)	-	-
Total	(45 2)	(13 0)	(11 9)	(20 3)	-

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 2010 and 2009 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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts

Market risk

Interest rate risks

The group is exposed to fluctuations in interest rates on its cash investments

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

The following table shows the instruments traded and their durations

	2010		2009	
	Carrying amount € million	Duration days	Carrying amount € million	Duration days
Financial assets				
Amounts owing from banks under various deposit arrangements at various interest rates	623 0	2	384 7	2
Marketable securities	65 0	12	100 0	12
Total assets and weighted duration	688 0	3	484 7	4
Financial derivatives				
Fixed rate agreements	-	-	0 6	206
Interest rate swaps – fixed rate	2 2	376	5 8	483
Total derivatives and weighted duration	2 2	376	6 4	345

Note Notional values have been used to calculate duration to maturity

Notes to the financial statements continued

Year ended 30 September 2010

25. Financial instruments continued

Interest rate risk sensitivity

The group has hedged a proportion of its interest receivable using derivative products The risk associated with the hedge liability is assessed by sensitivity testing (ten per cent interest rate shift) At year end a ten per cent increase in the yield curve would lead to a mark-to-market loss of €0 3 million

Hedge accounting

As described above, the group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates To hedge these exposures, the group uses foreign exchange forward contracts and interest rate swaps which are designated as cash flow hedges The group does not use derivative financial instruments for speculative purposes The group's derivative financial instruments and hedge accounting policy is disclosed in note 2

The group may enter into certain foreign currency and interest rate transactions that are not designated as hedges for accounting purposes The fair value movements of such transactions are immediately recorded in the income statement

The carrying amount of derivative financial instruments and whether these derivatives are designated in a formal hedging relationship at the reporting date is analysed as follows

	2010 Assets €'000	Liabilities €'000	2009 Assets €'000	Liabilities €'000
Cash flow hedges				
Interest rate swaps	**2 2**	-	1 0	-
Foreign exchange forward contracts				
Sterling	**10 7**	**(12 6)**	-	(47 8)
US Dollar	**3 6**	**(7 5)**	0 5	(4 0)
Total	**16 5**	**(20 1)**	1 5	(51 8)
Not designated in a qualifying hedging relationship				
Interest rate swaps	-	-	4 7	-
Forward rate agreements	-	-	0 6	-
Foreign exchange forward contracts				
Sterling	**1 9**	-	-	-
US Dollar	**3 6**	-	-	-
Other	-	-	-	0 1
Total	**5 5**	-	5 3	0 1

Currency risk

Sensitivity analysis on foreign exchange risk

Residual risk after hedging is assessed using 'Value-at-Risk' (VaR) and sensitivity analyses All VaR approaches try to recognise that holding different assets/liabilities or future cash flow exposures may actually reduce portfolio risk through the de-correlation benefits of diversification This benefit is captured within the calculation and thus aims to present portfolio risk holistically

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

The group 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)

The VaR and sensitivity analysis is presented to the Asset and Liability Committee as part of the monthly compliance reporting The committee considers whether any action is necessary depending on risk appetite

The group 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

Notes to the financial statements continued

Year ended 30 September 2010

25. Financial instruments continued

Risk calculation summary table (net impact)

	Time horizon months	2010 € million	2009 € million
Foreign exchange risks			
Transaction risk uncommitted - Value-at-Risk	12	5 4	12 8

Uncommitted FX risk - currency sensitivity (12-month holding period)

Value-at-Risk	2010 Gross impact € million	2010 Net impact € million	2010 Risk reduction %	2009 Gross impact € million	2009 Net impact € million	2009 Risk reduction %
US Dollar	18 4	3 5	81	25 8	12 3	52
Sterling	44 3	4 9	89	57 4	8 8	85
Total undiversified	62 7	8 4	87	83 2	21 1	75
Diversification	(18 4)	(3 0)	84	(29 3)	(8 3)	72
Net VaR	44 3	5 4	88	53 9	12 8	76

The minimum and maximum levels of VaR recorded in 2010 and 2009 were €5 0 million and €17 6 million, respectively

During 2010 the group started to support its non Euro settlement exposure by retaining liquid investments denominated in foreign currency The cash investments have been hedged using currency forwards and the net Value at Risk at year end was €nil as highlighted in the table below

Committed FX risk -currency sensitivity (12-month holding period)

Value-at-Risk	2010 Gross impact € million	2010 Net impact € million	2010 Risk reduction %
US Dollar	10 1	-	100
Sterling	10 5	-	100
Total undiversified	20 6	-	100
Diversification	(5 3)	-	100
Net VaR	15 3	-	100

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 trade receivables and trade payables by currency for the years ended 2010 and 2009 were as follows

	Trade Receivables %		Trade Payables %	
Currency	2010	2009	2010	2009
US Dollar	6	15	2	2
Euro	38	19	39	12
Sterling	25	19	27	35
Other	31	47	32	51
Total	100	100	100	100

The split of sales and operating costs by currency for the years 2010 and 2009 were as follows

	Sales in %		Operating costs in %	
Currency	2010	2009	2010	2009
US Dollar	35	34	23	26
Euro	52	49	15	21
Sterling	4	7	61	53
Other	9	10	1	-
Total	100	100	100	100

A significant strengthening of the US Dollar or Sterling against the Euro will thus negatively affect the group results The group 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 2010 a ten per cent strengthening of both the US Dollar and Sterling against the Euro would adversely affect the cash flow by €6 3 million

Notes to the financial statements continued

Year ended 30 September 2010

25 Financial instruments continued

Fair values

The group uses quoted prices (unadjusted) in active markets to determine the fair values of identical assets or liabilities

The table below analyses financial instruments carried at fair value, by valuation method The different levels have been defined in note 3

30 September 2010

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Non-derivative financial assets.				
Trade and other receivables	543 3	-	-	543 3
Cash and cash equivalents	635 3	-	-	635 3
Financial assets - held to maturity	65 0	-	-	65 0
Available-for-sale investment	27 7	-	10 1	37 8
Derivative financial assets				
Interest rate derivatives	-	2 3	-	2 3
Currency derivatives	-	19 9	-	19 9
	1,271 3	22 2	10 1	1,303 6
Non-derivative financial liabilities:				
Bank overdraft	(7.4)	-	-	(7 4)
Trade and other payables	(937 8)	-	-	(937 8)
Finance lease	(2 9)	-	-	(2 9)
Derivative financial liabilities				
Currency derivatives	-	(20 2)	-	(20 2)
	(948 1)	(20 2)	-	(968 3)

30 September 2009

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Non-derivative financial assets				
Trade and other receivables	115 6	-	-	115 6
Cash and cash equivalents	393 0	-	-	393 0
Financial assets - held to maturity	100 0	-	-	100 0
Available-for-sale investment	14 6	-	15 4	30 0
Derivative financial assets				
Interest rate derivatives	-	6 4	-	6 4
Currency derivatives	-	0 5	-	0 5
	623 2	6 9	15 4	645 5
Non-derivative financial liabilities:				
Bank overdraft	(0 2)	-	-	(0 2)
Trade and other payables	(320 3)	-	-	(320 3)
Finance lease	(3 9)	-	-	(3 9)
Derivative financial liabilities				
Currency derivatives	-	(52 0)	-	(52 0)
	(324 4)	(52 0)	-	(376 4)

The following table shows the movement in assets measured on a level 3 fair value basis

	Available for sale financial assets € million
At 1 October 2009	15 4
Transfers out of level 3 to level 1	(11 0)
Gains on revaluation taken to other comprehensive income	4 5
Foreign exchange gains taken to other comprehensive income	1 2
At 30 September 2010	**10 1**

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date and were as follows

	2010	2009
Derivative contracts	**0.43% to 1 67%**	0 30% to 1 26%

Notes to the financial statements continued

Year ended 30 September 2010

26 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 2008	(511)	2,922	8,072	10,483
(Charge)/credit to profit or loss	(1,695)	(1,516)	1,961	(1,250)
Credit to other comprehensive income	-	11,989	11,619	23,608
Prior year adjustment	(789)	1,424	(6,637)	(6,002)
Exchange differences	-	(868)	-	(868)
At 1 October 2009	(2,995)	13,951	15,015	25,971
Goodwill on acquisition of SAS Carte Bleue	-	-	(1,720)	(1,720)
(Charge)/credit to profit or loss	1,626	1,636	(1,362)	1,900
(Charge)/credit to other comprehensive income	-	5,635	(15,798)	(10,163)
Prior year adjustment	508	2,518	-	3,026
Exchange differences	-	379	-	379
At 30 September 2010	**(861)**	**24,119**	**(3,865)**	**19,393**

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

	2010 €'000	2009 €'000
Deferred tax liabilities	**(4,958)**	(5,172)
Deferred tax assets	**24,351**	31,143
	19,393	25,971

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

27. Trade and other payables

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Trade payables	**472,024**	71,874	**9,842**	3,736
Social security and other taxes	**2,810**	19,115	**320**	9,964
Accruals and deferred income	**462,963**	229,343	**353,099**	112,264
	937,797	320,332	**363,261**	125,964

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 21 days (2009 27 days)

For an explanation of the movement in trade payables, refer to note 23

28. Financial liabilities

	2010 €'000	2009 €'000
Non-current		
Obligations under finance leases (note 29)	-	1,469
Currency derivatives	**8,694**	22,150
	8,694	23,619
Current		
Obligations under finance leases (note 29)	**2,912**	3,879
Bank overdrafts (note 24)	**7,434**	209
Currency derivatives	**11,501**	29,891
Interest rate derivatives	**89**	-
	21,936	33,979

Notes to the financial statements continued
Year ended 30 September 2010

29. Obligations under finance leases

The minimum lease payment under the terms of the leases are as follows

	Minimum lease payments		Present value of lease payments	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Amounts payable under finance leases				
Within one year	**2,982**	3,951	**2,912**	3,879
In the second to fifth years	**-**	1,503	**-**	1,469
	2,982	5,454	**2,912**	5,348
Less future finance charges	**(70)**	(106)		
Present value of lease obligations	**2,912**	5,348		
Less amount due for settlement within 12 months (shown under current liabilities)			**(2,912)**	(3,879)
Amount due for settlement after 12 months			**-**	1,469

It is the group's policy to lease certain of its fixtures and equipment under finance leases The average lease term is four years (2009 four years) For the year ended 30 September 2010, the average effective borrowing rate was six per cent (2009 six 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 repayments

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' right over the leased asset

30. Retirement benefit obligation

Defined contribution pension schemes

The pension charge for the year represents contributions payable by the group to the schemes and amounted to €6,650,000 (2009 €5,948,000) The assets of the defined contribution schemes are held 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 these pension schemes (69 per cent)

A defined contribution liability of €240,000 was recognised at the end of the year (2009 €nil) following the acquisition of SAS Carte Bleue

Defined benefit schemes

The group provides benefits though 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 UA scheme is classified in 'other schemes' in the following tables

The latest actuarial valuation for the VPP and UA scheme was carried out at 30 September 2008 and was updated for the purpose of IAS 19, Employee Benefits, to 30 September 2010 by a qualified independent actuary As the schemes are closed to new members, it is expected that the cost of the schemes as a percentage of individual pensionable salaries will increase as the members age

During the year, the group acquired SAS Carte Bleue The liabilities of SAS Carte Bleue included a defined benefit scheme which is unfunded This scheme has been included within 'other schemes' and is in relation to retirement indemnities paid on retirement in line with French regulations

The latest actuarial valuation for the SAS Carte Bleue retirement indemnities was carried out at 31 March 2009

The cumulative amount recognised in other comprehensive income for all arrangements at 30 September 2010 was €(36,865,000) (2009 €(22,758,000))

	2010	2009	2008	2007	2006
	%	%	%	%	%
Key assumptions used					
Discount rate applied to scheme liabilities	**5 19**	5 68	7 00	6 00	5 00
Expected return on scheme assets	**6 13**	6 61	8 13	7 00	6 51
Expected rate of salary increases	**4 46**	4 44	4 80	4 50	4 25
Future pension increases	**3 06**	3 05	3 35	3 10	3 00
Inflation	**3 21**	3 19	3 55	3 25	3 00

Notes to the financial statements continued

Year ended 30 September 2010

30. Retirement benefit obligation continued

	2010 Years	2009 Years	2008 Years	2007 Year	2006 Years
Life expectancy for a male aged 65	**23 5**	23 4	23 3	21 9	19 8
Life expectancy for a male aged 45 from the age of 65	**24 6**	24 6	24 5	23 0	19 8
Life expectancy for a female aged 65	**25 8**	25 7	25 7	24 8	22 8
Life expectancy for a female aged 45 from the age of 65	**26 8**	26 7	26 7	25 8	22 8

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

	2010			2009		
	Total €000	**VPP €'000**	**Other schemes €'000**	Total €000	VPP €000	Other schemes €000
Current service cost	**5,095**	**4,815**	**280**	4,477	4,227	250
Interest cost	**8,486**	**8,112**	**374**	7,636	7,342	294
Expected return on scheme assets	**(7,848)**	**(7,848)**	**-**	(8,430)	(8,430)	-
Past service costs	**157**	**157**	**-**	6	6	-
	5,890	**5,236**	**654**	3,689	3,145	544

Amounts recognised through the income statement have been included in administration expenses Actuarial gains and losses have been reported in other comprehensive income

The actual return on scheme assets was €10,441,000 (2009 €8,117,000) The amount included in the balance sheet arising from the group's obligations in respect of its defined retirement benefit schemes are as follows

	Present value of defined benefit obligation €000	Fair value of scheme assets €000	(Liability)/surplus recognised in the balance sheet €000
2010			
VPP	**(172,623)**	**135,628**	**(36,995)**
Other schemes	**(8,015)**	**-**	**(8,015)**
Total	**(180,638)**	**135,628**	**(45,010)**
2009			
VPP	(139,720)	113,214	(26,506)
Other schemes	(6,013)	-	(6,013)
Total	(145,733)	113,214	(32,519)
2008			
VPP	(110,828)	110,924	96
Other schemes	(4,406)	-	(4,406)
Total	(115,234)	110,924	(4,310)
2007			
VPP	(130,607)	140,008	9,401
Other schemes	(5,376)	-	(5,376)
Total	(135,983)	140,008	4,025
2006			
VPP	(144,006)	126,934	(17,072)
Other schemes	(5,822)	-	(5,822)
Total	(149,828)	126,934	(22,894)

Notes to the financial statements continued
Year ended 30 September 2010

30. Retirement benefit obligation continued

Movements in the present value of defined benefit obligation were as follows

	2010			2009		
	Total €'000	VPP €'000	Other Schemes €'000	Total €'000	VPP €'000	Other Schemes €'000
At 1 October	**(145,733)**	**(139,720)**	**(6,013)**	(115,234)	(110,828)	(4,406)
Acquisition through business combinations	**(238)**	**-**	**(238)**	-	-	-
Current service cost	**(5,095)**	**(4,815)**	**(280)**	(4,477)	(4,227)	(250)
Interest cost	**(8,486)**	**(8,112)**	**(374)**	(7,636)	(7,342)	(294)
Actuarial losses	**(16,700)**	**(15,892)**	**(808)**	(34,559)	(32,823)	(1,736)
Exchange difference	**(8,053)**	**(7,681)**	**(372)**	15,490	14,879	611
Benefits paid	**3,824**	**3,754**	**70**	689	627	62
Past service cost	**(157)**	**(157)**	**-**	(6)	(6)	-
At 30 September	**(180,638)**	**(172,623)**	**(8,015)**	(145,733)	(139,720)	(6,013)

Movements in the present value of defined benefit assets were as follows

	2010			2009		
	Total €'000	VPP €'000	Other Schemes €'000	Total €'000	VPP €'000	Other Schemes €'000
At 1 October	**113,214**	**113,214**	**-**	110,924	110,924	-
Expected return on scheme assets	**7,848**	**7,848**	**-**	8,430	8,430	-
Actuarial gains and (losses)	**2,593**	**2,593**	**-**	(313)	(313)	-
Exchange difference	**6,050**	**6,050**	**-**	(14,871)	(14,871)	-
Contributions from the sponsoring company	**9,747**	**9,677**	**70**	9,733	9,671	62
Benefits paid	**(3,824)**	**(3,754)**	**(70)**	(689)	(627)	(62)
At 30 September	**135,628**	**135,628**	**-**	113,214	113,214	-

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

	Expected rate of return		Fair value of assets	
	2010 %	2009 %	2010 €'000	2009 €'000
Equity instrument	**7 38**	8 23	**59,676**	48,331
Index-linked gilts	**3 53**	3 95	**25,769**	22,049
Debt instruments	**5 19**	5 68	**33,907**	24,051
Property	**7 38**	8 23	**13,563**	2,804
Other assets	**3 50**	4 15	**2,713**	15,979
			135,628	113,214

Notes to the financial statements continued

Year ended 30 September 2010

30. Retirement benefit obligation continued

Experience items and liabilities were as follows

	Experience gains/(losses) on assets €'000	Experience gains/(losses) on liabilities € 000
2010		
VPP	**2,593**	**(15,892)**
Other schemes	**-**	**(808)**
Total	**2,593**	**(16,700)**
2009		
VPP	(313)	(32,823)
Other schemes	-	(1,736)
Total	(313)	(34,559)
2008		
VPP	(25,107)	16,056
Other schemes	-	832
Total	(25,107)	16,888
2007		
VPP	33	22,679
Other schemes	-	1,187
Total	33	23,866
2006		
VPP	5,422	(8,797)
Other schemes	-	(191)
Total	5,422	(8,988)

The expected contributions between 1 October 2010 and 30 September 2011 are €10,430,000

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 2010 together with an inflation assumption and an assumption of one per cent per annum long-term real dividend growth

Cash The 20-year interest rate swap at 30 September 2010

Index linked The return is equal to the yield published for the FTSE UK Gilts 15-year index

Debt instruments The discount rate

Property As equity instruments (see above)

During the financial year the Government announced that it will in future use the Consumer Prices Index in place of the Retail Prices Index in its determination of statutory minimum pension increases for private sector occupational pension schemes Management are considering how the Government s decision may impact the group's UK pension arrangements Management will continue to monitor the developments in this area and market reaction, however, there is no impact on the group's financial statements for this financial year

31. Provisions

	2010 Total €'000	2010 Asset retirement obligation €'000	2010 Other € 000	2009 Total € 000	2009 Asset retirement obligation €'000	2009 Other € 000
At 1 October	**6,606**	**5,386**	**1,220**	7,832	4,332	3,500
Additional provision in the year	**1,802**	**452**	**1,350**	2,432	1,168	1,264
Unwinding of discount	**487**	**487**	**-**	446	446	-
Provisions reversed during the year	**(19)**	**-**	**(19)**	(3,073)	-	(3,073)
Provisions used during the year	**(717)**	**-**	**(717)**	(471)	-	(471)
Exchange difference	**278**	**278**	**-**	(560)	(560)	-
At 30 September	**8,437**	**6,603**	**1,834**	6,606	5,386	1,220

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

Notes to the financial statements continued

Year ended 30 September 2010

32. Capital and reserves

	2010 Number	2010 €	2009 Number	2009 €
Issued and fully paid				
Subscriber share of €10	1	10	1	10
Ordinary shares of €10 each				
At 1 October	4,147	1,037	4,586	1,155
Total issued shares at 1 October	4,148	1,047	4,587	1,165
Issue of shares	171	43	45	11
Redemption of shares	(126)	(32)	(65)	(16)
Adjustment for duplications and consolidations	(16)	(4)	(419)	(113)
At 30 September	4,177	1,054	4,148	1,047

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 (2009 €41,000)

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

In 2009 and 2010, adjustments have been for duplications and consolidations to resolve duplication errors in the share register

Company reserves

		Attributable to the equity holders of the parent			
	Share capital €'000	Capital redemption reserve €'000	Capital contribution reserve €'000	Revaluation reserve €'000	Retained earnings €'000
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 and 1 October 2009	-	-	1	-	311,607
Total recognised income and expense					2,379
At 30 September 2010	-	-	1	-	313,986

The company's profit on ordinary activities after taxation was €2,379,000 (2009 €189,095,000)

Revaluation reserve

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

33. 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

Year ended 30 September 2010

34. Contingent liabilities

The company and its subsidiaries are, from time to time, parties to or affected by legal proceedings and claims and they enter into guarantees, financing arrangements and commitments which are in the ordinary course of business The directors do not anticipate that the outcome of these proceedings, claims, guarantees, financing arrangements and commitments, either individually or in aggregate, will have a material adverse effect upon the group's financial position

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 An agreement on immediate debit interchange was reached in April 2010 The required interchange rates are expected to come into force in early 2011 There has been no change in respect of deferred debit or credit interchange No supplementary SO has been issued

35. Operating lease arrangements

The group as lessee

	2010 €000	2009 €000
Minimum lease payments under operating leases recognised in income for the year	**14,332**	14,572

At the reporting date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2010 €'000	2009 €000
Within one year	**14,275**	12,246
In the second to fifth years inclusive	**50,110**	44,912
After five years	**135,882**	137,731
	200,267	194,889

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 €3,414,000 (2009 €5,117,000) At the balance sheet date, the group had contracted with tenants for the following future minimum lease payments

	2010 €000	2009 €000
Within one year	**2,502**	3,971
In the second to fifth years inclusive	**7,189**	10,696
After five years	**1,949**	1,261
	11,640	15,928

Glossary of terms

At Visa Europe we work in a complex industry with its own particular terminology and a bewildering array of acronyms Here are definitions for some of the terms and acronyms used in this annual report

Acceptance location We use this term to refer to any establishment or any device where Visa cards can be used to buy goods or services or withdraw cash - such as retailers, bank branches, ATM machines and unattended or cardholder activated terminals

Acquirer Also referred to as an acquiring bank, this is a Visa member that signs up merchants 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

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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

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

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's 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 or organisation that is licensed by its national authorities as a payment service provider 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

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

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

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

Glossary

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 members - 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 accepts Visa payments - and, along with the acquirer, the issuer and the cardholder, constitutes one of the parties in a four party payment system

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

SEPA The Single Euro Payments Area is a term used by the European Central Bank to refer to its policy and goal of establishing a pan-European payments infrastructure The aim is to eliminate any differences between national and pan-European payments

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